

Sustainable dividend

- EPS cuts on the back of lower power prices:** Watching the power price fall is like trying to catch the proverbial falling knife. Iberian power prices are down by 12% this year alone (and 45% from their peak in 2008). The forward curve now sits at €41/MWh. It is, then, not surprising that we have reduced our EPS forecasts by -4%/-14% for 2016/2017 as we mark to market power prices and commodities (currencies too) across the board, including carbon where we are no longer bulls. Notwithstanding the impact of commodities, we believe that Iberdrola can offset some of the power price decline through growth areas from stable cash flows in both renewables and networks. Although our price target inevitably comes down, to €6.7 per share, our recommendation remains Buy.
- Dividend sustainable:** Even though profitability has been hit by our market-to-market assumptions, we believe that the dividend is safe. We expect a DPS CAGR of 5% for 2016-20, which is lower (6%) than our previous estimates. However, even if we maintain a payout ratio of 70%, Iberdrola is comfortably free cash flow positive after dividends over the next five years.
- Improving financial position:** Net debt/EBITDA should fall from 3.6x in 2014 to 2.8x by 2018. By 2020 this comes down further to 2.5x. Most of this is driven by improving profitability in the networks (2015-18 EBITDA CAGR of 3%) and renewables businesses (2015-18 EBITDA CAGR of 5%).
- Avangrid could provide 20% upside:** The US business's merger with UIL is complete: the combined entity is named Avangrid. It listed on the New York Stock Exchange on 17 December and we believe it could provide up to 20% upside to Iberdrola. In our view, Iberdrola now has a more-stable business mix as networks and renewables increase from 70% to 75% in 2018, while generation and supply shrinks from 30% to 25% during the same period. Now that the acquisition box is ticked, we believe future expansion will focus on organic capex in the north east of the US (ie regulated) and long-term power plant agreements in Mexico (ie defined returns).
- Valuation:** We value Iberdrola on a blend of SOTP (DCF/EVA), DDM, P/E and dividend yield. Iberdrola's 2016 P/E trades in-line with the sector, however, its EPS growth rate of 6.3% is superior (sector at 2.4%).

10 February 2016

BUY

Current price **Price target**
EUR6.14 **EUR6.70**

08/02/2016 Madrid Close

Market cap (EURm) 38,927
 Reuters IBE.MC
 Bloomberg IBE SM

Changes made in this note

Rating: Buy (no change)
 Price target: EUR6.70 (7.00)

Estimates changes

	2015E		2016E		2017E	
	old	Δ %	old	Δ %	old	Δ %
EBITDA	6,971	5.2	7,720	4.9	8,224	-0.2
A						
EBIT	4,041	-2.7	4,632	-2.5	5,140	-10.3
EPS	0.35	7.7	0.41	-3.7	0.47	-14.1

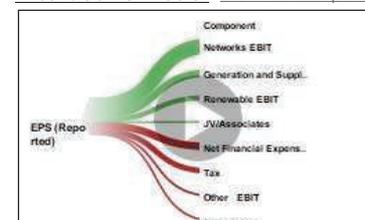
Source: Berenberg estimates

Share data

Shares outstanding (m) 6,337
 Enterprise value (EURm) 66,000
 Daily trading volume 43,009,200



Interactive model [click here to explore](#)



* there may be a delay for the new estimates to be updated on the interactive model

[View all interactive models in Utilities](#)

Y/E 31/12., EURm	2013	2014	2015E	2016E	2017E
EBITDA	6,757	6,965	7,334	8,097	8,210
EBIT	2,219	3,941	3,934	4,514	4,613
EPS	0.41	0.36	0.38	0.39	0.41
DPS	0.27	0.27	0.27	0.27	0.28
FCF per share	0.4	0.5	0.3	0.3	0.3
Y/E net debt (net cash)	25,265	25,233	24,802	25,205	24,625
EBITDA Growth	-12.5%	3.1%	5.3%	10.4%	1.4%
EPS Growth	-10.9%	-12.2%	5.2%	3.5%	3.4%
DPS Growth	-10.9%	0.4%	0.0%	1.3%	3.4%
ROCE	2.8%	4.9%	4.9%	5.5%	5.6%
EV/EBITDA	9.8x	9.6x	9.0x	8.2x	8.1x
P/E	15.0x	17.1x	16.2x	15.7x	15.1x
Dividend Yield	4.4%	4.4%	4.4%	4.5%	4.6%
FCF Yield	7.1%	8.8%	4.8%	5.4%	5.6%

Source: Company data, Berenberg

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BUY

10 February 2016

Current price Price target

EUR6.14 EUR6.70

08/02/2016 Madrid Close

Market cap (EURm) 38,927

EV (EURm) 66,000

Trading volume 43,009,200

Free float 81.4%

Non-institutional shareholders

Qatar Holdings (9.6%)

Share performance

High 52 weeks EUR6.67

Low 52 weeks EUR5.77

Business description

Iberdrola generates, distributes, trades and markets electricity in the UK, US, Spain, Portugal and Latin America. The company specialises in clean energy and specifically wind power.

