

Case Study EDP - Energias de Portugal

Company valuation

Academic year 2023/2024

EDP is a multinational utility company with headquarters in Lisbon, Portugal. With more than 40 years of history, it has been building a relevant presence in the world energy scene, being present in 28 markets throughout 3 continents.

With more than 12.000 employees worldwide, EDP is present in all aspects of the electricity value chain, either in power generation, distribution or supply to final customers, and in the gas commercialization activity, serving more than 9 million customers. In terms of power generation, EDP is the fourth largest wind energy production company in the world and 75% of their energy is generated from renewable resources.

EDP Group is listed on Euronext Lisbon since 1997 and in 2021 registered more than 14 billion euros in revenues.

Some additional historical facts about EDP

EDP was founded as *Electricidade de Portugal, E.P.* by the Portuguese government through the Decreto-lei nº 502/76 published on June 30, 1976, merging 14 former energy companies that had been nationalized by 1975 in the aftermath of the regime change in 1974, of which the most significant had been the *Companhias Reunidas de Gás e Eletricidade* (CRGE). The Portuguese state privatized the company in several phases, from 1996 to 2011.

In March 2007 the group made a US\$3 billion takeover of Horizon Wind Energy, the Texas-based wind power producer. At the time, it was the largest renewable energy deal to date and made EDP the fourth largest wind power producer in the world. The firm's renewables operations (including Horizon) are now contained within its majority-owned subsidiary EDP Renováveis.

China Three Gorges Corporation, won in December 2011 the bidding for the Portuguese government's 21.35% interest in the company.

In late 2018 EDP's largest shareholder, China Three Gorges Corporation, proposed a hostile takeover of EDP. This was ultimately rejected at the shareholders meeting on April 24, 2019.

In 2020, EDP agreed to buy Viesgo, more than doubling its presence in Spain's electricity distribution market.

Net sales are distributed geographically as follows: Portugal (46.2%), Spain (26.5%), Brazil (20%), United States (3.9%) and others (3.4%).

<https://live.euronext.com/pt/product/equities/PTEDPOAM0009-XLIS/company-information>

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QUOTES

CHARACTERISTICS

COMPANY INFORMATION

FINANCIAL CALENDAR

COMPANY PROFILE

EDP - Energias de Portugal, S.A. is one of the leading producers and distributors in Portugal. The activity is organized around 4 sectors:

- production, sales and distribution of electricity: hydroelectric, thermoelectric, wind, co-generated, and biomass-based;
- supply of energy services: primarily engineering and consulting services for the construction and installation of thermoelectric and hydroelectric units;
- sales and distribution of gas (No. 2 in Portugal);
- other: steam production, supply of computer services, etc.

Net sales are distributed geographically as follows: Portugal (42.7%), Spain (32.6%), Brazil (15.2%), the United States (3.4%) and other (6.1%).

Source: Cofisem - Last Update: 28 Aug 2023

Key Executives

Chairman of the Management Board	Miguel Stilwell Andrade
Member of the Management Board	Ana Paula Marques
Member of the Management Board	Vera Pinto Pereira
Member of the Management Board	Rui Manuel Rodrigues Lopes Teixeira
Company Secretary	Ana Rita Pontífice Ferreira de Almeida Côte-Real
Chief Financial Officer	Rui Manuel Rodrigues Lopes Teixeira
Investor Relations Director	Miguel Viana

Source: Cofisem - Last Update: 28 Aug 2023

ADDRESS

EDP - Energias de Portugal, S.A.

Avenida 24 de Julho 12
PT-1249-300 Lisboa
Portugal

Phone number: [+351 21 001 2834](tel:+351210012834)
Fax: [+351 21 001 2892](tel:+351210012892)
<https://www.edp.com/en/>

Source: Cofisem - Last Update: 28 Aug 2023

CONTACT

Miguel Viana

Phone number: [+351 21 001 2868](tel:+351210012868)
ir@edp.com

Source: EDP - Energias de Portugal, S.A. - Last Update: 28 Aug 2023

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Key figures

MILLENIUM	2022	2021	2020	2019	2018
Net sales	20,650,764	14,982,909	12,448,205	14,333,009	15,278,085
Income from ordinary activities	20,650,764	14,982,909	12,448,205	14,333,009	15,278,085
Operating income	2,529,993	1,930,785	2,206,038	1,838,468	1,584,379
Cost of financial indebtedness net	747,450	542,908	454,602	558,785	564,066
Equity-accounted companies contribution to income				25,011	10,858
Net profit from discontinued activities	-51,534	-53,314	-65,109	-68,477	-65,345
Net income	1,169,749	1,104,646	1,161,193	899,327	876,081
Net income (Group share)	679,001	656,717	800,692	511,751	519,189
Fiscal year end	12.22	12.21	12.20	12.19	12.18
Length of fiscal year (month)	12	12	12	12	12
Currency & Unit	EUR - thousands	EUR - thousands	EUR - thousands	EUR - thousands	EUR - thousands
Account Standards					

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Shareholder information	
Other shareholders	54.39 %
China Three Gorges Corporation	20.86 %
BlackRock, Inc.	6.82 %
Oppidum Capital, S.L.	6.82 %
Canada Pension Plan Investment Board	5.61 %
Norges Bank	5.06 %

Source: Cofisem - Last Update: 28 Aug 2023

a) Requests

1. Estimate the **Enterprise Value** and **Equity Value** of EDP based on the accounts of the company (consolidated accounts). The reference valuation date should be 31st December 2022.
2. Detail and explain your calculations concerning the **discount rate** that you considered for determining the Enterprise Value and Equity Value of EDP.
3. Compare the value per share that you reached with the listed price at the end of 2022 on the EURONEXT Lisbon stock exchange. What investment recommendation would you give?

b) Notes

- a) For the company valuation you should detail all the assumptions that you consider relevant.
- b) You may use different valuation methods, but the **Discounted Cash Flow Method (DCF)** and the **Market Multiples / Relative Valuation** should be considered in your assignment.

c) Schedule for the delivery of the assignment

1. The assignment should be delivered until **Sunday, 19th of November 2023 at 18:00**.
2. Presentations on class will be done on **20th of November 2023**.
3. Files should be sent to the emails: tfv@iseg.ulisboa.pt; Telmo.fv@gmail.com.
4. Files also need to be uploaded on the **Google Drive** folder for the subject.
<https://drive.google.com/drive/folders/1jjj3UBoaNTFlvTzqXusBlkvxraXEVt9U?usp=sharing>
5. A written report with the company valuation should be delivered. In terms of structure for the report you can use **TEGOVA** (The European Group of Valuers' Associations) guidelines in terms of report presentation.
6. The excel file used for the calculations should also be submitted.

d) Presentation of the company valuation at the class

1. All groups need to make a presentation on class.
2. The time for the presentation cannot exceed **15 minutes per group**.
3. Questions can be made by the professor after the presentation to clarify aspects.

The instructor

Telmo Francisco Vieira

ISEG-Universidade de Lisboa, 09th October 2023