

## Europe Satellite\*

Recommended since 29.03.2023

14.03.2024



Country	DE	Market capitalization (bn)	EUR	32.6
Sector	Utilities	Free float		83.8%
Factset	EOAN-DE	Closing price	EUR	12.52
ISIN	DE000ENAG999	ESG Risk score*	17.6	Low risk

Perf. since reco. (%)	
E.ON SE	10.0
Sector	-3.2



## Profile

The new E.On is a utility resulting from the reorganization of the German energy sector in recent years and in particular the asset swaps with RWE signed in March 2018. The group is now, for c. 80% of its Ebitda, a regulated utility managing electrical infrastructures of European dimension, even if 2/3 of the Regulated Asset Base is in Germany (the rest in Europe). The non-regulated activities concern the marketing of energy. The group serves 50 million customers and employs 69'000 people.

## Strengths/opportunities

- Visibility and recurrence of revenues
- Expected growth of the Regulated Asset Base
- Security, growth and dividend yield

## Weaknesses/threats

- Not yet 100% regulated profile (also an opportunity)

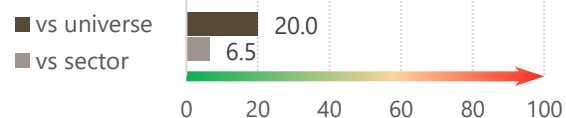
## Investment case

- The phase of tension on the European energy system and the risk of state interventionism has been averted for the moment.
- E.On has just presented its new strategic objectives to 2028, confirming its objective is to become a key player in the Transition in Europe, on the energy infrastructure side -an essential and less risky element than renewable projects- in a context of acceleration of the Old Continent by 2030, to achieve its objectives of independence and decarbonation.
- To this end, the group is accelerating its ambitions and investment projections to EUR 42 bn over 2024-2028, i.e. c. EUR 8.5 bn p.a. compared to c. EUR 7 bn in its 2023-2027 plan, in order to target an average annual growth of 10% of its Regulated Asset Base: one of the highest figures in Europe and one that will underpin the increase in valuation over the coming years.
- This will result in an average annual growth of more than 7% in Ebitda, to reach c. EUR 11 bn in 2028e versus EUR 8 bn in 2023, and at least 5% in Net Income and in the dividend over the period, in a self-financing manner and while maintaining a credit profile compatible with a strong Investment Grade rating. About 90% of the 2024-28 investments will be dedicated to networks and infrastructure and more than 95% will be aligned with the European Green Taxonomy, justifying our b-Transition label.
- Despite its recent performance, E.On remains at a 20-25% discount (PE and EV/Ebitda) to the average of its European peers. This discount increases to 20-35% compared to pure infrastructure utilities, justifying a target of around EUR 15.

## Valuation

The current price indicates an EV/Ebitda 2024e of around 8x against an average of 12x for European infrastructure utilities, corresponding to 80% of E.On's current Ebitda and a model towards which it will move.

## ESG risk vs. universe &amp; sector (percentile)\*



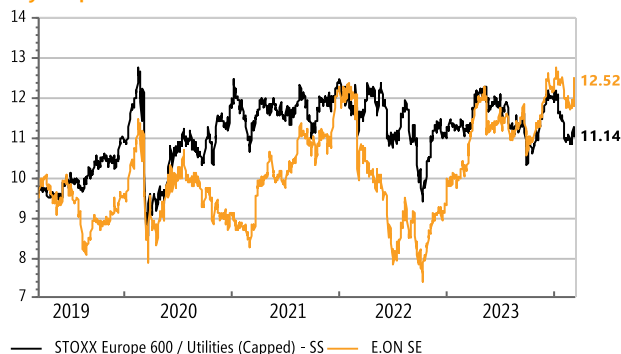
EUR	12/2023	12/2024e	12/2025e
Sales revenue (mio)	93 686	99 566	96 249
Sales growth	21.1%	6.3%	-3.3%
EBIT adjusted (mio)	5 561	5 549	5 374
% of sales	5.9%	5.6%	5.6%
Net income (mio)	3 068	2 694	2 523
Net income growth	67.6%	-12.2%	-6.4%
FCF/Sales	1.0%	-0.2%	-0.6%
Net debt/Ebitda	5.3x	3.8x	4.1x
Dividend yield	4.2%	4.4%	4.6%
PE	10.6x	11.9x	12.6x
P/BV	2.0x	1.8x	1.7x

Factset estimates

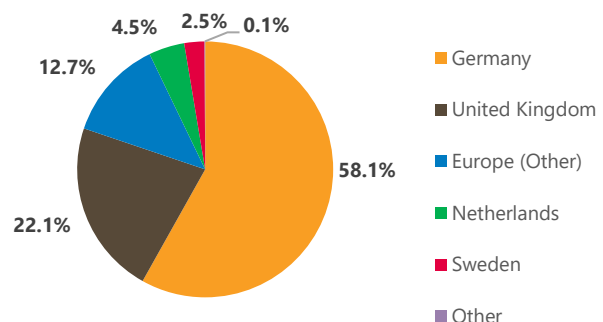
## ESG - risks and key points

- E.On's ESG risk is rated "low". This is the result of an average risk exposure, and a good risk governance.
- Building new infrastructure exposes the group to environmental risks with communities.

## 5-year performance vs sector



## Sales breakdown - 12/2022



# Glossary

## Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

## ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

## b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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