Performance relative to

	SXXP	SX6P
1mth	3.8%	-0.3%
3mth	13.8%	3.9%
12mth	21.6%	16.7%

Investment thesis

- We have slashed EPS as we have changed our view on commodities and the power price. We now prefer to mark-to-market our assumptions.
- Superior DPS growth to the sector average from 2016, fuelled by earnings from all divisions.
- Renewables should deliver growth on the back of capacity additions, primarily in the UK and US.
- Networks are also set to continue delivering their relatively stable cash flow and earnings growth.
- The balance sheet is set to improve so that, by 2017, the net debt/EBITDA should be below 3.0x from 3.6x at end-2014.
- Avangrid increases earnings stability and boosts Iberdrola's valuation.
- Our valuation is based on a blend of metrics: a DCF sum-of-the-parts, a dividend discount model and a target P/E and yield.

Profit and loss summary

EURm	2013	2014	2015E	2016E	2017E
Revenues	31,077	30,032	30,644	32,616	32,794
EBITDA	6,757	6,965	7,334	8,097	8,210
EBITA	2,219	3,941	3,934	4,514	4,613
EBIT	2,219	3,941	3,934	4,514	4,613
Associates contribution	205	135	115	115	115
Net interest	1,278	1,122	1,077	1,082	1,062
Tax	-1,467	837	523	887	916
Minorities	31	38	48	152	155
Net income adj.	2,572	2,327	2,401	2,509	2,594
EPS reported	0.41	0.36	0.38	0.39	0.41
EPS adjusted	0.41	0.36	0.38	0.39	0.41
Year end shares	6,240	6,388	6,337	6,397	6,397
Average shares	6,240	6,388	6,337	6,397	6,397
DPS	0.27	0.27	0.27	0.27	0.28

Cash flow summary

EURm	2013	2014	2015E	2016E	2017E
Net income	2,572	2,327	2,449	2,661	2,749
Depreciation	4,537	3,024	3,400	3,415	3,430
Working capital changes	-673	202	13	40	4
Other non-cash items	-631	1,248	0	0	0
Operating cash flow	5,805	6,800	5,862	6,116	6,183
Capex	-3,092	-3,363	-4,000	-4,000	-4,000
FCFE	2,714	3,437	1,862	2,116	2,183
Acquisitions, disposals	-312	-299	442	-533	0
Other investment CF	-795	-1,310	0	0	0
Dividends paid	-184	-187	-321	-965	-1,878
Buybacks, issuance	-370	-748	-600	-802	0
Change in net debt	-952	474	431	-402	580
Net debt	25,265	25,233	24,802	25,205	24,625
FCF per share	0.43	0.54	0.29	0.33	0.34

Growth and margins

	2013	2014	2015E	2016E	2017E
Revenue growth	-9.1%	-3.4%	2.0%	6.4%	0.5%
EBITDA growth	-12.5%	3.1%	5.3%	10.4%	1.4%
EBIT growth	-49.3%	77.6%	-0.2%	14.8%	2.2%
EPS adj growth	-10.9%	-12.2%	5.2%	3.5%	3.4%
FCF growth	-12.0%	26.7%	-45.8%	13.7%	3.1%
EBITDA margin	21.7%	23.2%	23.9%	24.8%	25.0%
EBIT margin	7.1%	13.1%	12.8%	13.8%	14.1%
Net income margin	8.3%	7.7%	7.8%	7.7%	7.9%
FCF margin	8.7%	11.4%	6.1%	6.5%	6.7%

Key ratios

	2013	2014	2015E	2016E	2017E
Net debt / equity	71.6%	70.5%	68.2%	68.0%	64.5%
Net debt / EBITDA	3.7x	3.6x	3.4x	3.1x	3.0x
Avg cost of debt	4.6%	4.4%	4.3%	4.3%	4.3%
Tax rate	-129.1%	26.1%	25.0%	25.0%	25.0%
Interest cover	1.7x	3.5x	3.7x	4.2x	4.3x
Payout ratio	65.9%	75.3%	71.5%	70.0%	70.0%
ROCE	2.8%	4.9%	4.9%	5.5%	5.6%
Capex / sales	9.9%	11.2%	13.1%	12.3%	12.2%
Capex / depreciation	68.1%	111.2%	117.6%	117.1%	116.6%

