UOBKayHian

Country Daily | Malaysia

Monday, 21 September 2026

Key Indices

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	51,682.6	(0.2)	(1.7)	(3.0)	7.5
S&P 500	7,650.5	0.2	(0.1)	(0.3)	11.8
FTSE 100	10,659.1	(1.5)	0.1	(1.5)	7.3
AS30	8,922.7	0.1	0.0	(3.7)	(1.1)
CSI 300	4,507.4	1.1	(0.1)	(2.4)	(2.6)
FSSTI	5,656.1	(0.1)	(0.7)	(0.6)	21.7
HSCEI	8,225.4	0.6	(0.3)	(4.7)	(7.7)
HSI	24,750.8	0.6	(0.2)	(4.8)	(3.4)
JCI	6,441.2	(0.3)	(1.5)	(1.3)	(25.5)
KLCI	1,665.6	(0.5)	(2.3)	(4.1)	(0.9)
KOSPI	6,894.2	2.7	(0.2)	(0.3)	63.6
Nikkei 225	65,019.0	1.4	1.6	(0.8)	29.2
SET	1,584.2	0.1	(1.3)	(1.8)	25.8
TWSE	47,180.8	1.9	2.2	4.3	62.9
BDI	3,370	1.0	(3.9)	18.6	79.5
CPO (RM/mt)	4,622	(0.4)	0.1	2.1	17.5
Brent Crude (US$/bbl)	104	(0.2)	(1.9)	9.8	70.3

Source: Bloomberg

Corporate Events

	Venue	Begin	Close
17th Asian Gems Conference 2026 (Virtual)	Singapore	22 Sep	23 Sep
Post-results NDR with Sunny Optical (2382 HK)	Taipei	22 Sep	23 Sep
New Economy Conference at The Ritz Carlton Hotel	Malaysia	07 Oct	07 Oct
NDR with Food Empire Holdings Ltd (FEH SP)	Malaysia	08 Oct	08 Oct

Corporate and Macro Calendar

Economic Indicator/Event	Country/Region	Date
Foreign Reserves	Malaysia	23 Sep
Malaysia PMI Manufacturing	Malaysia	01 Oct

Top Stories

Sector Update | Renewable Energy Page 3 →

- Backdropped by haze, rising heat and high oil & gas prices, the government is pivoting to RE, incentivising players with the introduction of a CRESS Acceleration Package. SAC is lowered to 14 sen/kwh and project IRRs rise to 10-12%. This bankable move by the government is a key re-rating catalyst for the sector and we expect a slew of CRESS contract wins in the next three months. Maintain OVERWEIGHT. Top picks: Solarvest, Pekat Group and Northern Solar.

Company Update | Northern Solar (NORTHERN MK/**BUY**/RM0.69/Target: RM1.00) Page 6 →

- Northern Solar may be close to capturing a sizeable RM800m CRESS project, lifting its orderbook by 4x to RM1b – a substantial enhancement to both earnings and orderbook visibility in the near future. We like the stock for its undemanding valuation and three-year earnings CAGR of 51% (FY26-29). The group is currently working on a main board listing transfer and Shariah status reinstatement by end-26. Maintain BUY with a target price of RM1.00, based on 11x FY28F EPS.

Company Update | Tenaga Nasional (TNB MK/**HOLD**/RM13.04/Target: RM14.60) Page 9 →

- Contrary to our expectation, Tenaga announced that the group will absorb the RM120m-150m impact from the electricity tariff fuel surcharge exemption for the period Sep-Dec 26. This is negative for Tenaga as this decision is now an overhang on Tenaga's near-term share price performance – given rising regulatory interference and uncertainty over whether this will be a one-off. Downgrade Tenaga to HOLD with a lowered DCF-fair value of RM14.60.

Market Spotlight

Page 12 →

- The FBMKLCI declined 9.18pt last Friday to close at 1,665.56 dragged down by selling pressure on index-linked counters
- US stocks were mixed after the close on Friday, as gains in the technology, industrials and telecommunicaitons sectors led shares higher while losses in the utilities, basic materials and consumer goods sectors led shares lower.

Technical Analysis

Renewable Energy

It Is Hot, It Is Hazy, It Is Expensive, And So, Solar Gets A Boost

Highlights

- The government introduced the CRESS Acceleration Package with a lower SAC of 14 sen/kWh for firm output. This exceeded our earlier expectation of 15 sen/kwh. More importantly, this CRESS Acceleration Package mandates a 10-year PPA with COD no later than 31 Dec 28.
- To meet the timeline, we expect a slew of positive CRESS announcements in the next three months. This represents a positive catalyst for Solarvest, Pekat and Northern Solar, which underpins strong earnings visibility given the doubling of the orderbook and layering of the low-margin EPCC business with higher-margin asset ownership.
- Maintain OVERWEIGHT. Our sector top picks are Solarvest, Pekat Group and Northern Solar.

Analysis

- **Goodie for the solar players: CRESS Acceleration Package.** The Ministry of Energy Transition and Water Transformation (PETRA) announced the Corporate Renewable Energy Supply Scheme (CRESS) Acceleration Package – which is intended to drive a faster renewable energy (RE) adoption in Malaysia. Key points of the CRESS Acceleration Package:
  - A 30% reduction in system access charge (SAC) to 14 sen/kwh for firm output;
  - A mandatory 10-year contractual period power purchase agreement (PPA) to be enforced by PETRA to ensure the project is bankable;
  - Must achieve commercial operation date (COD) by 31 Dec 28 to enjoy the CRESS Acceleration Package terms; and
  - The programme is open to existing registered RE developers and offtakers, as well as newcomers who can meet the set requirements.
- **SAC revision: Exceeded our expectation**. We note that PETRA have reduced the SAC from 20 sen/kwh to 14 sen/kwh for firm output (with battery storage). This exceeded our expected 15 sen/kWh revision – please refer to our publication on 14 Sep 26. The regulator is also implementing several other CRESS enhancements, including: a) simplifying the CRESS procedures, b) enhancing technical requirements for solar photovoltaic (PV) and Battery Energy Storage System (BESS), and c) enhancing the principles for determining SAC from Regulatory Period 5 (RP5) starting from 2028.
- **aExpect meaningful CRESS wins for RE players in the next three months.** Given that the COD is no later than 31 Dec 28, developers like Solarvest, Pekat and Northern Solar will have to finalise CRESS projects within the next three months to catch the CRESS Accelerated Package (14 sen/kwh firm SAC). Assuming a construction period of 18-24 months, financial close is likely within the next six months.
- **A meaningful catalyst for the sector.** Such positive regulatory undertaking represents a key re-rating catalyst for the sector. Our sensitivity analysis suggests every 50MW CRESS win will raise the market caps of Solarvest/Pekat/Northern Solar by 5%/10%/55% respectively.

