

15th February 2019

## VIVENDI

| Technology  
| Media

## NEUTRAL

Fair Value EUR22.5(0%)  
Share price EUR22.73  
EPS 3Y Cagr 1.9%

## Shareholder returns expected while waiting for UMG's partial sale

## Good 2018 operating performance, driven by UMG and Havas

Vivendi's Q4 sales came in at EUR4.05bn, 2.4% above the consensus, up 5.6% yoy in organic terms, vs Q3 sales up 5.6% in organic terms. The beat was driven mostly by UMG and Havas, while Canal+ was slightly disappointing. Vivendi H2 EBITA came in at EUR746m, 5.3% below consensus, up 24.7% yoy in organic terms, vs +31.6% in H1 (+33% reported included Havas, vs +54% in H1). The shortfall however is mostly explained by one offs at Havas, and corporate costs for litigations (mostly linked to TIM) and restructuring (EUR-32m vs consensus). We point out the group recorded a total depreciation of EUR1.1bn for Telecom Italia (vs EUR512m at the end of H1). No guidance was given for the group in 2019, except for Canal+ (see below).

## Partial sale of UMG is taking time, but higher shareholder returns expected

Vivendi announced the payment of a dividend up 11% yoy, and a share repurchase plan of up to 25% of the group's share capital (through a public share buyback offer) at a maximum price of EUR25 per share. In the meantime, Vivendi said the bank selection for the sale of part of UMG was still underway, as well as vendor due diligence. In addition, Vivendi pointed out a floor price will be set. Together with the share buy-back program and the fixing of a floor price, we believe the process is taking more time than initially expected and could start raising questions as to the appetite of potential bidders. Initially, the sale process was to start "in the fall". Assuming a link between UMG's floor price and the share buyback price threshold, we find UMG's minimum expected valuation to reach cEUR25bn (vs EUR20bn implicitly price in today) according to a reverse sum of the parts approach. Vivendi reiterated the proceeds from the sale should be largely returned to shareholders.

## Vincent Bolloré to step down from the Board

Vincent Bolloré is leaving Vivendi's board, only a few months after stepping down from the chairman seat. Cyrille Bolloré, Vincent's youngest son, deputy CEO of the Bolloré Group, is to replace him as board member. We believe Vincent's influence will remain strong in the group, with Yannick chairing the board and Cyrille joining as a board member, but we believe his departure might help ease pressure on certain public relations related issues in France or Italy.

## Canal+ 2019 guidance downgraded as expected

Canal+ H2 EBITA reached EUR400m, 3.1% above consensus, up 39.5% in organic terms, driven by international growth and efficient cost control. However, as announced Canal+ EBITA before restructuring costs, reaching EUR428m in FY 2018, fell short of the EUR450m initial guidance. As a consequence, the EUR500m guidance for 2020 is downgraded to "better profitability" in 2019 vs 2018.

## Market Data

Bloomberg / Reuters	VIV FP/VIV.PA
Market Cap.	EUR29,691
E.V.	EUR36,095
Free Float	42
Avg. Daily volume (6m)	3,234
12m high / low	23.4 / 20.4
Ytd Perf.	6.8%

EURm	12/17	12/18e	12/19e	12/20e
Sales	12,444	13,598	14,154	14,630
% Change		9.3%	4.1%	3.4%
EBITDA	1,425	1,751	2,020	2,172
% Change		22.8%	15.4%	7.5%
EBIT	987.0	1,332	1,632	1,784
% Change		34.9%	22.6%	9.3%
Net Income	1,345	1,146	1,302	1,418
% Change		-14.8%	13.6%	8.9%
ROE	6.9%	4.38	5.43	5.70

