UBS

Global Research

6 November 2014

Entergy Corp.

Growth on the Gulf Continues

Industrial sales growth leading an expected pickup through 2016

With industrial electric sales up 5.3% for the quarter and expected to grow at a 6% CAGR through 2016, management expects a booming Gulf Coast energy economy to drive total retail sales growth of 3.5%-3.75% over the next 3 years, with the pickup gaining steam in the 2015-16 timeframe. ETR expects 1,700 MW of load growth through 2016, with 300 MW contracted and signed as of today. We attribute its decision to collapse the two LA utilities in an effort to limit over-earning in its annual rate review process under the RFP at ETR-Gulf States as it sees sales accelerate. Given the conventional M&A merger filing before the LA PSC we don't see this process as necessarily benign, with synergies from the combination fully extracted.

Expect a full update at EEI next week on '15, but just now explicit guidance

Mgmt expects to provide 2015 guidance factors with an updated commodity deck at EEI, although the company also says that both their current expectations and consensus already appear generally aligned with prices as of Sept 30. Details on pension increase (+$70 Mn YoY or ~$0.25) due to latest interest rate moves and accounting studies is a further headwind. Management will provide 2017 EWC EBITDA, which we currently estimate at ~$550-600M. We also expect a positive revision to its capex budget from 2015-2017, potentially as a ramp-up in (MISO) transmission is reflected; long-term integration spend into MISO-classic remains a key lever of further spend/focus.

We think New York power market is peaking, but New England still going

We emphasize risk to the downside in New York as new policies to kick-start all forms of renewables, storage, and DG, coupled with new generation in the LHV zone should pressure prices from here. As for ISO-NE, we think capacity prices trend higher in '15.

Valuation: Reducing ests but raise PT $5 to $82; don't see upside into EEI

We've reduced our estimates a bit for a lower commodity curve as well as revised estimates for income taxes and O&M. A -$0.23 charge in Mississippi for the ratecase settlement is excluded from our estimate. We value ETR via sum-of-the-parts on average 2016 P/E and EV/EBITA multiples.

Equities

Americas
Electric Utilities

12-month rating	**Neutral**
12m price target	**US$82.00**
	Prior: US$77.00
Price	**US$82.47**

RIC: ETR.N **BBG:** ETR US

Trading data and key metrics

52-wk range	US$84.24-60.52
Market cap.	US$14.7bn
Shares o/s	178m (COM)
Free float	100%
Avg. daily volume ('000)	423
Avg. daily value (m)	US$32.7
Common s/h equity (12/14E)	US$10.1bn
P/BV (12/14E)	1.5x
Net debt / EBITDA (12/14E)	5.4x

EPS (UBS, diluted) (US$)

	12/14E			
	From	To	% ch	Cons.
Q1	2.29	2.29	0.00	2.29
Q2E	1.11	1.11	0.00	1.11
Q3E	2.07	1.27	-38.53	1.68
Q4E	0.55	1.31	138.25	0.77
12/14E	6.04	6.02	-0.39	6.08
12/15E	5.15	5.05	-2.02	5.37
12/16E	5.82	5.81	-0.29	5.70

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Highlights (US$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Revenues	11,229	10,302	11,391	12,200	11,981	12,339	12,495	12,802
EBIT (UBS)	2,180	1,740	1,913	2,317	2,045	2,247	2,248	2,305
Net earnings (UBS)	1,359	1,108	957	1,075	902	1,037	1,026	1,052
EPS (UBS, diluted) (US$)	7.62	6.23	5.36	6.02	5.05	5.81	5.75	5.89
DPS (US$)	3.32	3.32	3.32	3.32	3.32	3.32	3.32	3.32
Net (debt) / cash	(20,204)	(21,050)	(21,740)	(21,301)	(21,573)	(21,798)	(21,985)	(22,093)

Profitability/valuation	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
EBIT margin %	19.4	16.9	16.8	19.0	17.1	18.2	18.0	18.0
ROIC (EBIT) %	12.0	9.5	9.9	11.5	10.0	10.6	10.3	10.3
EV/EBITDA (core) x	5.6	5.7	5.2	5.3	5.7	5.4	5.3	5.2
P/E (UBS, diluted) x	9.0	10.8	12.2	13.7	16.3	14.2	14.4	14.0
Equity FCF (UBS) yield %	4.9	0.6	5.3	11.0	5.4	3.1	2.9	3.4
Net dividend yield %	4.9	4.9	5.1	4.0	4.0	4.0	4.0	4.0

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US$82.47 on 04 Nov 2014 19:39 EST

Investment Thesis

Entergy Corp.