Valuation metrics

	2013	2014	2015E	2016E	2017E
P / adjusted EPS	15.0x	17.1x	16.2x	15.7x	15.1x
P / book value	1.1x	1.1x	1.1x	1.1x	1.0x
FCF yield	7.1%	8.8%	4.8%	5.4%	5.6%
Dividend yield	4.4%	4.4%	4.4%	4.5%	4.6%
EV / sales	2.1x	2.2x	2.2x	2.0x	2.0x
EV / EBITDA	9.8x	9.6x	9.0x	8.2x	8.1x
EV / EBIT	29.9x	16.9x	16.8x	14.8x	14.4x
EV / FCF	24.5x	19.4x	35.5x	31.6x	30.3x
EV / cap. employed	0.8x	0.8x	0.8x	0.8x	0.8x

Key risks to our investment thesis

- Power prices continue to fall.
- Political pressure to cut UK consumer bills.
- Negative outcome from CMA review.
- Reduction in renewables capacity growth.

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Iberdrola SA – key investment points

Key investment points summary

Key investment point one: EPS cut on the back of commodity malaise

- **Key stat:** A +/-€5/MWh move in the power price affects EPS by c5-6%.
- Mark to market commodities and power prices (down by 12% in January 2016) have lowered our forecasts.
- No visible signs of recovery: coal over supplied and carbon faring little better.
- Investigation into Spanish power prices provides a potential risk.

Key investment point two: dividend sustainable with above-sector growth

- **Key stat:** We expect a DPS CAGR of 5% for 2016-20.
- Payout ratio of 70% comfortably maintained as Iberdrola is cash flow positive after capex and dividends.

Key investment point three: M&A – UIL deal in the bag

- **Key stat:** Avangrid could provide c20% upside to Iberdrola
- The UIL merger is a sensible deal
- Avangrid is now listed.

Key investment point four: an improving financial position

- **Key stat:** Net debt/EBITDA should fall from 3.4x in 2015 to 2.5x by 2020.
- Most of this should be driven by an increase in EBITDA (renewables and networks the prime drivers).
- Net debt should also fall.

Other key investment points

- UK distribution review (RIIO-ED1)
- Brazilian government offers support amid continuation of drought

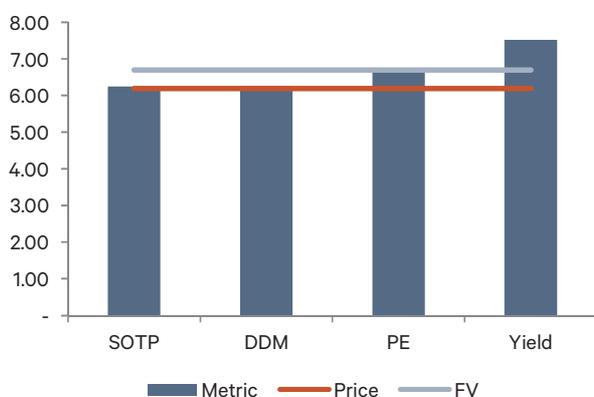
Valuation

- Our price target is €6.70/share (+8% upside).
- We use a blended valuation approach for Iberdrola, utilising SOTP (DCF/EVA), DDM, P/E and yield valuations.

Summary

The charts below illustrate our valuation under each metric and the upside/downside to the current share price.

Valuation under different metrics (€/share)



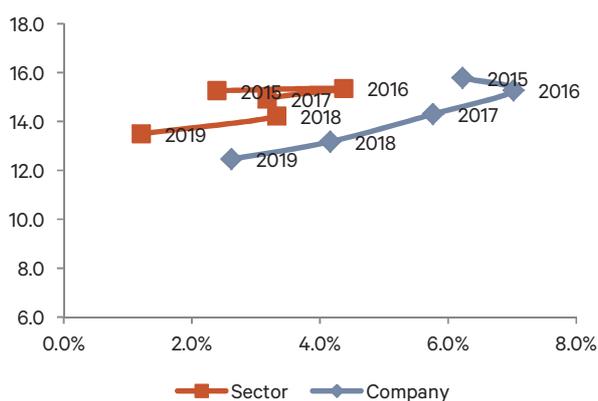
Source: Berenberg estimates

SOTP valuation (€/share)

	Value	€/Share	2016 EV/ EBITDA	Method
Networks	38,267	5.98	9.9	DCF
Generation & Supply	8,959	1.40	4.0	DCF
Renewables	17,042	2.66	10.2	DCF
Other Businesses	(593)	(0.09)	34.9	DCF
Other	1,715	0.27	5.7	DCF
Enterprise Value	65,389	10.22	8.1	
Debt	(24,880)	(3.89)	(3.1)	2016E
Provisions	(2,395)	(0.37)	(0.3)	2016E
Other	2,071	0.32	0.3	Other
Minorities	(200)	(0.03)	(0.0)	2016E
Liabilities	(25,404)	(3.97)	(3.1)	
Equity	39,985	6.25		
NOSH	6,397			2016E
Equity per Share	6.25			
DPS	-			
Sum of the Parts	6.25			

