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MediaTitle	New Straits Times		
Date	07 Jan 2017	Language	English
Circulation	74,711	Readership	240,000
Section	Business Times	Page No	1,2
ArticleSize	772 cm ²	Journalist	ZARINA ZAKARIAH
PR Value	RM 79,835		




APPETITE FOR CLEAN ENERGY

TENAGA Nasional Bhd is paying £86 million for a 50 per cent stake in United Kingdom's Vortex Solar Investments Sarl, which is TNB's third renewable energy-related purchase in three years.

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MAJOR ACQUISITION

TNB'S RENEWABLE ENERGY PUSH

National utility pays £86m for 50pc stake in Britain's third-largest solar power business

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TENAGA Nasional Bhd's appetite for acquiring renewable energy (RE) assets is far from over.

The national utility company yesterday announced a £86 million (RM477 million) acquisition of a 50 per cent stake in Vortex Solar Investments Sarl (Vortex Solar).

Vortex Solar is the third-largest solar power business in the United Kingdom that comprises 24 solar photovoltaic farms with a 365MW net capacity.

This is the third RE-related purchase in the last three years. In 2015, TNB bought 30 per cent of Turkish-based power company GAMA Enerji AS for US\$255 million.

In November, it paid US\$300 million for a 30 per cent stake in Indian power company, GMR Energy Ltd (GEL).

The three combined acquisitions will increase TNB's RE portfolio to 252MW, from 70MW currently.

A source close to the energy company said TNB would be making a few more acquisitions this year, including some locally, to expand the company's RE asset portfolio.

"With this acquisition, we now possess a total global generation capacity of 11,800MW in addition to a fixed tariff and steady returns for the company.

"We aim to increase our generation capacity in RE to 20 per cent between three and seven years as the way forward on the future of power generation.

"While we were cautious in our pursuit for assets, we looked around for the best assets such as this one which has higher tariff than Europe and will benefit TNB from foreign proceeds," the source told New Straits Times.

In its filing to Bursa Malaysia yesterday, TNB said the proposed sub-

scription would enable the company to realise its RE targets ahead of schedule.

"The solar energy assets are a unique portfolio of young and sizeable asset with an average asset age of two years and an estimated useful life of 30 years.

"They are immediately earnings-accretive on completion of the acquisition and now delivering a high performance ratio while also backed by a 15-year power purchase agreements secured with creditworthy off-takers and supported by renewable obligation certificates for 20 years.

"This acquisition will provide improved access to UK renewable market for potential RE future expansion as well as make its move in the interest of its shareholders," said TNB.

MIDF Research, in its recent 2017 outlook report, said local power players with low borrowings are in a strategic position to capitalise on acquisition or expansion opportunities that may arise, particularly foreign.

"TNB is one of the most under-leveraged among regional peers at just 0.35 times net debt-to-equity," it said.

According to yesterday's announcement, TNB International Sdn Bhd (TNBI) entered into a subscription and funding agreement with Beaufort Investments S.a.r.l. (Beaufort), a unit of EFG Hermes Holding, to subscribe for new equity shares in Vortex Solar.

Beaufort formed Vortex Solar to finance in part the acquisition by Vortex Solar UK Ltd (Vortex Solar UK), an indirect unit of Vortex Solar, of all the shares of TerraForm UK 2 Intermediate Holdings Ltd and TerraForm UK 3 Intermediate Holdings Ltd (target companies) and redeem a loan note extended to the target

companies.

The transaction is expected to be completed by the third quarter of this year.

