

Numericable SFR

Price EUR28.42

Buying media assets from Altice

Fair Value EUR28,4 (0%)

NEUTRAL

Bloomberg	NUM FP
Reuters	NUME.PA
12-month High / Low (EUR)	48.0 / 28.1
Market Cap (EURm)	12,453
Ev (BG Estimates) (EURm)	26,849
Avg. 6m daily volume (000)	279.0
3y EPS CAGR	17.4%

According to French weekly, Le Journal du Dimanche, NC-SFR is to buy all media assets from the Altice Group and Patrick Drahi's personal holding. The transaction could amount to EUR400m. We do not expect major commercial synergies to emerge from the deal, besides operational efficiency, and also see this transaction as way of managing financial ratios across the group. The financial impact should therefore be limited, but NC-SFR's minority shareholders are exposed to a risk of Altice moving assets around within the group.

	1 M	3 M	6 M	31/12/15
Absolute perf.	-22.1%	-17.9%	-19.1%	-15.2%
Telecom	-0.8%	-2.9%	-7.3%	-6.3%
DJ Stoxx 600	2.4%	3.0%	-5.8%	-4.7%

ANALYSIS

- According to Le Journal du Dimanche, the assets bought by NC-SFR could include newspapers such as **Libération**, **L'express**, **L'étudiant**, as well as the Israeli news channel **i24 News** owned by Patrick Drahi. More importantly, NC-SFR could buy out the **49% stake Altice owns in NextRadio TV** (BFMTV, BFM Business and RMC).
- According to the takeover bid in early February, NextRadio is valued at around **EUR600m**. In 2014, NextRadio generated **net income of EUR17.4m** and **EBITDA of EUR33.8m** and this is expected to be higher in 2015, with **2015 revenues up 9% YoY**. According to JDD, other activities might be valued **EUR100m**.
- For NC-SFR and Altice, this is one step further towards convergence. NC-SFR should launch **two new sports channels**, available to **SFR or competitors' customers**, broadcasting in particular the **premier league rights** acquired by NC-SFR last year.
- Beyond **cost cutting** already going on, and **improved operational efficiency**, we do not believe the merger will generate major **commercial synergies** that could not have been possible otherwise.
- We believe this transaction is also a matter of managing financial ratios across the group. It should contribute to **deleveraging some of Altice's international or holding entities**, transferring some of the burden to NC-SFR. As a reminder, on 31st December 2015, leverage was **5.3x 2015 EBITDA** at the Altice Group level, and **3.75 at the NC-SFR level**.
- As already mentioned in our initiation report, minority shareholders in NC-SFR are **exposed to this moving around of assets** between the company and Altice, with the risk of **favoursing the interests of the holding company** to the detriment of the daughter.

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	11,039	10,808	10,886	11,054
% change		-2.1%	0.7%	1.6%
EBITDA	3,860	3,982	4,171	4,402
EBIT	0.0	0.0	0.0	0.0
% change		NM	NM	NM
Net income	682.0	649.3	821.8	1,102
% change		-4.8%	26.6%	34.1%

	2015	2016e	2017e	2018e
Operating margin	11.7	14.9	16.6	19.5
Net margin	6.2	6.0	7.5	10.0
ROE	15.9	13.0	14.2	16.0
ROCE	2.8	4.7	5.2	6.2
Gearing	337.5	292.8	239.5	187.2

(EUR)	2015	2016e	2017e	2018e
EPS	1.45	1.37	1.74	2.35
% change	-	-5.2%	27.0%	34.5%
P/E	19.6x	20.7x	16.3x	12.1x
FCF yield (%)	6.0%	0.0%	4.9%	7.1%
Dividends (EUR)	5.40	0.00	0.00	0.00
Div yield (%)	19.0%	NM	NM	NM
EV/Sales	2.4x	2.5x	2.4x	2.3x
EV/EBITDA	7.0x	6.7x	6.3x	5.7x
EV/EBIT	NS	NS	NS	NS

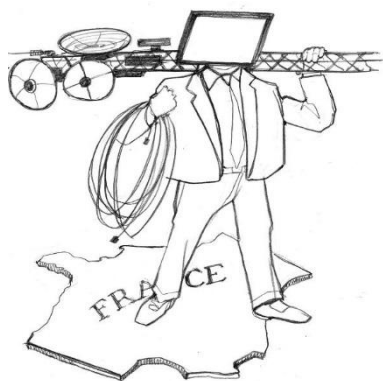
VALUATION

- At this point, pending further confirmation and information from the company, we are sticking to our Fair Value of EUR28.4 with a NEUTRAL recommendation.

NEXT CATALYSTS

- Press conference by Altice and Alain Weil on Wednesday 27th April.
- NC-SFR Q1 results on 10th May.

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BUY ratings 72%

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