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TNB leveraging on to DC growth, grid investments



The Malaysian Reserve, Malaysia

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► **Recommendation: Buy**
Target Price: RM18.15
by Hong Leong Investment Bank Bhd (Sept 30)

MALAYSIA's DC expansion remains strong, with Tenaga Nasional Bhd's (TNB) potential ESA commitments reaching c.13GW as of Jun 2026. Johor's grid bottleneck is driving regional diversification and higher grid investments, while new generation capacity should support rising demand. Continued strong DC demand was driven by the GreenLane Pathway. DC operators are encouraged to secure RE, particularly through CRESS. Major grid investments are expected to be backloaded into 2027-2030, supporting sustained elevated capex under RP5. We maintain our 'Buy' recommendation with an unchanged DCFE-derived target price (TP) of RM18.15.

Rapid DC growth. As of June 2026, TNB has signed 8.35GW of Energy Supply Agreements (ESA), with another 4.6GW approved by the Data Centre Task Force (DCTF)

and pending execution, bringing total potential ESA commitments to c.13GW.

With DC capacity concentrated in Johor, grid bottlenecks are emerging, prompting TNB to accelerate grid upgrades and encouraging developers to diversify into the Klang Valley and East Coast, where capacity remains available. Management also noted growing demand for mega DC sites (≥1GW). The DCTF currently oversees new DC approvals, requiring proof of anchor tenants/off takers before ESA execution, while the government is studying the potential use of on-site power plants to support DC developments.

Power generation. TNB has guided that its own generation capacity in Peninsular Malaysia will increase by 7.6GW by 2030 (including 500MW from LSS5 and 2.4GW under the CRESS), followed by a further 2.3GW addition during 2031-2033. This will be partially offset by the expiry of 6.6GW of existing capacity by 2030 (including 4.3GW of coal-fired generation).

Beyond TNB's own generation assets, the grid system is expected to receive an additional 1.2GW from THB's CCGT plant by 2028, while another potential 3.6GW under NewGen26 tenders could come online during 2029-2031.

TENAGA NASIONAL BHD				
FYE DEC	2025	2026F	2027F	2028F
REVENUE (RM mil)	67,723	69,749	69,900	73,282
NET PROFIT (RM mil)	4,332	4,692	4,943	5,141
CORE EPS (sen)	74.3	80.5	84.8	88.2
CORE P/E (x)	17.1	15.8	15.0	14.4