Analyst(s)

Chong Lee Len
leelen@uobkh.com
+603 2147 1992

Hifzhan Raziq
hifzhanraziq@uobkh.com
+603 2147 1949

OVERWEIGHT (Maintained)

Segmental Rating

Segment	Rating
Renewable Energy	OVERWEIGHT (Maintained)

Source: UOB Kay Hian

Sector Picks

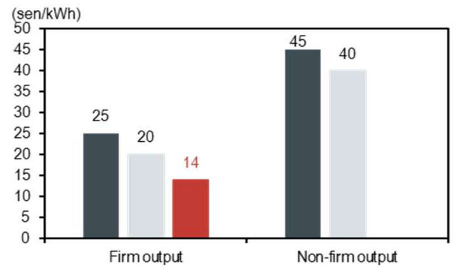
Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
Solarvest	SOLAR MK	BUY	3.33	4.20
Pekat	PEKAT MK	BUY	2.11	2.30
Northern Solar	NORTHERN MK	BUY	0.69	1.00

Source: Bloomberg, UOB Kay Hian

Sector Share Price Performance

Source: PETRA, UOB Kay Hian

SAC Revision



Source: PETRA, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Share Price 11 Sep 26 (RM)	Target Price (RM)	Last Year End	PE 2026F/27F (RM)	PE 2027F/28F (RM)	EV/EBITDA 2026F/27F (RM)	EV/EBITDA 2027F/28F (RM)	Yield 2026F/27F (%)	ROE 2026F/27F (%)	Market Cap (RMm)	Price/ NAV (x)
Solarvest Holdings	SOLAR MK	BUY	3.33	4.20	3/26	28.3*	23.8**	17.2*	14.2**	–	12.0*	3,204.1	3.4
Pekat Group	PEKAT MK	BUY	2.11	2.30	12/25	27.5	23.2	10.4	8.6	0.5	10.8	1,497.0	3.0
Northern Solar Holdings	NORTHERN MK	BUY	0.69	1.00	3/26	12.1*	7.2**	6.8*	3.7**	–	21.3*	273.0	2.6

** Data for 2027F; ** Data for 2028F*
Source: Bloomberg, UOB Kay Hian

- **The economics of CRESS: Project IRR of 10-12%.** We previously highlighted that a 15 sen/kwh SAC charge will lift CRESS project IRR from 7% to 9% – a level that is deemed attractive for solar RE players. The CRESS Acceleration Package of 14 sen/kwh will lift CRESS project IRRs further to 10-12%. This makes it more attractive for solar EPCC players to enter into a long-term CRESS agreement.
- **RM14b worth of CRESS jobs in the next decade...** The Data Centre Task Force under the Malaysian Investment Development Authority requires new DC developments to source at least 30% of their electricity consumption from RE. Based on Tenaga Nasional's 13GW DC project pipeline, a total of 4GW of new capacity will have to materialise through the CRESS pathway. At RM3.5m/MW project capex, this translates to a potential orderbook of at least RM14b in the next decade. We believe the main DC clusters that will start implementing CRESS would be in Johor and Klang Valley.
- **...with strong DC names looking to tender out CRESS in the near term.** We note that there are jobs aplenty for EPCC players to participate in the CRESS programme. We understand that the likes of the Elmina Google campus have called for a tender under the CRESS programme. We also expect the DayOne and Airtrunk DC clusters in Johor to tender out their RE needs via a CRESS programme. Key contenders for the Elmina Google campus CRESS programme include Gamuda (BUY/Target: RM5.25), Tenaga Nasional (HOLD/Target: RM14.60) and Solarvest (BUY/Target: RM4.20).

1 x 50MW CRESS Win Yields An Equity Value of RM150m

	Market Cap (RMm)	Net Profit of a 50MW CRESS (RMm)	% of FY28 Net Profit	Equity Value Enhancement of a 50MW CRESS	Comment
Solarvest Holdings	3,204.10	6	4%	5%	• A 50MW CRESS will yield a contract value of RM175m, based on RM3.5m/MW – inclusive of BESS • Brookfield tie-up indicates a 1.5GW CRESS win in the next 3-5 years. • This suggests an orderbook of RM5b – lifting current orderbook of RM2.37b by 111%.
Pekat Group	1,497.04	6	8%	10%	• We believe Pekat can deliver a comfortable 100MW of CRESS project with total orderbook of RM350m – or about 20% of its current market cap. • This will lift current orderbook of RM780m by 45%.
Northern Solar Holdings	272.96	6	16%	55%	• A 50-100MW CRESS size may double NS' earnings by FY30, lifting its current orderbook significantly from RM189m to RM364m.

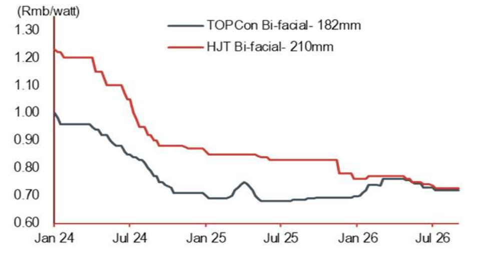
Source: UOB Kay Hian

LSS Projects And Tariff Range

Programme	Capacity (MW)	Tariff Range (sen/kWh)
LSS1	451	39.00-65.00
LSS2	562	33.98-53.00
LSS3	491	17.78-58.00
LSS4	823	14.99-26.10
LSS5	1,780	15.00-18.00
LSS5+	1,975	13.00-17.00
LSS6	Solar: 2,500+ BESS: 1,250MW	25.00-28.00
CRESS*	–	40.00-50.00

