TMT

Altice

Price EUR13.97

11th April 2016

Diversification is key

Fair Value EUR16.3 (+17%)

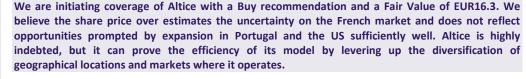
BUY

Coverage initiated

Bloomberg	ATC NA
Reuters	ATCA.AS
12-month High / Low (EUR)	32.2 / 10.0
Market Cap (EURm)	15,282
Ev (BG Estimates) (EURm)	50,843
Avg. 6m daily volume (000)	2,642
3y EPS CAGR	

3y EPS CAGR				
	1 M	3 M	6 M	31/12/15
Absolute perf.	2.3%	-1.9%	-29.6%	5.4%
Telecom	-3.3%	-6.1%	-5.8%	-9.2%
DJ Stoxx 600	-1.7%	-2.8%	-8.2%	-9.3%
YEnd Dec. (EURm)	2014	2015e	2016 e	2017 e
Sales	3,935	14,550	20,08	6 23,173
% change			38.09	% 15.4%
EBITDA	1,496	5,494	7,86	5 9,231
EBIT	0.0	0.0	0.0	0.0
% change				
Net income	-533.0	-219.7	222.	5 1,282
% change		58.8%	N	S
	2014	2015e	2016 e	2017e
Operating margin	4.5	8.4	18.	0 20.3
Net margin	-13.5	-1.5	1.	1 5.5

ROE	-20.3	-11.1	-0.8	18.6	
ROCE	0.2	1.0	2.0	5.6	
Gearing	375.5	693.0	782.1	635.3	
(EUR)	2014	2015e	2016 e	2017 e	
EPS	-1.80	-0.28	-0.02	0.74	
% change	-	84.3%	92.0%	NS	
P/E	NS	NS	NS	18.8x	
FCF yield (%)	63.2%	0.2%	NM	7.5%	
Dividends (EUR)	0.00	0.00	0.00	0.00	
Div yield (%)	NM	NM	NM	NM	
EV/Sales	8.8x	3.5x	3.2x	2.8x	
EV/EBITDA	23.3x	9.3x	8.3x	6.9x	
EV/EBIT	NS	NS	NS	NS	



ANALYSIS

- Following a first set of mixed results for France and the first trends in Portugal, we expect a
 reaction from the group testifying to its ability to create value over the long term. In particular,
 we are very confident in its expansion in the US, which in our view helps the group diversify
 operating risk by investing in a market close to its historical core business.
- We are forecasting pro-forma sales down 1.4% over 2016, vs stable in 2015, due to Portugal and France especially, followed by a return to sales growth as of 2017. We estimate adjusted proforma EBITDA growth at 4.5% for 2016 (in line with guidance), and expect an adjusted pro-forma EBITDA margin of 43.1% to be reached in 2018, 500bp higher than the 2015 rate.
- The group's net debt is high at EUR35.5bn (before Cablevision) at 5.5x 2015 EBITDA, and presents
 a significant refinancing risk that we have factored into our valuation and which therefore weighs
 on our Fair Value.

VALUATION

We have calculated a Fair Value for Altice of EUR16.3, stemming from a DCF valuation of EUR18.6
and an SOTP valuation of EUR14.1, driven especially by a valuation of the North-American
business at 10x EBITDA.

NEXT CATALYSTS

Q1 2016 results on May 10th.

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

Sector Team : Richard-Maxime Beaudoux Gregory Ramirez Dorian Terral

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Stock rating

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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.

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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.

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Distribution of stock ratings

BUY ratings 56.9%

NEUTRAL ratings 35%

SELL ratings 8%

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London
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)

Paris 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 resolution (ACPR)

New York 750 Lexington Avenue New York, NY 10022 Tel: +1 (0) 212 337 7000 Fax: +1 (0) 212 337 7002 FINRA and SIPC member

Munich Widenmayerstrasse 29 80538 Munich Germany +49 89 2422 62 11

New Delhi The Imperial Hotel Janpath New Delhi 110 001 Tel +91 11 4132 6062 +91 98 1111 5119 Fax +91 11 2621 9062 Geneva rue de Grenus 7 CP 2113 Genève 1, CH 1211 Tel +4122 731 3263 Fax+4122731 3243

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