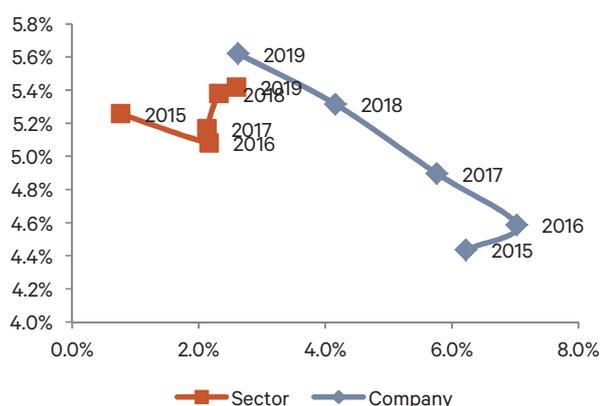
Source: Berenberg estimates

P/E versus EPS growth



Source: Berenberg estimates using three-year forward EPS CAGR

Dividend yield versus DPS growth



Source: Berenberg estimates using three-year forward DPS CAGR

Sensitivity analysis

Sensitivity analysis

Sensitivities	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
EBITDA Sensitivity* to								
+/- 5 €/MWh Iberian power price exc wind	3%	3%	3%	2%	2%	2%	2%	2%
+/- 5 €/MWh Iberian spreads	0%	0%	0%	1%	1%	1%	1%	1%
+/- 10 % Wind Output Spain	2%	1%	1%	1%	1%	1%	1%	1%
+/- 10 % Wind Output USA	1%	1%	1%	1%	1%	1%	1%	0%
+/- 10 % Wind Output UK	0%	1%	1%	0%	1%	1%	1%	1%
+/- 5 €/t Carbon Price	3%	3%	2%	2%	2%	2%	2%	2%
+/- 5 \$/t Coal Price	1%	1%	1%	1%	1%	1%	1%	1%
+/- 5 TWh Hydro Output Spain	4%	4%	4%	3%	3%	3%	3%	3%
+/- 5 €/t Carbon Price impact on Power Price	3%	3%	2%	2%	2%	2%	2%	2%
+/- 5 \$/t Coal Price impact on Power Price	1%	1%	1%	1%	1%	1%	1%	1%
Net Income Sensitivity* to								
+/- 5 €/MWh Iberian power price exc wind	5%	7%	6%	6%	5%	5%	5%	4%
+/- 5 €/MWh Iberian spreads	1%	1%	1%	1%	2%	2%	2%	1%
+/- 10 % Wind Output Spain	3%	3%	3%	3%	3%	3%	3%	3%
+/- 10 % Wind Output USA	1%	1%	1%	1%	1%	1%	1%	1%
+/- 10 % Wind Output UK	1%	1%	1%	1%	1%	1%	1%	1%
+/- 5 €/t Carbon Price	5%	6%	5%	5%	5%	5%	4%	4%
+/- 5 \$/t Coal Price	1%	2%	1%	1%	1%	1%	1%	1%
+/- 5 TWh Hydro Output Spain	8%	9%	8%	8%	7%	6%	6%	6%
+/- 5 €/t Carbon Price impact on Power Price	5%	6%	5%	5%	5%	5%	4%	4%
+/- 5 \$/t Coal Price impact on Power Price	1%	2%	1%	1%	1%	1%	1%	1%

* Ceteris Paribus; e.g. does not take account of hedged positions.

Source: Berenberg

Changes to numbers: Berenberg versus consensus

We have made the following changes to our forecasts.

Estimate changes

Estimate Changes	2014A	2015E	2016E	2017E	2018E	2019E	2020E
EBITDA (New - as reported; € m)	6,965	7,334	8,097	8,210	8,507	8,803	9,013
EBITDA (Old - as reported; € m)	6,965	6,971	7,720	8,224	8,840	9,095	9,293
Change	+0%	+5%	+5%	-0%	-4%	-3%	-3%
EBIT (New - as reported; € m)	3,941	3,934	4,514	4,613	4,824	5,106	5,302
EBIT (Old - as reported; € m)	3,941	4,041	4,632	5,140	5,687	5,945	6,147
Change	+0%	-3%	-3%	-10%	-15%	-14%	-14%
EPS (New - as reported; €)	0.36	0.38	0.39	0.41	0.43	0.47	0.50
EPS (Old - as reported; €)	0.36	0.35	0.41	0.47	0.54	0.58	0.61
Change	+0%	+8%	-4%	-14%	-20%	-19%	-18%
DPS (New - as reported; €)	0.27	0.27	0.27	0.28	0.30	0.33	0.35
DPS (Old - as reported; €)	0.27	0.27	0.29	0.33	0.38	0.41	0.43
Change	+0%	+0%	-4%	-14%	-20%	-19%	-18%