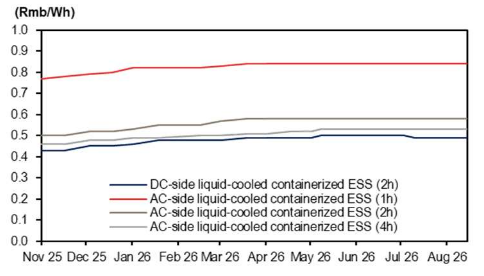
** Includes BESS and SAC charge of 14 sen/kWh*
Source: Energy Commission, UOB Kay Hian

Historical Solar Module Prices



Source: Infolink, UOB Kay Hian

Historical BESS Prices

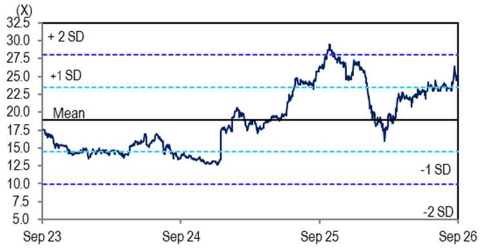


Source: Infolink, UOB Kay Hian

Valuation/Recommendation

- **Maintain OVERWEIGHT; elevated orderbook driven by 8GW of solar plant-ups over the next five years.** We expect total EPCC opportunities of approximately 8GW over 2027-32, driven by the take-off of CRESS projects in 4Q26/1Q27 and the government awarding the tender for LSS6 in 1H27. Assuming a construction cost of RM3.5m per MW, total EPCC replenishment opportunities are estimated at a staggering RM16b-24b over the next five years. Our sector top picks are Solarvest, Pekat Group and Northern Solar.
- **Solarvest Holdings (BUY/Target: RM4.20).** We expect Solarvest to execute its first CRESS contract win in the next three months, suggesting high orderbook visibility for the stock. We recently raised our target price to reflect our expectations of: a) a maiden CRESS project announcement; b) ability to secure high-quality offtakers (Tier 1 DC operators), lowering counter-party risk; and c) its Brookfield partnership promoting better financing structure and rates, hence achieving a competitive project WACC. Key earnings catalysts for the stock include: a) a stronger ringgit to offset fluctuating solar PV costs, b) the progressive commissioning of its targeted 1.5GW CRESS asset portfolio, c) external additional third-party CRESS EPCC contract wins, and d) eventual monetisation of solar assets either via a listing or trade sale.
- **Pekat Group (BUY/Target: RM2.30).** We continue to like Pekat for its strong set of management, good and prudent execution of orderbook and projects as well as a healthy balance sheet. Given that its share price has appreciated 25% ytd, we advocate BUY on share price weakness and to accumulate for its strong management team. Key re-rating catalysts for the stock include: a) maiden CRESS EPCC contract win, b) venture into CRESS asset ownership, c) growing dividend payout from its annual 1 sen/share net DPS, d) planned main board listing in 4Q26, and d) execution of earnings-accretive M&A(s) within the wider power equipment industry (transformer business) and district cooling solutions.
- **Northern Solar Holdings (BUY/Target: RM1.00).** Our target price is pegged to 11x FY28F EPS. Northern Solar is currently trading at an attractive 7x FY28F PE (sector average PE: 19x) with a three-year earnings CAGR of 50% over FY27-29. We believe a favourable CRESS project win can drive share price to our blue-sky fair value of RM1.35 (based on 13x mean PE). Key re-rating catalysts include: a) award of utility-scale EPCC contracts under CRESS and LSS6, b) venturing into utility-scale asset ownership under CRESS, c) a transfer to main board listing by 4Q26, and d) reinstatement of Shariah status after the biannual Shariah compliance review in Nov 26.

Sector PE Band



Source: Bloomberg, UOB Kay Hian

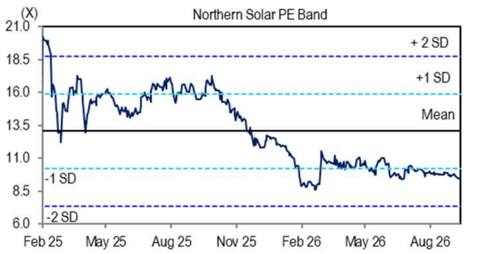
Solarvest PE Band

Source: Bloomberg, UOB Kay Hian

Pekat Group PE Band

Source: Bloomberg, UOB Kay Hian

Northern Solar PE Band



Source: Bloomberg, UOB Kay Hian

Northern Solar Holdings (NORTHERN MK)

All Cylinders Fired Up

Highlights

- We believe the group may be close to capturing a sizeable RM800m CRESS project. This will lift NS' orderbook to RM1b – a substantial enhancement to both earnings and orderbook visibility into the near future.
- We like the group for its undemanding valuation (single digit PE) and three-year earnings CAGR of 51% (FY26-29). The group is currently working on a main board listing transfer and Shariah status reinstatement by end-26.
- Maintain BUY with a target price of RM1.00, based on 11x FY28F EPS.

Analysis

- **All cylinders fired up...** We believe Northern Solar Holdings (NS) is well positioned to capture substantial orderbook within the solar sector as the group actively pursues Corporate Renewable Energy Supply Scheme (CRESS) projects worth RM800m – 3x its current market capitalisation of RM273m. Trading at undemanding 12x and 7x FY27 and FY28 EPS, we believe NS is a compelling stock to accumulate. NS is on track to be transferred to the main board by end-26.
- **….as the sector is set to re-rate.** The Ministry of Energy Transition and Water Transformation (PETRA) has introduced a new CRESS Acceleration Package and reduced the system access charge (SAC) by 30% to 14 sen/kwh for firm output with battery storage. With this, CRESS project IRRs improved to 10-12% – a bankable outcome. This is a key re-rating catalyst for solar EPCC players – as we expect new CRESS wins in the next three months, so as to fulfil the stipulated commercial operation date by 31 Dec 28.
- **Robust three-year earnings CAGR of 51% (FY26-29).** Despite a slow start in 1QFY27 (seasonally weaker quarter for solar players), we expect NS to meet our full-year FY27 net profit growth of 50% yoy. FY27 revenue is expected to double on the back of: a) a RM120m large scale solar 5 (LSS5) project win in Mar 26, b) improving commercial and industrial (C&I) demand as businesses seek to mitigate rising electricity costs, and c) a recovery in residential rooftop solar installations supported by a RM3,000 SuRIA Home rebate. NS derived 85% of its revenue from the C&I segment. With the inclusion of the LSS5 contract win, we expect FY27 net profit margin to ease to 10% (FY26: 13.5%). The projected LSS5 project revenue recognised in FY27 is estimated to account for one-third of the group's revenue at RM75m (63% of total LSS5 EPCC contract value).

