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# TNB powering Malaysia economic heartbeat

The Malaysian Reserve, Malaysia



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Driving growth with power and stability

THE national utility company, Tenaga Nasional Bhd (TNB), stands as a cornerstone in Malaysia's economic landscape, providing the backbone to the nation's infrastructure network.

TNB's history is deeply embedded in the country's growth story, dating back to the formation of the Central Electricity Board (CEB) in 1949, who was tasked to electrify the length of pre-independence Peninsular Malaysia.

Over the years, it evolved into the National Electricity Board (LLN) in 1965, and later, the privatised entity TNB following the enactment of the Electricity Supply Act in 1990.

TNB's transformation into a publicly listed company in 1992 marked a pivotal moment, placing it among the most valuable companies in Bursa Malaysia.

With its current market capitalisation over RM80 billion, TNB is among the preferred blue chip counters as the fourth-largest listed company on the local bourse.

The recent slew of encouraging economic indicators in the country, catalysed primarily by the surge in data centre developments and capacity building by renewable energy (RE) players, has greatly increased the blue chip companies' attractiveness, including TNB, as the favoured investment choice for institutional and retail investors alike.

Bloomberg estimated that close to half a billion ringgit of foreign funds flowed into the Malaysian capital market in August, reversing the previous trend of heavy selling.

These developments have contributed to the strengthening of the ringgit and stronger performance by the local bourse since then.

Recently, the ringgit rose to its highest level against the US dollar in three years to close at 4.171 on Sept 24 while the stock market continued its bullish trend to close at 1,669 points a day later, an increase of 15% since the start of the year.

A reinvigorated Malaysian economy is expected to accompany a projected higher electricity demand, and TNB as the preferred choice among the blue chip companies stood to benefit from the latest bullish trend.

Among seven of the major research houses in the country, four have listed TNB as an outperforming counter with "Buy" recommendations, while the other three have strong suggestions for clients to "Hold" or "Maintain" positions with potential upside.

The investment houses are expecting the demand growth fuelled by these data centres to be sustained beyond 2024 through at least 2026, with TNB standing at the centre of it.

In a research note dated Sept 3, CIMB Securities highlighted that TNB has completed connec-



The utility giant, which became a publicly listed company in 1992, is now among the most valuable companies in Bursa Malaysia

tions for seven data centre projects totalling 1,070 Megawatt (MW) to the grid in the first half of 2024 and is expecting an additional 3.2 Gigawatt (GW) for 21 data centre projects in the supply application stage.

### Powering Wealth Distribution

TNB's ability to provide consistent dividends to shareholders has become a crucial source of income for government-linked investment companies (GLICs) managing national wealth, namely Malaysia's Bumiputera unit trust agency Permodalan Nasional Bhd (PNB), the government's sovereign fund Khazanah Nasional Bhd and the country's private pension fund Employees Provident Fund (EPF).

The ubiquitousness of these GLICs in Malaysian's everyday life means that TNB's financial strength doesn't only benefit large institutional investors; it also flows back into the hands of every citizen.

Khazanah, with 20.9%, is currently the biggest shareholder of TNB, followed by PNB and EPF with 18% and 17.3% respectively. Currently, Khazanah, PNB, EPF, KWAP and other government agencies collectively own close to 70% of TNB shares.

For the fiscal year 2023 (FY23), TNB declared a final single-tier dividend of 28 sen per ordinary share amounting to RM2.66 billion, contributing directly to these GLICs and ultimately back to the rakyat.

With its holding of approximately 1,302 million TNB shares, PNB was estimated to receive about RM596 million last year, distributed to its subscribers including the 10.8 million members of Amanah Saham Bumiputera fund.

The retirement fund, EPF, with close to 999 million TNB shares, was estimated to land dividends close to RM458 million for FY23, distributed to its 16.1 million



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contributing members.

Furthermore, other public entities such as the public retirement fund Kumpulan Wang Amanah Pencen (KWAP) and the Social Security Organisation (SOCSO) also listed TNB as a key asset in their investment portfolios, reinforcing the utility company's critical role in safeguarding the financial wellbeing of Malaysians.

