### 10th August 2016

### Utilities E.ON

### Price EUR9.43

Bloomberg Reuters 12-month High, Market Cap (EU Ev (BG Estimate Avg. 6m daily vo 3y EPS CAGR	EOA GY EONGn.DE 12.0 / 7.1 18,873 54,005 11,033			
	1 M	3 M	6 M 3	1/12/15
Absolute perf.	2.7%	12.3%	8.1%	5.6%
Utilities	0.9%	2.1%	7.0%	-2.9%
DJ Stoxx 600	5.3%	3.4%	11.4%	-5.8%
YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	116,218	110,095	112,801	124,326
% change		-5.3%	2.5%	10.2%
EBITDA	7,557	6,595	6,640	6,511
EBIT	4,369	3,003	3,815	3,693
% change		-31.3%	27.0%	-3.2%
Net income	-6,999	1,401	2,004	1,948
% change		NS	43.1%	-2.8%
	2015	2016e	2017e	2018e
Operating margin	3.8	2.7	3.4	3.0
Net margin	-6.0	1.3	1.8	1.6
ROE	-36.7	7.3	10.0	9.3
ROCE	9.5	6.7	8.1	7.7
Gearing	50.1	53.3	51.3	50.1
(EUR)	2015	2016e	2017e	2018e
EPS	-3.67	0.74	1.05	1.02
% change	-	NS	43.1%	-2.8%
P/E	NS	12.8x	9.0x	9.2x
FCF yield (%)	10.9%	0.7%	6.8%	8.7%
Dividends (EUR)	0.50	0.39	0.38	0.32
Div yield (%)	5.3%	4.2%	4.0%	3.4%
EV/Sales	0.5x	0.5x	0.5x	0.4x
EV/EBITDA	7.0x	8.2x	8.2x	8.5x
EV/EBIT	12.2x	18.0x	14.3x	15.0x

### FY 2016 outlook confirmed as core businesses drive company's earnings

### Fair Value EUR10.2 (+8%)

BUY

E.ON unveiled its H1-16 results this morning with adjusted EBIT down 6% yoy despite a solid performance reached in the company's core businesses. The EUR2.9 impairment charges on power stations and gas-storage facilities penalized the company's net income which fall to EUR-3,034m. The company finally confirmed its FY-16 objectives as well as the expected schedule for Uniper's spin-off. Buy rating maintained and FV unchanged at EUR10.2.

### ANALYSIS

- H1-16 main metrics: The Group's adjusted EBIT reached EUR2,001m down 6% yoy but c. 7% above consensus' expectations (at EUR1,867m). This is mainly due to the strong growth in the company's core businesses (Energy Networks, Customer Solutions and Renewables) with adjusted EBIT of these three divisions up 15% yoy to EUR1.7bn. Company's net income fall to EUR-3,034m (from EUR1,149m last year) bearing the brunt of 1) EUR2.9bn impairment charges on power stations and gas-storage facilities and 2) provisions for contingent losses at Uniper for EUR0.9bn. Net income adjusted from extraordinary effects reached EUR604m down c. 28% yoy and slightly below consensus' expectations (at EUR615m) mainly due to higher tax payments and a rather high comparable base which included businesses that have been divested since then. Additionally, the company confirms the Uniper spin-off is right on schedule with a stock-market listing still expected for September 2016 with a 10:1 allocation ratio.
- The rather solid performance in company's three core businesses (Energy Networks, Customer Solutions and Renewables) is rather reassuring in our view with customers solutions adjusted EBIT notably up c. 25%. Renewables adjusted EBIT has been up c. 26% yoy as Amrunbank West and Humber Gateway wind farms are now operational. This validates the company's strategy to spin-off its old businesses (power generation and energy trading) whose adjusted EBIT declined by c. 32% notably due to the decommissioning of the Grafenrheinfeld nuclear power station and the drop in market prices.
- The company confirmed its FY-16 objectives with adjusted EBIT expected to be between EUR2.7bn and EUR3.1bn and adjusted net income to reach EUR0.6bn-EUR1.1bn.

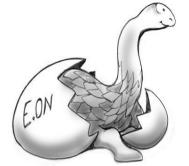
### VALUATION

• At current share price, E.ON is trading at 8.2x its 2016e EV/EBITDA multiple

Buy, FV @ EUR10.2

### NEXT CATALYSTS

• 9<sup>th</sup> November 2016: Q3-16 results



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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	
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	will feature an introduction outlining the key reasons behind the opinion.	

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