

## Edp Renovaveis

Price EUR6.57

9m metrics below market expectations due to lower average selling prices

Fair Value EUR7,65 (+17%)

NEUTRAL

Bloomberg	EDPR LI
Reuters	EDPR.LS
12-month High / Low (EUR)	7.3 / 6.1
Market Cap (EURm)	5,728
Ev (BG Estimates) (EURm)	11,152
Avg. 6m daily volume (000)	317.9
3y EPS CAGR	13.2%

EDPR posted solid EBITDA and EBIT growth this morning helped by a positive scope effect (additional capacities) and by a higher load factor, offsetting the decline in average selling prices that affected all regions where the group is present. Yet on EBITDA and Net profit, the consensus was respectively 1% and 24% above reported figures. Neutral rating confirmed.

## ANALYSIS

- Main metrics :** 9M 2016 revenues totalled **EUR1.21bn** reflecting **12% YoY growth** compared with last year with the group benefitting from higher capacity in operations, and a higher load factor. These two positive elements offset the negative impact from lower average prices. EBITDA was up **8%** to **EUR847m** while EBIT also rose by **8%** to **EUR404m**. Net profit totalled **EUR29m** (vs. **EUR100m in the 9M15**) and Adjusted Net Profit increased **2%** YoY to **EUR63m** (one-offs: **9M15 +EUR38m; 9M16 mins EUR34m**). Net Financial Debt reached EUR3.4bn (-EUR300m vs. Dec-15). At end Sept. 2016 the group manages a global portfolio of **9.7GW** spread over 10 countries, with **9.4GW** fully consolidated and **356MW** equity consolidate. Over the last 12 months EDPR added **504MW** to its installed capacity, o/w **299MW** in the U.S.
- What to retain from this publication?** **1/Sales** and EBITDA were in line with the consensus, yet net profit was strongly down compared with market expectations. **2/EBITDA** and EBIT increased by **8%** YoY reflecting the positive impact from top-line and the **5%** decrease in core opex per average MW in operation. **3/Load** factors continued to increase at 29% (+1pp), in all three regions allowing the group to increase its outputs. **4/Average** selling prices were down **7%** YoY as a result of capacity additions and lower YoY prices in some countries. In Europe, the realised price decreased 5% YoY mainly due to lower prices in Spain and in Portugal. In North America, selling prices decreased by 10% due to lower REC sales and due to the expiry of a PPA.
- Conclusion:** The group's operating performances are solid, but only reflect additional capacities. During the conference call, we hope to obtain more details on the difference on net profit vs. consensus. At this stage we confirm our Neutral recommendation with FV @ EUR7.65 and continue to believe that if Trump wins in the US, EDPR could be potentially at risk in the region.

## VALUATION

- At the current share price the stock is trading at 7.8x its 2017e EBITDA and at 29.7x its EPS
- Neutral, FV @ EUR7.65**

## NEXT CATALYSTS

- Conference call @ 15.00 CET (UK +44 (0)20 7162 0077)

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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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