12-month rating	**Neutral**
12m price target	**US$82.00**

Investment case

We see Entergy's merchant nuclear fleet as fundamentally challenged and driving downside to shares, given the $3bn in parent-recourse debt used to finance the merchant segment. With the fleet free cash flow negative due to rising costs, smaller units, and tough regulatory environment, we believe the market is underestimating the eventual downside from this unit. Although closing the ITC transaction would be a positive, that is now highly unlikely and the fundamental negative value of the majority of its merchant nuclear portfolio would remain. Our Price Target is based on an SOP method.

Upside scenario

The upside scenario is based upon ETR earnings its authorized ROEs in all regulated jurisdictions and improving the ROE/construct in Arkansas. Additionally, if the company can prevent Indian Point from closing, despite the apparent attempts from NY Governor Cuomo to shut the plant, we could see shares trading at $86 or into the $90s if certainty on Indian Point is achieved (~2/3rds) of wholesale valuation.

Downside scenario

Our downside case is predicated on deteriorating ROEs at its regulated jurisdictions along with the closure of Indian Point. Should the negative value of the merchant nuclear fleet be realized by the market in the near-term, we could see downside to $68

Upcoming catalysts

Nov 9-13	EEI Conference

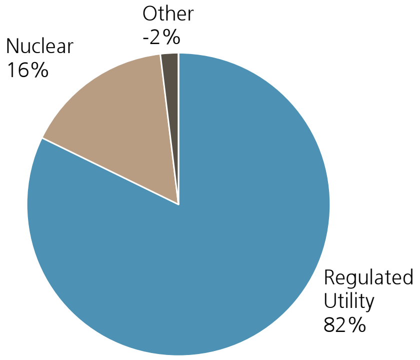
Business description

Entergy, based in New Orleans, is an integrated energy provider and the second largest nuclear power generator in the United States. Through its wholly owned electric utilities, it provides electricity to 2.7 million customers in Arkansas, Louisiana, Mississippi, and Texas. Entergy owns over 5,000 MW of unregulated nuclear generation through Entergy Nuclear and roughly 1,600 MW of unregulated generation capacity in the United States at its non-nuclear wholesale assets business.

Industry outlook

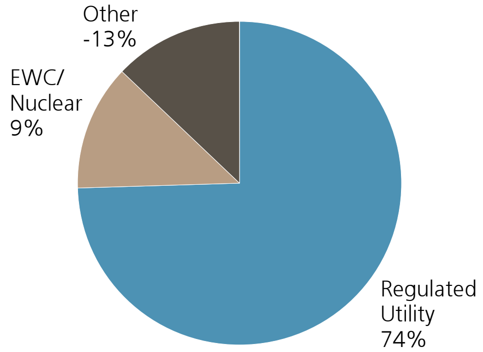
The electric utility industry is projected to experience weak or negative electric demand growth in coming years as a tepid economy and energy efficiency dampen demand. In the unregulated merchant power space, we see limited potential for a meaningful recovery from currently low power prices due to limited projected demand growth, growth of subsidized renewables and potential for only modest further retirements. At regulated utilities, we believe rising interest rates and robust valuations are a challenge to the sector, particularly as earnings growth stalls once EPA-mandated growth capex slow mid-decade. We expect cost-cutting and strategic planning to be a key theme across both regulated and competitive companies, with M&A at modest (at best) premiums designed to extract cost synergies. We believe utilities with high parent leverage will disproportionately suffer, as they are unable to recoup from rising interest rates.

EBITDA by Segment (2015E%)



Source: Company Filings and UBS Estimates

EPS by Segment (2015E%



Source: Company Filings and UBS Estimates

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The Power Line:

<u>We reiterate our Neutral rating, reflecting our view on stronger forward energy prices given real infrastructure constraints in New England and New York that are difficult to resolve and may persist for some time.</u> This in turn drives ~4-5% ratebase and likely comparable net income growth (with management's formal a 5-7% long-term growth rate seemingly predicated on corresponding underlying ROE improvement in AR). This "aspirational" growth rate implies that ratebase growth will <u>accelerate</u> beyond 2016E, as sales growth translates into new generation and transmission along the Gulf Coast. The added benefit of the sales growth is a reduction in rate case risk (limiting risk before the PUCT) – and significant improvement in earned ROEs, particularly at its Texas jurisdiction.

We think the overall EWC portfolio still deserves a discount multiple given its limited life and high capex requirements but now see slight positive valuation given a recent improvement for power than the latest decline in forward prices would suggest (driven mostly by the front months with a mild summer and more-than-adequate gas storage refill). We remain cautious on the company's underlying exposure to rising interest rates given its parent leverage- and see risk to its entire nuclear strategy should Indian Point be eventually retired (we imagine the balance would likely be sold down at bargain prices).