	12/17	12/18e	12/19e	12/20e
EV/Sales	2.9x	2.8x	2.7x	2.7x
EV/EBITDA	25.6x	21.8x	19.3x	18.3x
EV/EBIT	37.0x	28.7x	23.8x	22.3x
EPS	1.04	0.88	1.01	1.10
% change		-15.1%	14.2%	9.1%
P/E	21.9x	25.7x	22.5x	20.7x
Div Yield	1.7%	2.0%	2.0%	2.0%

## Next Catalyst:

## Last rating Change:

Beat on EBITA estimates, partial sale of UMG getting closer

## Last FV Change:

Beat on EBITA estimates, partial sale of UMG getting closer

## Last Reports:

Link to FV change

Thomas Coudry

33(0) 1 70 36 57 04

tcoudry@bryangarnier.com

[Click here to download](#)

#### **UMG posting strong acceleration of streaming over Q4, partially offset by physical**

At UMG, streaming is still accelerating after a strong Q3. However, the acceleration was partially offset by a sharper decline in physical this quarter. Q4 UMG revenues reached EUR1.9bn, 3.3% above the consensus, up 12.3% yoy in organic terms (of which +8.9% in recorded music of which +41.7% in Streaming, and -15.8% in Physical), vs Q3 sales rising 13.5% (of which +16.2% in recorded music of which +38.6% in streaming and -10.1% in Physical) and vs H1 sales rising 6.8% (of which +7.4% in recorded music of which +34.3% in Streaming and -19.1% in Physical). UMG H2 EBITA reached EUR576m, 3.6% above consensus, up 21.3% in organic terms (vs +23.1% in H1). UMG's operational margin growth slightly slowed down to +1.2ppts year on year in H2, vs up 1.7ppts in H1, mostly driven by operational leverage

#### **Canal+ marked by slowdown of all businesses**

Canal+ Q4 revenues reached EUR1344bn, 2.6% below the consensus, down 3.2% yoy in organic terms, vs Q3 down 0.2% yoy and H1 sales up 1.3% yoy. Trends are downward at France TV (down 3.7% yoy vs down 3.7% and 3.1% in Q3 and H1 respectively), StudioCanal (down 14.5% yoy vs down 4.4% and up 17.9% in Q3 and H1 respectively) and international up 3.9% yoy in Q4 vs up 7.8% in first 9 months 2018). As far as pay TV in France is concerned, the loss of customers decelerated in Q4 vs Q3, but Q4 results are behind last year's: in Q4 Canal+ France posted -40k net adds in retail+wholesale customers, vs -56k net adds in Q3 2018, but +59k a year ago. Canal+ H2 EBITA reached EUR400m, 3.1% above consensus, up 39.5% in organic terms, driven by international growth and efficient cost control. Vs guidance TBC. EUR428m excluding restructuring costs vs EUR450m initially guided, and EUR500m for 2020.

#### **Havas accelerating over H2**

Havas Q4 revenues reached a very good EUR693m, 10% above the consensus, up 4.8% yoy, vs H1 net sales down 2.9% and Q3 up 0.3%, driven notably by a good performance in the US. Havas H2 EBITA reached EUR113m, 9% below the consensus, mostly due to heavy restructuring charges over the second semester.

## VIVENDI

### NEUTRAL

<b>Fair Value</b>	EUR22.5(0%)
<b>Share price</b>	EUR22.73
<b>Market Cap.</b>	EUR29,691
<b>EPS 3Y CAGR</b>	1.9%

