



10 JUL, 2024

Tenaga Nasional Bhd Buy. Target price: RM16.10

The Sun, Malaysia



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Source: Bloomberg, RHB Research

LAST week, TNB hosted a technical visit to its operating unit, Vantage in the UK where we had a meeting with the Vantage management team and visited two RE assets, Blyth offshore wind farm and Bunkers Hill solar farm. Established in 2021, Vantage has 92 operational sites in the UK and Ireland with a total combined gross operational capacity of 806.1MW (accounted for 19% of TNB's RE portfolio), 101.7MW in construction and 307.6MW in development. The bulk of these assets is in solar (61%), followed by onshore wind (20%), battery energy storage system (BESS), (11%) and offshore wind (8%). Vantage RE aims to achieve >2GW in 2030 from the current's 1.2GW.

We understand that the RE assets generally have 15-year corporate power purchase agreement (PPA) signed. Tariffs are either at fixed or floating rates, which could allow Vantage RE to have a certain level of revenue visibility while capitalising on higher energy prices at different times. Additionally, the majority of Vantage's current RE assets have long-term support schemes in place. We are guided that these subsidies are important and could contribute >50% of Vantage revenue in the medium term. As such, these RE assets typically fetch high single-digit returns, with a slight premium for wind assuming a useful life of 30 years.

Vantage's topline has demonstrated strong growth from £34 million in FY21 to £139 million in FY23. EBITDA margin has been in the range of 69-75% in FY21-23. The relatively stronger EBITDA margin of 75% recorded in FY22 was largely driven by the Russia-Ukraine-led spike in energy prices. Meanwhile, shareholders' loan arrangement given from TNB to Vantage also facilitates subsequent cash repatriation and >1/3 of total TNB investments have been distributed to date.

Keep BUY and RM16.10 TP.