We suspect incremental datapoints this fall around a reinvigorated New York energy policy scheme – including more (small-scale) generation, transmission, and even efforts to continue to de-constrain LHV via new generation as all troubling. In the most extreme case, a partial opening of fracking in the state could reduce gas prices significantly. Bottom line, we see the New York market as firmly 'topping out'. The EWC business appears to be largely a liability to us given the bulk of its exposure is tied to New York – rather than New England in 2015+ without Vermont Yankee.

3Q a tad weaker than we had thought on higher income tax comps vs last year

ETR reported 3Q14 adjusted EPS of $1.68 following a pre-release of $1.67, below initial expectations of UBSe of $2.09/Consensus of $2.15. Results were $1.90 excluding a -$0.23 charge from ETR-MS associated with new nuclear generation development costs, potentially further blow-back from cost inflation seen on customers in MS from SO's over-budget Kemper project. The remaining weakness vs expectation was primarily due to lower-than-expected margins at Entergy Wholesale Commodities (EWC) and higher income taxes vs the 3Q13 reversal of a state tax val allowance. Results also exclude a special item for VY decom following full post decom studies report; an increase was not unexpected as a more formalized estimate was developed for the site.

Strong Gulf Coast load growth

Notably, 3Q industrial load growth was up 5.3% yoy, with ETR MS and ETR LA together expecting an additional 1,600 MW of industrial load by 2019. In our opinion, this is a validation of management's projection for strong economic growth along the Gulf Coast that is expected to drive ratebase and earnings growth going forward.

Guiding to the lower end of the '14 EPS range on MS settlement

While management maintained its 2014 guidance of $5.55-$6.75, it guided towards the lower end on the back of a -$0.23 charge in MS (emphasizing it would have been towards mid-point without the impact). Meanwhile EWC guidance was largely unchanged, with 2014 down ~$10M, 2015 up +$25M, and 2016 flat QoQ. While management does not intend to provide formal 2015 EPS guidance at EEI, it will provide 2017 EWC EBITDA, which we currently estimate at ~$550M. We also expect a positive revision to its capex budget from 2015-2017, potentially as a ramp-up in transmission is reflected.

VY costs to continue after yearend shutdown – continued drag

Following shutdown, management expects about $20-$25M (~$0.08) ongoing annual expense for at least the next couple years, eventually trailing off to ~$12M.

Links to our relevant recent research are below:
10/6/14 Dropping the Danskammer on New York
9/24/14 Lone Star State Continues to Shine
9/10/14 Squaring the Texas Load Growth Enigma
8/27/14 Articulating a Regulated Recovery Strategy
8/4/14 Power Crossroad: Still Not Quite the Time

Updated Entergy Estimates

We include our latest estimates below, revised down a bit due to the latest shift in New York and New England commodity prices, as well as revised estimates for income taxes and O&M. The -$0.23 charge in Mississippi is excluded from our estimate. We emphasize that while they are off a bit of late, the overall trend puts Entergy back into achieving its contemplated 2-4% EPS growth rate delineated at its Analyst Day earlier this year. We believe estimates will continue to swing with the commodity volatility such that this guidance is relatively less helpful than pure-play regulated peers.

Figure 1: Entergy EPS estimates

EPS by Segment	2012A	2013A	2014E	2015E	2016E	2017E	2018E
Regulated Utility	5.50	4.80	5.11	5.54	5.89	6.32	6.57
EWC/Nuclear	1.49	1.47	2.09	0.81	1.17	0.70	0.62
Other	(0.76)	(0.91)	(1.18)	(1.30)	(1.26)	(1.27)	(1.30)
Consolidated	6.23	5.36	6.02	5.05	5.81	5.75	5.89
Previous	6.23	5.36	6.04	5.15	5.82	5.87	
Guidance Range	lower end of		5.55-6.75				
EPS CAGR (2013A-2016)		Guidance	2-4%	UBSe	2.70%		
Consensus			6.06	5.38	5.68	5.85	

Source: Company reports and UBS estimates

Valuation: Raise PT $5 to $82 on higher peer utility 2016E multiple

Our utilities sum-of-the-parts valuation is below where we continue to apply a discount to nuclear business (4x EV / EBITDA) relative to peers.

