

10th May 2016

TMT

Altice

Price EUR12.95

Q1 results: in line with expectations, thanks to diversification!

Fair Value EUR16,3 (+26%)

BUY

This morning Altice published Q1 2016 results for Altice and NC-SFR. Revenues were down 2.7% but slightly above expectations. EBITDA rose by 0.9%, also slightly above consensus. The benefits of diversification are clear: a strong performance in the US and in Portugal offset disappointing results in France. Guidance is confirmed.

ANALYSIS

- **Total group revenues** came out at **EUR4.259bn, down 2.7% yoy** (-3.3% on cc), above consensus at EUR4.235bn, and vs 0.1% in 2015. **Adjusted EBITDA** reached **EUR1.615bn**, up 0.9% yoy, vs consensus at EUR1.603bn. CAPEX (ex spectrum) reached **EUR760m, up 6.6% yoy**, vs the consensus at EUR805m. EBITDA-CAPEX reached **EUR855m, down 2.4% yoy**, vs the consensus at EUR802m.
- **In France, revenues** came out at **EUR2.570bn, down 6.1% yoy**, below consensus at EUR2.624bn, and vs -3.6% in Q4 2015. **Adjusted EBITDA** stood at **EUR851m, down 9.0% yoy**, below consensus at EUR889m. More detailed information is provided in our NC-SFR Q1 2016 results analysis report published today.
- **In the US, revenues** came out at **EUR570m, up 6.7% yoy**, vs consensus at EUR561m, and vs 4.0% in Q4 2015. **Adjusted EBITDA** reached **EUR242m, up 21.0% yoy**, above consensus at EUR236m. Suddenlink enjoyed strong customer relations at +22k and broadband subscriber growth at +30k.
- **In Portugal, revenues** came out at **EUR568m, down 3.5% yoy**, above consensus at EUR563m, and vs -8.7% in Q4 2015. **Adjusted EBITDA** reached **EUR277m, up 20.4% yoy**, above consensus at EUR253m. Portugal continued to increase postpaid subscribers at +35k, and B2B is expected to improve further in 2016.
- **The positive effects of diversification are starting to appear at the Altice level. Good performances in Portugal and US partly offset disappointing results in France.** Together with the healthy figures published earlier this month by Cablevision, we believe Altice's outlook remains bright for H2 2016.
- **Altice confirmed guidance** for mid single-digit proforma adjusted EBITDA growth in 2016.

VALUATION

- We are sticking to our Fair Value of EUR16.3, with a BUY recommendation.

NEXT CATALYSTS

- Closing of Cablevision expected before end of Q2.
- Q2 results on 9th August.

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Bloomberg	ATC NA
Reuters	ATCA.AS
12-month High / Low (EUR)	32.2 / 10.0
Market Cap (EURm)	14,171
Ev (BG Estimates) (EURm)	64,123
Avg. 6m daily volume (000)	2 356
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	-7.3%	15.3%	-19.0%	-2.3%
Telecom	-0.6%	3.1%	-11.9%	-9.8%
DJ Stoxx 600	0.4%	7.7%	-11.3%	-8.9%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	14,550	20,086	23,173	23,466
% change		38.0%	15.4%	1.3%
EBITDA	5,494	7,865	9,231	9,622
EBIT	0.0	0.0	0.0	0.0
% change				
Net income	-219.7	222.0	1,281	1,789
% change		NS		39.7%

	2015	2016e	2017e	2018e
Operating margin	8.4	18.0	20.3	22.3
Net margin	-1.5	1.1	5.5	7.6
ROE	-30.3	-1.8	31.1	28.6
ROCE	0.9	2.0	5.4	6.2
Gearing	1,798	1,545	1,077	742.2

(EUR)	2015	2016e	2017e	2018e
EPS	-0.28	-0.02	0.74	1.13
% change	-	91.9%	NS	52.7%
P/E	NS	NS	17.4x	11.4x
FCF yield (%)	0.3%	NM	8.9%	12.2%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	3.4x	3.2x	2.7x	2.6x
EV/EBITDA	9.1x	8.2x	6.8x	6.3x
EV/EBIT	NS	NS	NS	NS



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