

E.ON

Price EUR9.43

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

Fair Value EUR10.2 (+8%)

BUY

Bloomberg	EOA GY
Reuters	EONGn.DE
12-month High / Low (EUR)	12.0 / 7.1
Market Cap (EUR)	18,873
Ev (BG Estimates) (EUR)	54,005
Avg. 6m daily volume (000)	11,033
3y EPS CAGR	

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

- 9th November 2016: Q3-16 results

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Analyst :
Xavier Caroen
33(0) 1.56.68.75.18
xcaroen@bryangarnier.com

Sector Team :
Pierre-Antoine Chazal

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Distribution of stock ratings

BUY ratings 55.7%

NEUTRAL ratings 33.6%

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London	Paris	New York	Munich	New Delhi
Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	Widenmayerstrasse 29	The Imperial Hotel Janpath
15 St. Botolph Street	75008 Paris	New York, NY 10022	80538 Munich	New Delhi 110 001
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Germany	Tel +91 11 4132 6062
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	+49 89 2422 62 11	+91 98 1111 5119
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member		Fax +91 11 2621 9062
Authorised and regulated by the	Financial Conduct Authority (FCA) and the			Geneva
Financial Conduct Authority (FCA)	Autorité de Contrôle prudentiel et de			rue de Grenus 7
	resolution (ACPR)			CP 2113
				Genève 1, CH 1211
				Tel +4122 731 3263
				Fax+4122731 3243
				Regulated by the FINMA

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