<b>Simplified Profit &amp; Loss Account (EURm)</b>	2015	2016	2017	2018e	2019e	2020e
Revenues	10,762	10,819	12,444	13,598	14,154	14,630
Change (%)	NM	0.53	15.0	9.3	4.1	3.4
Adjusted EBITDA	2,049	1,148	1,425	1,751	2,020	2,172
EBIT	1,642	724	987	1,332	1,632	1,784
Change (%)	NM	(55.9)	36.3	34.9	22.6	9.3
Financial results	(35.0)	445	(124)	(102)	(89.3)	(80.4)
Pre-Tax profits	1,186	1,332	912	1,142	1,453	1,614
Tax	(441)	(77.0)	349	(335)	(407)	(452)
Minority interests	46.0	19.0	33.0	32.0	30.0	30.0
Net profit	1,978	1,275	1,261	808	1,046	1,162
Restated net profit	743	774	1,345	1,146	1,302	1,418
Change (%)	NM	4.2	73.8	(14.8)	13.6	8.9
<b>Cash Flow Statement (EURm)</b>						
Operating cash flows	240	658	1,690	1,122	1,641	1,819
Change in working capital	(226)	(7.0)	247	(24.7)	128	97.3
Capex, net	4,592	(2,313)	(2,939)	975	(260)	(264)
Dividends	(2,727)	(2,588)	(499)	(568)	(568)	(568)
Net debt	6,422	1,068	(2,340)	(633)	90.5	997
Free Cash flow	(37.0)	383	1,376	767	1,292	1,474
<b>Balance Sheet (EURm)</b>						
Tangible fixed assets	737	671	930	881	793	709
Intangibles assets	12,687	13,466	14,611	14,920	14,800	14,680
Cash & equivalents	8,225	4,072	1,951	3,454	4,207	5,144
current assets	13,333	9,160	9,050	11,505	12,564	13,661
Other assets	8,189	9,068	9,742	7,351	7,381	7,411
Total assets	34,946	32,365	34,333	34,657	35,537	36,461
L & ST Debt	2,938	4,081	4,636	4,524	4,554	4,584
Others liabilities	10,922	8,672	11,819	12,171	12,544	12,843
Shareholders' funds	21,086	19,612	17,878	17,962	18,440	19,034
Total Liabilities	34,946	32,365	34,333	34,657	35,537	36,461
Capital employed	14,664	18,544	20,218	18,595	18,349	18,037
<b>Ratios</b>						
Operating margin	15.3	6.7	7.9	9.8	11.5	12.2
Tax rate	(37.2)	(5.8)	38.3	(29.3)	(28.0)	(28.0)
Net margin	18.4	11.8	10.1	5.9	7.4	7.9
ROE (after tax)	9.3	6.5	7.0	4.4	5.4	5.7
ROCE (after tax)	7.0	3.7	6.7	5.1	6.4	7.1
Gearing	30.5	5.4	(13.1)	(3.5)	0.49	5.2
Pay out ratio	138	203	39.6	70.3	54.3	48.9
Number of shares, diluted	1,362	1,273	1,261	1,261	1,261	1,261
<b>Data per Share (EUR)</b>						
EPS	1.4	0.99	0.97	0.62	0.81	0.90
Restated EPS	0.51	0.59	1.0	0.88	1.0	1.1
% change	NM	15.9	75.3	(15.1)	14.2	9.1
BVPS	15.5	15.4	14.2	14.2	14.6	15.1
Operating cash flows	0.18	0.52	1.3	0.89	1.3	1.4
FCF	(0.03)	0.30	1.1	0.61	1.0	1.2
Net dividend	2.0	2.0	0.40	0.45	0.45	0.45

Source: Company Data; Bryan, Garnier & Co ests.

## Bryan Garnier stock rating system

For the purposes of this Report, the Bryan Garnier stock rating system is defined as follows:

### Stock rating

<b>BUY</b>	Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
<b>NEUTRAL</b>	Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
<b>SELL</b>	Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

