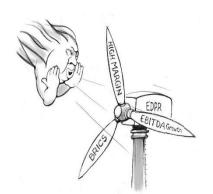
Utilities

Edp Renovaveis

Price EUR6.86

Bloomberg Reuters 12-month High , Market Cap (EU Ev (BG Estimate Avg. 6m daily vo 3y EPS CAGR	EDPR LI EDPR.LS 7.3 / 5.7 5,981 11,223 417.0 8.2%			
	1 M	3 M	6 M 3	1/12/15
Absolute perf.	6.5%	2.0%	3.9%	-5.4%
Utilities	2.7%	0.8%	-7.4%	-4.9%
DJ Stoxx 600	0.3%	1.8%	-12.7%	-9.3%
YEnd Dec. (EURm)	2015	2016e	2017 e	2018e
Sales	1,549	1,750	1,927	2,128
% change		13.0%	10.1%	10.4%
EBITDA	1,142	1,198	1,306	1,432
EBIT	577.8	606.3	667.5	722.2
% change		4.9%	10.1%	8.2%
Net income	166.6	145.2	174.1	211.2
% change		-12.9%	19.9%	21.3%
	2015	2016e	2017e	2018e
Operating margin	37.3	34.7	34.6	33.9
Net margin	10.8	8.3	9.0	9.9
ROE	2.4	2.1	2.5	3.0
ROCE	4.4	4.5	4.9	5.2
Gearing	72.4	69.9	67.5	65.4
(EUR)	2015	2016 e	2017 e	2018 e
EPS	0.19	0.17	0.20	0.24
% change	-	-12.9%	20.0%	21.3%
P/E	35.9x	41.2x	34.3x	28.3x
FCF yield (%)	NM	NM	3.7%	3.4%
Dividends (EUR)	0.04	0.06	0.07	0.08
Div yield (%)	0.6%	0.9%	1.0%	1.2%
EV/Sales	7.4x	6.4x	5.7x	5.1x
EV/EBITDA	10.0x	9.4x	8.5x	7.6x
EV/EBIT	19.7x	18.5x	16.6x	15.1x



Toward a more US EDPR; still Neutral despite FV being up from EUR7.5 to EUR7.65

Fair Value EUR7,5 (+9%)

NEUTRAL

We updated this morning our model with latest group's strategic targets unveiled during EDP/EDPR investor day organised by the group last Thursday. Through a more aggressive capex program than anticipated the group is further investing in North America (65% of its capex program) where it already generate 55% of its EBITDA while unveiled timid guidance for developing its footprint in Brazil and on solar market (10% of capex program each). Our FV is up from EUR7.5 to EUR7.65 which still implies limited upside compared with latest share price (11%). We appreciate the equity story yet see too limited upside, especially with such low visibility on future outcomes on U.S energy sector (U.S elections). We keep our Neutral rating.

ANALYSIS

- Main metrics to retain from the new EDPR strategic plan? 1/group's new annual installed capacities target is above our expectations at 700MW (BG at around 500MW) and above previous plan (500MW) while new program is a 5 years program vs. 4 years previously (2014-2017 plan). Between 2015 and 2020 group's installed capacities are then expected to grow by 3.5GW. 2/Out of 700MW, North Amercia will represent 65% of group's efforts, while Europe will only represent 15% and Brazil 10%. Without mentioning any specific regions, the group indicated it will dedicate 10% or 350MW over its 5 year program on solar technologies. 3/This program is set to cost the group around EUR4.8bn of gross capex over the period (less than EUR1/bn per year). The group also indicated it is targeting around EUR1.1bn of disposals as part of its assets rotation program, o/w EUR550m was already signed. This growth capex program should allow the group to generate an EBITDA CAGR >8% over the period, and an EPS CAGR >16% over the period. EDPR is clearly an earnings growth story.
- Our view on this strategic plan: In MW and in EURbn this capex program is more ambitious than we anticipated (EUR4.8bn likely to be spent over the 5Y periods vs. EUR3.6bn expected in our mode) explaining our FV increase yet we are disappointed by low share of investments dedicated to Brazil and to solar market. While we anticipated that around 40-50% of group's capex envelop would be dedicated to these two high growth markets, the group unveiled only 20% will be specifically dedicated to it. The group is then reinforcing its positions in markets where it as already a dominant position (North America and Europe) while even accelerating its exposure to North America where energy sector could be potentially heckled by a more conservative US president (Trump?).
- Impact our model: After integrating group's assumptions in our model, our 2016 EPS is unchanged while our 2017 EPS is up 5%. Our new EUR7.65/share FV implies 11% upside.
- Conclusion: We appreciate the equity story yet see too limited upside, especially with such low
 visibility on future outcomes on U.S energy sector (U.S elections). We keep our Neutral rating
 with FV up from EUR7.5 to EUR7.65.

VALUATION

- At current share price EDPR is trading at 9.4x its 2016e EBITDA and offers a 0.9% yield
- Neutral, FV @ EUR7.65

NEXT CATALYSTS

Bullet



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For the purposes of this Report, the Bryan Garnier stock rating system is defined as follows:

Stock rating

BUY

Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

NEUTRAL

Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

SELL

Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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