

SAL. OPPENHEIM

MVV Energie

Utilities

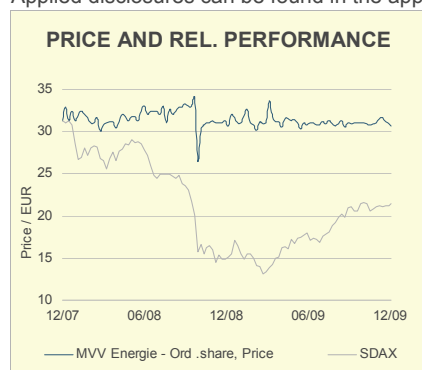
2009-12-17

Applied disclosures can be found in the appendix

Reduce

Fair Value EUR25.00

Price EUR30.70 (Closing price as of 2009-12-16)



REVISION OF ESTIMATES

In light of the current commodity price environment, we have reviewed our assumptions for MVV. This leads to lower expected power production margins and lower natural gas supply margins due to fallen market prices. Conditions for Environmental energy should also not improve. As a result, we cut our 2009/10 EBIT estimate by 7% to now €244m (+2% yoy). Our estimates for 2010/11 come down by about 6%. This reduces our DCF-based fair value by 9% to €25 (€27.5). Although MVV's share price has been completely unimpressed by the deteriorated operating environment, we remain cautious on the stock. Chances for a takeover bid appear to be rather small, while a potential share overhang represents a major risk factor. We reaffirm our Reduce rating.

12 month high/low € 33.64/29.80

Rel.% 1m -1.1 3m -2.9 12m -31.3

Abs.% 1m -1.0 3m -1.0 12m -1.3

MARKET DATA

Reuters MVVGn.DE
 Bloomberg MVV1 GR
 Market cap EURm 2,053.7
 EV EURm 3,167.8
 Number of shares m 65.9
 Free float % 18.7

NEXT EVENTS

AGM 2010-03-12

Rel. Sector --

ONLY A SMALL EBIT GROWTH EXPECTED FOR FY09/10, NOW

We have revised our assumptions for FY2009/10 and beyond. As a result of the recent development of commodity prices, we do no longer expect an improvement in clean dark spreads (CDS) anymore. The earnings growth in electricity should therefore be only driven by the absence of negative one-offs. For natural gas, we see increasing earnings pressure as fallen procurement cost should be passed on to end customers, now. Environmental energy should suffer from ongoing low industrial volumes and the expiry of old favourable contracts. We also don't anticipate mentionable savings from shared services, anymore. All in all, we cut our FY2009/10 EBIT estimate by 7% to now €244m, i.e. to a marginal growth of just 2%. Our fair value comes down to €25 (€27.5).

BULL-BEAR-TRIGGER: CHANGES IN OWNERSHIP STRUCTURE

Potential changes in MVV's shareholder structure remain the key driver for MVV's share price. A **bull-trigger** would be the sale of EnBW's 15% stake to a strategic investor and a subsequent potential takeover bid with a small premium to the current share price. However, we only see few potential strategic investors. The **bear trigger** is a potential placement of EnBW's stake to the market, leading to a substantial share overhang. In light of the current high multiples in absolute and relative terms (18times PER 10e, 8.5times EV/EBITDA), we would expect a mentionable discount to attract institutional investors' interest in the stock.

KEY CHANGES			
EBT %	09e: +0.0	10e: -11.0	
EPS %	09e: +0.0	10e: -10.0	
FV %			

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KEY DATA					
€ (Yr. end: 09/30)	2007	2008	2009e	2010e	2011e
Sales m	2,405.22	2,809.37	3,148.70	3,252.23	3,366.56
EBIT m	201.45	328.19	-22.68	234.70	239.37
Net profit m	109.23	169.96	-72.44	113.09	118.09
Oper. CF m	359.56	252.99	186.64	293.82	327.70
Adj. EPS	1.14	1.67	1.70	1.72	1.79
Dividend	0.80	0.90	0.90	0.90	0.99
PER	23.6	18.9	18.3	17.9	17.1
Div. yield %	3.0	2.5	2.9	2.9	2.9
EV/EBITDA	8.8	6.7	20.1	8.4	8.1
Price to book	1.9	1.8	2.0	1.9	1.8
EBIT margin %	8.4	11.7	-0.7	7.2	7.1
ROCE %	8.0	11.5	-0.8	8.0	8.1
Sust. FCF yield %					
EPS CAGR 08-11e: 2 %			Net debt/Oper. CF 09e: 5.7		Eq. ratio 09e: 31 %

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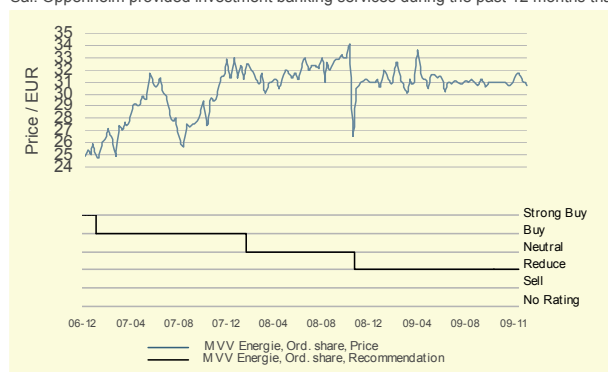
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Strong buy	2	0.5	2	5
Buy	128	34.2	18	43
Neutral	163	43.6	15	36
Reduce	56	15.0	5	12
Sell	2	0.5	0	0
No rating	23	6.1	2	5

Previous report with differing recommendation published at 2008-10-24.

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