Source: Berenberg

Berenberg versus consensus

Berenberg Forecasts vs Consensus	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
EBITDA* (€ m)	6,965	7,334	8,097	8,210	8,507	8,803	9,013	
Consensus (Average)	6,872	7,420	7,871	8,147	8,147	#N/A	#N/A	#N/A
Berenberg +/- vs Cons	+1%	-1%	+3%	+1%	#N/A	#N/A	#N/A	#N/A
EBIT* (€ m)	3,941	3,934	4,514	4,613	4,824	5,106	5,302	
Consensus (Average)	3,941	4,134	4,534	4,705	4,705	#N/A	#N/A	#N/A
Berenberg +/- vs Cons	+0%	-5%	-0%	-2%	#N/A	#N/A	#N/A	#N/A
Net Income* (€ m)	2,327	2,401	2,509	2,594	2,770	3,007	3,180	
Consensus (Average)	2,158	2,409	2,563	2,690	2,690	#N/A	#N/A	#N/A
Berenberg +/- vs Cons	+8%	-0%	-2%	-4%	#N/A	#N/A	#N/A	#N/A
EPS* (€)	0.36	0.38	0.39	0.41	0.43	0.47	0.50	
Consensus (Average)	0.35	0.38	0.41	0.43	0.43	#N/A	#N/A	#N/A
Berenberg +/- vs Cons	+2%	+0%	-3%	-5%	#N/A	#N/A	#N/A	#N/A
DPS (€)	0.27	0.27	0.27	0.28	0.30	0.33	0.35	
Consensus (Average)	0.27	0.27	0.29	0.29	0.29	#N/A	#N/A	#N/A
Berenberg +/- vs Cons	-0%	-1%	-4%	-3%	#N/A	#N/A	#N/A	#N/A

* Based on company's definition of metric

Source: Berenberg estimates, Bloomberg

Key assumptions

Key assumptions

Power Price Forecasts		2014A	2015E	2016E	2017E	2018E	2019E	2020E
Country	Unit							
UK (Local)	£/MWh	47.0	47.0	42.7	42.9	43.0	44.0	44.0
UK (EUR)	EUR/MWh	58.5	62.1	56.6	55.4	55.1	56.4	56.4
Germany	EUR/MWh	35.0	30.5	24.0	23.6	22.8	22.6	22.6
Nordic	EUR/MWh	33.1	32.8	20.0	20.2	22.0	21.9	21.9
Italy	EUR/MWh	52.9	46.0	38.5	38.2	38.1	41.5	41.5
Benelux	EUR/MWh	47.0	40.0	32.0	31.5	31.5	31.4	31.4
France	EUR/MWh	47.0	38.0	30.0	29.2	28.6	30.2	30.2
Spain/Portugal	EUR/MWh	47.0	47.0	42.0	41.0	41.0	40.9	40.9

Fuel Price Forecasts		2014A	2015E	2016E	2017E	2018E	2019E	2020E
Fuel	Unit							
Oil (Brent)	\$/bbl	101.9	53.5	32.8	38.5	38.5	38.5	38.5
Coal	\$/t	78.3	53.3	42.4	37.7	37.7	37.7	37.7
Gas (Europe LTC)	EUR/MWh	26.4	21.9	14.6	14.2	14.2	14.9	14.9
Gas (Italy)	EUR/MWh	23.2	20.0	12.6	12.2	12.2	12.9	12.9
Gas (UK) £	£/MWh	14.1	12.0	9.1	8.9	8.9	9.4	9.4
Carbon UK floor	£/t	14.3	20.0	22.0	23.1	23.1	23.1	23.1
US Gas Henry Hub	\$/MWh	14.7	8.7	8.6	9.4	9.8	10.3	10.7
Uranium	EUR/MWh	8.5	8.5	8.5	8.5	8.5	8.5	8.5
Carbon	EUR/t	6.0	7.8	6.6	6.6	6.6	6.6	6.6

Year end currency rates	2014A	2015E	2016E	2017E	2018E	2019E	2020E
EURGBP	0.78	0.74	0.77	0.78	0.78	0.78	0.78
EURTRY	2.83	3.17	3.68	4.11	4.11	4.11	4.11
EURSEK	9.44	9.17	9.33	9.35	9.35	9.35	9.35
EURUSD	1.21	1.09	1.10	1.12	1.12	1.12	1.12
EURRUB	73.50	80.00	94.76	104.70	104.70	104.70	104.70
EURMXN	17.84	18.75	20.53	21.49	21.49	21.49	21.49
USDBRL	2.66	4.00	4.47	4.99	4.99	4.99	4.99

