

## Allice

Price EUR16.30

Lower risk profile (UPDATE released today)

Fair Value EUR19 vs. EUR16,5 (+17%)

BUY

Bloomberg	ATC.NA
Reuters	ATCA.AS
12-month High / Low (EUR)	20.3 / 10.0
Market Cap (EURm)	17,837
Ev (BG Estimates) (EURm)	66,417
Avg. 6m daily volume (000)	1 491
3y EPS CAGR	

We believe the company's risk profile has lowered over the past two quarters given the conjunction of three factors: market conditions on the debt side, confirmation of a positive outlook at the US and international levels, an expected return to EBITDA growth in France and enhanced cost-cutting initiatives offsetting medium term topline pressure. We maintain our Buy recommendation and increase our Fair Value to EUR19 from EUR16.5.

## ANALYSIS

- Current **debt market conditions** are very good and Allice has proven lately its ability to **lead successful refinancing operations**. Moreover Allice has **no major maturity until 2022**, and we expect net debt to fall to **4.5x EBITDA by 2018**. As such, we see no reason to place additional stress on refinancing issues and are removing part of the refinancing risk **penalty** we included in our beta at initiation: we are therefore lowering our beta to **1.23** from 1.33.
- The first outlook on the US side since Allice closed the acquisition of Suddenlink and Cablevision is **very good**. We now have strong tangible signs of **significant value creation potential**, and we are confident Allice can deliver **revenue and EBITDA growth at the same time** in the region. The revenue trend is also improving in Portugal and EBITDA is enjoying **double digit growth**. In the US and Portugal, we are getting confirmation that the difficult situation faced in France should **not be extrapolated** to other perimeters in the group.
- Regarding France, although risks around operational efficiency remain unchanged at this time, the full-year effect of 2016 cost-cutting initiatives in 2017, as well as significant savings expected from the redundancy plan will help offset top-line pressure and leave time for investments and the operational turnaround to kick in.

## VALUATION

- We maintain our Buy recommendation and increase our Fair Value to **EUR19 from EUR16.5**.

## NEXT CATALYSTS

- Q3 results on 10th November.

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	1 M	3 M	6 M	31/12/15
Absolute perf.	6.5%	27.8%	20.1%	23.0%
Telecom	-4.9%	-0.1%	-8.1%	-17.2%
DJ Stoxx 600	-1.9%	7.5%	3.7%	-6.3%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	14,550	20,417	23,344	23,592
% change		40.3%	14.3%	1.1%
EBITDA	5,494	8,139	9,577	9,960
EBIT	0.0	0.0	0.0	0.0
% change		NM	NM	NM
Net income	-219.7	-848.0	990.3	1,969
% change		NS	NS	98.8%

	2015	2016e	2017e	2018e
Operating margin	8.4	15.1	18.1	22.9
Net margin	-1.5	-4.2	4.2	8.3
ROE	-11.1	181.6	850.8	95.8
ROCE	2.1	3.3	4.6	6.0
Gearing	693.0	10,727	3,303	1,338

(EUR)	2015	2016e	2017e	2018e
EPS	-0.28	-0.78	0.49	1.29
% change	-	NS	NS	NM
P/E	NS	NS	33.5x	12.6x
FCF yield (%)	0.2%	1.9%	4.9%	11.0%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	3.7x	3.3x	2.8x	2.7x
EV/EBITDA	9.7x	8.2x	6.8x	6.4x
EV/EBIT	NS	NS	NS	NS



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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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