

E.ON

Price EUR6.42

9M 2016 results – first take: another EUR6.1bn writedown linked to Uniper

Fair Value EUR10,2 (+59%)

BUY

Bloomberg	EOA GY
Reuters	EONGn.DE
12-month High / Low (EUR)	8.5 / 6.1
Market Cap (EURm)	12,836
Ev (BG Estimates) (EURm)	47,968
Avg. 6m daily volume (000)	12 180
3y EPS CAGR	

E.ON unveiled its 9M 2016 results this morning. 9M EBITDA fell 13% yoy, in line with consensus expectations. Adjusted EBIT from core business reached EUR1,937m up 13% yoy on the back of the strong performance achieved in renewables. However, the group posted a EUR9.3bn net loss mainly attributable to the EUR6.1bn writedown in the company's stake in Uniper. FY16 guidance remains unchanged with adjusted EBIT expected at EUR2.7-3.1bn. No change to Buy recommendation and FV of EUR10.2.

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.7%	-21.4%	-13.0%	-28.2%
Utilities	0.7%	-7.5%	-5.5%	-10.1%
DJ Stoxx 600	-1.4%	-1.9%	1.0%	-8.4%

ANALYSIS

- **E.ON unveiled its 9M 2016 results this morning.** 9M adjusted EBITDA reached **EUR3,640m** down **13% yoy** but broadly in line with consensus expectations. Q3 EBITDA fell **17% yoy**. Adjusted EBIT reached **EUR2,311m**, 1.5% above consensus expectations but down c. 4% yoy. However, 9M adjusted EBIT from core business reached **EUR1,937m** up 13% yoy on the back of the strong performance achieved in the renewables division (+38% yoy mainly thanks to the commissioning of Amrumbank West and Humber Gateway wind farms) and in the customer solutions' business (+13%). Q3 adjusted EBIT from core business was broadly flat at **EUR248m**.
- The group posted a 9M **EUR9.3bn** net loss (EUR6.4bn loss for Q3) mainly attributable to the **EUR6.1bn writedown in the company's stake in Uniper** in order to reflect the lower market value (vs. book value). The net loss is exclusively attributable to discontinued operations and is not cash-effective. 9M adjusted net income reached **EUR641m** down 8% yoy, c. 20% above consensus' expectations.
- Finally, **E.ON reaffirmed its guidance for FY2016** with adjusted EBIT expected to total **EUR2.7-3.1bn** and adjusted net income to total between **EUR0.6bn** and **EUR1.0bn**.
- **Conclusion:** Except for the negative **EUR6.1bn** writedown attributable to Uniper, global metrics and comments reported by the group were pretty much in line with market expectations. 2016 guidance was confirmed on the back of a solid performance coming from Renewable business. Positive.

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	116,218	110,095	112,801	124,326
% change		-5.3%	2.5%	10.2%
EBITDA	7,557	6,595	6,640	6,511
EBIT	4,369	3,003	3,815	3,693
% change		-31.3%	27.0%	-3.2%
Net income	-6,999	1,401	2,004	1,948
% change		NS	43.1%	-2.8%

	2015	2016e	2017e	2018e
Operating margin	3.8	2.7	3.4	3.0
Net margin	-6.0	1.3	1.8	1.6
ROE	-36.7	7.3	10.0	9.3
ROCE	9.5	6.7	8.1	7.7
Gearing	50.1	53.3	51.3	50.1

(EUR)	2015	2016e	2017e	2018e
EPS	-3.67	0.74	1.05	1.02
% change	-	NS	43.1%	-2.8%
P/E	NS	8.7x	6.1x	6.3x
FCF yield (%)	16.0%	1.0%	10.0%	12.8%
Dividends (EUR)	0.50	0.39	0.38	0.32
Div yield (%)	7.8%	6.1%	5.9%	5.0%
EV/Sales	0.4x	0.4x	0.4x	0.4x
EV/EBITDA	6.2x	7.3x	7.3x	7.6x
EV/EBIT	10.8x	16.0x	12.7x	13.4x

VALUATION

- At the current share price, the stock trades at **7.3x** its 2016e EV/EBITDA multiple
- Buy, **FV @ EUR10.2**

NEXT CATALYSTS

- **15th March 2017:** FY16 results

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