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Demand for energy to power utilities stocks

The Star, Malaysia



STOCK MARKET

PETALING JAYA: Utilities-related stocks are expected to continue doing well as their businesses benefit from higher energy demand supported by data centres (DCs), a rise in electricity tariffs in Peninsular Malaysia and the ongoing expansion of renewable energy (RE) infrastructure.

Analysts from Kenanga Research and UOB Kay Hian (UOBKH) Research have maintained an “overweight” stance on these stocks, with Tenaga Nasional Bhd (TNB) a major beneficiary. Kenanga Research has an “outperform” call on the stock with a RM17 target price (TP).

“TNB remains our top pick, as the long-term primary beneficiary of the DC boom, given its exposure to demand growth, the transmission and distribution capex upcycle, and new capacity buildouts,” Kenanga Research said.

TNB expects electricity demand growth of 4.5% to 5.5% for its financial year ending Dec 31, 2026 (FY26), with demand growth rising 7% in the first quarter ended March 31, 2026 (1Q26).

DCs accounted for a major portion of the growth, with load utilisation surging to 1,054 megawatts (MW) in March 2026 from 485MW a year ago, accounting for 6% of total electricity sales volume.

The pipeline includes 1,800MW under construction and 59 electricity supply agreements (ESAs) signed for a total cumulative capacity of 8,300MW.

The downstream value chain would also benefit from the ESAs as this signals sustained multi-year demand for local mechanical, electrical and grid infrastructure.

Beneficiaries include Kee Ming Group Bhd, Southern Cable Group Bhd, Pekat Group Bhd and Cheeding Holdings Bhd.

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Data centre boom, RE expansion to underpin growth

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Kenanga Research has “outperform” calls on these stocks, with a TP of RM2 for Kee Ming, TP of RM2.76 for Southern Cable, TP of RM1.91 for Pekat and TP of 79 sen for Cheeding.

The research house noted that the focus would also be on New Generation Capacity for 2029 to 2031 (NewGen26) with a target of 6,000MW to 8,000MW of new capacity by 2030, following the completion of the NewGen25 cycle.

It believes the NewGen26 pipeline provides sufficient scale for all major utility players to participate fully.

Besides TNB, it has factored in 1,400MW power plants each for Malakoff Corp Bhd and YTL International Power Bhd.

It has maintained “outperform” calls for Malakoff with a TP of RM1 and YTL Power with a TP of RM4.55.

A massive influx of new gas capacity would make gas the key feedstock swing capacity in the wake of increased DC demand and retirement of coal-fired power plants.

“Meanwhile, rising gas demand underpins positive earnings prospects for PETRONAS Gas Bhd and Gas Malaysia Bhd,” Kenanga Research said.

Both have “market perform” calls, with RM18.80 TP for PetGas and RM5.23 TP for Gas Malaysia.

UOBKH Research pointed to active capital management by heavyweight TNB and

strong earnings growth for RE players, given elevated engineering, procurement, construction and commissioning (EPCC) order books in the next three to five years.

It has a “buy” call on TNB with a TP of RM16.30.

“With a 51% market share of installed capacity in Peninsular Malaysia, TNB’s generation unit (TNB Genco) is likely to benefit from the new power plants to be rolled out by the government,” it said.

The research house said key events to watch out for in the second half of 2026 include three gigawatts (GW) of gas-fired power plants for TNB Genco and Malakoff, the Large Scale Solar 6 (LSS6) tender with 2GW total capacity, as well as the battery energy storage system (Bess) and higher electricity tariffs for Peninsular Malaysia.

UOBKH Research expects the Energy Commission to call LSS6 tenders in 3Q26 with mandatory Bess and greater allocation for floating solar farms.

It estimates the total EPCC contract value at RM6bil to RM7bil.

“This bodes well for RE players, with Solarvest Holdings Bhd as a key beneficiary, given the company’s win rate of 25% to 30% of LSS works in previous tender cycles,” it said.

UOBKH Research has a “buy” call and TP of RM3.50 for Solarvest.