

OTHERS ACQUISITION OF 80% EQUITY STAKE IN TWO (2) OPERATIONAL ONSHORE WIND PORTFOLIOS IN UNITED KINGDOM

TENAGA NASIONAL BHD

Type	Announcement
Subject	OTHERS
Description	ACQUISITION OF 80% EQUITY STAKE IN TWO (2) OPERATIONAL ONSHORE WIND PORTFOLIOS IN UNITED KINGDOM

Tenaga Nasional Berhad wishes to announce that it has today, on 28 February 2018 (UK time)/1 March 2018 (Malaysian time), via its wholly owned subsidiary, Tenaga Wind Ventures UK Ltd ("Tenaga Wind"), completed its acquisition of an 80% interest in two (2) United Kingdom ("UK") renewable energy companies; GVO Wind Limited and Bluemerang Capital Limited (the "Acquired Cos.") for a cash equity consideration of GBP77.37 million through two (2) Share Purchase Agreements ("SPAs") with Georg von Opel and Tanzanite B.V. & Catalin Breaban ("the Sellers") respectively. The Acquired Cos. own the largest Feed-in Tariff ("FIT") wind portfolio in the UK, comprising 53 operational onshore medium wind turbines with a total combined capacity of 26.1MW.

Tenaga Wind has also today entered into two (2) Shareholders' Agreements ("SHAs") with Georg von Opel and Tanzanite B.V. In addition, Tenaga Wind and Longspur Capital Limited ("Longspur Capital"), a renewable energy infrastructure asset manager have entered into Investment Management Agreements (the "IMA") relating to the management of the Acquired Cos. and its respective portfolio. Longspur Capital is manned by experienced personnel from both Temporis Capital Ltd and Bluemerang Capital Ltd, former asset managers of the Acquired Cos.

Please refer to the attachment for details of the Acquisition.

Please refer attachment below.

Attachments

 [Acquisition In Two \(2\) Operational Onshore Wind Portfolios In UK.pdf](#)
391.0 kB

Announcement Info

Company Name	TENAGA NASIONAL BHD
Stock Name	TENAGA
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TENAGA NASIONAL BERHAD

ACQUISITION OF 80% EQUITY STAKE IN TWO (2) OPERATIONAL ONSHORE WIND PORTFOLIOS IN UNITED KINGDOM

1. INTRODUCTION

Tenaga Nasional Berhad (“TNB”) wishes to announce that it has today, on 28 February 2018 (UK time)/ 1 March 2018 (Malaysian time), via its wholly owned subsidiary, Tenaga Wind Ventures UK Ltd (“Tenaga Wind”), completed its acquisition of an 80% interest in two (2) United Kingdom (“UK”) renewable energy companies; GVO Wind Limited and Bluemerang Capital Limited (the “Acquired Cos.”) for a cash equity consideration of GBP77.37 million through two (2) Share Purchase Agreements (“SPAs”) with Georg von Opel and Tanzanite B.V. & Catalin Breaban (“the Sellers”) respectively. The Acquired Cos. own the largest Feed-in Tariff (“FIT”) wind portfolio in the UK, comprising 53 operational onshore medium wind turbines with a total combined capacity of 26.1MW.

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2. INFORMATION ON ENTITIES

2.1. Information on the TNB Parties

2.1.1. TNB

TNB was incorporated in Malaysia on 12 July 1990 as a public company under the name of Tenaga Nasional Berhad, and was listed on the Main Board (now known as the Main Market) of Bursa Malaysia Securities Berhad on 28 May 1992.

The issued share capital of TNB as at 31 January 2018 is RM5,848,796,520.00 divided into 5,665,986,271 ordinary shares and One (1) Special Rights Redeemable Preference Share.

TNB is primarily involved in the business of generation, transmission, distribution and sale of electricity. Through its subsidiaries, TNB is involved, among others, in the manufacture of transformers; high voltage switchgears and cables; the provision of consultancy services; the provision of education and training services; and, the provision of repair and maintenance services and research and development.

2.1.2. TNB International Sdn. Bhd.

TNB International Sdn. Bhd. (“TNBI”) is a TNB wholly owned subsidiary incorporated under the laws of Malaysia on 23 February 2006 as a private company limited whose registered office is at Pejabat Setiausaha Syarikat, Tingkat 2, Ibu Pejabat Tenaga Nasional Berhad, No. 129, Jalan Bangsar, 59200 Kuala Lumpur, Malaysia. TNBI has been established as an investment holding company.

