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Tenaga Nasional Bhd - Supercharged by rising electrification, policy clarity

The Edge, Malaysia



HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS

SUPER BIG CAP — ABOVE RM40 BILLION MARKET CAPITALISATION

Tenaga Nasional Bhd

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7
BRC AWARDS
OVER THE YEARS

2
CR awards
...
2017
2021

Company
of the year
...
2015

BY ADAM AZIZ

When the push for energy transition hit critical mass at the turn of the decade, Tenaga Nasional Bhd (KL:TENAGA) came under scrutiny as more investors assessed whether the utility group would be a casualty of a rapidly changing industry landscape.

As it turns out, Tenaga — which operates Peninsular Malaysia's national grid and power plants in Malaysia and overseas — emerged stronger. Not only did the company's performance improve post-pandemic, as rising electrification and digitalisation pushed electricity demand to new highs, concerns about the impact of energy policy reforms in the power sector on it also eased, thanks to a gradual pace of execution.

In fact, strong electricity demand from data centres helped push earnings to a record high in 2024, and Tenaga's share price rallied by 50% last year to top RM15 for the first time.

That helped Tenaga — *The Edge* Billion Ringgit Club (BRC) Company of the Year in 2015 — re-emerge on the BRC corporate awards winners list again after a seven-year hiatus since its last win in 2017.

This year, Tenaga took home *The Edge* BRC

corporate award for the highest returns to shareholders over three years among the Super Big Cap companies, being those with market capitalisation of above RM40 billion. It also won this award in 2016.

According to the awards methodology, Tenaga's total shareholder return came in at 19.23% per annum over three years, with its share price rising from near multi-year low of RM7.89 at end-March 2022 to RM13.38 on March 28, 2025.

Net profit grew at a three-year compound annual growth rate (CAGR) of 8.7% from RM3.66 billion in the financial year ended Dec 31, 2021 (FY2021) to RM4.7 billion in FY2024.

The increase came on the back of a CAGR of 5.19% in electricity sales to 138,539gwh in 2024. The steady growth is expected to continue, as seen in the increase in peak capacity demand of 21.05gw in May this year — up 4.9% from a year earlier.

Electricity demand rose in the first half of this year (1H2025), led by data centre development in the country, where demand more than tripled in just one year. The segment is expected to continue being a strong growth contributor, with additional capacity of over 6gw in the pipeline that could potentially add more than 28% to existing capacity demand



in the coming years, based on full rollout.

It is not just rising consumption that is welcome news for Tenaga. In the face of rising competition amid the liberalisation of the power industry, Tenaga remains relevant even as energy transition takes place in a measured and gradual manner.

To be sure, the nation's electrification journey sees the emergence of more players in the power sector, where Tenaga is the incumbent and was once the sole provider. New players are seen in areas such as the roll out of electric vehicle charging, renewable energy (RE)

plants and energy-efficiency solutions as the market seeks better ways to manage energy costs, including for gas and fuel.

The last few years has seen the opening up of the sector, with RE producers and rooftop solar operators allowed to sell electricity directly to their customers based on the price they agree upon.

Amid rising demand, Malaysia has rolled out open bidding for gas-fired power plants as well as grid-scale battery storage systems, having executed multiple rounds of bidding exercises for solar farms.

Talks on cross-border RE trade have picked up, which further requires Tenaga to manage supply security and service reliability for its nearly 11 million customers and even more Malaysians.

While these developments take shape, Tenaga remains the operator of the national grid, which serves as the backbone to transmit all the electricity between the third-party producers and their customers.

For Regulatory Period 4 (RP4) — the new electricity structure for Peninsular Malaysia effective July 1, 2025, that replaces the previous Imbalance Cost Pass-Through (ICPT) mechanism — Tenaga is allowed a base capital expenditure of RM26.55 billion as well as



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contingent capex of RM16.27 billion. This will be necessary to improve its grid infrastructure to cater to the rising RE supply intermittency, which could put a strain on power lines and distribution lines.

At home, the utility giant, whose market capitalisation was RM77 billion at the time of writing, is “committed to working closely with policymakers to ensure the regulatory landscape supports decarbonisation, energy access and investor confidence”, Tenaga president and CEO Datuk Megat Jalaluddin Megat Hassan said in its 2024 annual report.

Catering to rising demand for RE, the group’s generation capacity had risen to 4.5GW at end-June, making up 22% of the group’s power generation portfolio. Of this, 1.18GW is in the international space, including in the UK, Turkiye and Australia.

Being one of the biggest proponents of the Asean Grid, Tenaga is actively contributing to the ambition with cross-border connectivity projects such as Vietnam-Malaysia-Singapore, Malaysia-Indonesia, and Peninsular Malaysia-Sarawak.

“These partnerships are essential to unlocking renewable potential across the region, turning isolated national plans into shared prosperity and long-term energy security,” Megat was quoted as saying at the Asean Business Community Development Forum 2025.

As the industry moves forward, the operating landscape will continue to shift and transform to meet the demand of consumers and the requirements for environmental sustainability. For now, Tenaga appears to be in a good position to capture the opportunities in the power sector to position itself as a powerhouse at home and in the region. **E**