Figure 2: SOP Valuation

All figures in US $ million except per share data	2016E NI/EBITDA	EV/EBITDA and P/E Multiple					
			P/E Multiple			Equity Value	
	2016 EPS	Low	Base	High	Low	Base	High
		2016 Peers	16.0x				
Regulated Utility (Consolidated)	5.89	15.0x	16.0x	17.0x	88.33	94.22	100.11
Parent Preferred Income	(0.71)	15.0x	16.0x	17.0x	(10.67)	(11.38)	(12.09)
Other Parent Exp (non-Pfd)	(0.16)	15.0x	16.0x	17.0x	(2.46)	(2.63)	(2.79)
Utility Value: T&D Segments	5.01	*15.0x*	*16.0x*	*17.0x*	75.20	80.22	85.23
Total Utility Equity value per share					$75.20	$80.22	$85.23
EWC Value is a Proxy for NPV of Hedges / Indian Point			EV/EBITDA Multiple			Enterprise Value	
	2016 Adj. EBITDA	Low	Base	High	Low	Base	High
Nuclear and Wholesale Gen	694	3.0x	4.0x	5.0x	$2,083	$2,777	$3,471
Hedges	(6)	3.0x	4.0x	5.0x	(18)	(25)	(31)
Total / Implied	688	*3.0x*	*4.0x*	*5.0x*	$2,064	$2,752	$3,441
Parent + EWC Debt						(3,041)	
Less: Parent + EWC Cash						152	
FCF through end '15						473	
Net Debt (Parent+EWC)						(2,415)	
Add/(Subtract): Hedge Value NPV						(36)	
Subtract: NYPA Value Sharing payment (expires 2014)						(72)	
Merchant Generation Equity Value/(Drag)					(386)	230	990
Current Number of Shares outstanding					179	179	179
Merchant Generation Equity value per share					($2.16)	$1.29	$5.54
Total Equity Value per Share					$73.04	$81.51	$90.78

Source: Company reports and UBS estimates

Mississippi ratecase settlement

Last month, ETR reached a settlement of its MS ratecase that management characterized as allowing a competitive ROE (10.07%) but would also require the company to write down costs associated with the development of a new nuclear option at Grand Gulf (potentially a read through from MS' issues with SO and its own new coal plant, substantially over-budget). A formal decision accepting the settlement is expected in December (with rates in January). With the state's Formula Rate Plan (FRP) mechanism limiting future ratecase exposure, we note that this filing had been predicated almost entirely by the need to change tariffs to reflect joining MISO.

Till when will Vermont Yankee run? Up until the end.

Entergy plans to run Vermont Yankee up until near the end of its deal with the state on its operating license on December 31st, 2014 given the potential profitability of the unit through the late part of the year. We emphasize a need to balance the plant's fuel capabilities against its dispatch. Management still does not expect to add funds into the nuclear decommissioning trust to meet NRC financial assurance requirements, with ETR estimating that the fund will have enough money to begin major activity in the next 25-35 years.

Following shutdown, management expects about $20-$25M of ongoing annual expense for the next couple of years, eventually trailing off down to ~$12M. Additional detail will be provided at EEI.

New England Forward Capacity Market (FCM) benefits

Pilgrim and RISEC both benefit from improved capacity pricing resulting from the newly defined constrained zone that includes SE Mass and RI. Notably, VY would not benefit from the new zone. With Rest-of-Pool prices capped at CONE in the case of insufficient competition, we believe that will indeed be the case for SEMA zone and that auction pricing will ultimately gravitate toward CONE of ~$11/kW-mo, a significant benefit for generators there in this zone. We agree with ETR's assessment that Northeast markets will continue to be constrained with no obvious transmission or pipeline solutions for the foreseeable future, especially during winter.

Indian Point Coastal Zone review wrapping up

New York is currently reviewing Indian Point's compliance with the Coastal Zone Management Act (CZMA) and is expected to render a decision by yearend. The company believes it has at least two possible legal/administrative pathways to establish that the CZMA is not required by the NRC to issue a license renewal. Additionally, the NRC is expected to submit its last environmental impact study (EIS) by late 2015. A license renewal decision is still not expected prior to 2018.

Is LHV under some pressure? Both near and long term.

We emphasize prices have generally peaked both in New York – as Danskammer is poised to push down pricing this winter/next year. Meanwhile, we see further structural risk to prices in the long-term from a further transmission build-out, potentially putting at risk the constraints involved with the LHV Zone; we look for more details on this front from ConEd/the NY PSC in 2015, following the latest gubernatorial election.

We emphasize New York prices may *not* be under as much pressure given the latest proposed PJM reforms, driving units to withdraw from exporting to New York in favor of maintaining it in NJ and PA. This could specifically improve the pricing in New York City (Zone J).

ETR's assumption for LHV is $6/kW-mo next year.

Please read our latest note, *Dropping the Danskammer on New York*.

Update at EEI Likely for Capex, Commodity Prices, 2015

Updates on utility capital expenditure were largely reflected in the recent Analyst Day, delaying the White Bluffs scrubber beyond the forecast along with a few other tweaks. The cumulative number for the 5-year period is $10-11 Bn released at its Analyst Day.

Management also expects to provide 2015 guidance factors with an updated commodity deck at EEI, although the company also says that both their current expectations and consensus already appear generally aligned with prices as of Sept 30.