### Distribution of stock ratings

BUY ratings 54.5%

NEUTRAL ratings 38.6%

SELL ratings 6.8%

### Research Disclosure Legend

1	Bryan Garnier shareholding in Issuer	Bryan Garnier & Co Limited or another company in its group (together, the “Bryan Garnier Group”) has a shareholding that, individually or combined, exceeds 5% of the paid up and issued share capital of a company that is the subject of this Report (the “Issuer”).	No
2	Issuer shareholding in Bryan Garnier	The Issuer has a shareholding that exceeds 5% of the paid up and issued share capital of one or more members of the Bryan Garnier Group.	No
3	Financial interest	A member of the Bryan Garnier Group holds one or more financial interests in relation to the Issuer which are significant in relation to this report	No
4	Market maker or liquidity provider	A member of the Bryan Garnier Group is a market maker or liquidity provider in the securities of the Issuer or in any related derivatives.	No
5	Lead/co-lead manager	In the past twelve months, a member of the Bryan Garnier Group has been lead manager or co-lead manager of one or more publicly disclosed offers of securities of the Issuer or in any related derivatives.	No
6	Investment banking agreement	A member of the Bryan Garnier Group is or has in the past twelve months been party to an agreement with the Issuer relating to the provision of investment banking services, or has in that period received payment or been promised payment in respect of such services.	No
7	Research agreement	A member of the Bryan Garnier Group is party to an agreement with the Issuer relating to the production of this Report.	No
8	Analyst receipt or purchase of shares in Issuer	The investment analyst or another person involved in the preparation of this Report has received or purchased shares of the Issuer prior to a public offering of those shares.	No
9	Remuneration of analyst	The remuneration of the investment analyst or other persons involved in the preparation of this Report is tied to investment banking transactions performed by the Bryan Garnier Group.	No
10	Corporate finance client	In the past twelve months a member of the Bryan Garnier Group has been remunerated for providing corporate finance services to the issuer or may expect to receive or intend to seek remuneration for corporate finance services from the Issuer in the next six months.	No
11	Analyst has short position	The investment analyst or another person involved in the preparation of this Report has a short position in the securities or derivatives of the Issuer.	No
12	Analyst has long position	The investment analyst or another person involved in the preparation of this Report has a long position in the securities or derivatives of the Issuer.	No
13	Bryan Garnier executive is an officer	A partner, director, officer, employee or agent of the Bryan Garnier Group, or a member of such person’s household, is a partner, director, officer or an employee of, or adviser to, the Issuer or one of its parents or subsidiaries. The name of such person or persons is disclosed above.	No
14	Analyst disclosure	The analyst hereby certifies that neither the views expressed in the research, nor the timing of the publication of the research has been influenced by any knowledge of clients positions and that the views expressed in the report accurately reflect his/her personal views about the investment and issuer to which the report relates and that no part of his/her remuneration was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.	Yes
15	Other disclosures	Other specific disclosures: Report sent to Issuer to verify factual accuracy (with the recommendation/rating, price target/spread and summary of conclusions removed).	No



# BRYAN, GARNIER & CO

London Bryan, Garnier & Co Ltd Beaufort House 15 St. Botolph Street London EC3A 7BB United Kingdom +44 207 332 2500	Paris Bryan, Garnier & Co Ltd 26 Avenue des Champs- Elysées 75008 Paris France +33 1 56 68 75 20	Munich Bryan, Garnier & Co. GmbH Widenmayerstrasse 29 80538 Munich Germany +49 89 2422 62 11	Zurich Bryan, Garnier & Co Theaterstrasse 4 8001 Zurich Switzerland +41 44 991 3300	New York Bryan Garnier Securities 750 Lexington Avenue 16th floor New York, NY 10022 United States +1 212 337 7000
---	--	---	--	--

## IMPORTANT INFORMATION

This document is classified under the FCA Handbook as being investment research (independent research). Bryan, Garnier & Co Limited has in place the measures and arrangements required for investment research as set out in the FCA's Conduct of Business Sourcebook.

This report is prepared by Bryan, Garnier & Co Limited, registered in England Number 03034095 and its MIFID branch registered in France Number 452 605 512. Bryan, Garnier & Co Limited is authorized and regulated by the Financial Conduct Authority (Firm Reference Number 178733) and is a member of the London Stock Exchange. Registered address: Beaufort House 15 St. Botolph Street, London EC3A 7BB, United Kingdom.

