

14th October 2016

Utilities

ENGIE

Price EUR12.92

Neptune O&G said to be in talks to buy company's E&P assets

Fair Value EUR16.5 (+28%)

BUY

Bloomberg	ENGI FP
Reuters	ENGIE.PA
12-month High / Low (EUR)	16.6 / 12.9
Market Cap (EURm)	31,452
Avg. 6m daily volume (000)	5 413

	1 M	3 M	6 M	31/12/15
Absolute perf.	-8.1%	-13.3%	-6.4%	-20.9%
Utilities	-4.2%	-8.6%	-6.2%	-10.3%
DJ Stoxx 600	-0.9%	-0.1%	-2.2%	-8.3%

	2015	2016e	2017e	2018e
P/E	6.3x	12.0x	12.2x	11.4x
Div yield (%)	7.7%	7.7%	5.4%	5.4%

ANALYSIS

- According to Bloomberg, Neptune Oil & Gas Ltd, the energy acquisition company backed by Carlyle Group and CVC Partners, is in **talks to buy Engie's E&P business**. The investment vehicle is said to have made an **initial offer** for the company's assets that span the UK, Norway, Algeria, Egypt, Germany and Asia. Neptune is planning about USD5bn of investments by taking advantage of a large number of assets sales particularly by industry giants.
- **No final decision has been made** yet and Neptune is not close to an agreement at the moment, according to people familiar with the matter. This is however **positive** for Engie which **maintains the positive momentum from disposal of non-strategic assets**. On top of current talks over the E&P business, Engie is also said to be in negotiations regarding potential disposals of **1/** its Polaniec thermal power plants in Poland; **2/** its port project in northern Chile; **and 3/** its 2nd power plant project in Mejillones (375MW) in Chile called IEM2.
- **Higher oil prices**, on the back of the potential OPEC agreement, **improved prospects** for the sale of these E&P assets. Engie is however still hammering home that **it would hold out for the right price** in order to maximize the valuation of these assets.
- As a reminder, we valued the E&P business at c. **EUR5.4bn** in our SOTP. As Engie owns 70% of the business, this would represent a c. **EUR3.8bn** cash-in for the company i.e. about 25% of the company's disposals target by 2020 (**EUR15bn**).

VALUATION

- At current share price, Engie is trading at **6.4x** its 2016e EV/EBITDA multiple
- **Buy, FV @ EUR16.5**

NEXT CATALYSTS

- **10th November:** Q3-16 results

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