Stock: MVV1 GR  
Name: MVV Energie  
Price: €22.20 (at 13:35, 15 May 12 GMT)  
Market Cap (m): €1,463  
Market Cap (m): US$1,879  
Current valuation (DCF): €23.90  
12mth price target: €24.00  
Recommendation: Neutral  
Volatility index:

Event
- 1H11/12 EBIT declined by 12% YoY to €180m and slightly missed our expectations (€181m). Management expects ~€220m EBIT (-9%) for FY11/12, which represents the low end of the initial guidance range. Moreover, management does not expect to reach "record EBIT levels in the last two years" in "this and the next years." We reiterate our Neutral rating.

Impact
- 1H earnings decline mostly relates to one-offs: The adjusted EBIT decline of 12% (€24m) in 1H (Oct 2011 - March 2012) included two one-offs: 1) Outage cost of the GKK plant (€10m) and 2) extraordinarily mild weather conditions (€8m). Adjusting for both leaves an earnings decline of ~€6m (4%), which comes from lower realized clean dark spreads as well as cost related to the insolvency of the Petroplus refinery in Ingolstadt. These negative effects were partially offset by higher energy supply margins.
- FY11/12 to come in at the low end of initial guidance: Management specified the FY11/12 guidance at ~€220m adjusted EBIT (-9% YoY), which is the low end of the initial guidance ("single-digit decline"). We have slightly cut our estimates from €226m to now €222m, which incorporates the full impact of the negative climate effect and the Petroplus insolvency.
- Cautious medium-term outlook on the back of bearish CDS assumptions: Management’s new near-term outlook reflects 1) cost related to the investment program, such as start-up cost and 2) the clean dark spread forward curve, which is currently in backwardation. This outlook is slightly disappointing for us: Adjusted EBIT levels in the last two years were €243m and €242m, respectively. For FY2012/13, we expect a slight EBIT recovery to €236m, which is mainly due to the absence of the abovementioned one-offs and consistent with management’s guidance. However, our estimates for FY2013/14 of €240m do imply that management will nearly reach last years’ record earnings levels already. Our estimates already include start-up cost for new assets (e.g. ~€6m for Plymouth), but we are more positive on the development of CDS, given delays of new builds of conventional plants and retirements of older, inefficient units.
- We reiterate our overall view: We reiterate our overall view on the stock (see our note “Back to reasonable territory”, April 20, 2012): 1) MVV benefits from resilient earnings in the near term, thanks to its broadly diversified mix of operations, and we see a range of ~€230-240m for adjusted EBIT in the next three years. 2) Growth investments should drive adjusted EBIT further to nearly €280m in 2014/15E. 3) An overhang from major minority shareholders is a key risk for the share price in the short-term. 4) Valuation looks high, but we think a PER premium is justified given the stability of earnings in the near term and investment-driven growth in the medium term.
Action and recommendation

- All in all, 1H11/12 results and management's new near-term outlook came in slightly disappointing. We see, however, no material implications to our estimates and valuation. We regard the company as generally attractive, given the resilience of earnings and long-term capex-driven growth. In our view, stock trades at a reasonable valuation level, so we reiterate our Neutral rating.

<table>
<thead>
<tr>
<th></th>
<th>September 2011A</th>
<th>2012E</th>
<th>2013E</th>
<th>2014E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue</td>
<td>m</td>
<td>3,590.5</td>
<td>3,660.6</td>
<td>3,827.8</td>
</tr>
<tr>
<td>Reported profit</td>
<td>m</td>
<td>117.2</td>
<td>95.5</td>
<td>97.2</td>
</tr>
<tr>
<td>Adjusted profit</td>
<td>m</td>
<td>108.5</td>
<td>95.5</td>
<td>97.2</td>
</tr>
<tr>
<td>EPS adj</td>
<td>x</td>
<td>1.65</td>
<td>1.45</td>
<td>1.47</td>
</tr>
<tr>
<td>EPS adj growth</td>
<td>%</td>
<td>13.9</td>
<td>-11.9</td>
<td>1.7</td>
</tr>
<tr>
<td>PE adj</td>
<td>x</td>
<td>13.5</td>
<td>15.3</td>
<td>15.1</td>
</tr>
<tr>
<td>Total DPS</td>
<td></td>
<td>0.90</td>
<td>0.90</td>
<td>0.90</td>
</tr>
<tr>
<td>Total div yield</td>
<td>%</td>
<td>4.1</td>
<td>4.1</td>
<td>4.1</td>
</tr>
<tr>
<td>Price/book</td>
<td>x</td>
<td>1.3</td>
<td>1.3</td>
<td>1.2</td>
</tr>
</tbody>
</table>

*All values are in EUR unless otherwise stated. Source: Company data, Macquarie Research, May 2012.

MVV1 GR vs Germany DAX, & rec history

Note: Recommendation timeline - if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.
Source: FactSet, Macquarie Research, May 2012
(all figures in EUR unless noted)

Analyst(s)
Macquarie Capital (Europe) Limited
Matthias Heck, CFA
+49 69 50957 8018
matthias.heck@macquarie.com

Atallah Estephan
+44 20 30374 356
atallah.estephan@macquarie.com

Shai Hill
+44 20 3037 4232
shai.hill@macquarie.com

Robert Schramm-Fuchs
+44 20 3037 4559
robert.schramm@macquarie.com

15 May 2012

Disclaimer: The information contained in this e-mail is confidential and has been furnished to you solely for your use. You may not disclose, reproduce or distribute the information in any way. Macquarie does not guarantee the integrity of this e-mail or attached files.