Key Financials

Year to 31 Mar (RMm)	2025	2026	2027F	2028F	2029F
Net turnover	84.9	113.0	224.3	402.3	600.4
EBITDA	18.7	24.0	34.1	56.5	78.0
Operating profit	17.8	22.4	32.7	54.5	75.4
Net profit (rep./act.)	11.4	15.3	22.5	37.7	52.3
Net profit (adj.)	13.9	15.3	22.5	37.7	52.3
EPS	3.5	3.9	5.7	9.5	13.2
PE	19.6	17.9	12.1	7.2	5.2
P/B	4.0	3.3	2.6	1.9	1.4
EV/EBITDA	12.3	9.9	7.0	3.8	2.5
Dividend yield	-	-	-	-	-
Net margin	16.4	13.5	10.0	9.4	8.7
Net debt/(cash) to equity	(62.0)	(42.2)	(33.6)	(41.7)	(38.0)
Interest cover	22.4	35.5	58.6	86.8	102.9
ROE (%)	20.6	18.4	21.3	26.4	26.8
Consensus net profit	-	-	-	-	-
UOBKH/Consensus (x)	-	-	-	-	-

Source: NS, Bloomberg, UOB Kay Hian

Analyst(s)

Chong Lee Len
leelen@uobkh.com
+603 2147 1992

Hifzhan Raziq
hifzhanraziq@uobkh.com
+603 2147 1949

BUY (Maintained)

Share Price	RM0.69
Target Price	RM1.00
Upside	+44.9%

Stock Data

Sector	Industrials
Bloomberg ticker	NORTHERN MK
Shares issued (m)	395.6
Market cap (RMm)	273.0
Market cap (US$m)	66.9
3-mth avg daily t'over (US$m)	0.1

Price Performance (%)

52-week high/low: RM0.81/RM0.445

1mth	3mth	6mth	1yr	YTD
1.5	9.5	15.0	(2.8)	8.7

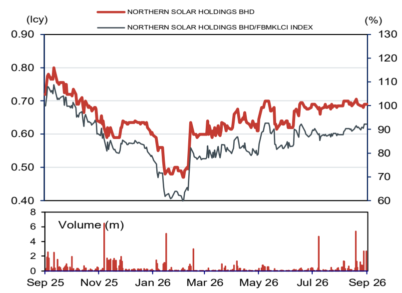
Major Shareholders (%)

Lew Shoong Kai	29.3
Chew Win Hoe	29.3
Areca Capital	3.92

Balance Sheet Metrics

FY26 NAV/Share (RM)	0.27
FY26 Net Debt/Share (RM)	0.11

Price Chart



Source: Bloomberg

Company Description

Northern Solar operates as an investment holding company. Through its subsidiaries, it specialises in the engineering, procurement, construction, and commissioning of solar PV systems and generation of renewable energy, as well as the operation and maintenance of solar PV equipment and systems. Northern Solar serves customers in Malaysia.

- **Blue-sky orderbook of RM1b.** Current orderbook stands at RM189m, anchored by the LSS5 contract win (58%) and higher contribution from rooftop solar photovoltaic (PV) projects across the C&I (27%) and residential (15%) segments (see RHS orderbook breakdown). A potential CRESS project win – as early as next month – may lift orderbook to well over RM1b – a substantial milestone for NS. We believe a RM800m CRESS win may consist of 150-200MW of solar installation works together with battery storage to provide firm output to the DC offtaker.
- **A CRESS project win can lift market cap by 55%.** Given the magnitude of the CRESS project, NS is likely to partner with reputable partners to partly offset balance sheet and execution risk. Our sensitivity analysis suggests every 50MW CRESS project win will lift NS' market cap by a hefty 55%, or an estimated equity value of RM150m.
- **Solidifying its recurring earnings base.** A CRESS project will enhance NS' renewable asset portfolio and recurring income – as the group aims to achieve a 30% revenue earnings base in the near term. By end-FY27, NS will have 35MW of renewable energy (RE) assets under the self-consumption programme. The 35MW of RE assets are projected to generate RM4m in net profit, or 11% of group net profit. A CRESS project win will lift NS' recurring earnings base meaningfully.

Valuation/Recommendation

- **We reiterate our BUY rating with a PE-based target price of RM1.00.** Our target price is pegged to 11x FY28F EPS. NS is currently trading at an attractive 7x FY28 PE (sector average PE: 19x) with a three-year earnings CAGR of 51% over FY26-29. We believe a favourable CRESS project win can drive share price to our blue-sky fair value of RM1.35 (based on 13x mean PE).
- **Key re-rating catalysts** include: a) award of utility-scale EPCC contracts under CRESS and LSS6, b) venturing into utility-scale asset ownership under CRESS, c) a transfer to the main board listing by 4Q26, and d) reinstatement of Shariah status after the biannual Shariah compliance review in Nov 26.

Earnings Revision/Risk

- No changes to earnings forecasts.

Share Price Catalyst

- **Main board listing and Shariah status reinstatement by 4Q26.** NS announced that it has secured approval from the Securities Commission Malaysia and submitted its application to Bursa Malaysia for its proposed transfer to the Main Market, which is expected to materialise by Oct 26. In addition, the group remains confident of regaining its Shariah-compliant status following the biannual Shariah compliance review in Nov 26. We believe these corporate developments will enhance the stock's attractiveness to a broader investor base, prompting us to revise our target price to our blue-sky fair value.

Environment, Social, Governance (ESG) Updates

Environmental

- NS has successfully installed over 2,900 solar PV systems countrywide for its customers since 2019.

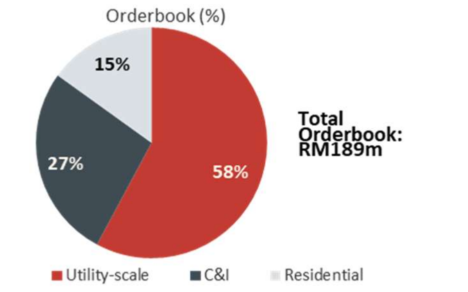
Social

- In FY26, the group allocated RM58,662, benefitting 13 community beneficiaries consisting of local schools, residents' associations, and industry partners.

