

Numericable - Hold

Numericable releases OK results for 2013

This is a case recommendation. The company will be included in our re-search universe as long as it holds price potential justifying a BUY recommendation. Basically we shall discontinue our coverage of the company if our recommendation changes to SELL.

This is a complex product



Numericable shows stable development in its business and subscriptions are up by 5%. Guidance is maintained. The financial leverage fell to 4.1x.

French Numericable today released its 2013 results which showed sales growth of 0.9%, corresponding to EUR 1.314m. The growth was driven by a 5% increase in retail clients and a 2.7% increase of ARPU to EUR 41.9. Sale to B2B and wholesale dropped back slightly.

EBITDA for the year came to EUR 616m, with an EBITDA margin of 46.9% contributing to lower leverage (down at 4.1x)

CAPEX was up 12% and Numericable now provides fibre broadband to 5.2m homes. There is an ambitious strategy to extend the network to 8.5m by end-2016; consequently, 7-800,000 homes are expected to be added in 2014.

Moreover, interest costs are expected to be reduced by EUR 40m in 2014 as a result of the debt reduction in November 2013 following the IPO of Numericable. This will boost the cash flow of Numericable and improve credit metrics.

Guidance is still for annualised sales growth of 2-5% until 2016, an adjusted EBITDA margin close to 50% at the end of 2016 and leverage in the range of 3.5-4.0x.

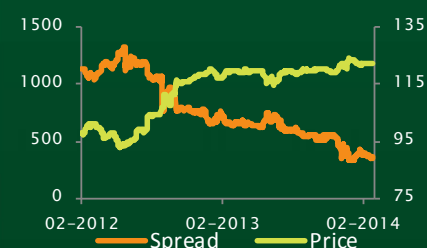
Numericable maintains its offer for Vivendi's SFR division, where a possible acquisition will increase the possibilities of sale of 4play and contribute considerable synergies.

We consider the results approved and reiterate our HOLD recommendation.

Recommendation:

HOLD: EUR 12.375% 2019-
XS0615235610

€000	2011R	2012R	2013E
Revenue	1,306,856	1,302,425	1,316,752
EBITDA	563,229	590,769	600,439
Adj. Leverage	5.4x	5.1x	5.0x

€12.375% 2019


Source: Jyske Bank & Bloomberg

Jyske Markets
Vestergade 8 -16
DK - 8600 Silkeborg

Analyst:

Rasmus Justesen
Senior Corporate Bond Analyst
+45 89 89 76 86
rasmus.justesen@jyskebank.dk

This is an investment research report.

Disclaimer:

Please see the last pages.

Issue	Rec.	Risk	Price	Yield	Bid Spread	Bid Spread Target	Bid Price target	Exp. 12M Return	Rating*
EUR 12.375% 2019	HOLD	Medium	122.75	3.6%	347	364	113.57	3.4%	B+

Note: When on strong buy, buy or hold the offer price/yield is shown. When on sell the bid price/yield is shown.

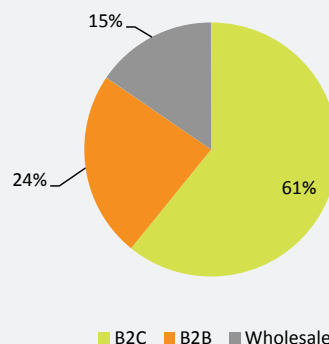
*Composite rating. Source: Bloomberg.

Overview

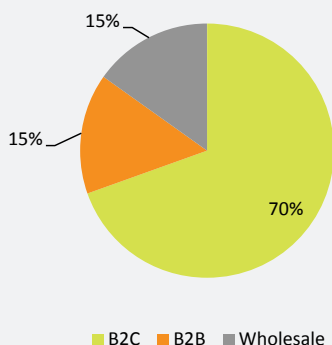
Company profile

Numericable is the only cable operator in France and has one of the most technologically advanced fibre networks in Europe. The network covers 35% of French households, primarily in the most densely built-up areas. The company mainly provides cable TV as single subscription and package solutions that combine cable TV, internet, fixedline and mobile telephony targeting the private sector and small enterprises, and it has also different arrangements with other telecoms companies.

