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Utilities sector to ride on energy transition plan

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PETALING JAYA: BIMB Securities Research remains positive on the utilities sector, on expectations of stronger earnings growth ahead, supported by resilient electricity demand, ongoing grid investments and the energy transition agenda.

The research house, which is maintaining its “overweight” call, expects sector earnings to grow 10.6% year-on-year (y-o-y) in 2026, driven mainly by Ranhill Utilities Bhd, Solarvest Holdings Bhd and Tenaga Nasional Bhd (TNB), while Malakoff Corp Bhd is likely to face near-term challenges.

The sector delivered a largely uneventful first quarter, with aggregate core earnings rising 3.3% y-o-y and 18.5% quarter-on-quarter (q-o-q), broadly in line with expectations.

Five of the six companies under BIMB Research’s coverage met forecasts, while Ranhill emerged as the sole positive surprise. The water utility operator recorded earnings growth of more than nine times

y-o-y, benefiting from stronger water margins and a lower effective tax rate.

Meanwhile, Solarvest’s earnings increased 18% y-o-y on stronger execution of large-scale solar five or LSS5 projects, while TNB posted a 5.2% y-o-y improvement, supported by stronger capital expenditure deployment and lower fuel and power purchase costs.

However, sector earnings growth was partly offset by a sharp decline in Malakoff’s performance. The independent power producer saw earnings plunge 77% y-o-y due to lower energy and capacity payments from its Tanjung Bin Power (TBP) plant.

BIMB Research said Malakoff’s outlook has become increasingly challenged after management indicated that repairs to TBP Unit 30 will only be completed in the third quarter of 2026 (3Q26), extending the impact of lower capacity payments, with an additional impact of RM71.5mil.

Looking ahead, BIMB Research expects

earnings momentum to strengthen in the second quarter. It cited the resumption of operations at Tanjung Bin Energy and repaired units at TBP, alongside stronger earnings contributions from Solarvest and TNB due to accelerated project execution and capital spending.

Among the sector’s key growth drivers, Solarvest stands out with a robust RM2.5bil order book, more than double the level recorded a year earlier.

TNB, meanwhile, is expected to benefit from accelerated regulated capital expenditure deployment of about RM39.6bil to RM40.4bil during the Regulatory Period 4.

BIMB Research forecasts 2026 earnings growth of 67.4% for Ranhill, 46.6% for Solarvest and 13.6% for TNB.

The research house named TNB and Solarvest as its top sector picks, citing their strong earnings visibility, direct exposure to Malaysia’s energy transition initiatives and attractive risk-reward profiles.