

INDEPENDENT RESEARCH

11th April 2016

Telecom services

ALTICE	BUY	FV EUR16.3
Bloomberg	ATC NA	Reuters
Price	EUR13.8	High/Low
Market cap.	EUR15,101m	Enterprise Val
PE (2015e)	NS	EV/EBIT (2015e)
		41.5x
NUMERICABLE SFR	NEUTRAL	FV EUR28.4
Bloomberg	NUM FP	Reuters
Price	EUR29.335	High/Low
Market Cap.	EUR12,856m	Enterprise Val
PE (2015e)	21.3x	EV/EBIT (2015e)
		16.9x

Altice and Numericable-Sfr

The time of Marketing?

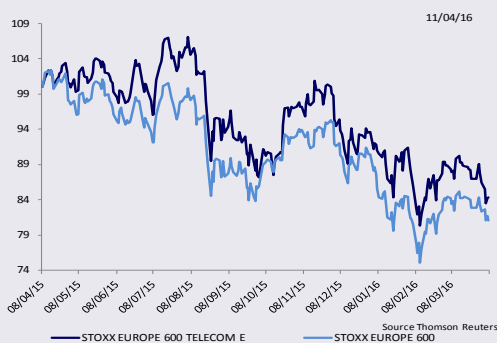
We are initiating coverage of Numericable-SFR with a Neutral recommendation and a Fair Value of EUR28.4, and coverage of Altice with a Buy recommendation and a Fair Value of EUR16.3. Greater diversification of locations of operations at Altice and specific market risks at NC-SFR warrant greater caution on NC-SFR than on its holding company. Following its foundation by engineers, and its development by bankers, has the time of marketing now come for the group?

■ In our view, uncertainty remains on Altice's ability to deliver both **cost savings and lasting sales performances**. This risk seems particularly present in France, given the current market conditions, but the group has started to **transform** itself along with its development, and it is adapting to the new market where it operates.

■ We expect sales at NC-SFR to come under further pressure in 2016, and then expect a **recovery as of 2017**, driven by **renewed investments and changes in management**. We remain **cautious on Portugal** at this stage, but we are confident in the group's ability to deliver **healthy performances in the US**.

■ **Pro forma EBITDA will keep on rising, but at a slower pace than previously.**

■ The Altice group has a **high risk profile** in view of its high debt of **5.3x EBITDA** prior to the acquisition of Cablevision, and **3.7x in France**. The group is relying on **France to pay down debt at the holding company structures**, but operating risk in France is **diluted at the Altice level**. This mechanism represents nevertheless a **dividend opportunity** for NC-SFR shareholders.



Analyst:
Thomas Coudry
 33(0) 1 70 36 57 04
 tcoudry@bryangarnier.com

Sector Analyst Team:
 Richard-Maxime Beaudoux
 Gregory Ramirez
 Dorian Terral

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Altice (initiation of coverage, BUY, Fair Value EUR16.3)

Diversification is key.

We are initiating coverage of Altice with a Buy recommendation and a Fair Value of EUR16.3. We believe the share price over estimates the uncertainty on the French market and does not reflect opportunities prompted by expansion in Portugal and the US sufficiently well. Altice is highly indebted, but it can prove the efficiency of its model by leveraging up the diversification of geographical locations and markets where it operates.

NUMERICABLE SFR (initiation of coverage NEUTRAL, FV EUR28.4)

EBITDA or EBITDA rate: that is the question

We are initiating coverage of Numericable-SFR with a Neutral recommendation and Fair Value of EUR28.4. We are forecasting a still difficult year in 2016 for the group, but expect a recovery by 2017 driven by renewed investments and the change in management. But market consolidation will not be there to help.

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Stock rating

BUY	Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
NEUTRAL	Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
SELL	Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

Distribution of stock ratings

BUY ratings 56.9%

NEUTRAL ratings 35%

SELL ratings 8%

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BRYAN, GARNIER & CO

London	Paris	New York	Geneva	New Delhi
Beaufort House 15 St. Botolph Street London EC3A 7BB Tel: +44 (0) 207 332 2500 Fax: +44 (0) 207 332 2559 Authorised and regulated by the Financial Conduct Authority (FCA)	26 Avenue des Champs Elysées 75008 Paris Tel: +33 (0) 1 56 68 75 00 Fax: +33 (0) 1 56 68 75 01 Regulated by the Financial Conduct Authority (FCA) and the Autorité de Contrôle prudential et de résolution (ACPR)	750 Lexington Avenue New York, NY 10022 Tel: +1 (0) 212 337 7000 Fax: +1 (0) 212 337 7002 FINRA and SIPC member	rue de Grenus 7 CP 2113 Genève 1, CH 1211 Tel +4122 731 3263 Fax+4122731 3243 Regulated by the FINMA	The Imperial Hotel Janpath New Delhi 110 001 Tel +91 11 4132 6062 +91 98 1111 5119 Fax +91 11 2621 9062

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