

Altice

Price EUR16.26

Confirms it is exploring possible IPO of Altice USA**Fair Value EUR19 (+17%)****BUY**

Bloomberg	ATC NA
Reuters	ATCA.AS
12-month High / Low (EUR)	17.4 / 10.0
Market Cap (EURm)	17,793
Avg. 6m daily volume (000)	1 625

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.0%	4.4%	5.5%	22.7%
Telecom	-2.2%	-8.5%	-14.2%	-20.4%
DJ Stoxx 600	4.2%	-0.8%	0.4%	-5.0%

	2015	2016e	2017e	2018e
P/E	NS	NS	33.4x	12.6x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- In a press release, Altice confirmed yesterday it is **exploring the possibility of an IPO of a minority interest in its U.S. operations**, Altice USA. Altice says **no decisions** have been taken at this point on the structure or timing of any IPO, and no assurance can be given that an IPO will be pursued. Also Altice does not communicate on what the structure would be (capital increase, sale of minority stake...), and how proceeds would be used (M&A, deleveraging...).
- Altice USA is the **fastest growing** entity in the group, delivering in Q3 **+3.3%** revenue growth, with revenue growth at Optimum above expectations, and **+28.2%** EBITDA growth. Altice has recently announced a major 5-year FTTH investment plan in the country to bring higher speeds.
- We believe going public could allow the company to **continue expanding by buying mid-sized players** (in France, Numericable went public in 2013 to finance the future acquisition of SFR). Taking Altice USA public could also allow other shareholders, BC Partners Ltd and Canada Pension Plan Investment Board, who own about 30% of Altice USA to **cash out**. We do not believe the interest of the operation would lie in deleveraging, to be achieved through synergies and cost cutting.
- Based on our 2017 estimates, with EBITDA at **EUR3.1bn**, **1/3** of the group's total EBITDA, Altice USA could be valued between **EUR26bn and EUR30bn**, depending on future growth assumptions, with net debt of **EUR18bn** as of end 2016.

VALUATION

- We stick to our fair value of EUR19 with a Buy recommendation.

NEXT CATALYSTS

- Full year 2016 results expected mid-March 2017.

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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