Governance

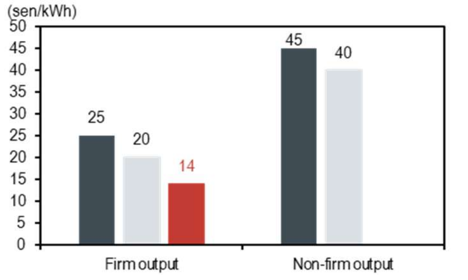
- The Board of Directors consists of four independent non-executive directors and two non-independent executive directors. Women comprise of 33% of the Board.

Current Orderbook



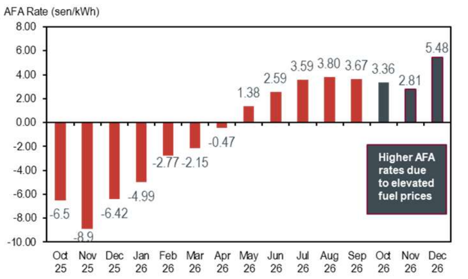
Source: NS, UOB Kay Hian

SAC Revision



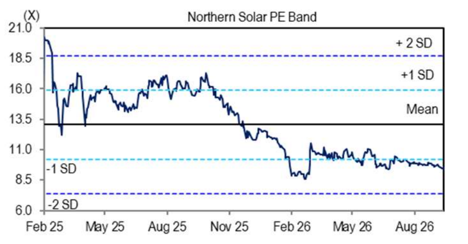
Source: PETRA, UOB Kay Hian

AFA Rate Forecast



Source: TNB, UOB Kay Hian

PE Band



Source: Bloomberg, UOB Kay Hian

Profit & loss

Year to 31 Mar (RMm)	2026	2027F	2028F	2029F
Net turnover	**113.0**	**224.3**	**402.3**	**600.4**
EBITDA	24.0	34.1	56.5	78.0
Deprec. & amort.	(1.6)	(1.4)	(2.0)	(2.6)
EBIT	22.4	32.7	54.5	75.4
Total other non-op. income	(0.6)	(0.6)	(0.6)	(0.7)
Associate contributions	21.8	32.1	53.9	74.7
Net interest income/(expense)	(6.6)	(9.6)	(16.2)	(22.4)
Pre-tax profit	0.0	0.0	0.0	0.0
Tax	15.3	22.5	37.7	52.3
Minorities	15.3	22.5	37.7	52.3
Net profit	**113.0**	**224.3**	**402.3**	**600.4**
Net profit (adj.)	24.0	34.1	56.5	78.0

Balance Sheet

Year to 31 Mar (RMm)	2026	2027F	2028F	2029F
Fixed assets	21.1	26.7	37.8	49.9
Other LT assets	2.6	2.6	2.6	2.6
Cash/ST investment	45.3	46.5	72.7	89.4
Other current assets	54.9	70.8	81.6	118.4
Total assets	**123.9**	**153.1**	**201.2**	**266.9**
ST debt	4.3	4.3	4.3	4.3
Other current liabilities	26.7	32.7	41.1	52.5
LT debt	6.0	6.8	8.8	10.8
Other LT liabilities	3.5	3.5	3.5	3.5
Shareholders' equity	82.9	105.4	143.1	195.4
Minority interest	0.5	0.5	0.4	0.4
Total liabilities & equity	**123.9**	**153.1**	**201.2**	**266.9**

Cash flow

Year to 31 Mar (RMm)	2026	2027F	2028F	2029F
Operating	**2.4**	**13.9**	**37.3**	**29.4**
Pre-tax profit	21.8	32.1	53.9	74.7
Tax	(5.4)	(9.6)	(16.2)	(22.4)
Deprec. & amort.	1.6	1.4	2.0	2.6
Associates	(0.0)	-	-	-
Working capital changes	(13.2)	(9.9)	(2.4)	(25.5)
Other operating cashflows	(2.3)	-	-	-
Investing	**(14.9)**	**(7.0)**	**(13.2)**	**(14.7)**
Capex	(9.9)	(7.0)	(13.2)	(14.7)
Interest Income	-	-	-	-
Others	(5.0)	-	-	-
Financing	**(0.9)**	**0.8**	**1.9**	**2.1**
Dividend payments	-	-	-	-
Issue/(Redemption) of shares	-	-	-	-
Proceeds from borrowings	(0.4)	0.8	1.9	2.1
Others	(0.5)	-	-	-
Net cash inflow (outflow)	**(13.4)**	**7.7**	**26.1**	**16.8**
Beginning cash & cash equivalent	**50.7**	**37.3**	**45.0**	**71.1**
Changes due to forex impact	(0.0)	-	-	-
Ending cash & cash equivalent	**37.3**	**45.0**	**71.1**	**87.9**

Key Metric

Year to 31 Mar (%)	2026	2027F	2028F	2029F
Profitability				
EBITDA margin	21.2	15.2	14.1	13.0
Pre-tax margin	19.3	14.3	13.4	12.4
Net margin	13.5	10.0	9.4	8.7
ROA	12.3	15.3	19.4	20.1
ROE	18.4	21.3	26.4	26.8
Growth (% yoy)				
Turnover	33.1	98.5	79.4	49.2
EBITDA	28.0	42.0	66.0	38.0
Pre-tax profit	27.7	47.3	68.0	38.5
Net profit	34.0	47.0	68.0	38.5
Net profit (adj.)	9.6	47.2	68.0	38.5
EPS	9.6	47.2	68.0	38.5
Leverage				
Debt to total capital	0.1	0.1	0.1	0.1
Debt to equity	0.1	0.1	0.1	0.1
Net debt/(cash) to equity	(0.4)	(0.3)	(0.4)	(0.4)
Interest cover (x)	35.5	58.6	86.8	102.9

Tenaga Nasional (TNB MK)

Absorbs RM120m-150m Subsidy For Additional Domestic Users

Highlights

- Contrary to our expectation, Tenaga announced that the group will absorb the RM120m-150m impact from the electricity tariff fuel surcharge exemption for the period Sep-Dec 26.
- Albeit a minimal 2% earnings impact, the decision above is now an overhang on Tenaga's near-term share price performance – given rising regulatory interference and we are unsure if this will be a one-off.
- Downgrade Tenaga to HOLD with a lowered DCF-fair value of RM14.60. In arriving at our fair value, we have prudently raised our discount rate from 7.8% to 8.2% (incorporating a 100bp increase in risk premium for the stock).

