

Bloomberg	EDF FP
Reuters	EDF.PA
12-month High / Low (EUR)	21.3 / 9.2
Market Cap (EURm)	18,616
Ev (BG Estimates) (EURm)	81,398
Avg. 6m daily volume (000)	2 725
3y EPS CAGR	-25.3%

Yesterday, the group hosted a workshop session with sell-side analysts dedicated to the Hinkley Point C Project. The group's CEO confirmed that EDF is fully committed to commissioning this EPR project and is confident in the group's ability to respect the project's technical and financial specifications, despite the impacts of Brexit. As a reminder, we have not yet integrated this project into our model.

ANALYSIS

- Quick comments on the HPC project:** As a reminder, the **HPC 3.28GW** project (two EPR reactors of 1.638GW each) is set to cost around **GBP18bn** for EDF (66.5%) and Chinese partner **CGN** (33.5%), and is set to generate **6-7% of UK power output**. Out of the **GBP18bn** in project costs, **GBP2.5bn** are development costs already spent to date. The investment is to be financed by equity contributions from each of the partners, at least during the first phase, with EDF's share at **GBP12bn** and CGN's at **GBP6bn**. The rate of return on this project is unchanged at approximately **9%** over the duration of the project thanks to a **35-year CfD contract** (Contract for Difference) signed with the UK government (power prices three times higher than today's price).
- Interesting facts to retain:** **1/** CGN's participation in the project requires payment of an acquisition premium in addition to their share of costs already incurred (cash payments) to the profit of EDF's cash flow; **2/** The sensibility of the **9%** rate of return is approximately **20bp for a six month delay**. To maintain the conditions of the CfD, EDF needs to commission the EPR reactors as late as 2033, implying a maximum of **eight years delay** compared with the initial, plan which is to commission the EPR reactors by 2025; **3/** the group indicated that the project's IRR could be negatively impacted by **17bp** assuming a GBP/EUR rate of 1.20 and not 1.3. Out of **GBP18bn in capex costs**, only one third are in EUR and will be hedged progressively in line with the cash-out plan; **4/** consultation with French unions should end next week on 4th July and whatever the opinion is, the group will be able to officially proceed to the project process.
- Conclusion:** The tone from the project management team was quite confident. The group's ambition in this project is to take advantage of the Taishan and Flamanville EPR commissioning experience to reduce operating risks on the project. **At this stage, we continue not to integrate the project into our model, implying that any positive announcements from management on this subject combined with disposals could be positive.**

VALUATION

- At the current share price EDF is trading at **5x** 2016e EBITDA and offers a **9.9%** yield
- Buy, FV @ EUR13.8

NEXT CATALYSTS

- 29th July 2016: H1 2016 earnings

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Distribution of stock ratings

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