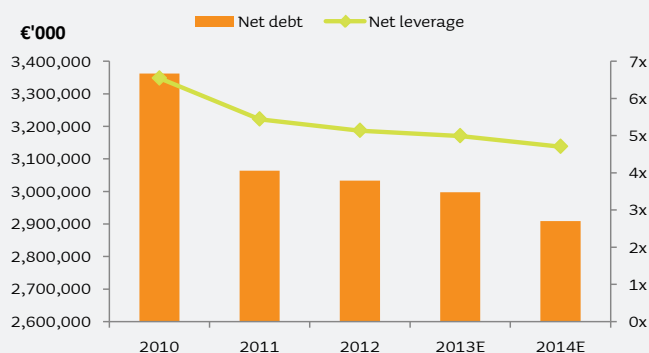
Revenue by segment



Earnings by segment (EBITDA) 1H'13



Net debt and net leverage



Covenants

- Under one of its Senior Facilities Agreement, dividend payments are allowed up to the amount of retained excess cash flow plus cash on hand, as long as the leverage of the company is above 3.5x.
- Under its Notes documentation, Numericable is limited to 50% of net income (subject to leverage <4.75x). Once leverage is <3.5x, NC may alternatively pay annual dividends as per the higher of i) 6% of net primary proceeds, or ii) 5% of market capitalization.

Recommendation

We recommend our investors to hold Numcab EUR 12.375% 2019, as we observe the following: 1) Rising demand for the company's products, due to infrastructure advantage. 2) The company's management has focus on debt reduction, where the financial leverage should be reduced to 4.0x during the coming years. The target leverage is between 3.5x-4.0x. 3) We expect a positive rating pressure from both Moody's and S&P over the coming 12 months. 4) S&P notice a recovery on 50%-70%.

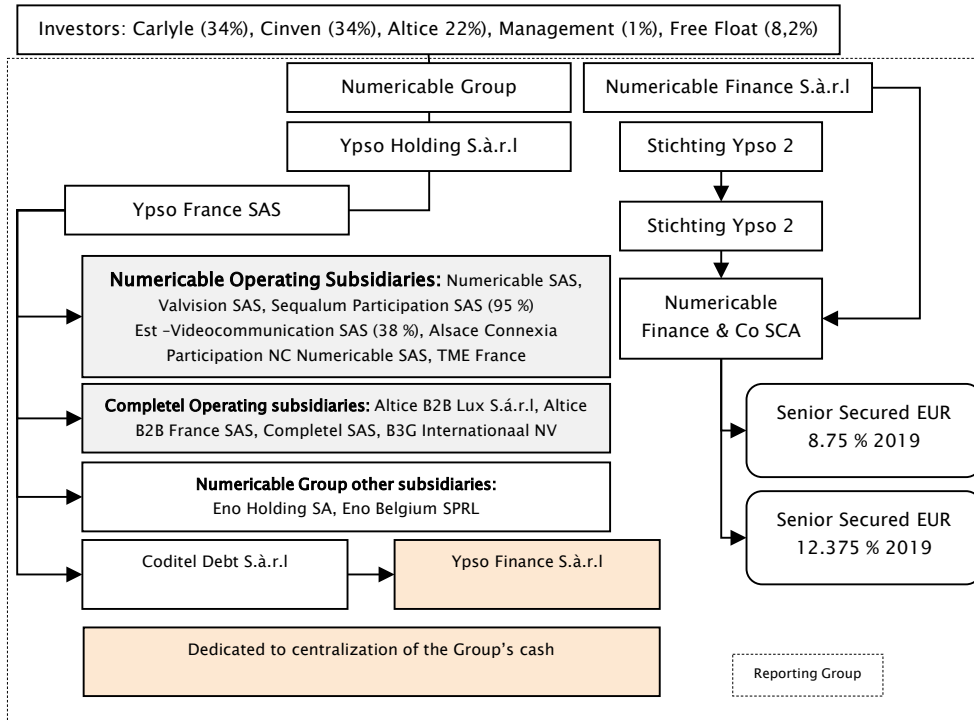
Strengths & Opportunities

- High quality network infrastructure.
- The sole cable operator in France and the market leader for high-speed broadband with a market share of 70%.. Good position to meet growing high speed demand.
- Potential merger with SFR could lead to substantial synergies
- TV offering a key advantage – La Box + Content

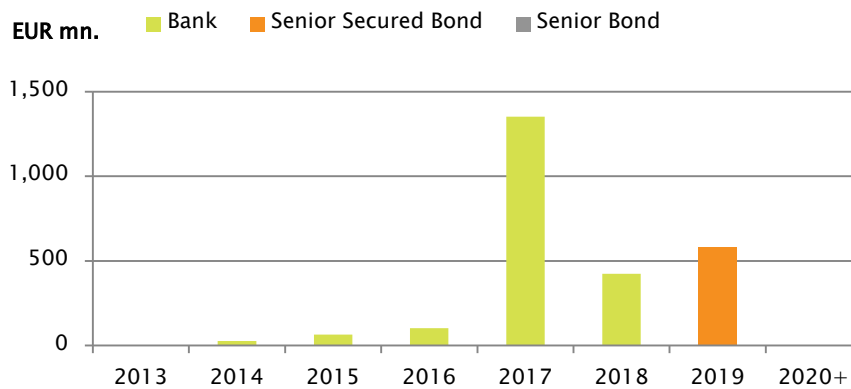
Weaknesses & Threats

- Keener competition from large players in the French market.
- General economic slowdown in France.
- Falling disposable income in France.

