

# Numericable-SFR SA NUM (XPAR) | ★★★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
32.56 EUR	46.00 EUR	27.60 EUR	71.30 EUR	High	Narrow	Stable	Standard	Communication Services

Numericable-SFR's integration is going faster than we expected, with margins growing rapidly.

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The primary analyst covering this company does not own its stock.

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Currency amounts expressed with "\$" are in U.S. dollars (USD) unless otherwise denoted.

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## Investment Thesis 12 May 2015

Numericable-SFR is the largest cable television provider in France. With the acquisition of SFR, the second-largest telecom firm in the country, it becomes a strong competitor. Numericable has the most extensive fibre network in France, with 6.7 million homes passed, and its total network passes over 10 million homes. In this area, we think the firm is a very strong competitor with the fastest broadband speeds. While SFR had been slow to build out its LTE network because of the pending merger, now that the merger is complete, Numericable is quickly ramping up and plans to reach 70% coverage by the end of 2015. This will partially be accomplished through a network sharing agreement with Bouygues Telecom that will allow Numericable to use Bouygues' network and reduce the cost of building out its own network.

Numericable's cable TV network covers only about 35% of the population, which leaves SFR on its own in almost two thirds of the country. Combined, however, the firm will move ahead of Iliad to become the second-largest broadband provider in the country, with over 25% market share. Thus, even in areas without Numericable's presence, SFR is doing a decent job of selling broadband and fixed-line services. Increasingly, the firm is cross-selling quad-play services of fixed and wireless telephony, broadband, and pay television services. In fact, about 53% of SFR's fixed-line subscribers now take all four services. We think the merger increases the combined company's ability to cross-sell quad-play services and this movement to converged services will provide a tailwind of growth for the company.

We also expect the combined firm to be able to improve margins as it reduces its cost structure. In-country mergers are almost always accretive, and we anticipate that many functions between the two companies will be combined. Additionally, Numericable's purchase of Virgin Mobile France has closed. Longer term, there is the potential to benefit from additional consolidation in France. Numericable's parent, Altice, has stated its interest in acquiring Bouygues Telecom. Such a merger would create significant synergies, but might overstretch the balance sheet.

## Vital Statistics

Market Cap (EUR Mil)	8,530
52-Week High (EUR)	60.01
52-Week Low (EUR)	33.15
52-Week Total Return %	10.0
YTD Total Return %	-8.3
Last Fiscal Year End	31 Dec 2014
5-Yr Forward Revenue CAGR %	39.2
5-Yr Forward EPS CAGR %	—
Price/Fair Value	0.72

## Valuation Summary and Forecasts

	Fiscal Year:	2013	2014	2015(E)	2016(E)
Price/Earnings		47.1	NM	32.4	20.1
EV/EBITDA		—	—	0.0	0.0
EV/EBIT		—	—	0.0	0.0
Free Cash Flow Yield %		—	—	2,725.9	7,730.2
Dividend Yield %		—	—	NM	—

## Financial Summary and Forecasts (EUR Mil)

	Fiscal Year:	2013	2014	2015(E)	2016(E)
Revenue		1,314,242	2,170,000	11,001,410	10,945,456
Revenue YoY %		0.9	65.1	407.0	-0.5
EBIT		256,046	108,000	1,672,214	2,013,964
EBIT YoY %		-14.8	-57.8	NM	20.4
Net Income, Adjusted		64,706	-176,000	536,651	821,389
Net Income YoY %		-25.1	-372.0	-404.9	53.1
Diluted EPS		0.56	-0.97	1.16	1.87
Diluted EPS YoY %		-26.1	-273.2	-219.3	61.6
Free Cash Flow		-141,837	-12,700,706	1,267,761	1,650,600
Free Cash Flow YoY %		-152.9	NM	-110.0	30.2

Historical/forecast data sources are Morningstar Estimates and may reflect adjustments.

