

9th November 2016

Utilities

ENGIE

Price EUR12.97

Engie said to aim at grouping together GRTgaz and Elengy

Fair Value EUR17 (+31%)

BUY

Bloomberg	ENGI FP
Reuters	ENGIE.PA
12-month High / Low (EUR)	16.6 / 12.7
Market Cap (EURm)	31,586
Avg. 6m daily volume (000)	5 259

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.8%	-11.3%	-3.0%	-20.6%
Utilities	0.5%	-7.6%	-5.7%	-10.3%
DJ Stoxx 600	-1.7%	-2.2%	0.7%	-8.7%

	2015	2016e	2017e	2018e
P/E	6.4x	12.1x	11.9x	11.2x
Div yield (%)	7.7%	7.7%	5.4%	5.4%

ANALYSIS

- French newspaper *Les Echos* reports that **Engie is aiming at grouping together two of its regulated subsidiaries: GRTgaz (transmission network operator) and Elengy (LNG terminal operator). This operation could be done via the buyout of Elengy by GRTgaz**, the newspaper said, and would make sense considering that in Europe, the LNG terminal operator and transmission network operator are often integrated.
- As a reminder, **Engie currently owns 75% of GRTgaz** while the remaining 25% is owned by CNP Assurances and the CDC. The buyout could imply a similar capital opening for Elengy, *Les Echos* said. Based on our 2016e regulated asset base (RAB) for Elengy (around **EUR1.2bn**), this would imply a c. **EUR305m cash-in for Engie**. Such a scheme would yet have a **negative impact on the company's EPS** (higher implied minorities) which is however hard to assess given that no information is unveiled by Engie regarding Elengy's net margin.

VALUATION

- At the current share price, the stock is trading at **6.3x** its 2016e EV/EBITDA multiple
- **Buy, FV @ EUR17.0**

NEXT CATALYSTS

- **10th November:** Q3 2016 results

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