

Bloomberg	ENGI FP
Reuters	ENGIE.PA
12-month High / Low (EUR)	16.6 / 12.7
Market Cap (EURm)	31,671
Ev (BG Estimates) (EURm)	70,286
Avg. 6m daily volume (000)	5 251
3y EPS CAGR	-17.1%

Engie unveiled its 9M 2016 results this morning. 9M EBITDA reached EUR7,689m down 2.0% yoy on an organic basis on the back of depressed commodity prices and the expected decrease in hydrocarbon production in particular. Q3 EBITDA nevertheless rose 4.5% in organic terms. The transformation plan appears well on-track with EUR6.1bn in disposals signed to date. The group confirmed its full-year guidance but admitted the high-end of this guidance will be hard to achieve, as already been anticipated by the consensus. Buy recommendation and FV at EUR17.0 per share confirmed.

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.5%	-11.1%	-2.8%	-20.3%
Utilities	0.7%	-7.5%	-5.5%	-10.1%
DJ Stoxx 600	-1.4%	-1.9%	1.0%	-8.4%

ANALYSIS

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	69,883	65,523	64,302	65,321
% change		-6.2%	-1.9%	1.6%
EBITDA	11,261	10,852	10,716	11,065
EBIT	-3,243	6,238	6,094	6,362
% change		NS	-2.3%	4.4%
Net income	4,950	3,175	3,215	3,395
% change		-35.9%	1.2%	5.6%

	2015	2016e	2017e	2018e
Operating margin	-4.6	9.5	9.5	9.7
Net margin	7.1	3.9	4.1	4.3
ROE	10.2	5.3	5.5	5.8
ROCE	6.8	4.4	4.4	4.5
Gearing	61.5	55.1	58.8	58.2

(EUR)	2015	2016e	2017e	2018e
EPS	2.04	1.08	1.09	1.16
% change		-47.3%	1.3%	6.7%
P/E	6.4x	12.1x	11.9x	11.2x
FCF yield (%)	0.8%	26.4%	10.6%	13.2%
Dividends (EUR)	1.00	1.00	0.70	0.70
Div yield (%)	7.7%	7.7%	5.4%	5.4%
EV/Sales	1.1x	1.1x	1.1x	1.1x
EV/EBITDA	6.7x	6.5x	6.6x	6.4x
EV/EBIT	NS	11.3x	11.5x	11.0x

Engie unveiled its 9M 2016 results this morning. 9M revenues amounted to EUR47,514m down 10.3% yoy on an organic basis. Q3 revenues were down 6% organically. 9M EBITDA reached EUR7,689 down 2% organically broadly in line with consensus expectations. This implies 4.5% growth for Q3 EBITDA. The positive impact from nuclear volumes, new commissionings and the Lean 2018 cost-savings programme (EUR0.4bn 9M-16 positive impact) was notably offset by depressed commodities prices and the expected decrease in hydrocarbon production (42.5 Mboe vs. 43.5 Mboe). 9M current operating income (COI) reached EUR4,441m up 6.6% yoy, 1.6% above consensus' expectations, mainly due to 1/the positive impact of reduced D&A as a result of FY15 impairment losses; and 2/the impact of reclassifying the US thermal merchant assets as assets held for sale.

The Group finally confirmed its FY16 guidance with the aim of reaching a current net income of between EUR2.4bn and EUR2.7bn and EBITDA of between EUR10.8bn and EUR11.4bn. It however admitted the low-end of the guidance was now targeted for both the company's current net income and EBITDA. This had already been anticipated by the consensus and in our FY16 estimates. As a reminder, our expectation stands at EUR10,852m at the EBITDA level, which would imply 0.5% growth in Q4 2016, and at EUR2,575m at the current net income level.

Conclusion: Engie's results were broadly in line with expectations. As a reminder, Engie is aiming at deeply transforming its business, we therefore believe 2016 metrics do not necessarily reflect the growth potential for long-term investors. Engie unveiled today that EUR6.1bn in disposals have already been signed as of today. This is about EUR300m higher than the last company update in H1 2016. In all, we maintain our Buy rating and confirm our FV at EUR17.0 per share.

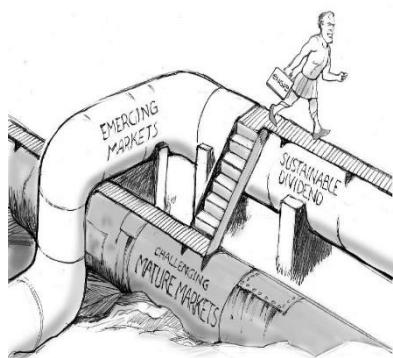
VALUATION

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

NEXT CATALYSTS

- 2nd March: FY16 results

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