

Allice

Price EUR12.84

International still the main driver

Fair Value EUR16.5 vs. EUR16.3 (+29%)

BUY

| | |
|----------------------------|-------------|
| Bloomberg | ATC NA |
| Reuters | ATCA.AS |
| 12-month High / Low (EUR) | 31.0 / 10.0 |
| Market Cap (EURm) | 14,045 |
| Ev (BG Estimates) (EURm) | 63,917 |
| Avg. 6m daily volume (000) | 1 872 |
| 3y EPS CAGR | |

| | 1 M | 3 M | 6 M | 31/12/15 |
|----------------|-------|--------|-------|----------|
| Absolute perf. | -3.0% | -10.1% | 1.0% | -3.1% |
| Telecom | 2.0% | -6.8% | -5.6% | -12.9% |
| DJ Stoxx 600 | 4.0% | -1.6% | 3.1% | -7.4% |

| YEnd Dec. (EURm) | 2015 | 2016e | 2017e | 2018e |
|------------------|--------|--------|--------|--------|
| Sales | 14,550 | 20,068 | 23,181 | 23,474 |
| % change | | 37.9% | 15.5% | 1.3% |
| EBITDA | 5,494 | 7,960 | 9,435 | 9,810 |
| EBIT | 1,221 | 3,417 | 4,808 | 5,336 |
| % change | | | | |
| Net income | -219.7 | 25.0 | 1,392 | 1,913 |
| % change | | NS | | 37.4% |

| | 2015 | 2016e | 2017e | 2018e |
|------------------|-------|-------|-------|-------|
| Operating margin | 8.4 | 17.0 | 20.7 | 22.7 |
| Net margin | -1.5 | 0.1 | 6.0 | 8.1 |
| ROE | -30.3 | -18.4 | 36.7 | 31.2 |
| ROCE | 0.1 | 0.2 | 5.7 | 6.5 |
| Gearing | 1,798 | 1,653 | 1,098 | 733.3 |

| (EUR) | 2015 | 2016e | 2017e | 2018e |
|-----------------|-------|-------|-------|-------|
| EPS | -0.28 | -0.20 | 0.84 | 1.24 |
| % change | - | 30.1% | NS | 47.8% |
| P/E | NS | NS | 15.3x | 10.3x |
| FCF yield (%) | 0.3% | 0.1% | 9.9% | 13.8% |
| 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 | 9.0x | 7.4x | 6.7x | 6.2x |



We have updated our models to take into account the latest trends and outlook in France and at the international level. In France, stronger cost cutting should more than offset the pressure on SFR's ARPU, we increase our 2017 and 2018 EBITDA more than +2% vs our previous estimates. We increase our EBITDA forecast at the international level ~+5% in 2016, 2017 and 2018, taking into account better-than-expected synergies in Portugal in particular. We have slightly upgraded our fair value to EUR16.5 from EUR16.3, and we reiterate our Buy rating. Although the upside vs our Fair value is lower on Allice than on SFR, we see international as a tangible short term catalyst for Allice and we believe the low confidence at the France level should not be extrapolated to the whole Allice group.

ANALYSIS

- We have updated our revenues forecast at SFR taking into account the **higher promotional intensity** than expected in Q1 2016, in fixed and mobile, as well as the **shift of price increases to mid Q2**, with **no full impact before Q3**. We forecast French 2016 revenues down **4.4% vs 2015**, down **2.2%** below our previous estimates. We also have updated our forecast with **revenues from the acquisition of NextradioTV**, estimated at **EUR200m over the year**. Overall impact on Allice's revenues is neutral in 2016, 2017 and 2018.
- Offsetting the pressure on revenues, 2016 cost cutting in France should be **faster and stronger** than we expected, with additional cost cutting expected from a **redundancy plan** to be launched in 2017. As a result, we have updated our France EBITDA forecast for 2017 resp. 2018, **+2.3%** resp. **+2.2%** above our previous estimates. We also have updated our forecast at the international level, forecasting **EBITDA +5%** above our previous estimates in 2016, 2017 and 2018. In particular, after being prudent at initiation, we are more confident on **Portugal**, given **higher-than-expected synergies**. As a result, Allice's total EBITDA is **1.2%** above our previous estimates in 2016, **2.2%** in 2017 and **2.0%** in 2018.
- We have **updated the cost of debt from 6.0% to 6.2%** following H1 refinancing operations, and we are only slightly increasing our **Fair Value to EUR16.5 from EUR16.3**.
- We reiterate our **Buy** rating, with **confirmed positive outlook at the international and US level**, following the recent closing of Cablevision acquisition, which should help **offset the lack of confidence and catalysts at the France level**, until the effect of **new management and reinforced investment** start to kick in.
- At this stage, we have not yet included the impact of the acquisition of Allice Media Group in our estimates: with an estimated net debt impact of **EUR300m**, and an estimated **EBITDA impact of EUR20m** we assume the direct impact of this acquisition on our valuation is not significant.

VALUATION

- The stock is trading at 7.4x 2016 EV/EBITDA, we have updated our Fair Value to EUR16.5 from EUR16.3, we reiterate our Buy rating.

NEXT CATALYSTS

- H1 results on August 9th.

Updated Allice forecasts

| | New estimates | | | | | | | Old estimates | | | % change | | |
|--|---------------|-------------|-------------|-------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|-------------|-------------|
| | Q1 2016 | Q2 2016 | Q3 2016 | Q4 2016 | FY 2016 | FY 2017 | FY 2018 | FY 2016 | FY 2017 | FY 2018 | FY 2016 | FY 2017 | FY 2018 |
| Revenues | 4238 | 4298 | 5747 | 5785 | 20068 | 23181 | 23474 | 20086 | 23173 | 23466 | -0,1% | 0,0% | 0,0% |
| of which France | 2569 | 2622 | 2656 | 2691 | 10538 | 10644 | 10812 | 10778 | 10855 | 11024 | -2,2% | -1,9% | -1,9% |
| of which US (Cablevision from H2 16) | 548 | 560 | 1974 | 1984 | 5066 | 8025 | 8071 | 5066 | 8025 | 8071 | 0,0% | 0,0% | 0,0% |
| of which International (incl. Nextradio) | 1120 | 1116 | 1117 | 1111 | 4464 | 4512 | 4590 | 4242 | 4292 | 4370 | 5,2% | 5,1% | 5,0% |
| Adj. EBITDA | 1610 | 1748 | 2278 | 2324 | 7960 | 9435 | 9810 | 7865 | 9231 | 9622 | 1,2% | 2,2% | 2,0% |
| of which France | 869 | 989 | 1088 | 1100 | 4046 | 4335 | 4570 | 4051 | 4239 | 4470 | -0,1% | 2,3% | 2,2% |
| of which US (Cablevision from H2 16) | 237 | 253 | 683 | 726 | 1900 | 3045 | 3143 | 1900 | 3045 | 3143 | 0,0% | 0,0% | 0,0% |
| of which International (incl. Nextradio and corp. costs) | 505 | 506 | 506 | 498 | 2015 | 2055 | 2096 | 1914 | 1947 | 2008 | 5,3% | 5,5% | 4,4% |

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| | |
|---------|---|
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