



27 MAY, 2026

Tenaga Nasional Bhd

The Sun, Malaysia



Tenaga Nasional Bhd

Buy. Target price: RM16.50



Source: Bloomberg

DATA centre (DC) supply drives 7% electricity sales growth. Excluding fuel cost adjustments, revenue grew by 7% YoY, in tandem with the 7% rise in electricity unit sales. The growth was mainly driven by the commercial sector (+13% YoY), which captures energy supply to DCs, retailers and business services. In comparison, TNB's industrial sector sales declined 2% YoY, while domestic sector sales grew 10% YoY. TNB also achieved another record peak demand of 21,469MW in April, which was 2% higher than the previous peak recorded in May 2025.

TNB's effective tax rate (ETR) rose to 31% in Q1'26 (vs 17% in Q4'25), due mainly to expenses not being applicable for the tax rate. Nevertheless, we expect the tax rate to decline in the coming quarters as TNB continues to recognise its investment allowance (IA). Note: Management had previously guided for a 23-24% ETR in FY26. The power generation division recorded RM334 million in PAT (vs RM25 million a year earlier), due to an improved operational performance and despite a RM72 million negative fuel margin impact.

TNB utilised RM2.5 billion in regulated capex in Q1'26 – this makes up 19% of our RM13 billion forecast. This is in line with expectations, as capex utilisation typically accelerates towards the end of the year. Management is still hopeful of achieving two-thirds of Regulatory Period 4 capex approvals – which should provide a 7% uplift to our FY26 EPS and TP.

Key downside risks: i) Carbon tax implementation; ii) delayed capex approvals; and iii) higher ETR.

BUY with RM16.50 TP. – *RHB Research, May 26*