This Report is provided for information purposes only and does not constitute an offer, or a solicitation of an offer, to buy or sell relevant securities, including securities mentioned in this Report and options, warrants or rights to or interests in any such securities. This Report is for general circulation to clients of the Firm and as such is not, and should not be construed as, investment advice or a personal recommendation. No account is taken of the investment objectives, financial situation or particular needs of any person.

The information and opinions contained in this Report have been compiled from and are based upon generally available information which the Firm believes to be reliable but the accuracy of which cannot be guaranteed. All components and estimates given are statements of the Firm, or an associated company's, opinion only and no express representation or warranty is given or should be implied from such statements. All opinions expressed in this Report are subject to change without notice. To the fullest extent permitted by law neither the Firm nor any associated company accept any liability whatsoever for any direct or consequential loss arising from the use of this Report. Information may be available to the Firm and/or associated companies which are not reflected in this Report. The Firm or an associated company may have a consulting relationship with a company which is the subject of this Report.

This Report may not be reproduced, distributed or published by you for any purpose except with the Firm's prior written permission. The Firm reserves all rights in relation to this Report.

Past performance information contained in this Report is not an indication of future performance. The information in this report has not been audited or verified by an independent party and should not be seen as an indication of returns which might be received by investors. Similarly, where projections, forecasts, targeted or illustrative returns or related statements or expressions of opinion are given ("Forward Looking Information") they should not be regarded as a guarantee, prediction or definitive statement of fact or probability. Actual events and circumstances are difficult or impossible to predict and will differ from assumptions. A number of factors, in addition to the risk factors stated in this Report, could cause actual results to differ materially from those in any Forward Looking Information.

Disclosures specific to clients in the United Kingdom This Report has not been approved by Bryan, Garnier & Co Limited for the purposes of section 21 of the Financial Services and Markets Act 2000 because it is being distributed in the United Kingdom only to persons who have been classified by Bryan, Garnier & Co Limited as professional clients or eligible counterparties. Any recipient who is not such a person should return the Report to Bryan Garnier & Co Limited immediately and should not rely on it for any purposes whatsoever.

This Report is based on information obtained from sources that Bryan, Garnier & Co Limited believes to be reliable and, to the best of its knowledge, contains no misleading, untrue or false statements but which it has not independently verified. Neither Bryan, Garnier & Co Limited and/or Bryan Garnier Securities LLC make no guarantee, representation or warranty as to its

accuracy or completeness. Expressions of opinion herein are subject to change without notice. This Report is not an offer to buy or sell any security.

Bryan Garnier Securities, LLC and/or its affiliate, Bryan Garnier & Co Limited may own more than 1% of the securities of the company(ies) which is (are) the subject matter of this Report, may act as a market maker in the securities of the company(ies) discussed herein, may manage or co-manage a public offering of securities for the subject company(ies), may sell such securities to or buy them from customers on a principal basis and may also perform or seek to perform investment banking services for the company(ies).

Bryan Garnier Securities, LLC and/or Bryan, Garnier & Co Limited are unaware of any actual, material conflict of interest of the research analyst who prepared this Report and are also not aware that the research analyst knew or had reason to know of any actual, material conflict of interest at the time this Report is distributed or made available.

### Notice to US investors

This research report (the "Report") was prepared by Bryan Garnier & Co Limited for information purposes only. The Report is intended for distribution in the United States to "Major US Institutional Investors" as defined in SEC Rule 15a-6 and may not be furnished to any other person in the United States. Each Major US Institutional Investor which receives a copy of this Report by its acceptance hereof represents and agrees that it shall not distribute or provide this Report to any other person. Any US person that desires to effect transactions in any security discussed in this Report should call or write to our US affiliated broker, Bryan Garnier Securities, LLC, 750 Lexington Avenue, New York NY 10022. Telephone: 1-212-337-7000.