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PETALING JAYA: Tenaga Nasional Bhd's (TNB) share price hit a fresh high yesterday after the utility giant recently reported its strongest quarterly net profit in more than five years.

With the market turning more bullish on TNB amid increased power demand from industries and households, the stock closed higher by 34 sen or 2.34% at RM14.90 per share, making it the third biggest gainer yesterday.

On an adjusted basis, this was the highest share price for TNB. Year-to-date, TNB's share price has surged by over 49%.

Analysts have said that strong electricity demand from data centres and higher exports of renewable energy (RE) are expected to drive national utility operator TNB's growth over the next few years.

According to CIMB Securities Research, the strong data-centre demand had led to TNB estimating a higher 3% to 4% demand for the financial year ended Dec 31, 2024 (FY24) versus previous estimates of 2.5% to 3% growth.

The company anticipates strong electricity demand to be sustained over the second-half of 2024, as well as over FY25 and FY26.

TNB completed connection to seven data centres in the first half of 2024 with total generation capacity of around 1,070MW, with an additional 3.2GW from 21 data centre projects in the supply-application stage.

The research house added that this should help alleviate pressure on electricity tariffs, thereby providing support for the likely increased capital expenditure on TNB's regulated assets during Regulatory Period 4 (RP4) to RP5, in line with the National Energy Transition Plan.

"This is a key positive as this could indicate higher projected electricity demand going into RP4 versus the 1.7% growth parameter embedded in RP3," the research house said.

RP4 runs from 2025 to 2027.

Meanwhile, Hong Leong Investment Bank Research (HLIB Research) said TNB is finalising RP4 details with the Energy Commission and clarified that the previously guided RM90bil investment for 2025 to 2030 is inclusive of capital expenditure for new power plants, with the energy transition portion of the expenditure expected to be RM6bil per year versus RM3.2bil in FY24.

"We expect TNB's allowable capital expenditure and allowable returns under RP4 will be heavily subjected to the potential increase in power demand by the rapid emergence of data centres in Malaysia and the expected increase in RE exports regulated by Energy Exchange Malaysia to neighbouring countries.

"Hence, we expect stronger regulated earnings growth from 2025 onwards driven by the higher regulated asset base," the research house said.

On the ongoing expansion of its RE portfolio, TNB shared that details are being finalised for the 1.4GW Paka Repowering project, while the new 2.1GW Kapar combined cycle gas turbine is still being detailed out due to the still operating generation units.

Meanwhile, the first phase of the hybrid hydro-floating solar photovoltaic project is expected to achieve commercial operation in 2025 with plants in Chenderoh (45 megawatt peak) and Temenggor (300 megawatt peak).

TNB's RE portfolio stands at 4.3GW, with ongoing expansion plans for an additional 6.2GW comprising 4.4GW of solar, 1.5GW from wind and 0.3GW from hydropower.