

01:27am EST 23-Nov-01 Credit Suisse First Boston (Launer, Curt (212) 538-4269)
AM CALL: ENE: Debt Extended, Cash Analysis. Industry Still Trading w/ENE FBC

CREDIT SUISSE FIRST BOSTON CORPORATION

Equity Research

Americas

Multi Utilities

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STRONG BUY

Target Price: 25.00 (US\$)

Enron Corp. (ENE)

Debt Extended, Cash Analysis. Industry Still Trading w/ENE

Summary

Concerns about liquidity and the performance of ENEs trading units caused a further 28% decline on Wed. Drops of 3%-5% at Duke (DUK 37.52, Strong Buy), Dynegy, (DYN 39.76, Strong Buy), El Paso (EPG 48.96, Strong Buy), & Williams (WMB 27.75, Buy) were related to ENE as well.

Our industry contacts and discussions with traders indicate that while trading with ENE has slowed, it certainly has not stopped. Each of the "majors" reiterated confidence in their own projected earnings and returns.

ENE announced that it had achieved a deferral in the due date for a date of \$690 million from Nov 27 until mid-December. Comments were made by major banks stating a willingness to work with ENE to restructure its debt

Separately, DYN stated its encouragement at the increase in ENE credit lines by \$450 million, and the delay in the due date of the debt. DYN also restated its support and that of Chevron/Texaco (CVX, 86.08) for the deal as well.

ENE shows about \$1.5 billion in cash currently and, with a newly approved \$450 million credit facility has about \$1 billion in un-drawn credit lines.

Our analysis suggests that ENE has "used" about \$3 billion in cash during the past month in collateral and margin requirements, debt service and general and administrative expenses. Much of the collateral will be recovered as performance on contracts continues.

In our opinion, the negative reaction of EPG, WMB and DUK to the ENE issues is significantly overdone. We continue to regard the merchant business as a highly visible growth contributor for each.

For DYN, we continue to hold the view that the ENE deal represents a dramatic plus. (see report dated Nov 9).

We continue to hold the opinion that ENE is significantly undervalued, despite its issues, and that ultimately it will trade up in concert with the 0.2685 ratio of the DYN deal. (see report dated Nov 20).

The author's immediate family owns less than 250 shares of ENE and less than 250 shares of EPG.

Price Target

Mkt. Value 52-Week

20 Nov 01	(12 Months)	Div	Yield(%)	(\$m) Price Range
5.01(\$)	25.00(\$)	0.50	10.0%	3,756.78 84.63 - 5.01
	Annual	Prev.	Abs.	Rel.
	EPS(\$)	EPS	P/E(x)	P/E(%)
				(\$m) EBIDAX(x)
12/02E	1.60		3.1	
12/01E	1.80		2.8	
12/00A	1.47		3.4	
	Q1	Q2	Q3	Q4
2002E				
2001E	0.47	0.45	0.43	0.45
2000A	0.45	0.34	0.34	0.41
ROGIC(12/00A %)	8.1%			
Net debt(12/00A \$m)	11,965.0			
Net debt/Total cap.(12/00A %)	44.4%			
Book value/share(12/00A)	13.18			
Number of Shares(m)	749.86			
1On 11/20/01 the S&P 500 index closed at 1142.66.				
2Economic profit trend.				

Enron is one of the world's leading electricity, natural gas and communications companies.

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