

5th September 2016

TMT

**SFR**

Price EUR24.09

**Proposed minority buy-out by Altice**

**Fair Value EUR28,7 (+19%)**

**NEUTRAL**

Bloomberg	SFR FP
Reuters	SFRGR.PA
12-month High / Low (EUR)	38.9 / 20.0
Market Cap (EURm)	10,557
Avg. 6m daily volume (000)	298.9

	1 M	3 M	6 M	31/12/15
Absolute perf.	19.7%	-13.1%	-29.8%	-28.1%
Telecom	2.0%	-6.4%	-8.8%	-12.9%
DJ Stoxx 600	4.5%	1.8%	2.8%	-4.2%

	2015	2016e	2017e	2018e
P/E	16.6x	26.4x	14.2x	10.4x
Div yield (%)	22.4%	NM	NM	NM

#### ANALYSIS

- Altice is proposing an exchange offer for SFR group shares, in order to simplify ownership structure and enhance organisation flexibility. The offer is eight Altice class A shares for five SFR group shares. The exchange offer is not subject to any ownership threshold. The operation is expected to close in Q4 2016.
- According to our calculation, the equivalent premium on SFR shares is 2.6% (pre-dilution, based on share prices at market close on 2nd September) and +4.2% (post dilution and integration of 22.25% of SFR minorities in Altice's value)
- The key benefits of the transaction include: diversification into higher growth markets such as the US and superior Altice NV liquidity while remaining on a Euronext market: Altice NV's pro forma historical daily volumes are more than 5x higher than SFR group's volumes

#### VALUATION

- We recommend tendering to the offer, as we see value-creation potential at the Altice level, given the current share price, and we think the buy-out will simplify the group's operations and structure.

#### NEXT CATALYSTS

- Analyst's conf call at 2PM, 5th September

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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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