

Bloomberg	ENGI FP
Reuters	ENGIE.PA
12-month High / Low (EUR)	16.6 / 13.1
Market Cap (EURm)	35,726
Ev (BG Estimates) (EURm)	72,890
Avg. 6m daily volume (000)	5 430
3y EPS CAGR	-17.7%

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.3%	5.2%	4.7%	-10.1%
Utilities	0.2%	0.3%	5.2%	-2.8%
DJ Stoxx 600	2.7%	1.2%	2.8%	-4.2%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	69,883	65,541	63,898	64,900
% change		-6.2%	-2.5%	1.6%
EBITDA	11,261	10,852	10,597	10,946
EBIT	-3,243	6,237	6,018	6,287
% change		NS	-3.5%	4.5%
Net income	4,950	3,175	3,152	3,330
% change		-35.9%	-0.7%	5.6%

	2015	2016e	2017e	2018e
Operating margin	-4.6	9.5	9.4	9.7
Net margin	7.1	3.9	4.0	4.2
ROE	10.2	5.3	5.3	5.6
ROCE	6.8	4.4	4.3	4.5
Gearing	61.5	55.1	59.3	58.8

(EUR)	2015	2016e	2017e	2018e
EPS	2.04	1.08	1.06	1.13
% change		-47.3%	-1.1%	6.8%
P/E	7.2x	13.6x	13.8x	12.9x
FCF yield (%)	0.7%	23.4%	9.0%	11.6%
Dividends (EUR)	1.00	1.00	0.70	0.70
Div yield (%)	6.8%	6.8%	4.8%	4.8%
EV/Sales	1.1x	1.1x	1.1x	1.1x
EV/EBITDA	6.6x	6.7x	6.9x	6.7x
EV/EBIT	NS	11.7x	12.1x	11.6x

Following the H1-16 results and June's Investor Workshop, we have reviewed our model notably to reflect Engie's brand new business organisation. We have identified twelve tasks and challenges that have been faced or have to be faced by the company in the years to come. Completing these challenges will lead to a very different company by 2018 and should imply a potential rerating due to the company's increased focus on regulated and contracted activities. We confirm our Buy rating and slightly lower our FV to EUR16.5 (vs. EUR16.8) following adjustments we made in our model.

#### ANALYSIS

- We take the opportunity of this note to transfer coverage of Engie to Pierre-Antoine Chazal.
- Twelve tasks to be undertaken...** During June's Investor Workshop, Engie gave more colour to its transformation plan. We have identified **twelve tasks that have been faced or have to be faced by the company in the years to come**. Some are already well under way (enhanced brand recognition, 40% of the disposals programme already completed or about to be completed, strong visibility on the company's dividends) while other structural ones should be sped up in the months and years to come (development in renewables, reduced exposure to commodities, building of a customers' solutions franchise).
- ... to become stronger:** all in all, we believe **the successful completion** of all these tasks and Engie's transformation plan would lead to **a significantly different company by 2018 and would trigger a potential rerating** on the stock following the **company's increased focus on contracted and regulated activities** as well the expected reduced exposure to commodities.
- Buy, FV at EUR16.5:** We maintain our **Buy rating** as we remain confident of Engie's ability to deliver its transformation plan. We value Engie through a SOTP valuation which implies a **FV of EUR16.5**.
- Note that our DCF-based valuation implies a **EUR17.0** equity value per share once the transformation plan is completed (vs. **EUR13.5** without any further disposals), i.e. **two times more upside** (c. 16%) **than downside** (c. 8%).

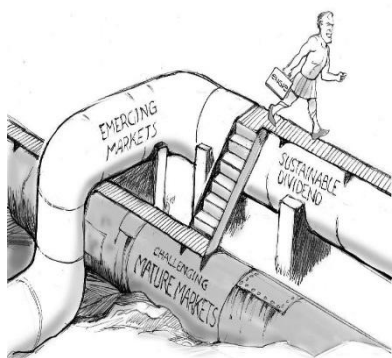
#### VALUATION

- Buy, FV @ EUR16.5**
- At current share price, Engie is trading at **6.7x** 2016e EV/EBITDA

#### NEXT CATALYSTS

- 10<sup>th</sup> November: Q3-16 results

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## Distribution of stock ratings

BUY ratings 72%

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