

Sector View

Telecom services

	1 M	3 M	6 M	31/12/15
Telecom	11.7%	-1.3%	-3.4%	-4.1%
DJ Stoxx 600	12.7%	-3.8%	-3.8%	-6.4%

*Stoxx Sector Indices

Companies covered

ILIAD	BUY	EUR270
Last Price	EUR229,1	Market Cap. EUR13,445m

Altice and NC-SFR FY2015 results

This morning Altice published FY2015 results for Altice and NC-SFR. Altice results are in line with expectations, with strong growth in EBITDA and stable revenues. Although commercial performance was restored in Q4 in France, we still have concerns over the French revenues outlook for 2016, with difficulties for NC-SFR for deliver ARPU and volumes at the same time. Portugal also has a challenging revenue outlook in 2016.

ANALYSIS

- **Altice Group annual results.** Revenues came out at EUR17.495bn, down -0.1% yoy in line with consensus, of which France revenues EUR11.039bn, down -3.5% yoy in line with consensus. Adjusted EBITDA reached EUR6.671bn slightly above consensus, up 17.6% yoy, at a margin of 38.1% up 580 bps vs 2014. Adjusted France EBITDA reached EUR3.860bn, in line with consensus, up 20.1% yoy, at a margin of 35.0% up 690 bps vs 2014. CAPEX (ex spectrum) reached EUR3.121bn, slightly below consensus, of which France CAPEX EUR1.856bn, in line with consensus, down -2% vs 2014.
- **Revenue outlook is still very challenging in Portugal**, with FY2015 down -7.5% YoY, with BtoC down -3.6% and BtoB down -7.5%, although EBITDA grew by 3.6%. Altice announces improving revenue trend in 2016. Portugal will need careful attention in 2016, to avoid the same situation as seen in France in 2015.
- **Good outlook confirmed with Suddenlink**, with revenues up 3.7% Yoy, accelerating at the end of 2015.
- **In France**, Q4 Revenues came out at EUR2.745bn, down -3.3% yoy vs -3.5% in Q3. BtoC revenues came out at EUR1.907bn, down -4.2% yoy vs -2.2% in Q3. BtoB revenues came out at EUR0.509bn, down -4.5% yoy vs -7.5% in Q3.
- On the **French mobile BtoC side**, Q4 postpaid net adds reached 140k, vs -82k in Q3 and -71k in Q4 2014. Postpaid ARPU is down -2.3% YoY vs -1.2% in Q3, down -4.6% vs Q3 2015.
- On the **French fixed BtoC side**, Q4 net adds reached -5.4k, vs -42k in Q3 and -25k in Q4 2014. Fiber net adds reached 78k, vs 71k in Q3 and 26k in Q4 2014. ARPU is up 2% YoY vs 4.4% in Q3, down -2.4% vs Q3 2015.
- **French financial results are in line with expectations, with remarkable growth in mobile postpaid customer base over Q4.** But this was achieved through high promotional level. **BtoC revenues and postpaid ARPU are very much under pressure in Q4.** Commercial results on the fixed side are also encouraging, with less customer losses in Q4, but ARPU is down QoQ for the first time in 2015. We believe **France Revenues will still be under pressure in 2016, and it will be difficult for NC-SFR to deliver ARPU and Volumes at the same time.**
- **Guidance:** Altice announces improving trend in revenues, mid-single-digit growth in adjusted EBITDA, and operating free cash flow growth flat to slightly down, reflecting accelerated investments.

NEXT CATALYSTS

- News on the Orange – Bouygues merger expected by the end of March.

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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