The symbiotic relationship between TNB's financial health and the prosperity of Malaysian citizens underscores the company's irreplaceable role in national development.

### Higher Electricity Demand Fuels National Wealth

The utility giant saw strong electricity demand in the first half of 2024, with a 7.9% YoY increase, driven primarily by increased economic activities in the country.

CIMB Securities noted that in addition to the connections for seven data centre projects in the year-to-date, TNB is prepping up for an upcoming surge of 21 data

centre projects in the application pipeline, leading it to expect a higher 3% to 4% demand for the whole year versus the 2.5% to 3% previously.

"This is a key positive as this could indicate higher projected electricity demand going into Regulatory Period 4 (RP4) versus the 1.7% growth parameter embedded in RP3," it added.

These positive projections, asserted CIMB Securities, will alleviate the pressure on tariff revisions and indirectly ease the pressure off Malaysian pockets and inflation, as the projected base tariff (sen per kWh) will be lower when the energy consumption from demand (kWh) is bigger.

The full spillover effect would go beyond spending as well since it will directly contribute towards a better earnings and dividends payout for the utility giant.

### Sustaining a Robust Ecosystem

With over 10.6 million customers across Peninsular Malaysia, Sabah and Labuan, TNB's role extends

beyond just supplying electricity. Its capacity to maintain stable and affordable tariffs amidst rising fuel and operational costs is a testament to its efficiency and strategic importance.

TNB's efforts to uphold internationally recognised standards for electricity distribution have ensured that Malaysia's power grid remains on par with developed nations, contributing to Malaysia's attractiveness as a destination for foreign investment.

The utility giant's operations are not only a lifeline for its customers but also for the broader economic ecosystem, which includes its 35,000 staff members and over 4,500 vendors.

The company's capital expenditure (Capex) for 2022 to 2024 (Regulatory Period 3) was estimated at RM21 billion, a substantial reinvestment that ensures the continued reliability of the national grid which includes an extensive network of more than 521 substations and 21,000 kilometers of cables, transmitting from Johor in the south to Perlis in the north.

Additionally, TNB is preparing a significant amount of Capex in the 2025-2027 (Regulatory Period 4) to support Malaysia's National Energy Transition Roadmap (NETR) on top of meeting large incoming demand and maintaining the security of the network.

The utility giant is leading three key large-scale RE and clean technology initiatives in NETR flagship programme, namely the centralised Large-Scale Solar (LSS) parks, Hybrid Hydro Floating Solar (HHFS), and hydrogen and ammonia co-firing projects.

These initiatives aim to deliver over 3,000MW of RE capacity by 2040, with around 2,500MW from HHFS technology and an additional 500MW from five different LSS parks.

TNB plans to install HHFS up to 230MW capacity at the Temenggor and Chenderoh hydro plants by 2025, and exploring 5 x 100MW ground-mounted solar project.

The complexity and scale of these infrastructure projects require continuous reinvestment, and TNB's financial strength enables the company to meet these demands.

Moreover, TNB's contracts with its vendors help sustain thousands of jobs and stimulate local industries, particularly in engineering and electrical services. It is estimated that with Capex to be invested in RP4, about 12,600 jobs will be generated.

This ripple effect further cements TNB's role as a driver of Malaysia's economic stability and growth.

### A National Asset for the People

Ultimately, TNB's financial health is good for the rakyat and the country as a whole.

On top of allowing the utility giant to maintain a reliable electricity supply and fulfil its role as the backbone of the nation's economic activities, it also presents TNB opportunities to contribute positively to major GLICs' and investment funds' dividend returns and continues its socio-economic contributions to the rakyat.

TNB is a vital asset to the country. In challenging times, such as those posed by rising fuel prices and global market fluctuations, TNB remains resilient, ensuring that its strength continue to benefit all Malaysians and securing the nation's energy security.

TNB's commitment to keeping the lights on goes beyond electricity — it powers the economic heartbeat of Malaysia, contributing to the wellbeing of millions and securing the nation's path toward continued growth and prosperity.

— TNB



KWAP and SOCSO list TNB as a key asset in their investment portfolios



TMB