Analysis

- **Tenaga shares government's burden; absorbs subsidy.** Contrary to our expectation, Tenaga Nasional (Tenaga) announced last Friday that the group will absorb the RM120m-150m impact from the electricity tariff fuel surcharge exemption for the period Sep-Dec 26. To recap, the RM120m-150m arose as a result of the government expanding electricity bill protection for domestic users from 600kWh to 800kWh.
- **Negative for Tenaga.** Earnings impact is 2% to 2026's forecast. However, the decision above implies that the Automatic Fuel Adjustment (AFA) mechanism may be subject to government intervention in the near future and we expect investors to gradually discount the sanctity of the Incentive Based Regulation (IBR) and cost pass-through framework.
- **Downgrade Tenaga to HOLD, overhang to persist into the near future.** As we cannot say with certainty that this is a one-off (there is now an overhang that Tenaga may be asked to absorb the subsidy if Jan-Mar 27 electricity usage remains high), we downgrade Tenaga from BUY to HOLD with a lower DCF-based target price of RM14.60. In arriving at our fair value, we have prudently raised our discount rate from 7.8% to 8.2% (incorporating a 100bp increase in risk premium for the stock).

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	56,737	67,723	69,555	71,480	73,306
EBITDA	19,953	20,518	22,704	23,652	24,323
Operating profit	8,720	8,532	10,052	11,027	11,666
Net profit (rep./act.)	3,978	4,768	4,810	5,078	5,164
Net profit (adj.)	4,126	4,767	4,810	5,078	5,164
EPS	72.6	81.8	82.5	87.1	88.6
PE (x)	19.7	17.5	17.7	16.4	16.1
P/B (x)	1.6	1.6	1.6	1.5	1.5
EV/EBITDA (x)	5.9	6.3	6.0	5.8	5.8
Dividend yield (%)	3.6	3.7	3.9	4.3	4.6
Net margin (%)	6.2	5.8	6.9	7.1	0.0
Net debt/(cash) to equity (%)	75.0	90.7	97.4	99.6	102.6
Interest cover (x)	4.2	4.4	4.6	4.4	4.3
ROE (%)	7.6	9.5	9.3	9.6	9.5
Consensus net profit			4,860	5,149	5,457
UOBKH/Consensus (x)			0.99	0.99	0.95

Source: TNB, Bloomberg, UOB Kay Hian

Analyst(s)

Chong Lee Len

leelen@uobkh.com

+603 2147 1992

HOLD (Downgraded)

Share Price	RM13.04
Target Price	RM14.60
Upside	+12.3%
Previous TP	RM16.30

Stock Data

Sector	Utilities
Bloomberg ticker	TNB MK
Shares issued (m)	5,829.1
Market cap (RMm)	77,644.2
Market cap (US$m)	19,037.4
3-mth avg daily t'over (US$m)	20.8

Price Performance (%)

52-week high/low: RM14.90/RM12.50

1mth	3mth	6mth	1yr	YTD
(8.0)	(8.5)	(6.2)	(0.9)	(2.9)

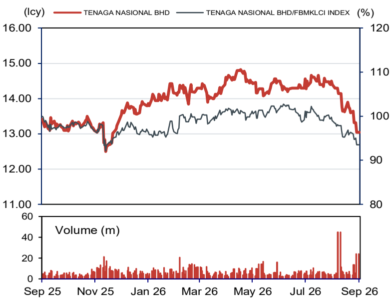
Major Shareholders (%)

Employee Provident Fund	24.9
Khazanah Nasional	16.3
Amanah Saham Nasional	11.2

Balance Sheet Metrics

FY26F NAV/Share (RM)	9.0
FY26F Net Debt/Share (RM)	8.7

Price Chart



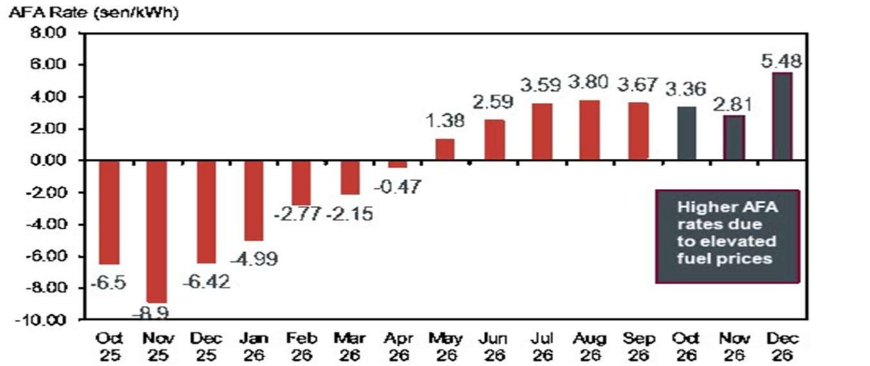
Source: Bloomberg

Company Description

Generates and distributes electricity in Peninsular Malaysia and Sabah.

- **First time Tenaga is called to share subsidy burden.** In theory, the IBR and AFA structure was put in place to protect Tenaga's earnings from fuel price volatility. All previous government subsidy decisions (since 2014, when IBR was launched in Malaysia) were paid for by the government, even when coal prices doubled in 2022 and government trade receivables ballooned to RM15.5b.
- **Higher subsidy exemption from 600kWh to 800kWh casts a wider net.** With the government's decision to cast a wider net, a total of 8m or 90% of domestic users are now exempted from paying the AFA surcharge for Sep-Dec 26. This suggests an additional 1m domestic users who will be protected from higher electricity bills.
- **Rising AFA due to the Middle East crisis.** Based on Tenaga's forecast, the AFA has been rising since May 26 and could continue increasing to a peak surcharge of 5.48 sen/kwh in Dec 26. This is a result of higher gas and coal prices globally. Tenaga expects coal to rise to US$120/tonne in Dec 26 (from US$115/tonne in Jun 26).