2.1.3. Tenaga Investments UK Ltd

Tenaga Investments is a wholly owned subsidiary of TNBI, incorporated under the laws of England and Wales on 20 October 2017 as a private limited company whose registered office is at One Fleet Place, London. Tenaga Investments has been established as an investment holding company for UK investments.

2.1.4. Tenaga Wind Ventures UK Ltd

Tenaga Wind is a wholly owned subsidiary of Tenaga Investments, incorporated under the laws of England and Wales on 20 October 2017 as a private limited company whose registered office is at One Fleet Place, London. Tenaga Wind has been established as the special purpose vehicle for this acquisition.

2.2. Information on the Parties Involved

2.2.1. Georg von Opel and GVO Wind Limited

Mr. Georg von Opel invests across asset classes in multiple jurisdictions around the world. GVO Wind Limited was incorporated in 2012 to develop, construct and to manage feed-in tariff wind projects in the UK.

2.2.2. Tanzanite B.V. ("Tanzanite")

Tanzanite B.V. is a subsidiary of AtlasInvest Holding BVBA ("AtlasInvest"). AtlasInvest, headed by its Founder and Chairman Marcel van Poecke, is a private investment company invested across the energy sector. Through its partnership with the Carlyle Group, AtlasInvest also manages Carlyle International Energy Partners. Tanzanite B.V., together with Catalin Breaban founded Bluemerang Capital Limited in 2012 and invested in development, construction and acquisitions of wind projects in the UK.

2.2.3. Catalin Breaban

Catalin is the co-founder and a shareholder of Bluemerang Capital Limited. He was the CEO of Bluemerang Capital Limited.

2.2.4 Longspur Capital Limited

Longspur Capital, formerly known as GVP Capital Limited, is an asset manager that invests in renewable power and related infrastructure assets in the UK and internationally. The asset manager has been founded by AtlasInvest and Mr. Georg von Opel together with the respective management teams that built the Bluemerang Capital Limited and GVO Wind Limited portfolios. Longspur Capital is co-managed by Mr. Harry Bond and Mr. Catalin Breaban. TNB has appointed Longspur Capital to manage the Acquired Cos. wind portfolio under the IMAs.

3. SALIENT TERMS OF THE SHARE PURCHASE AGREEMENTS

The salient terms of the SPAs inter alia include the following:

3.1. Transaction scope

Tenaga Wind Ventures UK Ltd purchased 80.0% equity interest from the Sellers.

3.2. Acquisition price and purchase consideration

The acquisition price was paid by TNB upon satisfaction of conditions precedent to the SPAs. The purchase equity consideration of GBP77.37 million is the 80% equity value based on the agreed and fixed Enterprise Value ("EV") of GBP171.23 million for the purchase of 53 wind turbines. The equity value is also based on net debt and working capital adjustment at completion.

3.3. Completion

All customary conditions for completion were fulfilled including applicable regulatory approvals from Malaysia and the UK.

4. SALIENT TERMS OF THE SHAREHOLDERS' AGREEMENT

The salient terms of the SHAs inter alia include the following:

4.1. Shareholding Composition After the Completion

Acquired Cos.	Shareholder	Percent of equity shares
GVO Wind Limited	TNB	80%
	Georg von Opel	20%
Bluemerang Capital Limited	TNB	80%
	Tanzanite B.V.	20%

4.2. Governance rights

TNB will have the right to nominate up to four (4) directors out of a total of five (5) on the Boards of both GVO Wind Limited and Bluemerang Capital Limited.

5. BASIS AND JUSTIFICATION OF ACQUISITION PRICE

The cash consideration of GBP77.37 million reflects fair market value of the wind energy portfolio acquired using an adjusted discounted cash flow (DCF) methodology. The price was agreed with the Sellers following detailed due diligence by TNB and its appointed consultants and advisers.

6. SOURCE OF FUNDING

The acquisition was funded through a combination of internally generated funds and borrowings.

7. LIABILITIES TO BE ASSUMED BY TNB

TNB will be providing a guarantee to the Sellers for the payment obligation of Tenaga Wind to pay the acquisition price. Aside from this, there are no other liabilities including contingent liabilities to be assumed by TNB arising from the acquisition.

8. RATIONALE AND PROSPECTS OF THE ACQUISITION

8.1. Growth of TNB's RE Portfolio

The acquisition is part of TNB's Five-Year International Expansion Roadmap. Acquiring the onshore wind assets is also in line with TNB's strategy on renewable energy ("RE") expansion under Reimagining Tenaga strategy to position TNB as one of the top global utility players by 2025. TNB intends to grow its RE portfolio to an optimal size via greenfield development or acquiring other RE portfolio of similar or complementary technology.

