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ANALYST VIEW

TNB's Vortex deal good entry to overseas RE

KUALA LUMPUR: Analysts describe Tenaga Nasional Bhd's (TNB) proposed acquisition of United Kingdom-based Vortex Solar Investments as an "attractive" entry to renewable energy (RE) market abroad.

They said the RM480 million deal for a 50 per cent Vortex stake would enlarge and diversify TNB's international energy portfolio and improve its international energy exposure.

"The acquisition marks TNB's first foray into UK renewable market and potentially future expansion. It also serves as a platform for TNB to acquire knowledge and experience in RE technology and best practices," said Hong Leong Investment Bank (HLIB) yesterday.

"The transaction is expected to be completed by the third quarter of this year and will be immediately earnings accretive," it added.

MIDF Research said while the acquisition's valuation was much lower versus industry cost of around US\$2.5 million (RM11.2 million) per megawatt for a new solar project, it implied an attractive entry for TNB.

"Our back of the envelope calculations suggest that the new asset will enhance our valuation of TNB by an estimated nine sen a share to RM16.90 a share, or a marginal 0.5 per cent – a considerably small transaction relative to TNB's RM79 billion market capitalisation," it said.

HLIB maintained its "buy" call on TNB with unchanged target price of RM17.50 as it remained positive on its long-term growth and strong cash flow. MIDF re-affirmed its "buy" call on TNB with unchanged target price of RM16.80 and potential upside bias from the acquisition.