Inflation	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Central Europe	0.8%	0.1%	0.8%	1.3%	1.3%	1.3%	1.3%
Eastern Europe	5.7%	9.6%	6.0%	5.2%	5.2%	5.2%	5.2%
UK	1.5%	0.0%	1.2%	1.9%	1.9%	1.9%	1.9%
Nordic	0.4%	-0.1%	1.1%	1.6%	1.6%	1.6%	1.6%
Spain/Portugal	-0.2%	0.0%	1.0%	1.4%	1.4%	1.4%	1.4%
US	1.6%	0.1%	2.0%	2.3%	2.3%	2.3%	2.3%

Industrial production	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Eurozone	0.8%	1.4%	1.2%	1.8%	1.8%	1.8%	1.8%
China	8.3%	5.9%	5.7%	5.1%	5.1%	5.1%	5.1%
France	-1.0%	1.5%	2.1%	1.7%	1.7%	1.7%	1.7%
Germany	1.3%	0.8%	0.2%	2.2%	2.2%	2.2%	2.2%
Italy	-0.5%	1.1%	1.8%	1.6%	1.6%	1.6%	1.6%
Portugal	1.8%	2.5%	3.8%	2.4%	2.4%	2.4%	2.4%
Spain	1.3%	3.3%	3.0%	2.4%	2.4%	2.4%	2.4%
UK	1.3%	1.4%	1.8%	1.5%	1.5%	1.5%	1.5%

Source: Berenberg

Financials

Income statement

Income Statement (€ m)	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Revenue	31,077	30,032	30,644	32,616	32,794	33,391	33,952	34,380
Reported EBITDA	6,757	6,965	7,334	8,097	8,210	8,507	8,803	9,013
Change	-13%	+3%	+5%	+10%	+1%	+4%	+3%	+2%
Margin	+22%	+23%	+24%	+25%	+25%	+25%	+26%	+26%
Depreciation	(4,537)	(3,024)	(3,400)	(3,415)	(3,430)	(3,444)	(3,458)	(3,471)
Other OPEX	-	-	-	(168)	(168)	(239)	(239)	(239)
Reported EBIT	2,219	3,941	3,934	4,514	4,613	4,824	5,106	5,302
Change	-49%	+78%	-0%	+15%	+2%	+5%	+6%	+4%
Margin	+7%	+13%	+13%	+14%	+14%	+14%	+15%	+15%
Net Financial Expenses	(1,278)	(1,122)	(1,077)	(1,082)	(1,062)	(1,034)	(1,000)	(965)
Tax	1,467	(837)	(523)	(887)	(916)	(977)	(1,056)	(1,113)
Other	195	383	115	115	115	115	115	115
Minorities	(31)	(38)	(48)	(152)	(155)	(160)	(160)	(160)
Reported Net Income	2,572	2,327	2,401	2,509	2,594	2,770	3,007	3,180
Change	-7%	-10%	+3%	+5%	+3%	+7%	+9%	+6%
Margin	+8%	+8%	+8%	+8%	+8%	+8%	+9%	+9%
Number of Shares	6,240	6,388	6,337	6,397	6,397	6,397	6,397	6,397
Per Share:								
Basic EPS	0.41	0.36	0.38	0.39	0.41	0.43	0.47	0.50
Change	-11%	-12%	+5%	+4%	+3%	+7%	+9%	+6%
Reported EPS	0.41	0.36	0.38	0.39	0.41	0.43	0.47	0.50
Change	-11%	-12%	+5%	+4%	+3%	+7%	+9%	+6%
DPS	0.27	0.27	0.27	0.27	0.28	0.30	0.33	0.35
Change	-11%	+0%	+0%	+1%	+3%	+7%	+9%	+6%
Payout	66%	75%	72%	70%	70%	70%	70%	70%

Source: Berenberg

Divisional EBITDA

Networks (€ m)	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Revenue	6,694	7,334	7,560	7,689	7,663	7,886	8,192	8,545
Change	-24%	+10%	+3%	+2%	-0%	+3%	+4%	+4%
% Group	+22%	+24%	+25%	+24%	+23%	+24%	+24%	+25%
EBITDA	3,346	3,535	3,762	3,882	3,981	4,134	4,299	4,464
Change	-11%	+6%	+6%	+3%	+3%	+4%	+4%	+4%
Margin	+50%	+48%	+50%	+50%	+52%	+52%	+52%	+52%
% Group	+50%	+51%	+51%	+48%	+48%	+49%	+49%	+50%
EBIT	2,366	2,455	2,508	2,602	2,676	2,805	2,946	3,088
Change	-9%	+4%	+2%	+4%	+3%	+5%	+5%	+5%
Margin	+35%	+33%	+33%	+34%	+35%	+36%	+36%	+36%
% Group	+107%	+62%	+64%	+58%	+58%	+58%	+58%	+58%

