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Local equities

The Edge, Malaysia

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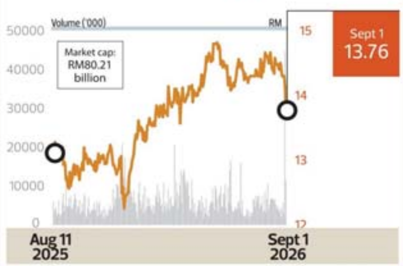
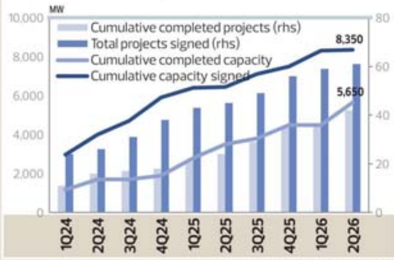
Tenaga Nasional Bhd

Target price: **RM16.50 BUY**

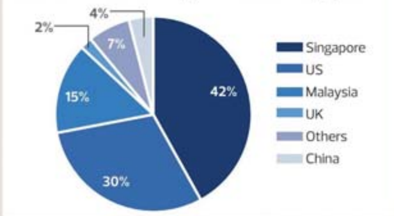


TNB signed 8.4GW DC capacity, with 5.7GW completed



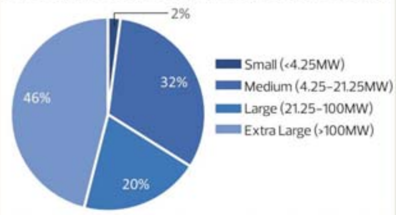
SOURCE: COMPANY DATA, RHB

42% of DC owners originated from Singapore



SOURCE: COMPANY DATA, RHB

DCs with >100MW make up 46% of total capacity



SOURCE: COMPANY DATA, RHB

RHB RESEARCH (SEPT 1): Demand from data centres (DCs) remains robust as Tenaga Nasional Bhd (KL:TENAGA) signed new agreements to supply 856-megawatt (MW) capacity during the first-half ended June 30, 2026 (1H26).

For 1H26, Tenaga signed five new energy supply agreements (ESA) with DCs for a total of 856MW capacity. Enquiries from DCs remain robust as management is targeting to sign 10 ESAs of up to 1.5-gigawatt (GW) capacity this year. To date, Tenaga has signed up 8.4GW of ESAs and completed 1.1GW capacity (+26% q-o-q). Overall, management is hopeful to sign another 5GW of ESAs over the next few years.

To this end, Tenaga had increased its FY26 electricity sales growth forecast to 5% to 6% (versus 4.5% to 5.5% earlier). Note: Electricity sales grew 8% for the 1H26 period. We believe approvals for upcoming DCs will be more stringent with the government requiring DCs to: (i) secure customers; (ii) have a renewable energy (RE) mix; and (iii) commit to 10-year ESA tenures — to get projects approved.

For 1H26, Tenaga utilised RM5.6 billion capital expenditure (capex). While this makes up only 43% of our RM13 billion forecast, capex utilisation typically accelerates towards the end of the year. Projects earmarked for investment include the 500kV main intake substation in Sedenak West, Johor, and the 500km 500kV backbone transmission line from Paka to Kulai. Management is still hopeful of achieving two-thirds of Regulatory Period 4 capex approvals, which should provide a 7% uplift to our FY26F EPS and target price (TP).

Tenaga has submitted a bid for the NEWGEN26 tender to build new gas plants by 2029-2031. The tender was closed in July and we expect the winners to be announced by year-end. According to a report, Tenaga had submitted a bid to build a 700MW gas plant at Connaught Bridge in Klang, Selangor. Assuming Tenaga wins the tender, we estimate a 2% upside to our TP.

We make no change to our FY26-27F EPS. Our TP (including a 4% ESG discount) is pegged to 19 times FY26F PER, or at +1SD from the stock's three-year mean. We believe the premium is justified as Tenaga is the prime beneficiary of the National Energy Transition Roadmap, with the regulated framework providing a stable earnings base.