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Data centres continue to power TNB prospects

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Demand for electricity likely to grow 3.8% this year

UTILITIES

PETALING JAYA: Higher demand for electricity, especially from newly built data centres, continues to underpin Tenaga Nasional Bhd's (TNB) prospects and investment case.

The power utility company expected demand for electricity to grow by 2.8% to 3.8% this year, led by commercial demand which was up 6.5% in the first half of the year (1H25) due to completion of three data centre projects in the second quarter ended June 30, 2025 (2Q25), with a combined total maximum demand (TMD) of 740MW.

The latest completed projects took the total completed data centre newbuilds to 24 projects (TMD: 3.5GW).

CIMB Research stated TNB had signed new electricity supply agreements (ESAs) for five data centre projects (TMD: 480MW) in 1H25, with an additional two sealed in July to mid-August which took the cumulative ESAs to 47 projects (TMD: 6.7GW, up from 6.4 GW at end of 1Q25).

To meet the rising demand, TNB has proposed six existing plants for extensions and will also bid to build greenfield power plants.

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CIMB Research

Its generation arm, GenCo, had a higher equivalent plant availability factor (EAF) of 86.1% in 1H25 (1H24: 78.7%) which was slightly ahead of TNB's financial year 2025 (FY25) target of 83.2%, said the research house.

“TNB expects further EAF improvement in 2H25. For now, TNB is conservatively keeping GenCo's FY25 profit after tax guidance at RM250mil,” the research house noted following a briefing with TNB's management.

More importantly, TNB's management has not made any provisions for the tax liability owing to the Inland Revenue Board as it has submitted an Investment Allowance claim under Schedule 7B to the Finance Ministry.

“TNB believes there is currently no need to give any provision and sees no risk to its dividends and credit ratings, given the manageable impact on its cash flows,”

CIMB Research added.

MBSB Research pointed out that TNB's utilisation of the regulated capital expenditure (capex) as of 1H25 was RM5.2bil and its management had previously guided to spend up to RM12bil of regulated capex in FY25.

Non-regulated capex was lowered to RM6bil from RM8bil previously, said the research house.

For the regulated business, contingent capex reached RM250mil in 1H25 with TNB expecting a ramp-up to RM1bil–RM2bil by year end, CIMB Research noted.

CIMB Research and MBSB Research have maintained their “buy” call on TNB with a target price of RM15.75 and RM16.40 per share, respectively.

The research houses also noted that TNB's expected dividend yield of about 3.4% to 4% remains attractive.