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## Securing longer-term growth

TENAGA Nasional Bhd's (TNB) announcement on buying a 50% stake in Vortex Solar Investments S.a.r.l. in the UK for RM474mil comes as no surprise.

TNB has alluded to the fact that it wants to increase its overseas investment, something it has nibbled in the past but its Malaysian business remains the bread and butter of its operations.

"When we start looking outside, we obviously need to do a lot of due diligence to see the business advantages and business prospects of investing in a particular asset. Before any investment takes place, we have to be very careful in evaluating whether such investments make sense. Our core business is in the energy supply industry and this is where our strength is," TNB chairman Tan Sri Leo Moggie said in a report recently.

TNB did not articulate its move by paying nearly half a billion ringgit for a solar plant in the UK but said the company operates solar PV projects in the United Kingdom with a combined net installed capacity of about 365MW.

It said the acquisition is in line with TNB's five-year International Expansion Roadmap, which aims to secure up to 5000MW new

generation capacity internationally by 2020.

TNB said the deal enables it to realise the renewable energy part of the plan ahead of schedule.

"The solar energy assets are a unique portfolio of young and sizable assets with an average asset age of 2 years and an estimated useful life of 30 years. They are immediately earning accretive on completion of the acquisition and currently delivering a high Performance Ratio (PR). They are backed by a 15-year power purchase agreement secured with creditworthy off-takers and supported by Renewable Obligation Certificates for 20 years," it said.

"Combined with TNB's RE net capacity in Turkey and India of 70MW, this will increase TNB's RE portfolio to 252MW, surpassing the 250MW renewable target of the international expansion roadmap."

For TNB, the venture abroad represents an avenue to capture new income streams away from a domestic economy where energy growth is forecast to grow slower than GDP growth, which is an anomaly for the power industry.

Furthermore, having a stable and recurring overseas investment will diversify its growth prospects beyond Malaysia which will only help the company in the long run.

