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Tax incentive brightens Tenaga's earnings outlook - TA Securities

The Edge CEO Morning Brief, Malaysia

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KUALA LUMPUR (March 2): Tenaga Nasional Bhd (KL:TENAGA) is set to benefit from a more favourable tax incentive going forward, after receiving approval for its Schedule 7B Investment Allowance from the Ministry of Finance in November 2025, according to TA Securities.

"Although the exact amount of approved tax incentive was not forthcoming, Tenaga is guiding for lower effective tax rate of around 24% going forward, as opposed to its 29%-30% guidance pre-Schedule 7B approval. This should serve as a sustainable catalyst for the group's bottom line going forward, in our view," the research house said in a note on Monday.

In addition, CIMB Securities noted that data centre demand continues to reinforce the need for grid upgrades. At the end of 2025, Tenaga was supplying electricity to 35 data centre projects with a total maximum demand of 4.5 gigawatts, up from 29 projects in September.

Load utilisation also rose 20% quarter-on-quarter to 850 megawatts. In contrast, cumulative electricity supply agreements signed now stand at 56 projects with a total demand of 7.5 gigawatts, up from 49 projects with a total demand of 7.1 gigawatts.

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There are now 20 'buy' and three 'hold' calls on the stock. The consensus target price is now RM16.06, based on the average of 23 research houses tracked by *Bloomberg*.

Therefore, CIMB Securities decided to lift its target price by 5% to RM15.90 and maintained its 'buy' call on the stock. It expects core earnings per share to grow by up to 5% in 2026, followed by nearly 11% in 2027, with dividend yields of up to 4% based on a 60% payout ratio.

TA Securities was similarly positive, reaffirming its 'buy' call and raising its target price to RM18.00 from RM15.80. It highlighted the finalisation of the recovery mechanism for contingent capex, which allowed returns to be recognised in 4QFY2025, and expects capex to step up to RM13 billion in 2026 and RM15 billion in 2027.