

Edp Renovaveis

Price EUR6.98

H1 2016 metrics in line with expectations thanks to good US performance

Fair Value EUR7.65 (+10%)

NEUTRAL

Bloomberg	EDPR LI
Reuters	EDPR.LS
12-month High / Low (EUR)	7.3 / 5.7
Market Cap (EURm)	6,088
Ev (BG Estimates) (EURm)	11,513
Avg. 6m daily volume (000)	371.7
3y EPS CAGR	13.2%

EDPR has posted solid H1 2016 operating metrics, helped by a positive scope effect and an outstanding load factor in North America. Sales were up 15% YoY while EBITDA was up 18% during the period, in line with market expectations. The group continues to deliver on its long term strategy to focus on North America and Latam while optimising its ROCE. Positive.

ANALYSIS

- Main H1 2016 metrics:** Total H1 sales reached **EUR889m**, up **15% YoY** thanks to higher capacity in operating and outstanding load factor (33% vs 31% in H1 2015), notably in North America (37% vs. 33%), offsetting the negative impact from lower average selling prices (EUR69/MWh vs. EUR64/MWh in H1 2015). EBITDA raised by **18%** to **EUR648m**, reflecting a 300bp rise in EBITDA margin to **73%**, in line with expectations (EUR645m expected by the consensus). EBIT increased to **EUR354m** (+21% YoY), as a result of the EBITDA performance and the 15% YoY increase in depreciation and amortisation costs (including impairment and net of government grants). In all net profit totalled **EUR69m** down 15% compared with last year slightly below market expectations (EUR72m) due notably to higher financial charges and higher minorities. Net debt declined by **EUR400m** to **EUR3.3bn** thanks to a rise in operating cash flow (+17%) and thanks to cash-in from the execution of the asset rotation transaction signed in 2015 and in 2016.
- What to retain from this publication? 1/** Most of the H1 2016 metrics were in line with market expectations, except net profit, which was affected by higher financial charges and minorities than anticipated, **2/** the group benefited from an outstanding load factor in North America (37% vs. 33%) thanks to very good wind conditions in all US regions the group is present in, **3/** net debt strongly declined thanks to the disposals made by the group as part of its asset rotation programme, despite a rise in capex.
- Conclusion:** H1 2016 metrics were healthy and in line helped by a positive weather effect in North America and a positive scope effect. The group continues to deliver on its long term strategy to focus on North America and Latam while optimising ROCE. Positive. Conference call at 15.00 CET

VALUATION

- At the current share price EDPR is trading at 9.2x its 2016e EBITDA and offers a 0.9% yield
- Neutral, FV @ EUR7.65

NEXT CATALYSTS

- July 26th 2016: Conference call @ 15.00 CET (UK +44 (0)20 7162 0077)

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Distribution of stock ratings

BUY ratings 72%

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