Rising Electricity Tariffs Due To Middle East Tensions



Source: TNB, UOB Kay Hian

Valuation/Recommendation

- **Downgrade to HOLD with a DCF-based target price of RM14.60** (discount rate: 8.2%, growth rate: 4%). At our target price, the stock trades at mean valuation.

Earnings Revision/Risk

- Trim 2026 net profit by 3%.
- **Key risks** include: a) lumpy and unprofitable overseas renewable energy (RE) projects, and b) forex risk to operating cash flow.

Share Price Catalyst/Risk

- **Key re-rating catalysts** include: a) listing of a profitable genco and/or RE division, and b) benefitting from the ASEAN Power Grid rollout.

Environment, Social, Governance (ESG) Updates

Environmental

- Besides targeting 8,300MW in RE generation capacity by 2025 (1.5x from 3,398MW in Dec 20), Tenaga has also made new pledges to reduce emission intensity by 2035 and be coal-free by 2050.

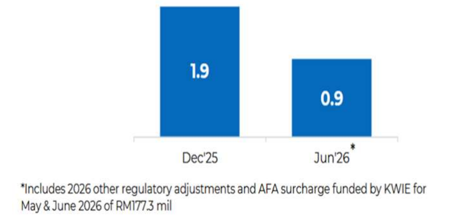
Social

- Tenaga contributed RM101.3m towards education, economic social, environment and sports, benefitting 713,748 individuals nationwide.

Governance

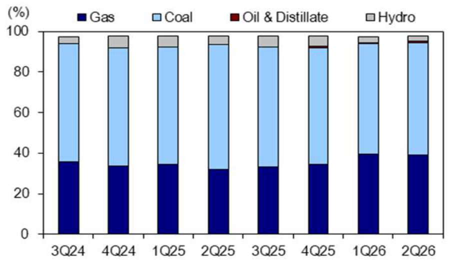
- The board comprises six Independent Directors and four Non-Independent Non-Executive Directors. Meanwhile, women comprise 36% (four directors) of the board.

Regulatory Trade Receivables (RMb)



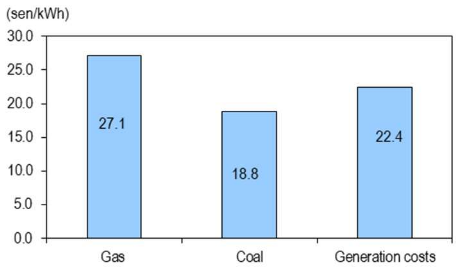
Source: TNB

Generation Mix



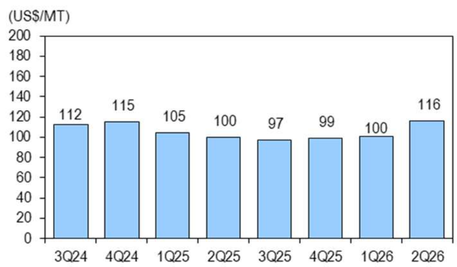
Source: TNB, UOB Kay Hian

Generation Unit Cost (2Q26)



Source: TNB, UOB Kay Hian

Quarterly Coal Prices



Source: TNB, UOB Kay Hian

RE Portfolio (Capacity, MW)

Source: TNB

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	**67,723**	**69,555**	**71,480**	**73,306**
EBITDA	20,518	22,704	23,652	24,323
Deprec. & amort.	11,986	12,653	12,625	12,657
EBIT	24,277	23,660	24,908	25,825
Associate contributions	88	92	97	102
Net interest income/(expense)	(3,363)	(3,976)	(4,612)	(5,145)
Pre-tax profit	**6,177**	6,168	**6,512**	**6,623**
Tax	(1,407)	(1,357)	(1,433)	(1,457)
Minorities	(2)	(2)	(2)	(2)
Net profit	**4,768**	**4,810**	**5,078**	**5,164**
Net profit (adj.)	4,767	4,810	5,078	5,164

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	132,885	137,099	141,340	145,550
Other LT assets	36,953	37,045	37,142	37,244
Cash/ST investment	12,867	7,908	4,893	1,734
Other current assets	15,650	18,255	18,518	18,767
Total assets	**198,355**	**200,307**	**201,893**	**203,295**
ST debt	11,952	11,852	11,752	11,652
Other current liabilities	24,636	25,186	25,474	25,770
LT debt	47,134	47,034	46,934	46,834
Other LT liabilities	61,659	61,659	61,659	61,659
Shareholders' equity	50,790	52,391	53,887	55,192
Minority interest	2,185	2,186	2,188	2,190
Total liabilities & equity	**198,355**	**200,307**	**201,893**	**203,295**

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	**15,570**	**21,697**	**22,245**	**22,912**
Pre-tax profit	6,177	6,168	6,512	6,623
Tax	(1,407)	(1,357)	(1,433)	(1,457)
Deprec. & amort.	11,986	12,653	12,625	12,657
Associates	(88)	(92)	(97)	(102)
Working capital changes	945	350	25	46
Non-cash items	0	0	0	0
Investing	**(13,192)**	**(16,366)**	**(16,463)**	**(16,618)**
Capex (growth)	(16,246)	(16,867)	(16,867)	(16,867)
Investments	7	0	0	0
Others	3,047	500	404	249
Financing	**(6,994)**	**(8,002)**	**(8,798)**	**(9,453)**
Dividend payments	(3,089)	(3,326)	(3,582)	(3,859)
Issue of shares	110	0	0	0
Proceeds from borrowings	1,679	(200)	(200)	(200)
Others/interest paid	(5,693)	(4,476)	(5,016)	(5,394)
Net cash inflow (outflow)	**(4,616)**	**(2,670)**	**(3,015)**	**(3,159)**
Beginning cash & cash equivalent	**15,213**	**10,512**	**7,908**	**4,893**
Changes due to forex impact	(85)	0	0	0
Ending cash & cash equivalent	**10,512**	**7,842**	**4,893**	**1,734**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	30.3	32.6	33.1	33.2
Pre-tax margin	9.1	8.9	9.1	9.0
Net margin	6.2	5.8	7.1	7.1
ROA	2.4	2.4	2.5	2.5
ROE	9.5	9.3	9.6	9.5
Growth				
Turnover	19.4	2.7	5.5	8.2
EBITDA	2.8	10.7	4.2	2.8
Pre-tax profit	6.2	(0.1)	5.6	1.7
Net profit	19.9	0.9	5.6	1.7
Net profit (adj.)	15.5	0.9	5.6	1.7
EPS	15.5	0.9	5.6	1.7
Leverage				
Debt to total capital	0.4	0.4	0.4	0.4
Debt to equity	1.2	1.1	1.1	1.1
Net debt/(cash) to equity	0.9	1.0	1.0	1.0
Interest cover	4.4	4.6	4.4	4.3

