

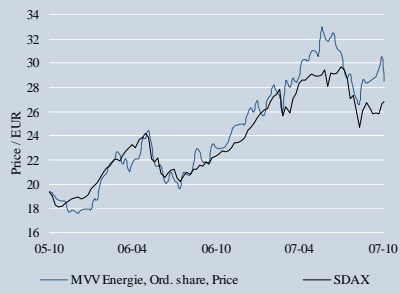
# MVV Energie

Utilities

2007-10-10

Applied disclosures can be found in the appendix

## Price and rel. Performance



## Market Data

Reuters	MVVGn.DE
Bloomberg	MVV GR
Market cap €bn	1.6
Free float %	18.8

## Key Data

Yr.end 09/30	2006	2007e	2008e
Revenues m	2,276.12	2,588.39	2,759.09
Net profit m	50.01	112.36	128.67
Adj. EPS	1.58	2.01	2.31
PER	13.1	13.8	12.3
EV/EBIT			
EBIT mgn. %	8.5	7.8	9.7
EPS CAGR 06-09e:	17 %		

## Next Events

Prel. full year results	2007-11-20
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Buy

Fair Value EUR32.70

Price EUR28.48 (Closing price as of 2007-10-09)

## APPROVAL FOR RHEINENERGIE

### INVESTMENT CASE AND PERFORMANCE TRIGGER

MVV benefits strong cost cutting in the regulated business, which should clearly overcompensate changes in the regulatory framework. Moreover, we see MVV in a pole position for further consolidation among German Stadtwerke. The acquisition of the 16% stake by Rheinenergie is now authorised by all authorities and can be closed shortly. This also paves the way for the planned 18% capital increase of MVV. Moreover, it confirms the benchmark for the share price at €33, and a further increase of the stake to 31% would even trigger a mandatory takeover bid. We reaffirm our buy rating.

### FACTS

\_\_\_ The district government of Cologne authorised Rheinenergie to acquire a stake of 16.1% in MVV Energie.

### ASSESSMENT

\_\_\_ This approval follows an extensive political debate and was pending for months. So far, we have expected this approval, i.e., Rheinenergie is now allowed to buy a 16% stake from the city of Mannheim for some €300m (€33/MVV share).

\_\_\_ The approval process has also delayed MVV's plans for a 18% capital increase, which was recently envisaged for September. With the proceeds from the 16% sale to Rheinenergie, the city of Mannheim can now participate in the capital increase and we expect an approval shortly.

### VALUATION

\_\_\_ The stock trades at discounts vs. sector EV/EBITDA and PER 2008e of 15% and 23%, respectively. The upside to our fair value of €32.7 amounts to 15%. Moreover, the stock has 16% upside to the price paid by Rheinenergie for the 16.1% stake (€33/share).