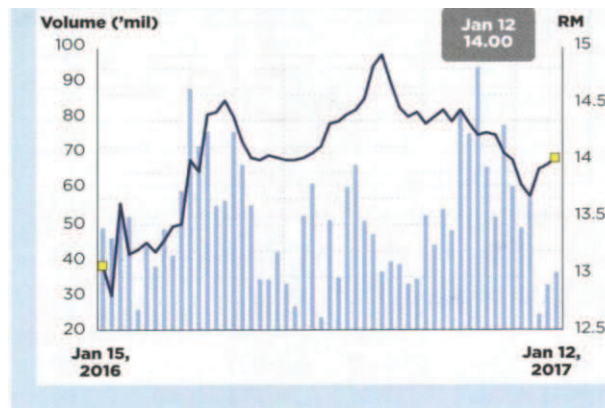


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Tenaga Nasional Bhd

Current Price: **RM14 (as of Jan 12)**

Target Price: **RM17.19 BUY**

TA Securities Research

TENAGA Nasional has proposed to acquire a 50% stake in Vortex Solar Investments Sarl (VSI) for £86 mil (RM474 mil). VSI owns and operates 24 solar photovoltaic farms in the UK with a combined net installed capacity of 365MW. This translates to the third-largest solar power business in the UK. We are positive on this news as we are optimistic on the prospects of renewable energy (RE) in Europe. The additional net RE capacity of 182MW (50% stake) enables Tenaga to achieve its RE target ahead of schedule. We do not incorporate VSI's contribution to our forecasts for now pending more information from the management.

However, we tweak our dividend assumptions upwards and perform housekeeping to our forecasts following the release of the annual audited figures and change of financial year-end to December. In addition, we also nudge demand lower for FY18-19. This results in a change of 2.1%/-2%/-4% to our FY17/18/19 forecasts respectively. Following the forecasts revision, our target price for Tenaga is raised to RM17.19 based on discounted cash flow. Maintain buy.