Market Spotlight

Market News

The FBMKLCI declined 9.18pt last Friday to close at 1,665.56 dragged down by selling pressure on index-linked counters. Meanwhile, Japan's Nikkei climbed on Friday after the Bank of Japan raised its policy rate to 1.25%, while Asian stocks broadly gained as lower oil prices eased inflation concerns and a tech-led Wall Street rebound lifted sentiment. The FBMKLCI's top gainers were Sunway Healthcare Holdings (+3.7%), Press Metal Aluminium Holdings (+2.6%) and Petronas Gas (+2.0%), while the top losers were IOI Properties Group (-5.4%), Petronas Dagangan (-4.7%) and PPB Group (-3.6%). In the broader market, gainers outpaced losers 625 to 564 with 505 counters unchanged. Turnover was 4.92b shares valued at RM4.82b.

US stocks were mixed after the close on Friday, as gains in the technology, industrials and telecoms sectors led shares higher while losses in the utilities, basic materials and consumer goods sectors led shares lower. At the close in NYSE, the Dow Jones Industrial Average declined 0.19%, while the S&P 500 index climbed 0.16%, and the NASDAQ Composite index climbed 0.40%. Falling stocks outnumbered advancing ones on the New York Stock Exchange by 1,794 to 919 and 96 ended unchanged; on the Nasdaq Stock Exchange, 1,970 fell and 1,438 advanced, while 192 ended unchanged. (*Sources: Investing.com)*

FBMKLCI, FCPO & FKLI Index Outlook

Analyst(s)
Mohd Fakhrul Asyraq, MSTA, CFTe
mohdfakhrulasyraq@uobkh.com
+603 21471994

FBMKLCI

Source: UOBKH ChartGenie

FTSE Bursa Malaysia KLCI	
Last close:	1,665.56
Expected moving range:	1,665-1,700

Technical View:

Last Friday, the FBMKLCI made a strong downward penetration as the index closed lower at 1,665.56, suggesting a weaker outlook. Given the negative connotation, the base has not yet been established with potential support seen at the previous low of 1,654. Weaker movements can be expected ahead in tandem with increasing selling pressure as shown by a downtick in RSI. Support and resistance levels are as follows:

Support: 1,665, 1,652

Resistance: 1,720, 1,755

FCPO

Source: TradingView

Futures Crude Palm Oil (FCPO) Active Contract, 1 Hour Chart

Technical BUY with +3.7% potential return

Trading BUY range:	RM4,900-5,020
Last price:	RM4,898
Target price:	RM5,029, RM5,099
Support:	RM4,795
Stop-loss:	RM4,794

BUY with a target price of RM5,099 and stop-loss at RM4,794. Based on the chart, FCPO continue the bullish movement and closed at RM4,898 last Friday. This bullish movement is supported by an uptick in RSI and bullish crossover in both MACD and DMI indicators. We maintained our targets at RM5,029 and RM5,099 in the near term.

Expected timeframe: One day to three days

FKLI

Source: TradingView

FTSE Bursa Malaysia KLCI Futures (FKLI), 1 Hour Chart

Technical SELL with -0.91% downside

Trading SELL range:	1,643-1,650
Last price:	1,643
Target price:	1,634, 1,628
Resistance:	1,677
Stop-loss:	1,678

SELL with a target price of 1,628 and stop-loss at 1,678. Based on the chart, FKLI formed a series of lower highs and lower lows that indicates the downtrend pattern. This bearish movement is supported by the downtick in the RSI and bearish crossovers in both MACD and DMI indicators. We peg our targets at 1,634 and 1,628 in the near term.

Expected timeframe: One day to three days

Traders' Corner

Analyst(s)
Mohd Fakhrul Asyraq, MSTA, CFTe
mohdfakhrulasyraq@uobkh.com
+603 21471994

Cape EMS
CEB MK

Technical BUY with +25.5% potential return

Trading BUY range:	RM0.25-0.275
Last price:	RM0.275
Target price:	RM0.315, RM0.345
Support:	RM0.245
Stop-loss:	RM0.24

Source: UOBKH ChartGenie

BUY with a target price of RM0.345 and stop-loss at RM0.24. Based on the daily chart, share price is recovering gradually and moved above the 7- and 21-day EMA to close higher at RM0.275 last Friday. This is supported by an uptick in the RSI and a bullish crossover in the MACD and the DMI, indicating the positive momentum will strengthen in the near term. We peg our targets at RM0.315 and RM0.345 in the near term.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading

Farm Fresh
FFB MK

Technical BUY on breakout with +18.3% potential return

Trading BUY range:	RM2.08-2.09
Last price:	RM2.00
Target price:	RM2.37, RM2.46
Support:	RM1.95
Stop-loss:	RM1.94

Source: UOBKH ChartGenie

BUY on breakout with a target price of RM2.46 and stop-loss at RM1.94. Last Friday, share price closed above the BBI line and we expect FFB will continue in its uptrend. This bullish movement is supported by the MACD which is currently showing positive signals. This is also consistent with the uptick in the RSI which suggests stronger buying momentum ahead. We peg our targets at RM2.37 and RM2.46 if the stock penetrates the breakout level of RM2.08.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading

Source: UOBKH ChartGenie

Hi Mobility
HI MK

Technical BUY with +20.6% potential return

Trading BUY range:	RM1.86-1.89
Last price:	RM1.89
Target price:	RM2.14, RM2.28
Support:	RM1.73
Stop-loss:	RM1.72

BUY with a target price of 2.28 and stop-loss at RM1.72. Based on the daily chart, HI formed higher highs and higher lows after a huge drop from the previous high. This is supported by an uptick in the RSI and a bullish crossover in both MACD and DMI indicators. Moving forward, we expect HI will continues the bullish movement toward the resistance level of RM2.29 in the near term.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading