

RWE AG RWE (XETR) | ★★★★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
13.45 EUR	18.50 EUR	High	None	Stable	Standard	Utilities - Regulated

RWE's Post-Innogy Performance on Track in 2016; Nuclear Payment Looms

See Page 2 for the full Analyst Note from 14 Nov 2016

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Investment Thesis 07 Oct 2016

RWE is one of the largest electricity and gas suppliers in Europe and the largest power producer in Germany and the Netherlands. But in 2015, management announced it would publicly offer shares of Innogy, the entity it created to hold its networks and its retail and renewable energy businesses.

Following the Innogy share offer in early October 2016, RWE retains the suffering conventional generation and commodities businesses, along with a 75% share of Innogy. We were impressed that Innogy priced at the high end of management's target range, giving it a EUR 20 billion initial value. RWE collected EUR 3 billion and retains a stake initially worth EUR 24 per share.

Collapsing power prices and environmental concerns have crushed the economics for RWE's conventional generation fleet. We expect weak energy markets to persist at least through 2017. Management recently estimated about half of its 41-gigawatt fossil fuel fleet is marginally economical. Germany's renewable energy subsidies, high gas prices, and power-generation overbuild have slashed margins.

Furthermore, RWE continues to suffer from the German government's decision in mid-2011 to shut down the country's 17 nuclear plants, including five in which RWE owns a full or partial stake. RWE's three still-operating plants, representing about 15% of RWE's annual power generation, are scheduled to shut down in 2017-21. The firm also retained some EUR 10 billion of present-value nuclear decommissioning costs during the next 20-50 years.

Shareholders have felt this pain through dividend cuts and divestments to reduce debt and maintain an investment-grade credit rating. RWE cut its dividend to EUR 1 per share from EUR 3.50 in 2010 and hasn't paid a dividend for 2015 or 2016. RWE's divestments took EUR 7 billion out of its book value during 2011-15.

We think RWE might reinstate a dividend to pass along its share of Innogy's dividend. Innogy has political and regulatory risk but less direct commodity risk. Renewable energy in particular should

Vital Statistics

Market Cap (EUR Mil)	8,271
52-Week High (EUR)	16.49
52-Week Low (EUR)	9.98
52-Week Total Return %	30.7
YTD Total Return %	13.9
Last Fiscal Year End	31 Dec 2015
5-Yr Forward Revenue CAGR %	1.8
5-Yr Forward EPS CAGR %	-11.0
Price/Fair Value	0.73

Valuation Summary and Forecasts

	Fiscal Year:			
	2014	2015	2016(E)	2017(E)
Price/Earnings	12.3	6.4	13.9	18.9
EV/EBITDA	3.3	2.4	3.1	3.3
EV/EBIT	7.3	36.0	5.6	6.4
Free Cash Flow Yield %	19.1	0.6	21.2	12.5
Dividend Yield %	7.8	8.5	—	—

Financial Summary and Forecasts (EUR Mil)

	Fiscal Year:			
	2014	2015	2016(E)	2017(E)
Revenue	46,149	46,357	47,740	48,326
Revenue YoY %	-10.2	0.5	3.0	1.2
EBIT	3,550	468	3,022	2,657
EBIT YoY %	NM	-86.8	545.7	-12.1
Net Income, Adjusted	1,285	1,125	596	442
Net Income YoY %	-44.4	-12.4	-47.0	-25.9
Diluted EPS	2.09	1.83	0.97	0.71
Diluted EPS YoY %	-44.4	-12.4	-47.2	-26.2
Free Cash Flow	2,493	4,529	2,554	1,518
Free Cash Flow YoY %	-54.2	81.7	-43.6	-40.6

Historical/forecast data sources are Morningstar Estimates and may reflect adjustments.

Profile

RWE, including its stake in Innogy, is one of Europe's five largest utilities, with vertically integrated generation, transmission, and distribution operations serving 16 million electric customers and 8 million gas customers. It also owns and operates power generation and supply in the United Kingdom and the Netherlands and renewable energy assets in Europe. About half of its profits are earned in Germany.

Important Disclosure

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The primary analyst covering this company does not own its stock.

Research as of 14 Nov 2016
Estimates as of 06 Oct 2016
Pricing data through 20 Feb 2017
Rating updated as of 20 Feb 2017

Currency amounts expressed with "\$" are in U.S. dollars (USD) unless otherwise denoted.

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Morningstar Analysis

RWE's Post-Innogy Performance on Track in 2016; Nuclear Payment Looms 14 Nov 2016

We are reaffirming our EUR 18.50 fair value estimate and our no-moat and stable moat trend ratings after RWE announced third-quarter results on track to meet our full-year estimates.

Operating profits were down 20% through the first three quarters and adjusted net income was down by more than half from 2015 results during the same period, but both are on track to meet our expectations. We expect consolidated RWE and Innogy to earn EUR 5.5 billion operating profit, at the high end of management's forecast. Management, now led by CEO Rolf Martin Schmitz, reaffirmed its full-year earnings estimates, in line with our forecast after adjusting for the Innogy share sale.

Innogy's stock peaked at EUR 38.73 per share two weeks following its Oct. 7 initial trading day but since has fallen near EUR 31.50 per share as of mid-November. We include an implied EUR 35 per share value for Innogy. We estimate every EUR 1 per share change in Innogy stock represents EUR 0.70 per share of value for RWE. Thus, investors should be aware that RWE's market price could reflect moves in Innogy rather than changes in RWE's intrinsic value.

We also are reaffirming our RWE fair value estimate after the German Cabinet supported a previous commission report requiring RWE to pay EUR 6.8 billion for transferring its nuclear fuel storage and handling, based on management's estimates. If the legislature approves the plan, we estimate RWE must pay EUR 5 billion in early 2017 and a EUR 1.8 billion risk premium by 2022. RWE will remain responsible for an estimated EUR 5 billion of additional nuclear decommissioning costs to be paid over several decades. These are already factored into our fair value estimate.

Valuation, Growth and Profitability 07 Oct 2016

We are raising our fair value estimate to EUR 18.50 per share from EUR 18 per share after the share offering for Innogy in October priced slightly higher than our expectation. We had expected a market value of EUR 35 per Innogy share and RWE received EUR 36 per Innogy share. This netted RWE EUR 3 billion of cash and values its 75% stake at EUR 15 billion, or EUR 24 per share.

On a consolidated basis, we expect RWE and Innogy to earn EUR 5.5 billion EBITDA in 2016, at the high end of management's guidance range. We forecast trough EUR 5.1 billion EBITDA in 2017, primarily due to the drop in conventional generation earnings. Management has cut back investment in renewable energy, but we still expect that segment to grow modestly.

We assume RWE's stand-alone midcycle EBITDA climbs to EUR 1 billion based on our midcycle commodity price assumptions that include EUR 4.80/mmbtu for Title Transfer Facility natural gas, EUR 47 per megawatt-hour fleetwide average realized power price, and EUR 9/ton carbon credits. We also include EUR 180 million of ongoing capacity revenue. Our forecasts include RWE's lignite plants, but we deduct EUR 1.1 billion (EUR 1 per share) of value anticipating the likely future shutdown of the plants and their related lignite mines beyond our five-year forecast.

Our sum-of-the-parts valuation includes EUR 8.5 billion valuation of nuclear decommissioning liabilities. We deduct EUR 3.5 billion (EUR 4 per share) from our fair value estimate to account for the cash we think RWE will have to reserve in the near term for nuclear decommissioning liabilities.

We use a 6.8% cost of capital in our discounted cash flow valuation. Our 11% cost of equity assumption reflects RWE's above-average systematic risk due to its exposure to volatile wholesale and retail energy markets.

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Scenario Analysis

Our uncertainty rating is high to reflect regulatory uncertainty in Germany, the U.K., and other parts of Europe, as well as volatile commodity markets that contribute to a significant disparity in valuation outcomes under our low, base, and high scenarios.

A 10% change in our midcycle oil, gas and power prices would change our fair value estimate by EUR 2 per share. A EUR 1 per share change in Innogy's value represents about EUR 0.70 per share of RWE's equity value.

A 50-basis-point change in our cost of equity would change our fair value estimate by EUR 3 per share.

Economic Moat

RWE's competitive advantages across its suite of businesses have deteriorated during the past year because of changes in energy markets and public policy, primarily for its fossil fuel and nuclear generation fleet. The collapse in generation earnings led to RWE's decision in 2016 to offer shares of Innogy, its retail supply, renewable energy, and East/Central European infrastructure that's subject to

less-certain regulation.

Although we don't think these Innogy businesses have moats, they have less commodity-market risk. RWE now is almost exclusively a pure-play commodities business. We don't think this type of power generation and commodities trading is consistent enough to warrant an economic moat.

We expect Germany to move forward with its plan to close all its nuclear plants, including RWE's three plants that are still operating. We also expect the government to continue encouraging renewable energy to replace lost nuclear and coal generation. This is likely to erode the cost advantages and returns on invested capital for the surviving fossil fuel generation absent market changes that German policymakers seem to resist. This will hit RWE's large coal fleet particularly hard.

Recent political discourse suggests Germany will not implement a capacity market like that in the U.K. and parts of the United States. Capacity markets can lower a generator's cost of capital, boost returns on capital, and recognize a generator's competitive advantage.

We think energy supply businesses in Europe and the U.K. offer no competitive advantages because they are price-driven and have low customer switching costs.

Moat Trend

We think economic conditions in RWE's core operating areas will remain challenging for the indefinite future. We don't see any significant changes in the European energy market fundamentals in the near term that would give the firm's generation businesses a moat.

The only way we could envision assigning a positive moat trend is a significant reversal in environmental policy, including renewable energy incentives, and policy changes that acknowledge the reliability-critical role conventional

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generation plays in the energy markets. Competitors would have a difficult time replicating RWE's operations, and an upturn in energy demand would help the firm much more than its competitors.

At Innogy, we don't expect any further deterioration in long-term retail margins. Most of the European retail markets have rationalized, and RWE's brand name and scale should allow it to be one of the remaining competitors. We also expect European markets to remain deregulated and RWE to continue earning regulated returns for its distribution utility business.

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Bulls Say/Bears Say**Bulls Say**

- ▶ Many of RWE's remaining gas and coal power plants are critical for electricity reliability when renewable energy is not available.
- ▶ If capacity-market schemes or energy-market enhancements spread throughout Europe, RWE will be one of the biggest winners.
- ▶ RWE can use its Innogy shares as a source of cheap capital, as long as Innogy's market valuation remains attractive.

Bears Say

- ▶ Rising retail power and gas prices in Europe have led politicians to start stumping for energy suppliers like Innogy to cut prices, resulting in lower margins.
- ▶ Investment in renewable energy such as wind power relies on government subsidies to earn adequate returns and depresses wholesale power prices.
- ▶ Nuclear decommissioning costs will be an ongoing political and financial risk as RWE retires its fleet.

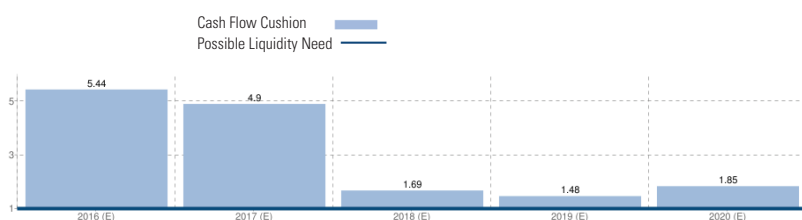
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Five Year Adjusted Cash Flow Forecast (EUR Mil)

	2016(E)	2017(E)	2018(E)	2019(E)	2020(E)
Cash and Equivalents (beginning of period)	6,522	1,675	302	110	532
Adjusted Available Cash Flow	3,809	2,773	2,698	2,477	2,237
Total Cash Available before Debt Service	10,331	4,448	3,000	2,587	2,769
Principal Payments	-900	-50	-1,000	-1,000	-750
Interest Payments	-998	-857	-774	-747	-747
Other Cash Obligations and Commitments	—	—	—	—	—
Total Cash Obligations and Commitments	-1,898	-907	-1,774	-1,747	-1,497

Cumulative Annual Cash Flow Cushion



Adjusted Cash Flow Summary

	EUR Millions	% of Commitments
Beginning Cash Balance	6,522	83.4
Sum of 5-Year Adjusted Free Cash Flow	13,994	178.9
Sum of Cash and 5-Year Cash Generation	20,516	262.2
Revolver Availability	—	—
Asset Adjusted Borrowings (Repayment)	—	—
Sum of Cash, 5-Year Cash Generation, Revolver and Adjustments	20,516	262.2
Sum of 5-Year Cash Commitments	-7,824	—

Financial Health

Above all else, RWE has committed to maintaining an investment-grade credit rating through its downturn and has paid down debt aggressively. To conserve cash, management has cut virtually all growth capital expenditures. The Innogy creation and share offer virtually eliminated its debt and improved its cash position by some EUR 3 billion. We don't see any immediate distress issues, with our 2016-17 projected cash flow from RWE's legacy businesses and Innogy's dividend easily covering interest payments. RWE has about EUR 18 billion of estimated long-term liabilities related to pensions, nuclear decommissioning, and mining reclamation, most of which will stay at RWE following the spin-off. These are long-dated, and we think RWE's financial assets are sufficient to cover near-term financing needs. In 2009, RWE leveraged up to repurchase stock and acquire Essent, then suffered from Germany's 2011 decision to close its nuclear plants. Since 2011, management has issued EUR 2.1 billion of new equity, eliminated the dividend after cutting it to EUR 1 per share from EUR 3.50 per share, completed EUR 7 billion of divestitures, and cut annual capital expenditure in half. RWE won't pay a fiscal 2015 or 2016 dividend, but we think it might reinstate a dividend in 2017 near the EUR 1 per share it paid in 2012-14 as a way to pass through the cash flows it will get from its share of Innogy's dividend.

Enterprise Risk

Changes in energy usage, commodity prices, and political backlash are the primary sources of risk. Energy use typically follows economic trends and can have significant effects on RWE's earnings. Its largest exposure is in Germany, with growing exposure in Central and Southeastern Europe. Earnings and cash flows from the company's energy production segments are tied directly to European commodity markets. Changes in local regulation also can affect earnings and returns. RWE's gas midstream and supply businesses also present commodity risks. In 2011-12,

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a widening price gap between oil and natural gas hurt RWE's retail gas supply business because of its oil-linked gas contracts. Management addressed most of the contracts to remove the links to oil prices in 2012, and RWE stanching the related earnings drag. A EUR 1 billion settlement with gas supplier Gazprom in 2013 recovered some of that value. RWE will retain nuclear decommissioning liabilities that management has estimated could total EUR 10 billion on a present-value basis during the next 20-50 years. RWE continues negotiating with the government about how to handle funding these estimated liabilities and could be required to pay or hold cash to cover the liabilities.

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Management & Ownership

Management Activity

Name	Position	Shares Held	Report Date*	Insider Activity
NA	NA	NA	NA	NA

*Represents the date on which the owner's name, position, and common shares held were reported by the holder or issuer.

Fund Ownership

Top Owners	% of Shares Held	% of Fund Assets	Change (k)	Portfolio Date
Vanguard Total Intl Stock Idx Fund	0.94	0.03	125	31 Jan 2017
iShares Core DAX® (DE)	0.75	0.68	1	17 Feb 2017
EIS PB Equity EUR	0.51	5.21	326	30 Jun 2016
iShares MSCI EAFE (AU)	0.43	0.05	—	17 Feb 2017
Foncaixa Iter FI	0.44	0.73	—	31 Dec 2016
Concentrated Holders				
Solainainvest SICAV	0.03	8.24	—	31 Dec 2016
Federal APAL	0.06	6.81	362	31 Oct 2016
FSI Accuminvest Abs Ret Mandat VV	—	6.58	7	30 Jun 2016
Arvum SICAV	—	5.70	—	30 Jun 2016
Club Bancomercio Cibeles SICAV	—	5.22	—	30 Jun 2016

Institutional Transactions

Top 5 Buyers	% of Shares Held	% of Fund Assets	Shares Bought/Sold (k)	Portfolio Date
Union Investment Privatfonds GmbH	0.26	0.40	1,525	31 Dec 2016
Putnam Investment Management, LLC	0.18	0.20	783	31 Dec 2016
Anima Sgr S.p.A	0.32	0.27	685	31 Jan 2017
Anima Asset Management Ireland Limited	0.21	1.02	644	31 Jan 2017
AMP Capital Investors Limited	0.08	0.08	407	31 Dec 2016
Top 5 Sellers				
Mondrian Investment Partners Ltd	0.12	0.31	-3,390	30 Sep 2016
Hartford Funds Management Company, LLC	0.06	0.30	-1,947	31 Dec 2016
Eleva Capital LLP	0.14	0.98	-877	30 Nov 2016
BlackRock Investment Management (UK) Ltd.	0.71	0.56	-470	31 Oct 2016
Aletti Gestielle SGR SpA	0.09	0.15	-369	31 Jan 2017

Management 07 Oct 2016

We give RWE a Standard stewardship rating. The European financial crisis, the German nuclear plant shutdowns, and the heavy European renewable energy subsidies that have shrunk fossil fuel generation margins were out of management's control, but we think management has done the best it can to preserve value for shareholders.

Management has done an admirable job cutting debt and protecting RWE's investment-grade credit rating. We also think management's move to create Innogy and publicly offer a partial stake was smart and well-timed. Innogy's EUR 36 per share initial offer price was at the top end of management's target range and valued it at EUR 20 billion, making it one of the largest European utilities. We expect management will continue to use Innogy as a source of capital.

Management suffered from bad timing when it leveraged up to acquire Dutch utility Essent for EUR 7.3 billion, expand its renewable energy portfolio, and invest in its gas and oil exploration and production activities in 2010-11 just before the European economy sank. Now RWE has had to eliminate the dividend and sell off EUR 7 billion of assets to reduce debt.

The German corporate-governance structure includes an executive board, which oversees day-to-day operations, and a supervisory board, which oversees management and sets high-level strategy. The supervisory board recently extended CEO and president Peter Terium's contract through 2021. Terium replaced Juergen Grossmann as president and CEO in a planned succession in July 2012. Terium had been chairman of Essent's board.

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Analyst Notes

RWE's Innogy Makes a Grand Entrance 07 Oct 2016

We are raising our fair value estimate for no-moat RWE to EUR 18.50 per share from EUR 18 per share after Innogy priced at EUR 36 per share, the high end of management's target range. The share offer raised EUR 3 billion of cash for RWE, the maximum possible based on the transaction terms.

The difference between our EUR 35 per share expected issue price for Innogy and the EUR 36 per share actual issue price represents about EUR 500 million of additional equity value for RWE and led us to raise our fair value estimate. RWE retains a 75% stake in Innogy, worth EUR 15 billion, or EUR 24.35 per RWE share, based on the EUR 36 issue price. This is nearly EUR 10 per share more than RWE's closing price on Oct. 5, 2016.

With Innogy pricing at the high end of the range, it is clear the market puts very little value on RWE's core commodity business. Our fair value estimate assumes RWE's remaining commodity business is worth about EUR 5.50 per share. This excludes the market value of RWE's 75% stake in Innogy, the EUR 3 billion of Innogy offering proceeds, and nonoperating liabilities net uncommitted liquid assets that we value at EUR 16 per share. We estimate that the market is valuing RWE's commodities business at less than EUR 2 per share, based on the Oct. 5 closing price.

In our view, the market doesn't recognize that a growing share of renewable energy throughout Europe should make RWE's conventional generation more valuable as a capacity resource. We think RWE can generate near EUR 1 billion of EBITDA on a normalized basis, excluding Innogy.

The key uncertainty in RWE's valuation remains its nuclear liabilities. Accounting assumptions value those at EUR 10 billion, but we think their actual value is closer to EUR 8.5 billion, using a slightly higher long-term discount rate. To

reach our value for RWE's commodities business, the market would have to be valuing those nuclear liabilities at more than EUR 11 billion.

Innogy Prospectus, Capital Structure Update Further Support Upside for RWE 28 Sep 2016

We are reaffirming our EUR 18 per share fair value estimate for RWE, along with our no-moat and stable moat trend ratings, after reviewing the Innogy offering prospectus and pro forma capital structure through July. We are reaffirming our Innogy value of EUR 35 per Innogy share, above the midpoint of management's EUR 32-EUR 36 pricing range. RWE has stated that Innogy is set to start trading on Oct. 7.

If Innogy prices at the high end of the range, we think RWE could divest up to 83.3 million shares, resulting in as much as EUR 2.9 billion of cash proceeds and a 75% ownership stake after Innogy's planned capital raise. At a minimum, RWE has committed to sell 45.455 million shares, which we think would raise at least EUR 1.5 billion and give it an 82% ownership. We expect RWE to continue selling down its Innogy stake after the six month lockup period expires. We estimate that every EUR 1 per share change in the Innogy price from our EUR 35 estimate represents a EUR 0.80 per share change in our RWE fair value estimate.

The key valuation uncertainty for both companies is the economic value of the decommissioning and pension provisions RWE will retain. On an accounting basis, RWE reported EUR 30 billion of provisions--including EUR 10 billion for nuclear decommissioning--and EUR 19 billion of plan assets at year-end 2015. However, we think this EUR 11 billion net provision on an accounting basis is closer to EUR 8.5 billion on an economic basis, and we expect Innogy to assume EUR 1 billion of net provisions.

We think the market could be overestimating the economic

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Analyst Notes

value of RWE's provisions by EUR 2 billion, based on RWE's EUR 15 per share stock price and Innogy's target price range. Alternatively, RWE's EUR 15 per share stock price suggests virtually no ongoing value for the commodities business if Innogy prices at or above EUR 36 per share and our economic value for provisions is correct.

RWE's Pricing Range for Innogy's Public Offering Supports Our Valuation 23 Sep 2016

We are reaffirming our EUR 18 per share fair value estimate for RWE, along with our no-moat and stable moat trend ratings, after management announced that it expects its Innogy public offering to price between EUR 32 and EUR 36 per Innogy share. Our fair value estimate implies a value near EUR 35 per share, or EUR 17.7 billion, for Innogy. This results in a negative EUR 6.6 billion net value for RWE's commodities business on a stand-alone basis, although RWE plans to retain 85%-90% ownership of Innogy, and thus will still receive the cash and realize the value from Innogy. We estimate RWE's commodities business enterprise value is EUR 3.4 billion before deducting long-term net liabilities, most importantly nuclear decommissioning provisions. The key uncertainty for RWE following the public offering is the economic value of its nuclear decommissioning liabilities. Our fair value estimate assumes EUR 13 billion of total net long-term liabilities on an economic basis. However, we estimate that RWE's EUR 15.09 per share market price as of Sept. 22 could be pricing in as much as EUR 15 billion of net liabilities, based on our valuation for RWE's commodities business and the high end of management's Innogy price range. Alternatively, RWE's current stock price and the high end of management's Innogy price range suggest virtually no value currently for RWE's commodities business.

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Morningstar Analyst Forecasts

Financial Summary and Forecasts

Fiscal Year Ends in December

	3-Year Hist. CAGR	Forecast					5-Year Proj. CAGR
		2013	2014	2015	2016	2017	
Growth (% YoY)							
Revenue	-3.0	1.2	-10.2	0.5	3.0	1.2	1.8
EBIT	-50.4	-96.7	NM	-86.8	545.7	-12.1	43.8
EBITDA	21.0	121.8	-12.5	-8.9	-23.2	-5.4	-4.4
Net Income	-23.0	-6.0	-44.4	-12.4	-47.0	-25.9	-10.7
Diluted EPS	-23.0	-6.0	-44.4	-12.4	-47.2	-26.2	-11.0
Earnings Before Interest, after Tax	20.6	93.9	-19.0	11.5	-59.5	-6.0	-16.5
Free Cash Flow	4.7	38.1	-54.2	81.7	-43.6	-40.6	-15.9

	3-Year Hist. Avg	Forecast					5-Year Proj. Avg
		2013	2014	2015	2016	2017	
Profitability							
Operating Margin %	3.0	0.3	7.7	1.0	6.3	5.5	5.9
EBITDA Margin %	16.6	17.4	17.0	15.4	11.5	10.7	11.2
Net Margin %	3.2	4.5	2.8	2.4	1.3	0.9	1.2
Free Cash Flow Margin %	8.6	10.6	5.4	9.8	5.4	3.1	3.9
ROIC %	6.3	4.5	7.6	6.8	4.7	5.0	5.3
Adjusted ROIC %	8.3	5.8	9.8	9.2	6.8	7.6	8.0
Return on Assets %	-0.5	-3.3	2.0	-0.2	0.8	0.6	0.8
Return on Equity %	-2.6	-27.8	22.5	-2.6	9.6	6.5	8.6

	3-Year Hist. Avg	Forecast					5-Year Proj. Avg
		2013	2014	2015	2016	2017	
Leverage							
Debt/Capital	0.73	0.71	0.72	0.77	0.72	0.68	0.67
Total Debt/EBITDA	2.38	2.09	2.37	2.68	3.03	2.81	2.62
EBITDA/Interest Expense	7.42	8.33	7.24	6.67	5.49	6.04	6.77

Valuation Summary and Forecasts

	2014	2015	2016(E)	2017(E)
Price/Fair Value	—	—	—	—
Price/Earnings	12.3	6.4	13.9	18.9
EV/EBITDA	3.3	2.4	3.1	3.3
EV/EBIT	7.3	36.0	5.6	6.4
Free Cash Flow Yield %	19.1	0.6	21.2	12.5
Dividend Yield %	7.8	8.5	—	—

Key Valuation Drivers

Cost of Equity %	11.0
Pre-Tax Cost of Debt %	6.5
Weighted Average Cost of Capital %	6.9
Long-Run Tax Rate %	33.0
Stage II EBI Growth Rate %	3.0
Stage II Investment Rate %	42.9
Perpetuity Year	10

Additional estimates and scenarios available for download at <http://select.morningstar.com>.

Discounted Cash Flow Valuation

	EUR Mil	Firm Value (%)	Per Share Value
Present Value Stage I	7,930	33.3	12.83
Present Value Stage II	2,717	11.4	4.40
Present Value Stage III	13,189	55.3	21.34
Total Firm Value	23,836	100.0	38.56
Cash and Equivalents	11,033	—	17.85
Debt	-19,080	—	-30.87
Preferred Stock	—	—	—
Other Adjustments	-5,206	—	-8.42
Equity Value	10,582	—	17.12
Projected Diluted Shares	618		
Fair Value per Share (EUR)	18.50		

The data in the table above represent base-case forecasts in the company's reporting currency as of the beginning of the current year. Our fair value estimate may differ from the equity value per share shown above due to our time value of money adjustment and in cases where probability-weighted scenario analysis is performed.

RWE AG RWE (XETR) | ★★★★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
13.45 EUR	18.50 EUR	High	None	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Income Statement (EUR Mil)

Fiscal Year Ends in December

	2013	2014	2015	Forecast	
				2016	2017
Revenue	51,393	46,149	46,357	47,740	48,326
Cost of Goods Sold	36,108	33,687	34,376	33,250	33,986
Gross Profit	15,285	12,462	11,981	14,491	14,340
Selling, General & Administrative Expenses	5,277	4,850	4,803	5,172	5,257
Other Operating Expense (Income)	2,261	947	1,188	3,840	3,903
Other Operating Expense (Income)	—	—	—	—	—
Depreciation & Amortization (if reported separately)	7,619	3,115	5,522	2,456	2,523
Operating Income (ex charges)	128	3,550	468	3,022	2,657
Restructuring & Other Cash Charges	—	—	—	—	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
Operating Income (incl charges)	128	3,550	468	3,022	2,657
Interest Expense	1,073	1,080	1,069	998	857
Interest Income	-542	-224	-36	-500	-500
Pre-Tax Income	-1,487	2,246	-637	1,523	1,300
Income Tax Expense	956	553	603	472	403
Other After-Tax Cash Gains (Losses)	—	—	—	—	—
Other After-Tax Non-Cash Gains (Losses)	—	364	1,524	—	—
(Minority Interest)	-314	-353	-454	-450	-450
(Preferred Dividends)	—	—	—	-5	-5
Net Income	-2,757	1,704	-170	596	442
Weighted Average Diluted Shares Outstanding	615	615	615	616	619
Diluted Earnings Per Share	-4.48	2.77	-0.28	0.97	0.71
Adjusted Net Income	2,311	1,285	1,125	596	442
Diluted Earnings Per Share (Adjusted)	3.76	2.09	1.83	0.97	0.71
Dividends Per Common Share	1.00	1.00	1.00	—	—
EBITDA	7,783	6,633	6,096	5,478	5,180
Adjusted EBITDA	8,940	7,824	7,131	5,478	5,180

RWE AG RWE (XETR) | ★★★★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
13.45 EUR	18.50 EUR	High	None	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Balance Sheet (EUR Mil)

Fiscal Year Ends in December

	2013	2014	2015	Forecast	
				2016	2017
Cash and Equivalents	3,905	3,171	2,522	1,675	302
Investments	3,779	6,253	8,511	8,500	8,500
Accounts Receivable	7,959	6,512	5,601	6,278	6,355
Inventory	2,360	2,232	1,959	1,913	1,955
Deferred Tax Assets (Current)	212	202	159	—	—
Other Short Term Assets	6,161	13,722	9,129	7,000	7,000
Current Assets	24,376	32,092	27,881	25,366	24,112
Net Property Plant, and Equipment	33,305	31,059	29,357	29,201	29,078
Goodwill	11,374	11,507	11,979	11,979	11,979
Other Intangibles	1,824	1,290	1,236	1,236	1,236
Deferred Tax Assets (Long-Term)	3,429	4,163	2,661	2,700	2,700
Other Long-Term Operating Assets	6,811	6,205	6,220	6,000	6,000
Long-Term Non-Operating Assets	—	—	—	—	—
Total Assets	81,119	86,316	79,334	76,482	75,105
Accounts Payable	6,468	6,309	6,122	5,921	6,052
Short-Term Debt	2,149	3,342	2,362	2,362	2,362
Deferred Tax Liabilities (Current)	232	69	50	—	—
Other Short-Term Liabilities	13,030	18,500	16,591	16,000	16,000
Current Liabilities	21,879	28,220	25,125	24,283	24,414
Long-Term Debt	16,539	15,224	16,718	14,218	12,218
Deferred Tax Liabilities (Long-Term)	1,212	865	1,233	1,000	1,000
Other Long-Term Operating Liabilities	—	—	—	—	—
Long-Term Non-Operating Liabilities	29,352	30,235	27,364	27,364	27,364
Total Liabilities	68,982	74,544	70,440	66,865	64,996
Preferred Stock	—	—	—	—	—
Common Stock	1,574	1,574	1,574	1,574	1,574
Additional Paid-in Capital	2,385	2,385	2,385	2,435	2,485
Retained Earnings (Deficit)	5,062	5,008	3,612	4,208	4,650
(Treasury Stock)	—	—	—	—	—
Other Equity	-1,283	-1,579	-1,724	-1,700	-1,700
Shareholder's Equity	7,738	7,388	5,847	6,517	7,009
Minority Interest	4,399	4,384	3,047	3,100	3,100
Total Equity	12,137	11,772	8,894	9,617	10,109

RWE AG RWE (XETR) | ★★★★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
13.45 EUR	18.50 EUR	High	None	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Cash Flow (EUR Mil)

Fiscal Year Ends in December

	2013	2014	2015	Forecast	
				2016	2017
Net Income	-2,443	1,693	-1,240	1,051	897
Depreciation	5,383	2,241	2,518	2,456	2,523
Amortization	2,272	842	3,110	—	—
Stock-Based Compensation	—	—	—	—	—
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	100	45	59	-163	—
Other Non-Cash Adjustments	1,756	-313	-1,514	—	—
(Increase) Decrease in Accounts Receivable	—	—	—	-677	-77
(Increase) Decrease in Inventory	—	—	—	46	-42
Change in Other Short-Term Assets	-1,313	1,860	281	2,129	—
Increase (Decrease) in Accounts Payable	—	—	—	-201	131
Change in Other Short-Term Liabilities	—	—	—	-591	—
Cash From Operations	5,755	6,368	3,214	4,050	3,432
(Capital Expenditures)	-4,571	-3,350	-3,173	-2,300	-2,400
Net (Acquisitions), Asset Sales, and Disposals	1,885	1,011	5,170	—	—
Net Sales (Purchases) of Investments	—	—	—	11	—
Other Investing Cash Flows	40	-2,530	-3,903	220	—
Cash From Investing	-2,646	-4,869	-1,906	-2,069	-2,400
Common Stock Issuance (or Repurchase)	163	122	-1,523	50	50
Common Stock (Dividends)	-1,229	-1,229	-615	—	—
Short-Term Debt Issuance (or Retirement)	—	—	—	—	—
Long-Term Debt Issuance (or Retirement)	-409	-1,199	290	-2,500	-2,000
Other Financing Cash Flows	-382	106	-195	-402	-455
Cash From Financing	-1,857	-2,200	-2,043	-2,852	-2,405
Exchange Rates, Discontinued Ops, etc. (net)	-19	8	14	24	—
Net Change in Cash	1,233	-693	-721	-847	-1,373

RWE AG RWE (XETR) | ★★★★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
13.45 EUR	18.50 EUR	High	None	Stable	Standard	Utilities - Regulated

Comparable Company Analysis

These companies are chosen by the analyst and the data are shown by nearest calendar year in descending market capitalization order.

Valuation Analysis

Company/Ticker	Price/Fair Value	Price/Earnings			EV/EBITDA			Price/Free Cash Flow			Price/Book			Price/Sales		
		2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)
National Grid PLC NG. GBR	1.01	NM	NM	NM	10.4	11.0	11.4	17.4	19.8	90.1	2.8	2.9	2.6	2.2	2.6	2.5
E.ON SE EOAN DEU	0.72	10.6	15.9	11.5	6.2	4.2	3.9	7.6	5.7	NM	1.1	1.4	1.2	0.2	0.3	0.3
Average		10.6	15.9	11.5	8.3	7.6	7.7	12.5	12.8	90.1	2.0	2.2	1.9	1.2	1.5	1.4
RWE AG RWE DE	0.73	6.4	13.9	18.9	2.4	3.1	3.3	175.6	4.7	8.0	1.2	1.3	1.2	0.2	0.2	0.2

Returns Analysis

Company/Ticker	Last Historical Year Total Assets (Mil)	ROIC %			Adjusted ROIC %			Return on Equity %			Return on Assets %			Dividend Yield %		
		2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)
National Grid PLC NG. GBR	— GBP	6.1	6.0	6.0	6.8	6.7	6.7	16.9	20.3	18.0	3.8	4.5	4.2	3.8	3.5	3.7
E.ON SE EOAN DEU	113,693 EUR	-5.7	3.3	4.3	-6.7	3.7	4.9	-34.1	11.3	16.9	-5.9	1.5	2.2	4.1	6.9	4.9
Average		0.2	4.7	5.2	0.1	5.2	5.8	-8.6	15.8	17.5	-1.1	3.0	3.2	4.0	5.2	4.3
RWE AG RWE DE	79,334 EUR	6.8	4.7	5.0	9.2	6.8	7.6	-2.6	9.6	6.5	-0.2	0.8	0.6	8.5	—	—

Growth Analysis

Company/Ticker	Last Historical Year Revenue (Mil)	Revenue Growth %			EBIT Growth %			EPS Growth %			Free Cash Flow Growth %			Dividend/Share Growth %		
		2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)
National Grid PLC NG. GBR	15,201 GBP	2.7	-0.6	0.1	5.4	6.0	2.6	7.6	26.5	-9.2	63.5	21.3	24.9	2.0	1.1	1.3
E.ON SE EOAN DEU	116,218 EUR	4.2	-61.3	2.4	-227.6	423.9	9.4	—	-46.9	37.9	19.2	-11.1	-100.1	-16.7	—	—
Average		3.5	-31.0	1.3	-111.1	215.0	6.0	7.6	-10.2	14.4	41.4	5.1	-37.6	-7.4	1.1	1.3
RWE AG RWE DE	46,357 EUR	0.5	3.0	1.2	-86.8	545.7	-12.1	-12.4	-47.2	-26.2	81.7	-43.6	-40.6	—	-100.0	—

RWE AG RWE (XETR) | ★★★★★

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
13.45 EUR	18.50 EUR	High	None	Stable	Standard	Utilities - Regulated

Comparable Company Analysis

These companies are chosen by the analyst and the data are shown by nearest calendar year in descending market capitalization order.

Profitability Analysis

Company/Ticker	Last Historical Year Net Income (Mil)	Gross Margin %			EBITDA Margin %			Operating Margin %			Net Margin %			Free Cash Flow Margin %		
		2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)
National Grid PLC NG. GBR	2,189 GBP	79.6	84.8	79.8	35.2	37.8	38.8	25.4	27.1	27.8	14.4	18.3	16.5	12.7	13.0	2.8
E.ON SE EOAN DEU	1,633 EUR	10.8	16.4	17.3	3.9	10.4	10.9	0.5	6.8	7.3	1.4	1.9	2.6	2.0	5.4	-1.8
Average		45.2	50.6	48.6	19.6	24.1	24.9	13.0	17.0	17.6	7.9	10.1	9.6	7.4	9.2	0.5
RWE AG RWE DE	1,125 EUR	25.9	30.4	29.7	15.4	11.5	10.7	1.0	6.3	5.5	2.4	1.3	0.9	0.1	3.7	2.1

Leverage Analysis

Company/Ticker	Last Historical Year Total Debt (Mil)	Debt/Equity %			Debt/Total Cap %			EBITDA/Interest Exp.			Total Debt/EBITDA			Assets/Equity		
		2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)
National Grid PLC NG. GBR	25,910 GBP	216.6	209.1	205.4	68.4	67.7	67.3	4.3	5.0	5.3	4.8	5.0	5.0	4.6	4.3	4.3
E.ON SE EOAN DEU	17,742 EUR	108.0	159.1	149.1	51.9	61.4	59.9	2.3	2.7	3.1	3.9	3.4	3.4	6.9	8.4	7.4
Average		162.3	184.1	177.3	60.2	64.6	63.6	3.3	3.9	4.2	4.4	4.2	4.2	5.8	6.4	5.9
RWE AG RWE DE	19,080 EUR	326.3	254.4	208.0	76.5	71.8	67.5	6.7	5.5	6.0	2.7	3.0	2.8	13.6	11.7	10.7

Liquidity Analysis

Company/Ticker	Market Cap (Mil)	Cash per Share			Current Ratio			Quick Ratio			Cash/Short-Term Debt			Payout Ratio %		
		2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)	2015	2016(E)	2017(E)
National Grid PLC NG. GBR	37,706 GBP	0.03	0.03	0.05	0.82	0.82	0.76	0.77	0.76	0.71	0.04	0.04	0.05	80.3	63.1	66.0
E.ON SE EOAN DEU	13,946 EUR	2.67	0.26	0.48	1.20	0.90	0.95	1.12	0.72	0.78	1.86	0.29	0.52	-13.9	65.2	54.1
Average		1.35	0.15	0.27	1.01	0.86	0.86	0.95	0.74	0.75	0.95	0.17	0.29	33.2	64.1	60.1
RWE AG RWE DE	8,271 EUR	4.10	2.72	0.49	1.11	1.04	0.99	1.03	0.97	0.91	1.07	0.71	0.13	-361.6	—	—

Research Methodology for Valuing Companies

Overview

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, in-depth competitive advantage analysis, and a variety of other analytical tools to augment this process. Moreover, we think analyzing valuation through discounted cash flows presents a better lens for viewing cyclical companies, high-growth firms, businesses with finite lives (e.g., mines), or companies expected to generate negative earnings over the next few years. That said, we don't dismiss multiples altogether but rather use them as supporting cross-checks for our DCF-based fair value estimates. We also acknowledge that DCF models offer their own challenges (including a potential proliferation of estimated inputs and the possibility that the method may miss short-term market-price movements), but we believe these negatives are mitigated by deep analysis and our long-term approach.

