



26 JUN, 2024

Power-hungry data centres to drive TNB's revenue

The Star, Malaysia



Page 1 of 2

Power-hungry data centres to drive TNB's revenue

PETALING JAYA: Data centres are expected to underpin growth in electricity demand in Peninsular Malaysia.

This will help drive Tenaga Nasional Bhd's (TNB) revenues in the near to medium-term.

According to Kenanga Research, TNB anticipates decent electricity demand growth of 2.5%-3% in Peninsular Malaysia in 2024.

Data centres that will drive this demand. Facilities requiring 635 megawatts (MW) of power were completed in 2023 and another 700MW which will be completed this year, the research house said.

"Over a longer time horizon, TNB projects a total potential demand of more than 5,000MW of electricity annually from new data centres by 2035. While TNB is a good

proxy to the energy-intensive new data centres, we believe strong appreciation in its share price in the year-to-date period, which added some RM23bil to its market capitalisation, is fair," Kenanga Research said.

It had downgraded TNB to a "market perform" rating from "outperform" with a target price of RM14.50 following the recent run-up in its share price.

The research house also anticipates a ramping up in TNB's capital-expenditure plan in the near term for several planned projects.

TNB will be undergoing the transition to green energy with a pipeline of green-energy projects comprising several hydro and solar power plants.

"In FY24, its energy transition capital

expenditure is budgeted at RM3.2bil. Meanwhile, it also needs to upgrade the transmission and distribution (T&D) system to meet demand from its growing renewable energy assets," the research house said.

"Higher T&D capital expenditure will increase TNB's regulated asset base that would result in higher absolute earnings based on returns pegged to weighted average cost of capital of 7.3% under Regulatory Period 3," the research house added.

TNB has allocated RM7bil for capital expenditure in FY24 for its regulated business and up to RM6bil for non-regulated power generation such as solar farms and hydropower plants, the research house noted.