

5th October 2016

TMT

Altice

Price EUR16.23

AMF opposes public exchange offer on SFR

Fair Value EUR16,5 (+2%)

BUY

Bloomberg	ATC NA
Reuters	ATCA.AS
12-month High / Low (EUR)	20.3 / 10.0
Market Cap (EUR)	17,760
Avg. 6m daily volume (000)	1 546

	1 M	3 M	6 M	31/12/15
Absolute perf.	5.0%	19.8%	19.9%	22.5%
Telecom	-2.0%	-1.5%	-6.5%	-14.6%
DJ Stoxx 600	-1.2%	4.9%	3.5%	-5.4%

	2015	2016e	2017e	2018e
P/E	NS	NS	19.3x	13.1x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- The AMF yesterday **opposed Altice's exchange offer** for SFR's 22.25% minority shareholders. **No justification was given at this point** and the AMF will provide the reasoning behind its decision in coming days. As a reminder, SFR shareholder CIMA had complained to the AMF about the independence of two members of the SFR Board of Directors, and also argued that the consulting firm that advised the deal was biased.
- Altice stated it regretted the decision, which it says goes against the interests of both companies, their shareholders and employees. Altice reserves the right to **file an appeal** with the Paris Appeal Courts. The offer is now **terminated**, and Altice should move on and we **do not expect any new updated offer** in the near future.
- The exchange parity of **1.6** (eight Altice shares for five SFR shares) offered a **low 2.6% premium** on SFR stock, and the operation was **earnings enhancing** for Altice. Since the offer was made public on 5th October, SFR shares had increased by 10%, and Altice A shares by 5%, and SFR stock has been trading at a premium of around 2% above the exchange offer parity.
- Although the decision is a **failure** for Altice, we do not believe it is a **major issue**, rather a **lost opportunity** to make the **integration between Altice and SFR easier** and **avoid minority leakage**.

VALUATION

- We are sticking to our current FV of EUR16.5 with a Buy recommendation.

NEXT CATALYSTS

- Q3 results on 8th November.

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