Company structure



Maturity profile



Capitalisation Pro Forma Q3'13 (EUR mn)						
	Coupon	Maturity	Facility Size	Outstanding Amount	Rep. Net Leverage	Adj. Net. Leverage
Cash				50		
Term loan A2, B1, B2, B3, C1, C2, C3, C4, Completel Loan				2170		
RCF			65			
Altice B2B RCF			24			
Net bank debt				2120		
EUR SSN 12.375 % 2019	12.375 %	2019		234		
EUR SSN 8.75 % 2019	8.75 %	2019		146		
Total Senior Secured Bond and Bank debt			89	2550		
Net Senior Secured Bond and Bank debt			178	2500	4.2x	4.0x
Other debt				41		
Net Bond and Bank debt				2541	4.3x	
Leasing				155		
Adjusted Net Bond and Bank debt				2696		
LTM EBITDA	597					
Justeret EBITDA	623					

ISIN	XS0615235610
Bond	€ 12.375% 2019
Issuer	Numericable Finance & Co. S.C.A.
Rating (S&P/Moody's)	B1 / B+
Equity Clawback	Has been exercised
Call	On a number of occasions, the issuer may redeem all or part of notes. On or after 15.02.2016 at 106.188; 15.02.2017 at 103.094; 15.02.2018 at 100
Make Whole	Before 15.02.2016 + 50 bp.
Redemption for Changes in Taxes	Yes
Change of Control	Yes. If the current owners of Ypso France and Numericable Finance & Co. no longer are the majority shareholders in either company, the bondholders can redeem their bonds at 101.
Restricted Payments	The issuer and Ypso France cannot pay dividends or repay junior debt as long as the leverage of the company is above 3.5x.
Limit of Indebtedness	Ypso France and its subsidiaries cannot issue additional debt and preferred stock before February 2013, unless the leverage falls below 5.25x, and after this date only if the leverage is below 4.25x.
Restrictions on Sale of Assets	Sale of assets is only permitted at the market price of these assets, and if 75% are paid in cash. The proceeds from such a sale shall be used to either redeem bonds at 100, pay back debt or purchase similar assets.
Covenants	
Security	Issue is secured on all material assets of Ypso France and its subsidiaries, with the exception of the network assets.

Disclaimer & Disclosure

Jyske Bank is supervised by the Danish Financial Supervisory Authority.

The research report is based on information which Jyske Bank finds reliable, but Jyske Bank does not assume any responsibility for the correctness of the material nor any liability for transactions made on the basis of the information or the estimates of the report. The estimates and recommendations of the research report may be changed without notice. The report is for the personal use of Jyske Bank's customers and may not be copied. This report is an investment research report.

Conflicts of interest

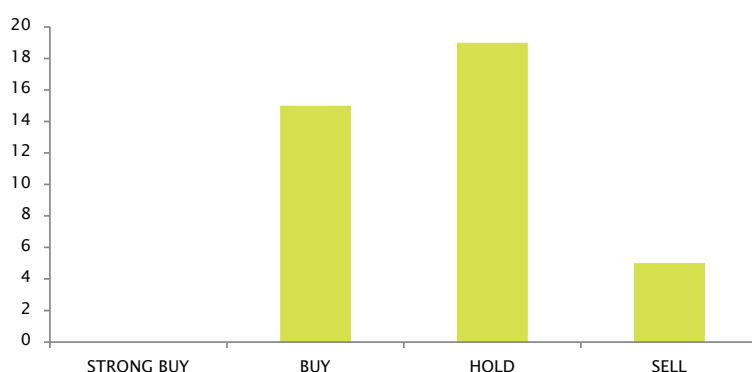
Jyske Bank has prepared procedures to prevent and preclude conflicts of interest thus ensuring that research reports are being prepared in an objective manner. These procedures have been incorporated in the business procedures covering the research activities of Jyske Markets, a business unit of Jyske Bank.