Transmission: was up slightly at the Analyst Day, but still the focus

We think this will remain the focus of the future utility growth, with the Analyst revision for $1.8Bn through the 3-year period, vs. $1.7 Bn previously. Entergy is working on its first iteration of the process for both MISO and the FERC 1000 initiative, however, much of this contemplated incremental spend would be beyond the 3-year outlook. There remains modest potential for upside on spend.

Sales growth is a closely watched driver. Specific guidance on 2015 is worth watching, considering its 3-year 3.5%-3.75% CAGR for weather normalized sales growth. Industrial sales are expected to grow at 6%. The company expects growth of 1,700 MW of load though 2016 and has signed contracts for 300 MW to date.

Other Regulated Activities:

Big regulatory change in Arkansas worth watching

We emphasize ahead of a renewed push by Entergy to engage regulators in this jurisdiction, we emphasize that the new Governor elect, Asa Hutchinson (R) will have sizable influence on Arkansas commission. She will have the ability to appoint three new positions, given an already elapsed position as well as Reeves, whose term is up in January, and Honorable, who was recently nominated to the serve on FERC.

Complete turnover on 3 member commission

Without a rate case in Arkansas, talks to start

Given the substantial changes at the Commission, we see the next several months as key to improving the tone of the relationship with regulators. The state remains of the utmost importance in driving an improved earnings trajectory – addressing rate lag, as well as potentially seeking trackers.

Opportunity to engage new Commissioners.

Entergy Texas files for a rider

ETR TX filed for a $7M rate rider for incremental distribution investment; the first TX utility to do so under the 2011 law. A decision is expected in early 2015.

Louisiana combination study filed, Kickstarting merger process

Entergy recently filed to move forward with the merger of its Gulf States and ETR-Louisiana subsidiaries in the state, given anticipated the cost savings. The two utilities now have the same capitalization structure and authorized ROE; a challenge will likely be working on uniform rate design (i.e. one residential rate for all customers) Although most customers should save, some customers could see higher bills due to the combination. Entergy will need to address bill shock and would likely have phased-in rates for those impacted customers.

Simply a cost saving exercise – no EPS benefit.

What does the PSC look for in a merger? Benefits to be passed through

Despite being a merger of two Entergy subsidiaries, management's proposal to consolidate operations will still undergo a full merger proceeding. For Entergy the focus as mentioned above would be primarily on rate design and ensuring that there are overall benefits.

PSC will look for impact on customer bills, reliability, local jobs, and the financial health of the company offering to buy

Rate design could heighten tensions

We see a variety of rate design issues as potentially straining its regulatory dynamic. While unlikely to prove too much of a hurdle, we emphasize forthcoming merger filing of Entergy Louisiana-Entergy Gulf States Louisiana (ELL-EGSL) at the end of September, and ongoing rate case in Mississippi to implement MISO rates as examples. Lastly, we emphasize the ongoing system agreement exit (potentially expedited to a 5-year transition vs. 8-years under current rules), as driving rate evolution across all its territories; only Louisiana would remain today (AR, MS, and TX have all filed notice to exit). We suspect its utilities in the state (New Orleans, ETR-Louisiana, and ETR-Gulf States) could yet negotiate a consensual exit (as part

of the upcoming ETR-LA and ETR-GS mergers?); the remaining question would be how this impacts rates in New Orleans (City Council jurisdiction continues to limit folding of this tiny utility into the remainder of the company). We emphasize the Formula Rate Plan (FRP) filings are likely to remain in place across the jurisdictions – and don't see meaningful need for rate relief for the time being irrespective. Rather, for rate tariffs negatively impacted, we look for transition periods to assuage concerns.

Entergy Corp. (ETR.N)

Income statement (US$m)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Revenues	**11,229**	**10,302**	**11,391**	**12,200**	7.1	**11,981**	-1.8	**12,339**	**12,495**	**12,802**
Gross profit	7,171	7,009	7,391	8,124	9.9	7,928	-2.4	8,285	8,431	8,652
EBITDA (UBS)	**3,455**	**3,053**	**3,400**	**3,909**	15.0	**3,661**	-6.3	**3,898**	**3,950**	**4,047**
Depreciation & amortisation	(1,275)	(1,313)	(1,487)	(1,591)	7.0	(1,616)	1.5	(1,650)	(1,702)	(1,742)
EBIT (UBS)	**2,180**	**1,740**	**1,913**	**2,317**	21.1	**2,045**	-11.7	**2,247**	**2,248**	**2,305**
Associates & investment income	0	0	0	0	-	0	-	0	0	0
Other non-operating income	0	0	0	0	-	0	-	0	0	0
Net interest	(514)	(569)	(604)	(611)	-1.1	(630)	-3.2	(624)	(641)	(658)
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Profit before tax	**1,666**	**1,171**	**1,309**	**1,707**	30.4	**1,416**	-17.1	**1,624**	**1,607**	**1,647**
Tax	(287)	(41)	(333)	(614)	-84.1	(495)	19.3	(568)	(563)	(576)
Profit after tax	**1,379**	**1,130**	**976**	**1,093**	12.0	**920**	-15.8	**1,055**	**1,045**	**1,071**
Preference dividends	(21)	(22)	(19)	(19)	-	(19)	-	(19)	(19)	(19)
Minorities	0	0	0	0	-	0	-	0	0	0
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	**1,359**	**1,108**	**957**	**1,075**	12.3	**902**	-16.1	**1,037**	**1,026**	**1,052**
Net earnings (UBS)	**1,359**	**1,108**	**957**	**1,075**	12.3	**902**	-16.1	**1,037**	**1,026**	**1,052**
Tax rate (%)	17.2	3.5	25.5	36.0	41.2	35.0	-2.7	35.0	35.0	35.0

