

Bloomberg	EDF FP
Reuters	EDF.PA
12-month High / Low (EUR)	13.7 / 9.2
Market Cap (EURm)	23,633
Ev (BG Estimates) (EURm)	86,852
Avg. 6m daily volume (000)	1 843
3y EPS CAGR	-15.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	12.2%	0.1%	7.0%	-17.5%
Utilities	5.8%	-5.0%	-3.0%	-11.3%
DJ Stoxx 600	5.2%	5.1%	11.0%	-2.8%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	75,006	75,527	77,629	79,506
% change		0.7%	2.8%	2.4%
EBITDA	17,601	15,789	16,548	17,611
EBIT	4,280	6,759	7,067	7,561
% change		57.9%	4.6%	7.0%
Net income	4,231	2,186	2,405	2,749
% change		-48.3%	10.0%	14.3%

	2015	2016e	2017e	2018e
Operating margin	5.7	8.9	9.1	9.5
Net margin	5.6	2.9	3.1	3.5
ROE	10.5	5.5	6.1	6.9
ROCE	2.0	2.8	2.8	3.0
Gearing	167.6	180.5	185.5	182.5

(EUR)	2015	2016e	2017e	2018e
EPS	2.27	1.09	1.20	1.37
% change	-	-52.1%	10.0%	14.3%
P/E	4.9x	10.3x	9.4x	8.2x
FCF yield (%)	NM	NM	2.6%	15.4%
Dividends (EUR)	1.10	0.83	0.90	1.00
Div yield (%)	9.8%	7.4%	8.0%	8.9%
EV/Sales	1.1x	1.1x	1.1x	1.1x
EV/EBITDA	4.7x	5.5x	5.4x	5.0x
EV/EBIT	19.5x	12.8x	12.6x	11.7x

EDF confirmed yesterday its 2016e EBITDA guidance but announced that it expected 2017e EBITDA of EUR13.7-14.3bn which is 9-13% below consensus' expectations and 13-17% below our own forecast. This is mainly explained by lower power prices in both France and in the UK. The company also announced it is entering into a binding agreement regarding the sale of 49.9% of RTE, which is positive but was already expected. We put our FV under review following this new profit warning highlighting however how sensitive our valuation is to French power prices.

## ANALYSIS

- EDF announced yesterday that it confirmed its 2016e EBITDA guidance (between EUR16.0-16.3bn). However, the group expects 2017e EBITDA of EUR13.7-14.3bn. This is 9-13% below current consensus' expectations for 2017e and 13-17% below our own forecast (at EUR16.5bn). This is explained by the current challenging macro environment with a decrease in French and UK power prices expected for 2017 vs. 2016 and 2017 ARENH volume subscriptions. The group's objectives for 2018e remain unchanged.
- At the same time, EDF announced it is entering into a binding agreement with French State-owned bank CDC and CNP Assurances regarding the 49.9% disposal of grid operator RTE. The final valuation has been set at EUR8.2bn for 100% of RTE equity, which would imply a c. EUR4bn cash-in for EDF. While positive, this was already expected following past announcements this summer. With this disposal, EDF will be able to complete about 70% of its disposals programme by 2017 (EUR10bn over 2015-2020).
- Finally, EDF confirmed its intention to submit a EUR4bn capital increase project to its Board by the end of the first quarter of 2017. As a reminder, the French State committed to participating for EUR3bn to the operation.
- We expect a sharply negative share price reaction this morning. Following this new profit warning, we have placed our FV under review pending a necessary update to our assumptions for 2017e and beyond. As a reminder, our FV is highly sensitive for French power prices. Here below is our FV sensitivity to a change in both French power prices for 2017e & beyond and nuclear output for 2017e.

Table: FV sensitivity to 2017e nuclear output and French power prices for 2017 & beyond

FV sensitivity	EUR20/MWh	EUR30/MWh	EUR35/MWh	EUR37/MWh	EUR40/MWh	EUR45/MWh	EUR50/MWh
370TWh	4.1	10.0	12.9	14.0	15.7	18.6	21.4
380TWh	4.4	10.3	13.2	14.3	16.0	18.9	21.7
390TWh	4.7	10.6	13.5	14.6	16.3	19.2	22.0
400TWh	5.0	10.9	13.8	14.9	16.6	19.5	22.3
410TWh	5.3	11.2	14.1	15.2	16.9	19.8	22.6

Source : Bryan Garnier & Co. ests.

## VALUATION

- At the current share price, the stock is trading at 5.5x its 2016e EV/EBITDA multiple
- Buy, FV Under Review

## NEXT CATALYSTS

- 14th February 2017: FY16 results

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