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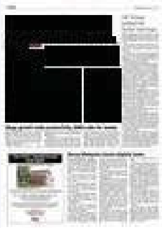

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Vantage anchors TNB's steady RE growth in UK

The Star, Malaysia

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DC investments set to be catalyst for power demand

CORPORATE

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>
> Kenanga Research

PETALING JAYA: Tenaga Nasional Bhd's (TNB) strategic expansion into the UK's renewable energy (RE) business is showing steady progress, primarily through its wholly-owned subsidiary, Vantage RE Ltd.

Established in 2021, Vantage RE serves as TNB's primary platform for investment and asset management in the United Kingdom and Europe.

It manages a well-diversified portfolio of 1.3GW, of which 908MW are operational assets comprising 743MW solar, 124MW onshore wind, and 41.5MW offshore wind, Kenanga Research stated in a report following a recent trip to the United Kingdom.

The research house made technical field visits to Vantage RE's assets, such as the 28.5MW Whiteside Hill Onshore Windfarm in Sanquhar, Scotland – which boasts a high 41.9% capacity factor – and the 35MW Eastfields Solar Farm in Warwickshire, England.

"While the earnings contribution from these overseas operations remains relatively small, it helps to broaden earnings reach, and having a fully RE asset portfolio enhances TNB's environmental, social and governance or ESG score," Kenanga Research stated in its report.

For the financial year 2025 (FY25), international RE investments in the United Kingdom and Australia contributed an earnings before interest, taxes, depreciation and amortisation (Ebitda) of RM460mil, compared to TNB's total Ebitda of RM20.51bil.

Nevertheless, the investments are strategically valuable to TNB, offering stable income in developed markets with minimal foreign-exchange volatility and a balanced mix of off-take agreements, including traditional power purchase agreements and contracts for difference, the research house said.

Furthermore, with 400MW of development projects currently in the pipeline – including battery storage and additional onshore wind – Vantage RE is poised to further cement TNB's footprint in the global energy transition.

In the meantime, the influx of data centre (DC) investments into Malaysia are set to be the primary catalyst for demand in power from companies like TNB.

Kenanga Research noted that electricity demand from DCs is projected to exceed 8,000MW by 2035, equivalent to 20% of Malaysia's total generating capacity.

"This should continue to drive demand growth higher, in turn improving operation efficiency and boosting its non-regulated earnings," said Kenanga Research.

"We maintain our FY26 to FY27 earnings forecasts, which are based on a 3.5% annual electricity sales growth assumption."

In the immediate term, 700MW of DC capacity is slated to come on stream in FY26.

"This surge in DC activity will also necessitate significant investment in transmission and distribution infrastructure, where TNB maintains a dominant position," it added.

Hence, Kenanga Research has maintained an "outperform" rating on TNB with a target price of RM17 a share, with the call supported by the power utility's defensive earnings profile of its regulated assets and its role as a long-term beneficiary of foreign direct investments.

Kenanga Research forecast TNB's core net profit to rise from RM4.77bil in FY25 to RM5.04bil by FY27, driven by the rising demand for power.