The acquisition will add another c.26.1MW raising TNB's total international renewable energy portfolio to c.280MW.

8.2. Human Capital Development

TNB intends to develop its human capital as part of this acquisition by accelerating the training and exposure of TNB personnel in RE operations, particularly in wind turbines operations. Operating medium sized wind turbines in a developed market will reduce the risks TNB faces in its learning curve to build a compelling RE track record. Furthermore, TNB will be able to experience first-hand the changes in technology and market trends in a developed economy. In addition, the acquisition will further enhance TNB's knowledge in RE asset management via its strategic partnership with Longspur Capital, supporting TNB's aspiration to be a global energy player.

8.3. Attractive Risks and Returns

The acquisition of an operating wind portfolio is a low risk investment as there is no exposure to planning and construction risk. The wind portfolio is comprised of young assets, with an average age of 2.5 years with an estimated useful life up to 25 years. The assets are located across the UK, providing a diversification and natural hedge to individual onshore wind turbine revenue risk through the benefit of portfolio.

The revenue derived from the portfolio is equivalent to 85MW large-scale wind or 150MW large scale solar projects. At least 97% of the portfolio's revenue is contracted through the UK government-backed renewable Feed in Tariff ("FIT") support mechanism and guaranteed export tariff. The average revenue is approximately GBP223 per MWH which is significantly higher than the average values of other similar RE support mechanisms across UK and Europe.

Moreover, the portfolio is in a developed economy with stable demand for renewable-based electricity plus it is supported by a 20-year UK government-backed renewable support mechanism. The portfolio offers attractive financial returns with earnings accretive from year one.

8.4. Complementary assets for TNB UK solar RE assets

The acquisition of Vortex Solar S.a.r.l in 2017 resulted in TNB owning a 50% share of a 365MW of solar RE portfolio in the UK. Wind RE assets in general generate more revenue in the winter period whilst solar RE assets generate the most revenue in the summer months. This acquisition will complement TNB solar RE assets in UK by ensuring stable portfolio revenue generation all year round.

9. RISK FACTORS RELATING TO THE ACQUISITION

TNB together with its appointed advisors have carried out a comprehensive due diligence and risk assessment on the acquisition. The identified risks associated with the acquisition have been assessed and mitigated appropriately.

10. FINANCIAL EFFECTS OF THE ACQUISITION

10.1. Issued Share Capital

The acquisition will not have any effect on the issued share capital of TNB.

10.2. Substantial Shareholders' Shareholdings

The acquisition will not have any effect on the Substantial Shareholders' shareholdings of TNB.

10.3. Net Assets and Gearing

Based on the latest audited consolidated financial statements of TNB for the Financial Year ended 31 August 2017, the acquisition is not expected to have a material effect on the net assets and gearing of TNB.

11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED WITH THEM

None of the Directors or Major Shareholders of TNB and/or persons connected with them has any interest, direct or indirect, in relation to the acquisition.

12. DIRECTORS' STATEMENT

After having considered all aspects of the acquisition, the Board of Directors of TNB is of the view that the acquisition is in the best interest of TNB, fair, reasonable and on normal commercial terms and not detrimental to the interest of minority shareholders.

13. APPROVALS FOR THE ACQUISITION

The acquisition does not require the approval of TNB's shareholders. However, it was subject to the following approvals from regulatory authorities, which have been received:

- i. Bank Negara Malaysia; and
 - ii. Ministry of Finance of Malaysia.
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14. HIGHEST PERCENTAGE RATIO PURSUANT TO PARAGRAPH 10.02(G) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("MMLR")

The highest percentage ratio applicable for the acquisition pursuant to paragraph 10.02(g) of the MMLR is 0.74% based on the latest audited consolidated financial statements of TNB for the Financial Year ended 31 August 2017.

15. COMPLETION

The acquisition was completed on 28 February 2018 (UK time)/1 March 2018 (Malaysian time) upon fulfilment of the conditions precedent.

16. ADVISORS

TNB is supported by a strong team of advisors: Dentons UK and Middle East LLP acted as legal counsel, Baringa Partners LLP UK acted as the UK market consultant, Ernst & Young acted as tax advisor, Willis Towers Watson conducted the insurance due diligence whilst the technical due diligence was conducted by Poyry Energy Ltd. Financial and accounting due diligence was performed by TNB internal experts. In addition, TNB took reliance on the due diligence reports and financial model produced by Sellers' appointed advisors comprising of Burges Salmon, Womble Bond Dickinson, Anderson Strathern, KPMG and DNV. The Sellers legal advisor was Slaughter & May and the M&A Adviser was KPMG.