Morningstar's equity research group ("we", "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk-adjusted discount to their fair values, whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate

and (4) the current market price. This process ultimately culminates in our single-point star rating.

1. Economic Moat

The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

To assess the sustainability of excess profits, analysts perform ongoing assessments of the moat trend. A firm's moat trend is positive in cases where we think its sources of competitive advantage are growing stronger; stable where we don't anticipate changes to competitive advantages over the next several years; or negative when we see signs of deterioration.

2. Estimated Fair Value

Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of

capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Our model is divided into three distinct stages:

Stage I: Explicit Forecast

In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in working-capital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes (EBI) and the net new investment (NNI) to derive our annual free cash flow forecast.

Stage II: Fade

The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital (RONIC), and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until a perpetuity value is calculated. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

Stage III: Perpetuity

Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total pres-

Morningstar Research Methodology for Valuing Companies



Research Methodology for Valuing Companies

ent value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term, market-value weights.

3. Uncertainty around that fair value estimate

Morningstar’s Uncertainty Rating captures a range of likely potential intrinsic values for a company and uses it to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating represents the analysts’ ability to bound the estimated value of the shares in a company around the Fair Value Estimate, based on the characteristics of the business underlying the stock, including operating and financial leverage, sales sensitivity to the overall economy, product concentration, pricing power, and other company-specific factors.

Analysts consider at least two scenarios in addition to their base case: a bull case and a bear case. Assumptions are chosen such that the analyst believes there is a 25% probability that the company will perform better than the bull case, and a 25% probability that the company will perform worse than the bear case. The distance between the bull and bear cases is an important indicator of the uncertainty underlying the fair value estimate.

Our recommended margin of safety widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the estimated value of the equity, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the uncertainty rating provides guidance in portfolio construction based on risk tolerance.

Our uncertainty ratings for our qualitative analysis are low, medium, high, very high, and extreme.

► **Low:** margin of safety for 5-star rating is a 20% discount and for 1-star rating is 25% premium.

- **Medium:** margin of safety for 5-star rating is a 30% discount and for 1-star rating is 35% premium.
- **High:** margin of safety for 5-star rating is a 40% discount and for 1-star rating is 55% premium.
- **Very High:** margin of safety for 5-star rating is a 50% discount and for 1-star rating is 75% premium.
- **Extreme:** Stock’s uncertainty exceeds the parameters we have set for assigning the appropriate margin of safety.

4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed which we believe is a reliable source.

For more detail information about our methodology, please go to <http://global.morningstar.com/equitydisclosures>

Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock’s current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open. Our analysts keep close tabs on the companies they follow, and, based on thorough and ongoing analysis, raise or lower their fair value estimates as warranted.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market’s valuation. When there are many 5-star stocks, the stock market as

a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time, generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

Five Stars ★★★★★

We believe appreciation beyond a fair risk-adjusted return is highly likely over a multiyear time frame. Scenario analysis developed by our analysts indicates that the current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

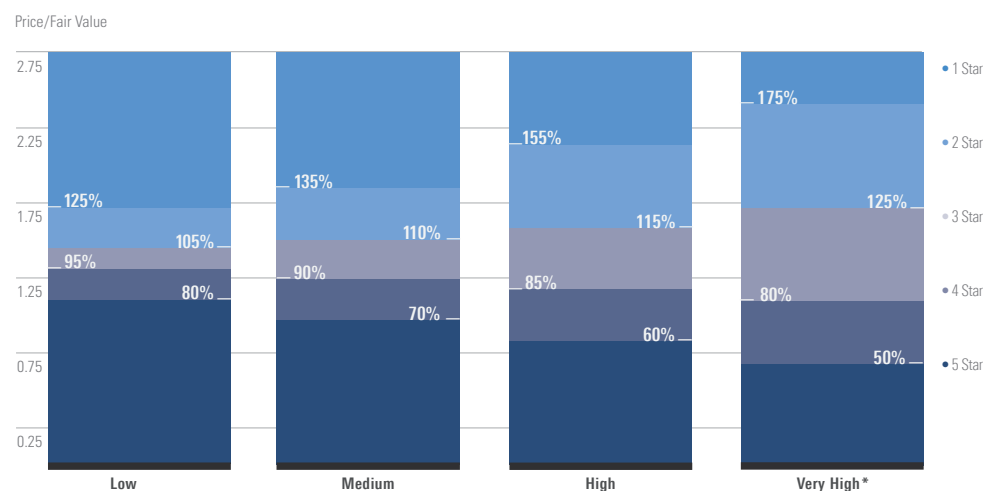
Four Stars ★★★★

We believe appreciation beyond a fair risk-adjusted return is likely.

Three Stars ★★★

Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

Morningstar Research Methodology for Valuing Companies



* Occasionally a stock’s uncertainty will be too high for us to estimate, in which case we label it Extreme.

Research Methodology for Valuing Companies

Two Stars ★★

We believe investors are likely to receive a less than fair risk-adjusted return.

One Star ★

Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. Scenario analysis by our analysts indicates that the market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

Other Definitions:

Last Price: Price of the stock as of the close of the market of the last trading day before date of the report.

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Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
13.45 EUR	18.50 EUR	High	None	Stable	Standard	Utilities - Regulated



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