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Analysts see upside in TNB after lag to FBM KLCI, new 1.4GW Paka plant boosts outlook

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KUALA LUMPUR (Feb 16): Analysts have turned upbeat on Tenaga Nasional Bhd (KL:TENAGA) after its generation unit TNB Genco secured a 1.4-gigawatt (GW) gas-fired power plant in Paka, Terengganu, with the win seen as an attractive re-entry point after the stock's lag.

In a research note, CGS International said TNB's stock has underperformed the FBM KLCI by 17%, despite rebounding 11% from its December 2025 low, and expects more re-rating catalysts this year.

"After a challenging 2025, we see multiple re-rating catalysts for 2026, including clarity on the tax clawback mechanism, finalisation of the contingent capex remuneration and potential for more new CCGT [combined cycle gas turbine] capacities," said the research house.

TNB received a letter of notification from the Energy Commission to develop the new CCGT plant under a competitive bidding exercise for new power generation capacity. The plant will be developed with Aurora Power Generation Sdn Bhd and is the only new greenfield project awarded under its category.

CGS International also highlighted TNB's contract extensions, consisting of power purchase agreement (PPA) extensions and new greenfield CCGT, which would further strengthen the company's medium-term earnings.

"We believe these wins effectively enhance GenCo's earnings visibility and quality while reinforcing Tenaga's central role in Malaysia's energy expansion," said CGS International in a note.

*As at market close on Feb 16, 2026
Source: Bloomberg

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Construction is expected to take about three years. Once completed, the plant will operate under a 15-year PPA, whereby TNB will buy the electricity generated at agreed terms.

CIMB Securities also viewed the project positively, as it expects the project to cost RM7.5 billion to RM8 billion in total. Assuming an 80:20 debt-to-equity mix and an 80% stake in the consortium, CIMB said TNB's equity contribution would amount to roughly RM1.2 billion to RM1.3 billion, which it considers manageable given the group's estimated RM12 billion cash balance by end-FY2025

Furthermore, TNB is still in talks to develop another 1.4GW gas-fired plant in Paka under a repowering project, which could provide further upside if finalised, said RHB Investment Bank Bhd. The research house said TNB is a frontrunner to secure up to 2.8GW of new gas capacity amid an anticipated 5GW-6GW capacity shortfall by 2030.

Of the 23 research houses on the stock, *Bloomberg* data shows a positive consensus on TNB with 20 "buy" calls — including CGS International, CIMB Securities and RHB Investment Bank — and three "hold" ratings. The average 12-month target price is RM15.97.

TNB is scheduled to announce its 4QFY2025 results on Feb 26, whereby RHB forecasts TNB's 4QFY2025 net profit at RM1.3 billion, up 81% year-on-year, driven by a lower 17% tax rate.