AUTHOR: No author available SECTION: INVESTMENT AUDIENCE : 20,000 PAGE: 24
PRINTED SIZE: 305.00cm² REGION: KL MARKET: Malaysia PHOTO: Full Color ASR: MYR 3,893
WORDS: 482 ITEM ID: DP0121426105

20 JUL, 2026

TNB robust DC demand, gas turbines secured

The Malaysian Reserve, Malaysia

TNB robust DC demand, gas turbines secured

It secures supply to 59 DC projects, with a combined 8.3GW capacity

▶ **Recommendation: Buy**
Target Price: RM16.50
by RHB Bank Bhd (July 10)

TENAGA NASIONAL BHD				
FYE DEC	**2025**	**2026F**	**2027F**	**2028F**
TOTAL TURNOVER (RM mil)	67,723	72,794	76,654	80,787
RECURRING NET PROFIT (RM mil)	4,768	5,162	5,400	5,587
RECURRING P/E (x)	16.9	15.6	15.4	14.9
DIVIDEND YIELD (%)	3.8	3.8	3.9	4.0

MAINTAIN 'Buy' and RM16.50 target price (TP) (15% upside) and c4% yield. We hosted a small group meeting with Tenaga Nasional Bhd's (TNB) senior management.

We expect data centre (DC) demand to remain robust — driving capex growth — and identify a 5% upside if TNB wins the bid to build a new gas plant under the New Generation Capacity 2029-2031 (NewGen26) programme.

We expect the tax rate to improve in the coming quarters.

DC demand still robust. To date, TNB has secured supply to 59 DC projects, with a combined 8.3 gigawatt (GW) capacity. Of the total, 36 projects have been completed with a maximum capacity of 4.5GW.

All the DCs are on a "take-or-pay" arrangement for the first five years of operations, allowing TNB to recoup its entire capex. Note: 72% of the DCs originated from the US and Singapore, with 68% of capacity located in Johor.

Management said DC enquiries remain robust, as it maintains its target to add 1GW of new capacity per year.

Targeting 11.8GW new capacity by 2033. 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.

Management believes the surplus 5.2GW capacity will be sufficient for TNB to maintain a comfortable reserve margin while meeting rising demand from DCs.

Gas turbines secured. To this end, TNB has secured six gas turbines, including two reserved for its 1.4GW Paka plant, which it won in the NewGen26 bid.

TNB has also submitted a bid for the NewGen26 tender, which closed on July 1. Given the Government's need to add 6GW of new capacity by 2030, we believe TNB is a frontrunner for the NewGen26 tender.

Assuming TNB wins another 1.4GW tender, we estimate a potential 5% upside to our TP.

Tax rates to taper towards yearend. Despite the high effective tax rate (ETR) of 31% in 1Q26, management maintains its 23%-24% ETR guidance for the full year.

To this end, management expects the tax rate to taper towards the yearend as it engages with the regulators on the application of tax incentives.

Valuation and risks. We make no changes to our FY26F-FY28F EPS. Our TP (including a 2% ESG discount) is pegged to 19 times FY26F P/E, at +1SD from the stock's 3-year mean. We believe the premium is justified, as TNB is the prime beneficiary of the National Energy Transition Roadmap (NETR), with the regulated framework providing a stable earnings base. Assuming TNB maintains a 23% ETR this year (vs our current 26% base assumption), we estimate that this would result in a 4% upside to our TP and EPS.

Key downside risks: Carbon tax implementation; delayed capex approvals and higher ETR.