

## Altice

Price EUR13.74

## Key takeaways from Altice / NC-SFR Q1 results conf call

Fair Value EUR16,3 (+19%)

BUY

Bloomberg	ATC NA
Reuters	ATCA.AS
12-month High / Low (EUR)	32.2 / 10.0
Market Cap (EURm)	15,030
Ev (BG Estimates) (EURm)	64,982
Avg. 6m daily volume (000)	2 361
3y EPS CAGR	

The NC-SFR numbers and guidance given on France were reassuring, but we will need to wait until Q3 to have a strong confirmation and regain full confidence in the business, as Q1 was really disappointing. These explanations support our thesis that 2016 will be a difficult year for SFR, but the positive impacts of new strategy/management/investment should gradually kick in. At the Altice level, confirmation that much is to be expected from the perimeters outside of France.

## ANALYSIS

- NC-SFR points out that the **revenues decrease in France** in Q1 was mainly due to: **1/** In BtoC, high promotional activity, due partly to the context of consolidation discussions, a still heavy churn in DSL, **2/** BtoB: heavy churn in mobile and arpu decline, **3/** Wholesale: loss of bytel contract, **4/** Q1 comparison basis effects.
- Nevertheless, NC-SFR confirms it is **confident in the trend improving over the year** for the following reasons: **1/** NC-SFR is now seeing a more normalised competitive environment, with less promotional intensity, **2/** new enriched services are to be launched this month, with impact on ARPU for existing and new customers, as well as on churn (as an example, SFR Press has been downloaded 800k times), **3/** the poor fixed performance in Q1 was partly due to Box shortage which will be over in Q2, **4/** investment in network quality will start to kick in, **5/** improvements in processes, sales, IT etc are still at work, with cost base optimisation, **6/** retention processes are being upgraded, **7/** BtoB issues seem to be behind us with numbers showing a way to stabilisation and NC-SFR saying there is a "good opportunity to return to BtoB growth" during the year, **8/** There is no additional risk from wholesale contracts with Bytel, the impact should be over by Q2.
- NC-SFR announces **2016 EBITDA above 2015 EBITDA** in France, thanks to the following effects: **1/** a EUR65m tax impact one-off in Q1, non-recurring in other quarters, **2/** impact of new bundling and content: from +EUR200m to +EUR250m of additional EBITDA over the next three quarters, not present in Q1, **3/** Cost efficiencies: from +EUR200m to +EUR250m of additional EBITDA over the next three quarters, not present in Q1.
- In **Portugal**, Altice points out that BtoC revenues are returning to growth, and that BtoB is improving (impact of customer losses in Q1/Q2 before the take-over by Altice). Altice announced that a "**further significant improvement is expected over the year**", and a "**substantial improvement in topline performance**".
- In the **US**, Altice confirmed its **investment thesis is intact**, expects "**further uplift**", as shown by the good performance of Suddenlink. Altice acknowledged Cablevision's performance in Q1 was **better than they expected**, especially for the top line. According to Altice, the US is showing a "**cord shaving effect**" rather than a "cord cutting" one.

## VALUATION

- We stick to our Altice FV of EUR16.3 with a Buy recommendation, and to our NC-SFR FV of EUR28.4 with a Neutral recommendation.

## NEXT CATALYSTS

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

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BUY ratings 72%

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