Per share (US$)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
EPS (UBS, diluted)	7.62	6.23	5.36	6.02	12.3	5.05	-16.1	5.81	5.75	5.89
EPS (local GAAP, diluted)	7.62	6.23	5.36	6.02	12.3	5.05	-16.1	5.81	5.75	5.89
EPS (UBS, basic)	7.62	6.23	5.36	6.02	12.3	5.05	-16.1	5.81	5.75	5.89
Net DPS (US$)	3.32	3.32	3.32	3.32	0.0	3.32	0.0	3.32	3.32	3.32
Cash EPS (UBS, diluted)[1]	14.76	13.62	13.69	14.93	9.1	14.10	-5.6	15.05	15.28	15.65
Book value per share	50.23	51.96	53.99	56.64	4.9	58.37	3.1	60.85	63.28	65.85
Average shares (diluted)	178.37	177.74	178.57	178.57	0.0	178.57	0.0	178.57	178.57	178.57

Balance sheet (US$m)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Cash and equivalents	694	533	739	657	-11.1	668	1.6	689	707	729
Other current assets	2,916	3,133	3,191	2,836	-11.1	2,882	1.6	2,973	3,050	3,145
Total current assets	**3,610**	**3,666**	**3,930**	**3,493**	-11.1	**3,550**	1.6	**3,661**	**3,757**	**3,873**
Net tangible fixed assets	25,609	27,299	27,882	28,357	1.7	28,874	1.8	29,472	30,034	30,557
Net intangible fixed assets	377	377	377	377	0.0	377	0.0	377	377	377
Investments / other assets	11,093	11,844	11,218	11,218	0.0	11,218	0.0	11,218	11,218	11,218
Total assets	**40,689**	**43,185**	**43,406**	**43,445**	0.1	**44,019**	1.3	**44,728**	**45,387**	**46,025**
Trade payables & other ST liabilities	2,746	3,293	3,014	3,121	3.5	3,132	0.4	3,180	3,229	3,306
Short term debt	2,193	796	1,047	743	-28.99	732	-1.48	742	755	763
Total current liabilities	**4,938**	**4,089**	**4,061**	**3,864**	-4.8	**3,864**	0.0	**3,923**	**3,983**	**4,069**
Long term debt	18,425	20,506	21,128	20,909	-1.0	21,204	1.4	21,439	21,632	21,754
Other long term liabilities	8,084	9,113	8,281	8,252	-0.3	8,224	-0.3	8,195	8,166	8,138
Preferred shares	281	281	305	305	0.00	305	0.00	305	305	305
Total liabilities (incl pref shares)	**31,728**	**33,988**	**33,774**	**33,331**	-1.3	**33,596**	0.8	**33,862**	**34,087**	**34,266**
Common s/h equity	8,961	9,197	9,632	10,114	5.0	10,423	3.1	10,867	11,300	11,759
Minority interests	0	0	0	0	-	0	-	0	0	0
Total liabilities & equity	**40,689**	**43,185**	**43,406**	**43,445**	0.1	**44,019**	1.3	**44,728**	**45,387**	**46,025**

