

## Utilities

**ENGIE**

Price EUR11.51

Neptune O&amp;G said to be in exclusive negotiations with Engie for E&amp;P assets

Fair Value EUR17 (+48%)

**BUY**

Bloomberg	ENGI FP
Reuters	ENGIE.PA
12-month High / Low (EUR)	16.6 / 11.5
Market Cap (EURm)	28,030
Avg. 6m daily volume (000)	5 638

	1 M	3 M	6 M	31/12/15
Absolute perf.	-12.3%	-19.8%	-14.0%	-29.5%
Utilities	-6.3%	-9.7%	-10.5%	-15.0%
DJ Stoxx 600	0.9%	0.0%	1.8%	-6.9%

	2015	2016e	2017e	2018e
P/E	5.6x	10.7x	10.6x	9.9x
Div yield (%)	8.7%	8.7%	6.1%	6.1%

**ANALYSIS**

- According to the *Sunday Times*, **Neptune Oil & Gas**, the energy acquisition company backed by Carlyle Group and CVC Partners, has **entered into exclusive negotiations with French integrated utility Engie in order to buy the company's E&P assets**. As a reminder, Engie has a 70% stake in E&P International, while the remaining 30% is held by Chinese CIC.
- The valuation could reach **EUR3.8bn**, the newspaper said, which would imply a c. **EUR2.7bn** cash-in for Engie. An agreement could be reached before the end of the year with the acquisition **completed during 2017**.
- **Conclusion:** Neptune's interest in Engie's E&P assets was already reported last October by Bloomberg. As a reminder, **we value the E&P business at c. EUR5.4bn in our SOTP** – which would therefore imply a c. **EUR3.8bn** cash-in for Engie. The EUR3.8bn valuation previously mentioned would therefore have a **negative impact on our FV**. However, we believe this disposal would be **positive** for Engie as it is key for the company's strategy aimed at **focusing on more regulated and contracted businesses**. It also enables Engie to maintain its positive momentum from the disposal of non-strategic assets with other talks have recently been reported regarding certain assets in Poland and in Chile.

**VALUATION**

- **Buy, FV @ EUR17.0**
- At the current share price, Engie trades at **6.5x** its 2016e EV/EBITDA multiple

**NEXT CATALYSTS**

- **2nd March:** FY16 results

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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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