
Fitch downgrades Genting to 'BBB-'

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The Star, Malaysia

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PETALING JAYA: Data centres (DCs) are continuing to push the demand for electricity in the country, further boosting the energy sector.

RHB Investment Bank Bhd said the sector's first-half earnings met expectations, and among the 10 companies under its coverage, one outperformed while six were in line.

In a report, the research firm said its top picks for the sector included Tenaga Nasional Bhd (TNB), YTL Power International Bhd, Samaiden Group Bhd and Solarvest Holdings Bhd.

While maintaining an "overweight" call on the sector, RHB Investment Bank said its top pick among the list was YTL Power for its ability to benefit from rising DC capacity.

"YTL Power's earnings were in line with ours, but it beat consensus expectations.

"The DC segment contributed RM244mil to the group in the fourth quarter of 2026 – a significant increase from RM59mil in the previous quarter," it noted.

The research firm said it expects DC contribution to further accelerate as the group is on track to complete another 200MW capacity by June 2027.

Another favourite of RHB Investment Bank is TNB. TNB reported a 9% increase in electricity demand, resulting in its recurring earnings growing 5% year-on-year.

"Growth was mainly driven by the commercial sector, which captures electricity sales to DCs.

"TNB's effective tax rate (ETR) also narrowed to 28% in the second quarter of 2026 (2Q26) – management is maintaining its target to achieve 23% to 24% ETR for the full year," it said.

It added TNB is also the prime beneficiary of the National Energy Transition Roadmap or NETR, with the regulated framework providing a stable earnings base.

On other renewable energy companies, the research firm noted there was a mixed performance. Samaiden delivered a beat, it said as the group's financial year 2026 (FY26) results beat estimates on stronger-than-expected margins.

"Post-results, we raised our FY27 to forecast FY28 earnings by 23% and 8% after imputing a higher margin assumption.

"The group can benefit from new solar tenders."

Malakoff Corp Bhd missed expectations in 2Q26 due to higher-than-expected ETR, resulting in RHB Investment Bank cutting FY26 earnings per share by 45%.

"However, we remain optimistic on Malakoff's recovery as the rotor at Tanjung Bin Power resumed operations last month. Both Gas Malaysia Bhd's and PETRONAS Gas Bhd's earnings met expectations," the research firm said.

However, BM Greentech Bhd's first-quarter of 2027's results came in below estimates on weaker-than-expected margins from both its bio-energy and water treatment arms.

RHB Investment Bank said it will make no change to earnings forecasts and recommendations for now, pending the upcoming analyst briefing later this month.

Meanwhile, RHB Investment Bank expects solar adoption acceleration on the back of higher electricity bills owing to the Middle East conflict.

"For the month of September, the government implemented an automatic fuel adjustment or AFA surcharge of 3.67 sen per kWh, which resulted in about 12% average monthly bill increase as compared to pre-war levels.

"We believe the higher tariffs will drive solar power adoption, benefiting the solar engineering, procurement, construction and commissioning players."