Cash flow (US$m)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Net income (before pref divs)	1,379	1,130	976	1,093	12.0	920	-15.8	1,055	1,045	1,071
Depreciation & amortisation	1,275	1,313	1,487	1,591	7.0	1,616	1.5	1,650	1,702	1,742
Net change in working capital	392	(212)	(299)	462	-	(35)	-	(42)	(29)	(17)
Other operating	(376)	512	745	580	-22.2	467	-19.4	76	0	0
Operating cash flow	**2,670**	**2,743**	**2,910**	**3,726**	28.1	**2,968**	-20.3	**2,740**	**2,717**	**2,796**
Tangible capital expenditure	(2,040)	(2,675)	(2,288)	(2,107)	7.9	(2,174)	-3.2	(2,289)	(2,289)	(2,289)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) / disposals	(640)	(456)	131	0	-	0	-	0	0	0
Other investing	(19)	147	191	0	-	0	-	0	0	0
Investing cash flow	**(2,699)**	**(2,984)**	**(1,966)**	**(2,107)**	-7.2	**(2,174)**	-3.2	**(2,289)**	**(2,289)**	**(2,289)**
Equity dividends paid	(590)	(589)	(593)	(593)	0.0	(593)	0.0	(593)	(593)	(593)
Share issues / (buybacks)	(219)	63	25	0	-	0	-	0	0	0
Other financing	(21)	(29)	(19)	(29)	-52.49	(29)	0.00	(29)	(29)	(29)
Change in debt & pref shares	547	1,036	182	(1,101)	-	(184)	83.31	169	205	130
Financing cash flow	**(282)**	**481**	**(405)**	**(1,723)**	-325.3	**(805)**	53.3	**(453)**	**(416)**	**(491)**
Cash flow inc/(dec) in cash	**(311)**	**241**	**538**	**(104)**	-	**(12)**	88.9	**(1)**	**12**	**16**
FX / non cash items	(290)	(403)	(332)	22	-	22	3.3	22	6	6
Balance sheet inc/(dec) in cash	**(600)**	**(162)**	**207**	**(82)**	-	**11**	-	**21**	**18**	**22**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.[1]Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Entergy Corp. (ETR.N)

Valuation (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
P/E (local GAAP, diluted)	9.0	10.8	12.2	13.7	16.3	14.2	14.4	14.0
P/E (UBS, diluted)	9.0	10.8	12.2	13.7	16.3	14.2	14.4	14.0
P/CEPS	4.6	5.0	4.8	5.5	5.8	5.5	5.4	5.3
Equity FCF (UBS) yield %	4.9	0.6	5.3	11.0	5.4	3.1	2.9	3.4
Net dividend yield (%)	4.9	4.9	5.1	4.0	4.0	4.0	4.0	4.0
P/BV x	1.4	1.3	1.2	1.5	1.4	1.4	1.3	1.3
EV/revenues (core)	1.7	1.7	1.6	1.7	1.7	1.7	1.7	1.6
EV/EBITDA (core)	5.6	5.7	5.2	5.3	5.7	5.4	5.3	5.2
EV/EBIT (core)	8.8	10.1	9.3	9.0	10.2	9.3	9.3	9.1
EV/OpFCF (core)	12.5	NM	17.4	10.7	14.1	13.1	12.6	11.9
EV/op. invested capital	1.1	1.0	0.9	1.0	1.0	1.0	1.0	0.9

Enterprise value (US$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Market cap.	12,915	11,993	11,660	14,688	14,713	14,713	14,713	14,713
Net debt (cash)	17,376	17,376	17,376	17,376	17,376	17,376	17,376	17,376
Buy out of minorities	0	0	0	0	0	0	0	0
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	**30,291**	**29,369**	**29,036**	**32,064**	**32,088**	**32,088**	**32,088**	**32,088**
Non core assets	(11,093)	(11,844)	(11,218)	(11,218)	(11,218)	(11,218)	(11,218)	(11,218)
Core enterprise value	**19,198**	**17,525**	**17,818**	**20,846**	**20,870**	**20,870**	**20,870**	**20,870**

Growth (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Revenue	-2.3	-8.3	10.6	7.1	-1.8	3.0	1.3	2.5
EBITDA (UBS)	-8.3	-11.6	11.4	15.0	-6.3	6.5	1.3	2.5
EBIT (UBS)	-12.8	-20.2	10.0	21.1	-11.7	9.9	0.0	2.5
EPS (UBS, diluted)	7.4	-18.1	-14.0	12.3	-16.1	15.0	-1.0	2.5
Net DPS	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Margins & Profitability (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Gross profit margin	63.9	68.0	64.9	66.6	66.2	67.1	67.5	67.6
EBITDA margin	30.8	29.6	29.9	32.0	30.6	31.6	31.6	31.6
EBIT margin	19.4	16.9	16.8	19.0	17.1	18.2	18.0	18.0
Net earnings (UBS) margin	12.1	10.8	8.4	8.8	7.5	8.4	8.2	8.2
ROIC (EBIT)	12.0	9.5	9.9	11.5	10.0	10.6	10.3	10.3
ROIC post tax	9.9	9.2	7.4	7.4	6.5	6.9	6.7	6.7
ROE (UBS)	15.6	12.2	10.2	10.9	8.8	9.7	9.3	9.1