Generation & Supply (€ m)	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Revenue	22,754	21,140	21,191	21,338	21,395	21,538	21,725	21,727
Change	-3%	-7%	+0%	+1%	+0%	+1%	+1%	+0%
% Group	+73%	+70%	+69%	+65%	+65%	+65%	+64%	+63%
EBITDA	1,987	2,292	2,170	2,257	2,161	2,148	2,221	2,207
Change	-16%	+15%	-5%	+4%	-4%	-1%	+3%	-1%
Margin	+9%	+11%	+10%	+11%	+10%	+10%	+10%	+10%
% Group	+29%	+33%	+30%	+28%	+26%	+25%	+25%	+24%
EBIT	(13)	1,276	990	1,088	1,002	999	1,082	1,077
Change	-101%	-9684%	-22%	+10%	-8%	-0%	+8%	-0%
Margin	-0%	+6%	+5%	+5%	+5%	+5%	+5%	+5%
% Group	-1%	+32%	+25%	+24%	+22%	+21%	+21%	+20%

Renewables (€ m)	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Revenue	2,384	2,234	2,596	2,732	2,877	3,013	3,105	3,197
Change	-3%	-6%	+16%	+5%	+5%	+5%	+3%	+3%
% Group	+8%	+7%	+8%	+8%	+9%	+9%	+9%	+9%
EBITDA	1,501	1,326	1,591	1,674	1,765	1,851	1,909	1,967
Change	-7%	-12%	+20%	+5%	+5%	+5%	+3%	+3%
Margin	+63%	+59%	+61%	+61%	+61%	+61%	+61%	+62%
% Group	+22%	+19%	+22%	+21%	+22%	+22%	+22%	+22%
EBIT	67	501	633	718	811	898	958	1,018
Change	-91%	+645%	+26%	+14%	+13%	+11%	+7%	+6%
Margin	+3%	+22%	+24%	+26%	+28%	+30%	+31%	+32%
% Group	+3%	+13%	+16%	+16%	+18%	+19%	+19%	+19%

Other Businesses (€ m)	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Revenue	557	598						
Change	-4%	+7%	+0%	+0%	+0%	+0%	+0%	+0%
% Group	+2%	+2%	+2%	+2%	+2%	+2%	+2%	+2%
EBITDA	0	(17)						
Change	-99%	-3885%	+0%	+0%	+0%	+0%	+0%	+0%
Margin	+0%	-3%	-3%	-3%	-3%	-3%	-3%	-3%
% Group	+0%	-0%	-0%	-0%	-0%	-0%	-0%	-0%
EBIT	(52)	(24)	(25)	(27)	(29)	(31)	(32)	(34)
Change	-741%	-53%	+5%	+7%	+6%	+6%	+5%	+5%
Margin	-9%	-4%	-4%	-5%	-5%	-5%	-5%	-6%
% Group	-2%	-1%	-1%	-1%	-1%	-1%	-1%	-1%

Source: Berenberg

Iberdrola SA

Utilities – Energy/Integrated



Divisional EBITDA

Other* (€ m)	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
EBITDA	(78)	(171)	(171)	301	321	392	392	392
o/w Unallocated Cost Savings	-	-	-	-	-	-	-	-
o/w Unallocated Aqn / Disp	-	-	-	472	492	563	563	563
% Group	-1%	-2%	-2%	+4%	+4%	+5%	+4%	+4%
EBIT	(149)	(267)	(171)	133	153	153	153	153
o/w Unallocated Cost Savings	-	-	-	-	-	-	-	-
o/w Unallocated Aqn / Disp	-	-	-	304	324	324	324	324
% Group	-7%	-7%	-4%	+3%	+3%	+3%	+3%	+3%

* Includes, if applicable, other group income/costs and unallocated cost savings, CAPEX returns and acquisitions and disposals

Source: Berenberg

Cash flow statement

Cash Flow (€ m)	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Net Income	2,572	2,327	2,449	2,661	2,749	2,930	3,167	3,340
Depreciation	4,537	3,024	3,400	3,415	3,430	3,444	3,458	3,471
Working Capital	(673)	202	13	40	4	12	12	9
Other Operating Cash Flow (inc tariff deficit)	(631)	1,248	-	-	-	-	-	-
Operating Cash Flow	5,805	6,800	5,862	6,116	6,183	6,386	6,636	6,820
CAPEX	(3,092)	(3,363)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)
FCF (Post CAPEX)	2,714	3,437	1,862	2,116	2,183	2,386	2,636	2,820
Acquisitions and Disposals	(312)	(299)	442	(533)	-	-	-	-
FCF (p. CAPEX, Aq&D)	2,402	3,138	2,304	1,583	2,183	2,386	2,636	2,820
Other Investment Cash Flow	795	1,310	-	-	-	-	-	-
Dividends	(184)	(187)	(321)	(965)	(1,878)	(1,940)	(2,066)	(2,232)
FCF (p. CAPEX, Aq&D, Divs)	3,014	4,261	1,982	618	305	446	570	588
Buybacks and Equity Issuance	(370)	(748)	(600)	(802)	-	-	-	-
Borrowings	(3,383)	(2,149)	-	-	-	-	(482)	(588)
Other Financing, Disc and FX	(212)	(891)	(951)	(218)	275	96	-	-
Net Change in Group Cash	(952)	474	431	(402)	580	542	89	-

