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Group set to deliver stronger FY26, FY27 earnings

CORPORATE

PETALING JAYA: Tenaga Nasional Bhd (TNB) is expected to deliver stronger earnings over the next two financial years, underpinned by expanding regulated assets, accelerating capital expenditure and supportive regulatory mechanisms, as research houses turn increasingly constructive on its prospects.

Hong Leong Investment Bank (HLIB) Research, for one, said it expects electricity demand growth to remain healthy in 2026, supported by its projection for Malaysia's gross domestic product registering a 4.7% growth this year, and the continued rollout of data centres.

"Accordingly, management is guiding for stronger earnings in financial year 2026 (FY26) to FY27, underpinned by a higher regulated asset base (RAB), new generation contribution, and a lower effective tax rate," it said.

The brokerage noted that TNB invested RM12bil in capital expenditure (capex) in 2025, comprising RM10.3bil in base capex and RM1.7bil in contingent capex, lifting its RAB to RM75.8bil.

It highlighted that TNB's management has guided for higher capex of RM13bil in 2026 and RM15bil in 2027, which should further expand the RAB by end-2027.

"The return mechanism for contingent capex has now been finalised, providing greater earnings visibility for 2026 to 2027, as TNB plans to accelerate contingent capex spending to RM3.7bil in 2026 and RM7.6bil in 2027 (vs RM1.7bil in 2025)," HLIB Research explained.

It maintained its "buy" recommendation on TNB with an unchanged target price of RM17.25.

"The utility company is well positioned to benefit from resilient economic growth in 2026, supported by the implementation of the new return mechanism for contingent capex and a lower effective tax rate projected for 2026 to 2027," it added.

RHB Research similarly expects capex momentum to be sustained.

"TNB was able to achieve its target of

"The utility company is well positioned to benefit from resilient economic growth in 2026, supported by the implementation of the new return mechanism for contingent capex."

Hong Leong Investment Bank Research

RM12bil regulated capex in 2025. We estimate that base capex makes up 88% of the total," it said.

"Following the government's approval of the contingency recovery mechanism, we believe TNB will accelerate its contingency capex allocation to sustain the RM12bil spending per annum in 2026 and 2027," it added.

As such, RHB Research noted, TNB's management is still hopeful of achieving two-thirds of Regulatory Period 4 (RP4) capex approvals, which should provide a 7% uplift from its 2026 earnings forecasts and target price.

It reiterated "buy" on TNB, with an unchanged target price of RM16.50, pegged at 19 times 2026 price-earnings (PER), which is at plus one standard deviation (SD) to TNB's three-year mean.

"We believe the premium is justified as TNB is the prime beneficiary of the National Energy Transition Roadmap, with the regulated framework providing a stable earnings base," it said.

UOB Kay Hian Research also maintained its positive stance, with a "buy" call on TNB and target price of RM16.30.

"Our equity risk premium on the stock at 7.8% reflects TNB's tariff autonomy and the gradual decoupling of tariffs from the government's purview.

"At our target price, the stock trades at 18.7 times 2026 earnings, plus two SD above five-year mean PER."

Given TNB's strong fourth-quarter (4Q) results, CIMB Research raised its 2026 to 2027 core earnings per share (EPS) forecasts by 4% and 5% and, correspondingly,

its target price for the counter by 5% to RM15.90.

It now projects 4.8% core EPS growth in 2026, followed by 10.9% and 8.5% growth in 2027 and 2028 respectively, while flagging higher-than-expected operating expenditure and slower contingent capex as key risks.

TA Research also turned more constructive after revising down its tax assumptions. It reaffirmed its "buy" call on TNB, with a higher target price of RM18 (up from RM15.80 previously) following the earnings revision in this report.

"We continue to like TNB as a key beneficiary of the energy transition from a step-up in grid capex to accommodate higher renewable energy penetration, while its generation company is well positioned to benefit from data centre-driven demand growth," TA Research explained.

For context, TNB's net profit more than doubled to RM1.68bil in 4Q25, from RM642.30mil a year earlier, as revenue rose 22.4% to RM17.60bil on stronger electricity sales.

Full-year net profit climbed 19.8% to RM4.77bil on revenue of RM67.72bil.

One analyst noted that the results were largely in line with expectations, with TNB's earnings trajectory expected to remain robust.

"We expect the combination of accelerated capex and stable regulatory frameworks to support consistent earnings growth in the coming years," he pointed out.