

Case Study EDP - Energias de Portugal

Company valuation

Academic year 2021/2022

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%).

Diretor de Relações com Investidores **Miguel Viana**

Fonte: Cofisem - Última atualização: 12 Oct 2021

Números principais

MILLENIUM	2021	2020	2019	2018	2017
Vendas	14,982,909	12,448,205	14,333,009	15,278,085	15,745,987
Receitas das actividades ordinárias	14,982,909	12,448,205	14,333,009	15,278,085	15,745,987
Resultado de exploração	1,930,785	2,206,038	1,838,468	1,584,379	2,317,917
Custo do endividamento financeiro líquido	479,149	454,602	558,785	564,066	672,703
Parte dos resultados das Sociedades Colocadas em Equivalência			25,011	10,858	11,521
Resultado líquido das actividades abandonadas	-53,314	-65,109	-68,477	-65,345	-69,246
Resultado líquido	1,104,646	1,161,193	899,327	876,081	1,441,435
Resultado líquido (parte do grupo)	656,717	800,692	511,751	519,189	1,113,169
Fim do exercício	12.21	12.2	12.19	12.18	12.17
Duração do exercício	12	12	12	12	12
Divisa e unidade	EUR - milhares	EUR - milhares	EUR - milhares	EUR - milhares	EUR - milhares
Normas de Contabilidade					

Fonte: Cofisem - Última atualização: 31 Mar 2022

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

EURONEXT Live markets		Nome, ISIN, Símbolo, Índice			
Duração do exercício	12	12	12	12	12
Divisa e unidade	EUR - milhares	EUR - milhares	EUR - milhares	EUR - milhares	EUR - milhares
Normas de Contabilidade					

Fonte: Cofisem - Última atualização: 31 Mar 2022

Informação Acionistas

Outros accionistas	54.09 %
China Three Gorges (Europe), S.A.	19.03 %
BlackRock, Inc.	7.38 %
Oppidum Capital, S.L.	7.20 %
Norges Bank	3.13 %
Qatar Investment Authority	2.27 %
Sonatrach	2.19 %
Canada Pension Plan Investment Board	2.17 %
Bank of America Corporation	2.02 %
Autodetecção	0.48 %

Fonte: Cofisem - Última atualização: 31 Mar 2022

<https://live.euronext.com/pt/product/equities/PTEDP0AM0009-XLIS/company-information>

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 2021.
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 2021 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 8th of May 2022 at 24:00.
2. Files should be sent to the emails: tfv@iseg.ulisboa.pt; Telmo.fv@gmail.com.
3. Files also need to be uploaded on the Google Drive folder for the subject.
4. 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.
5. 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 17 minutes per group.
3. Questions can be made by the professor after the presentation to clarify aspects.

Telmo Francisco Vieira

ISEG-Universidade de Lisboa, 05th April 2022