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PETALING JAYA: With its recent substation project win from Tenaga Nasional Bhd (TNB), construction company MN Holdings Bhd continues to be favoured as a proxy for Malaysia's expanding power infrastructure and strategic exposure in the rapidly growing data centre and solar sectors, says Phillip Research.

On July 3, MN's wholly-owned subsidiary, MN Power Transmission Sdn Bhd, was awarded a contract worth RM29.3mil by TNB for the extension of two new 132 kV transformer bays at the existing transmission main intake for the Tanjung Langsat Industrial Estate in Johor.

In the group's filing with Bursa Malaysia on July 4, MN said the contract, which is expected to take 18 months to complete, is expected to contribute positively to its future earnings and net assets per share.

Phillip Research said the project marks MN's first contract win for its financial year ending June 2026 (FY26), representing 5% of the research house's RM600mil full-year FY26 order replenishment assumption.

"This raises the company's order book to RM1.1bil, translating to 4.5 times historical FY24 revenue cover ratio, providing strong revenue visibility until FY27. Assuming a 7% net profit margin for TNB projects, we project this contract to contribute RM2mil over FY26 and FY27," said the research house in a report to clients yesterday.

It added that MN's contract win reaffirmed its expectation that the company is well positioned as a prime beneficiary of TNB's higher allowable capital expenditure of RM42.8bil from this year to 2027, with TNB projects currently forming 40% of MN's total order book.

Looking ahead, the research house expects order replenishment momentum for MN to remain robust, supported by a RM1.9bil tender pipeline across various sectors, including data centre (45%), TNB (36%), solar (8%), as well as water and sewerage (2%).

"We make no changes to our earnings forecast, as the contract win aligns with our existing assumptions. We reiterate our 'buy' rating and 12-month target price of RM1.72, based on an unchanged target 18 times price-to-earnings multiple on fully diluted earnings per share for calendar year 2026," Phillip Research said.

The research house said key risks to its "buy" recommendation include slower-than-expected project rollouts, which could affect order book replenishment and unforeseen delays.