

Altice

Price EUR16.16

Fined EUR80m for gun-jumping before acquiring SFR.

Fair Value EUR19 (+18%)

BUY

Bloomberg	ATC NA
Reuters	ATCA.AS
12-month High / Low (EUR)	17.4 / 10.0
Market Cap (EUR)	17,684
Ev (BG Estimates) (EUR)	66,264
Avg. 6m daily volume (000)	1 540
3y EPS CAGR	

Altice/SFR has been fined EUR80m by the French competitions authority for gun-jumping related to the acquisition of SFR and Virgin Mobile in 2014. The financial impact is not significant for the group, but we believe this decision, together with other recent decisions from public authorities maintains doubts about its methods and the quality of its relations with public authorities.

ANALYSIS

- **Yesterday, SFR Group and Altice were notified of the decision by the French Competition Authority, sentencing them to an EUR80m gun-jumping fine in connection with the 2014 acquisition of SFR and Virgin Mobile.** Altice/SFR accepts the decision and states “this settlement demonstrates the Group's eagerness to restore a constructive dialogue with the regulator”. This decision is the first to be handed down on this issue in France. Other similar cases in Europe or the US have led to much lower penalties, of EUR20m max.
- **This fine is bad news for Altice/SFR but its financial impact is limited.** We expected a fine to a certain extent, and this one is **far from the EUR500m worst case** scenario referred to weeks ago in the press. EUR80m is **~0.8% of SFR market value**, and **~0.4% of Altice' market value**. The current expectation is that **SFR will pay** as the acquiring party.
- **Altice' recent history with regulators has proven harmful.** **1/** Altice was already fined EUR15m by the competitions authority at the beginning of the year for non-compliance with some of the commitments linked to the divestiture of Outremer Telecom's mobile telephony business. **2/** Altice/SFR is still under investigation by the competitions authority for possible failure to meet the commitments related to the Fiber co-investment agreement with Bouygues Telecom. **3/** In September SFR was fined EUR380k by ARCEP for failing to meet network roll-out commitments. **4/** as a reminder AMF blocked Altice's tentative buy-out of SFR minorities in October. In our opinion, the hiring of Regis Turini, former head of the French State's participations agency, as General secretary of Altice at the beginning of 2016, was designed to help progressively smooth out relationships with public authorities.
- **Other risks remain.** Altice is already under investigation by the European Commission on Portugal for a similar issue. There is nothing going on in the US at this time. But the risk exists, in our opinion, that this **decision from the French authority could influence other possible investigations/decisions** by other authorities. In addition, it is now **possible for SFR's competitors in France to sue SFR** for possible prejudice caused by the behavior of SFR. Misconduct cannot be proven any more, but they would have to prove the damage suffered, which is **far from obvious**.

VALUATION

- The direct financial impact of the fine is not significant to SFR and Altice. We stick to our Fair Value of EUR29.7 for SFR with a Neutral recommendation, and to our FairVvalue of EUR19 for Altice, with a Buy recommendation.

NEXT CATALYSTS

- SFR and Altice Q3 results on 10th November, after market close.

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