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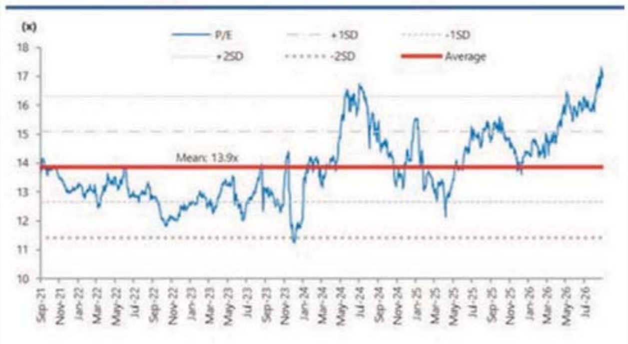
Energy Sector

The Sun, Malaysia

Energy Sector
Overweight

KLUTL is trading above +2SD from its 5-year mean



Source: Bloomberg, RHB Research

THE energy sector's 1H26 earnings met expectations. Among the 10 energy companies under our coverage, one outperformed, six were in line, and three came in below expectations.

Earnings of the big caps (market capitalisation >RM2bn) were largely in line. TNB's 1H recurring earnings grew 5% YoY on the back of a 9% rise in electricity unit sales. Growth was mainly driven by the commercial sector (+14% YoY), which captures electricity sales to DCs. TNB's effective tax rate (ETR) also narrowed to 28% in 2Q26 - management is maintaining its target to achieve 23-24% ETR for the full year.

YTLP's earnings were in line with our, but beat consensus expectations. The DC segment contributed RM244m to the group in 4QFY26 (Jun) (35% of group PBT) - a significant increase from RM59m in 3QFY26. This was on the back of full utilisation of its 150MW operating capacity. We expect DC contribution to accelerate further as YTLP is on track to complete another 200MW capacity by Jun 2027. YTLP also recently acquired a 145-acre land to build another 1GW capacity in Sedenak.

Malakoff's (MLK) earnings missed expectations due to higher-than-expected ETR in 2Q26. We cut FY26F EPS by 45% to account for this. However, we remain optimistic on MLK's recovery as the rotor at Tanjung Bin Power resumed operations last month. Both Gas Malaysia's (GMB) and Petronas Gas' (PTG) earnings met expectations.

Samaiden delivered a beat, SOLAR's results were in line, while BM Greentech (BMGREEN) missed expectations.

Overall, we maintain our OVERWEIGHT stance on the energy sector. – R***HB Research, Sept 7***