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## TNB GenCo emerging as key earnings contributor

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**PETALING JAYA:** Tenaga Nasional Bhd's (TNB) earnings visibility is expected to be supported by higher Regulatory Period 4 transmission and distribution capital expenditure (capex), improving TNB Power Generation Sdn Bhd (TNB GenCo) performance, and additional upside potential from combined-cycle gas turbine (CCGT) awards.

CGS International (CGSI) Research said TNB GenCo's earnings contribution is becoming increasingly meaningful as normalised profit after tax (PAT) has improved for five consecutive quarters, reaching RM219mil in the first quarter of 2026 (1Q26), despite a negative fuel margin, compared to an average of RM109mil over 1Q24 to 4Q25.

"This lifted its contribution to group PAT to 19% in 1Q26, versus a quarterly average of 6% over 2021 to 2025. The improvement appears structural – the plant availability factor has risen from a trough of 75% in 1Q24 to 91% in 1Q26 (+16 percentage points), its highest level in more than six years.

"The gains have been driven by improving efficiencies from digital initiatives, maintenance optimisation and overhaul work at its coal plants.

"In 1Q26, TNB GenCo also benefitted from higher dispatch, as elevated outage rates at other plants in the system led to stronger utilisation of TNB's fleet," the research house said.

CGSI Research said that at the 1Q26 run rate, TNB GenCo has the potential to deliver annualised PAT of about RM875mil, versus RM420mil to RM450mil in 2024 to 2025.

"While limited disclosures make explicitly modelling TNB GenCo earnings difficult, quarterly data suggest it is emerging as a more meaningful contributor to the group, supported by improving operational performance," the research house said.

CGSI Research said TNB GenCo's new capacity pipeline is also becoming more tangible.

On June 4, TNB signed reservation agreements with Mitsubishi Power Ltd for six gas turbines with a combined capacity of about 4.2GW, securing access to increasingly scarce global turbine supply.

The research house said TNB currently has a 5.6GW CCGT pipeline comprising three projects at the initial letter of notification stage – Paka (repowering; 1.4GW), Kapar (new; 2.1GW) and Pasir Gudang (new; 0.7GW) – in addition to a 1.4GW new Paka CCGT project secured under NEWGEN25.

It said the turbine slots are a key precursor to converting these plans into firm awards, as Malaysia faces growing urgency to add generation capacity amid accelerating power demand.

Based on its estimates, CGSI Research said a 1.4GW CCGT plant can generate RM200mil to RM250mil in annual PAT, assuming an internal rate of return of 8% to 9%, implying a potential earnings base of RM800mil to RM1bil from the current pipeline.

While this capacity will replace ageing plants, the newer and more efficient facilities are still expected to provide an uplift to TNB GenCo's earnings, it added.

CGSI Research said TNB remains its preferred proxy for the country's accelerating energy transition and power sector investment cycle.

The research house has an "add" call on TNB with a target price of RM16.60. It added that it sees scope for a re-rating driven by stronger data centre demand, which could spur higher and faster capex deployment, as well as new CCGT wins.