Capital structure & Coverage (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Net debt / EBITDA	5.8	6.9	6.4	5.4	5.9	5.6	5.6	5.5
Net debt / total equity %	225.5	228.9	225.7	210.6	207.0	200.6	194.6	187.9
Net debt / (net debt + total equity) %	69.3	69.6	69.3	67.8	67.4	66.7	66.1	65.3
Net debt/EV	NM	NM	NM	NM	NM	NM	NM	NM
Capex / depreciation %	160.0	NM	153.8	132.4	134.5	138.7	134.5	131.4
Capex / revenue %	18.2	26.0	20.1	17.3	18.1	18.6	18.3	17.9
EBIT / net interest	4.2	3.1	3.2	3.8	3.2	3.6	3.5	3.5
Dividend cover (UBS)	2.3	1.9	1.6	1.8	1.5	1.7	1.7	1.8
Div. payout ratio (UBS) %	43.6	53.3	61.9	55.2	65.8	57.2	57.8	56.4

Revenues by division (US$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Others	11,229	10,302	11,391	12,200	11,981	12,339	12,495	12,802
Total	**11,229**	**10,302**	**11,391**	**12,200**	**11,981**	**12,339**	**12,495**	**12,802**

EBIT (UBS) by division (US$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Others	2,180	1,740	1,913	2,317	2,045	2,247	2,248	2,305
Total	**2,180**	**1,740**	**1,913**	**2,317**	**2,045**	**2,247**	**2,248**	**2,305**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	-0.6%
Forecast dividend yield	4.0%
Forecast stock return	+3.4%
Market return assumption	5.5%
Forecast excess return	-2.1%

Statement of Risk

At the regulated utility, Entergy is exposed to potential unfavourable regulatory decisions at both the state and the federal level. In addition, Entergy's earnings may be impacted by weather (above or below normal levels) and unreasonable regulatory/legislative decisions (particularly given the number of state jurisdictions in which it falls under). Entergy is also subject to macro-economic risks such as lower than expected GDP growth and rising interest rates. As a nuclear operator, Entergy is also subject to headline risk. We believe a nuclear accident (even in a non-Entergy nuclear plant) or a change in the Nuclear Regulatory Commission/Environment Protection Agency regulations could have a negative impact on our estimates. Earnings from Entergy's merchant nuclear fleet (in the northeast) are highly dependent on forward power prices (primarily in the NYISO and NE-ISO RTO markets) and rising uranium costs.

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12-Month Rating	**Definition**	**Coverage**[1]	**IB Services**[2]
Buy	FSR is > 6% above the MRA.	47%	34%
Neutral	FSR is between -6% and 6% of the MRA.	42%	28%
Sell	FSR is > 6% below the MRA.	11%	21%
Short-Term Rating	**Definition**	**Coverage**[3]	**IB Services**[4]
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 30 September 2014.
1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
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UBS Securities LLC: Julien Dumoulin-Smith; Michael Weinstein; Paul Zimbardo.

Company Disclosures

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Entergy Corp.[16]	ETR.N	Neutral	N/A	US$83.70	05 Nov 2014

Source: UBS. All prices as of local market close.
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

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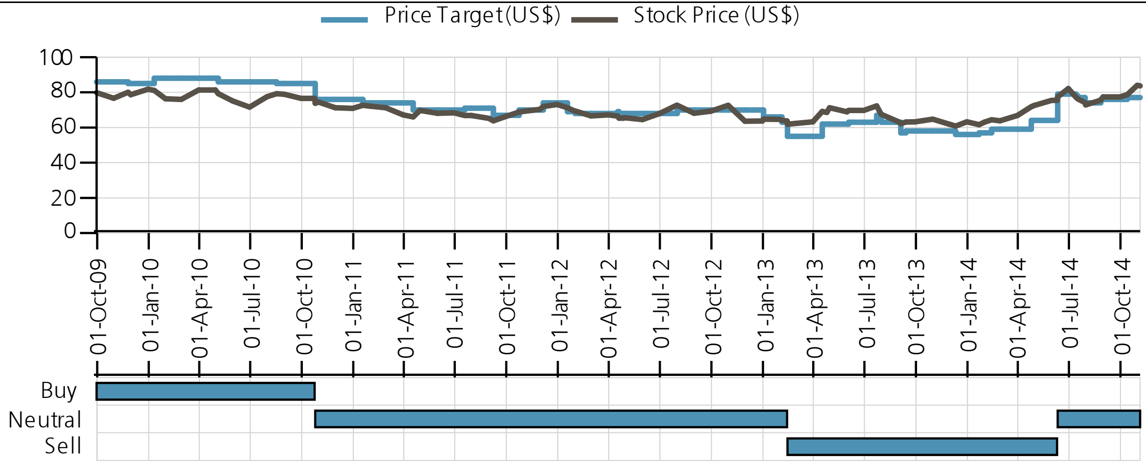
Entergy Corp. (US$)



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