Source: Berenberg

Balance sheet statement

Balance Sheet (€ m)	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Intangible Fixed Assets	15,993	16,862	16,862	16,862	16,862	16,862	16,862	16,862
PP&E	51,204	55,107	55,265	56,383	56,954	57,510	58,052	58,581
Other Non-Current Assets	12,393	10,483	10,483	10,483	10,483	10,483	10,483	10,483
Total Non-Current Assets	79,590	82,453	82,611	83,729	84,299	84,855	85,397	85,926
Inventories and Receivables	7,265	7,559	7,713	8,209	8,254	8,404	8,545	8,653
Cash	1,332	1,806	2,236	1,834	2,414	2,955	3,044	3,044
Other Liquid Assets	1,126	1,635	1,635	1,635	1,635	1,635	1,635	1,635
Other Current Assets	370	320	320	320	320	320	320	320
Assets Held for Sale	104	-	-	-	-	-	-	-
Total Current Assets	10,197	11,319	11,904	11,998	12,622	13,314	13,544	13,652
Total Assets	89,787	93,771	94,514	95,726	96,921	98,169	98,941	99,578
Short-Term Debt	(3,979)	(5,035)	(5,035)	(5,035)	(5,035)	(5,035)	(5,035)	(5,035)
Payables	(6,797)	(8,175)	(8,342)	(8,879)	(8,927)	(9,090)	(9,243)	(9,359)
Provisions	(294)	(221)	(221)	(221)	(221)	(221)	(221)	(221)
o/w Nuclear Liabilities	-	-	-	-	-	-	-	-
o/w Pensions	-	-	-	-	-	-	-	-
o/w Other Provisions	(294)	(221)	(221)	(221)	(221)	(221)	(221)	(221)
Other Current Liabilities	(86)	(101)	(101)	(101)	(101)	(101)	(101)	(101)
Liabilities of Businesses Held for Sale	-	-	-	-	-	-	-	-
Total Current Liabilities	(11,156)	(13,532)	(13,699)	(14,236)	(14,284)	(14,447)	(14,600)	(14,716)
Long-Term Debt	(24,473)	(23,315)	(23,315)	(23,315)	(23,315)	(23,315)	(22,833)	(22,245)
Provisions	(4,065)	(4,852)	(4,852)	(4,852)	(4,852)	(4,852)	(4,852)	(4,852)
o/w Nuclear Liabilities	(519)	(451)	(451)	(451)	(451)	(451)	(451)	(451)
o/w Pensions	(1,399)	(1,944)	(1,944)	(1,944)	(1,944)	(1,944)	(1,944)	(1,944)
o/w Other Provisions	(2,148)	(2,458)	(2,458)	(2,458)	(2,458)	(2,458)	(2,458)	(2,458)
Other Non-Current Liabilities	(14,804)	(16,281)	(16,281)	(16,281)	(16,281)	(16,281)	(16,281)	(16,281)
Total Non-Current Liabilities	(43,343)	(44,448)	(44,448)	(44,448)	(44,448)	(44,448)	(43,967)	(43,379)
Shareholders' Equity	(34,611)	(34,540)	(35,116)	(35,791)	(36,938)	(38,023)	(39,124)	(40,232)
Minorities	(153)	(200)	(200)	(200)	(200)	(200)	(200)	(200)
Total Equity	(35,289)	(35,791)	(36,367)	(37,042)	(38,189)	(39,274)	(40,375)	(41,483)
Total Liabilities and Equity	(89,787)	(93,771)	(94,514)	(95,726)	(96,921)	(98,169)	(98,941)	(99,578)
Net Debt (As Reported)	25,265	25,233	24,802	25,205	24,625	24,083	23,513	22,925
Economic Net Debt	25,265	25,233	24,802	25,205	24,625	24,083	23,513	22,925
Net Debt / EBITDA (As Reported)	3.7	3.6	3.4	3.1	3.0	2.8	2.7	2.5
Economic Net Debt / EBITDA	3.7	3.6	3.4	3.1	3.0	2.8	2.7	2.5

Source: Berenberg