

Edp Renovaveis

Price EUR6.70

Q1-16 earnings supported by commissioning and assets management

Fair Value EUR7.5 (+12%)

NEUTRAL

Bloomberg	EDPR LI
Reuters	EDPR.LS
12-month High / Low (EUR)	7.3 / 5.7
Market Cap (EURm)	5,844
Ev (BG Estimates) (EURm)	11,087
Avg. 6m daily volume (000)	416.4
3y EPS CAGR	8.2%

The Portuguese renewable energy producer group unveiled Q1 2016 results slightly above expectations with this morning, mainly supported by the commissioning of new power plants in US and Brazil and the assets management performance leading to high load factor. Power prices are to monitor in the US and Europe yet.

ANALYSIS

- Main Q1-16 metrics: 1/ Mitigated sales conditions:** Revenues came out slightly below consensus estimates at **EUR508m** vs **EUR513** consensus, i.e. +22%, supported by the commissioning of **672MW** power plants (mainly o/w 623MW in Portugal, 398 in US and 120MW in Brazil) and the consolidation of 533MW ENEOP power plants. EDPR now operates 9,707GW of installed capacity. Regarding load factor, it improved by 4% to reach **38%**, mainly supported by higher load factors in US and Brazil, resulting in an output increased by **30%** at **7,535GWh**. However, electricity price fell from **EUR65.5/MWh** to **EUR60.8/MWh**, impacted by power price pressures in US and Europe. As of March 2016, 90% of installed capacity are not exposed to spot market prices through PPA and other incentives, knowing that the 10% remaining are mainly gathered in the US and Spain. **2/ Good metrics:** EBITDA generated **EUR379m** (vs **EUR365m** Bryan Garnier estimates), i.e. **+29%**, following well operating costs control. EBIT was enhanced by **35%** at **EUR232m**, following EBITDA trend and also thanks to higher depreciation and amortization. Net profit rose by **32%** at **EUR75m** (vs **EUR68m** Bryan Garnier estimates). EDPR's asset rotation program was the main contributor to the generation of operating cash flow which improved by **28%** at **EUR281m**. Net debt decreased by **8%** at **EUR3.4bn**.

- Conclusion:** Despite harsh pricing conditions and revenues below expectations, EDPR's operating metrics demonstrated a good performance through EBITDA and net profit above our estimates thanks to its high load factors proving the group's know-how in wind power generation. Commissioning bring EDPR's installed capacity at **9.7GW** worldwide. None information concerning FY-16 guidance was released for now. We see this Q1-16 release positively, power prices are to monitor and especially in the US and Europe. **We confirm our Neutral rating and hope to get more details on group's strategic plan tomorrow during the investor day.**

VALUATION

- At current share price the stock is trading at 9.3x its 2016e EBITDA and offers a 0.9% yield
- Neutral FV @ EUR7.5

NEXT CATALYSTS

- Conference call at 2.00pm CET
- May 05th Investor Day

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Distribution of stock ratings

BUY ratings 72%

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