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‘Buy’ call as data centre demand expected to lift TNB’s capex

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TARGET PRICE OF RM16.50

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KUALA LUMPUR: Tenaga Nasional Bhd (TNB) is poised to see continued robust demand for data centres which will lift its capital expenditure (capex) growth, said RHB Investment Bank Bhd (RHB Research).

TNB has secured supply to 59 data centre projects to date, with a combined capacity of 8.3 gigawatt (GW). Of the total, 36 projects are completed with a maximum capacity of 4.5GW.

“All the data centres are on a ‘take-or-pay’ arrangement for the first five years of operations, allowing TNB to recoup its entire capex.

“Seventy-two per cent of the data centres originated from the United States and Singapore, with 68 per cent of capacity located in Johor. Management said data centre enquiries remain robust, as it maintains its target to add 1GW of new capacity per year,” said RHB Research.

Based on its generation plan, TNB aims to add 11.8GW of new capacity by 2033, which should help offset the expected 6.6GW capacity scheduled for retirement.

Additionally, the firm identified a five per cent upside if TNB wins the bid to build a new gas plant under the New Generation Capacity 2029-2031 (NewGen26) programme.

To this end, TNB has secured six gas turbines, including two reserved for its 1.4GW Paka plant, which it won in the NewGen25 bid. TNB has also submitted a bid for the NEWGEN26 tender.

The firm also said that TNB maintained its 23-24 per cent effective tax rate guidance for the full year despite the high tax rate of 31 per cent in the first quarter.

RHB Research noted that TNB expects the tax rate to taper towards the year end as it engages with the regulators on the application of tax incentives.

The firm kept its “buy” call on the stock with an unchanged target price of RM16.50.