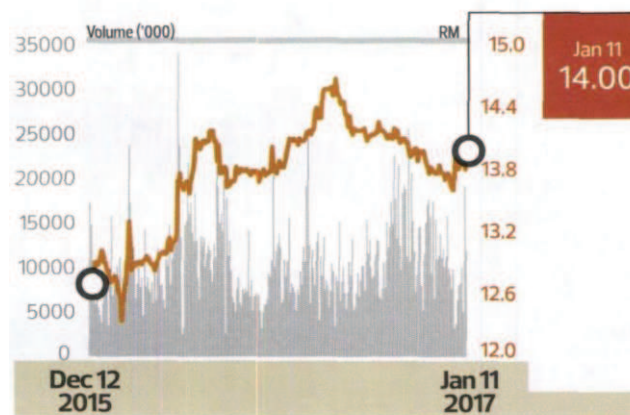


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## Tenaga Nasional Bhd

Target price: **RM17.19 BUY**



**TA SECURITIES (JAN 9):** Tenaga Nasional Bhd has proposed to acquire a 50% stake in Vortex Solar Investments S.a.r.l. (VSI) for £86 million. VSI owns and operates 24 solar photovoltaic (PV) farms in the UK with a combined net installed capacity of 365MW. The operating assets will be earnings accretive to Tenaga post-acquisition. We are optimistic on the prospects of renewable energy in Europe. This is supported by high demand backed by an accommodative regulatory environment, and high degree of corporate social awareness.

Tenaga's strategy of international diversification largely stems from management's expectations of subdued demand in the mature local electricity market. This is underpinned by the transition of Malaysia's economy from industry- to service-based.

Furthermore, the assets have immediate and long-term earnings visibility, given that they are backed by 15-year power purchase agreements and government-backed renewable obligation certificates for 20 years. On top of that, the solar energy assets comprise a portfolio of young assets with an average age of two years and estimated useful life of 30 years.