Jyske Bank's corporate-bond analysts may not hold positions in the instruments for which they prepare research reports. If an analyst takes over for the responsible analyst in connection with illness, business travels, etc. this analyst cannot trade in the relevant corporate bond on the day of publication of the research report and the following day. Jyske Bank may, however, hold positions, have interests in or business relations with the companies that are analysed. The research report has not been presented to the company prior to its release. Analysts receive no payment from persons interested in individual research reports.

Read more about Jyske bank's policy on conflicts of interest at www.jyskebank.dk/terms.

Jyske Bank's corporate bond recommendations - current breakdown

Breakdown of recommendations, corporate bonds (number)



Source: Jyske Bank

Financial models

Jyske Bank models the expected development of the analysed company's income statement and balance sheet. A number of key figures for the company is calculated on the basis of these models, and the key figures are compared with those of comparable companies and the company's past performance. From this we infer the spread at which the bonds will trade for the period ahead. The recommendation and the price target are moreover adjusted for the expected news flow and the market sentiment based on knowledge of the industry and company-specific circumstances. Jyske Bank's recommendations take into account the expected development in the corporate-bond market, the various sectors and company-specific circumstances.

Risk

Investment in this corporate bond is associated with risk. The risk can be measured directly via the spread at which the bond trades relative to a 'risk free' investment with the same maturity. The spread reflects the probability of default, the recovery rate, and the liquidity of the corporate bond. Movements in the credit market, the sector and/or news flows, etc. regarding the company may affect the price of the bond. See the front page of the research report for our view of the risk associated with the corporate bond. The risk on the corporate bond is stated as Very Low, Low, Medium, High or Very High and is relative to the high-yield market for corporate bonds. The risk factors stated and/or calculations of sensitivities in the research report are not to be considered all-encompassing.

If the corporate bond is denominated in a currency other than the investor's base currency, the investor accepts an FX risk.

Update of the research report

The planned update of the report will be prepared immediately upon the release of the company's financial statements. In addition, there may be prepared research reports on special themes specifically for the company or research reports where the company is part of the special theme. These research reports are published on an ad-hoc basis.

See the front page for the initial date of publication of the report.

The prices stated are the latest prices quoted by Jyske Bank before the publication of the research report, unless otherwise stated.

Recommendation concepts

Our recommendations are based on market developments and an assessment of the expected return within the next twelve months. A BUY recommendation or a Strong BUY recommendation is based on expectations that investment in the bond will generate a return above that of the general corporate-bond market. On the other hand, a SELL recommendation implies that we expect investment in the bond to generate a return below that of the general corporate-bond market.

Since our recommendations are relative and risk-adjusted, it is possible to compare our recommendations across sectors and risk categories. In addition, the potential is stated in absolute terms via our return target.

The future and historical returns estimated in the research report are stated as returns before costs and tax-related circumstances since returns after costs and tax-related circumstances depend on a number of factors relating to individual customer relations, custodian charges, volume of trade as well as market-, currency- and product-specific factors. It is not certain that the bond will yield the stated expected future return/s. The stated expected future returns exclusively express our best assessment.

Investment Centre North

Toldbod Plads 1
DK - 9000 Aalborg
Tlf: 89 89 30 23

Investment Centre MidWest

St. Torv 1
DK - 7500 Holstebro
Tlf: 89 89 06 60

Investment Centre SouthWest

Torvet 21
DK - 6700 Esbjerg
Tlf: 89 89 98 31

Investment Centre East Jutland

Østergade 4
DK - 8000 Århus C
Tlf: 89 89 96 55

Investment Centre Triangle Region

Hjulgagervej 8 F
DK - 7100 Vejle
Tlf: 89 89 80 75

Jyske Bank (Schweiz) AG

Tel. +41 44 368 7373

Berben's Effectenkantoor B.V.

Tel. +31 (0)495 456000

PBC Hamburg

Tel. +49 40 309 510 24

Investment Centre Copenhagen

Vesterbrogade 9
DK - 1780 København V
Tlf: 89 89 10 49

Investment Centre Zealand

Nørregade 6
DK - 4100 Ringsted
Tlf: 89 89 10 45

Investment Centre Funen

Mageløs 8
DK - 5100 Odense C
Tlf: 89 89 93 40

Investment Centre Silkeborg

Vestergade 8-10
DK - 8600 Silkeborg
Tlf: 89 89 86 66

Jyske Bank (France)

Tel. +33 493 39 39 00

Jyske Bank (Gibraltar) Ltd

Tel. +350 20072782

Private Banking Copenhagen (PBC)

Tel. +45 89 89 62 32