

Bloomberg	EDF FP
Reuters	EDF.PA
12-month High / Low (EUR)	21.3 / 9.2
Market Cap (EUR)	22,357
Ev (BG Estimates) (EUR)	85,325
Avg. 6m daily volume (000)	2 666
3y EPS CAGR	-25.3%

Yesterday after market, EDF revised down its nuclear output target for 2016 from 408-402TWh to 395-400TWh, in order to conduct controls during H2-16 to respect the new ASN examination schedule. The group's EBITDA target (EUR16.3-16.8bn) was confirmed, however, thanks to the integration of the retrospective tariff order which should be published by the end of Q3-16.

## ANALYSIS

- 2016 nuclear output targets revised down...** While the group had already reduced its target following a poor start to the year, EDF unveiled yesterday after market that it **has to conduct additional controls during H2-16** in order to demonstrate that some components, mainly steam generators such as those referred to in the information notice published by the ASN on 23<sup>rd</sup> 2016, can operate in a fully safe mode. Taking into account ASN's examination schedule, extensions of part of the outages are expected over the second semester and should then weigh on group's total nuclear outage for the year. EDF then indicated that it is revising down its **408-412 TWh target to 395-400 TWh. We estimate the negative impact at around EUR250-400m (depending on the price used in the calculation).**
- ...But the group's 2016 targets were reiterated, thanks to retrospective tariff order:** Despite these negative adjustments for EDF French activities, the group reiterated its 2016 EBITDA and debt and pay-out ratio targets, thanks to the integration of the retrospective tariffs order which should be published by the end of Q3-16 following the *Conseil d'Etat* decision of June 15, 2016. The group still expect to generate **EBITDA between EUR16.3bn and EUR16.8bn** while also reiterating its net financial **debt/EBITDA ratio target of 2-2.5x** and its **pay-out ratio of 55-65%** for 2016. The tariff catch-up effect could boost group's EBITDA by **around EUR800m**, assuming the impact is fully integrated into group's 2016 accounts.
- 2016 model adjusted, but only negatively:** Given the lack of visibility on the real impact and timing of the retrospective tariff order the group is expecting on 2014-15 tariffs we decided to only integrate the negative effect from lower nuclear output in our model. We then cut our 2016 EBITDA from **EUR16.4bn to EUR16.16bn (-2%)** and are now below group guidance for 2016. As a reminder, we were already at the low end range of the group's guidance.
- Conclusion:** This news is negative given the positive effect from potential tariff catch-up was already well appreciated by investors (*although less by consensus*) while the larger than expected outputs linked to ASN's examination schedule is new. **Negative.**

## VALUATION

- At current share price EDF is trading at 5.2x its 2016e EBITDA and offers a 8.5% yield
- Buy, FV @ EUR13.8

## NEXT CATALYSTS

- July 29<sup>th</sup> 2016: H1-2016 earnings

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BUY ratings 55,8%

NEUTRAL ratings 34%

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