## Profile

The combined Numericable-SFR is the largest cable television operator in France, with a network passing over 10 million homes, or 35% of the population. By adding SFR, Numericable becomes the second-largest wireless telephone company in the country, with about 22.5 million customers, or about 27% market share. The combined company is also the second-largest broadband company, with 6.5 million customers, or more than 25% market share in France.

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### Morningstar Analysis

#### Valuation, Growth and Profitability 18 Dec 2015

We are lowering our fair value estimate to EUR 46 per share from EUR 52. On 18 Dec. 2015, Numericable-SFR went ex-dividend for a special dividend of EUR 5.70 per share. We are reducing our fair value estimate for this distribution. Otherwise, we are leaving our projections unchanged for now. Numericable went public near the end of 2013 and acquired SFR on Nov. 27, 2014. The firm consolidated SFR for just over one month in 2014, so we anticipate a very large revenue increase in 2015 due to SFR being much larger than the old Numericable. While we expected the firm would be able to cut costs, as in-country mergers are almost always accretive, we have been extremely impressed by the speed and amount of cost savings already achieved. However, in the third quarter the firm focused a bit more on subscriber growth and slowed the margin push. As such, we've slightly reduced our margin assumption to 33.7% from 34% for 2015 and to 44% for 2019. This is still below management's medium-term objective, but we expect competition will prevent the company from keeping that much of its cost savings and think it will need to use some of the savings for increased marketing and retention efforts. Cost-cutting is generated from eliminating duplicate facilities and moving much of SFR's backhaul to Numericable's network. We anticipate substantial wireless subscriber losses in 2015. Longer term, we project growth in its subscriber bases, particularly its broadband base due to its extensive fibre network. We think this growth will primarily be driven by cross-selling each other's services and moving its customers to quad play. We also expect the merger and cost-cutting will drive a large improvement in the firm's return on invested capital.

#### Scenario Analysis

In our bull-case scenario, our fair value estimate increases to EUR 69 per share. In this scenario, Numericable-SFR is much more successful in cross-selling services and moving subscribers to quad play. Additionally, France's economy improves and the price wars end. The firm is also more

successful in cutting costs and finding synergies, enabling its EBITDA margin to beat management's medium-term objective of 45% in 2018 and hit 47% in 2019.

In our bear-case scenario, our fair value estimate drops to EUR 19 per share. In this case, France's economy weakens further and the telecom price wars take another turn for the worse. Additionally, the integration fails to drive Numericable's customers to quad play, stopping revenue growth, and the firm struggles to gain many synergies, preventing margins from increasing as much as in our base case.

#### Economic Moat

We think Numericable-SFR has a narrow economic moat based on scale advantages. The firm controls almost the entire cable television system in France, though it is only the third-largest pay television provider in the country. Similar to the United Kingdom, the main satellite provider--in this case CanalSat--has a significantly larger television subscriber base than the cable operator. In France, the incumbent telephone operator, Orange, also has more television customers than Numericable, though there is some question as to how many of Orange's television customers actually pay for the service rather than have it thrown in as a perk of a larger telephone package. The big difference is that Numericable's network covers only 35% of the French population versus CanalSat and Orange's universal coverage.

That said, with Numericable's acquisition of SFR, the second-largest telephone company in the country, the company is well positioned for the movement to converged services and selling of quad-play packages of fixed and wireless telephony, broadband, and pay television. Numericable now has about 2.6 million quad-play customers. Expanding this business will be a major focus of the combined firm. One of its unique aspects is that Numericable's system has significantly more fibre in its

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network than Orange, which has the second most. Numericable-SFR currently passes 6.2 million homes, while Orange passes 3.3 million. Numericable is rapidly expanding its fibre network and expects to pass 12 million homes by the end of 2017 and 15 million by 2020. Fibre allows faster broadband speeds, which is becoming increasingly important. Generally, we prefer cable operators over phone companies because of their more extensive fibre networks and the ease of upgrading the network. Even where cable systems don't have fibre all the way to the home, the use of coaxial cable and Docsis 3.0 allows these firms to offer broadband speeds in excess of 100 Mb/second. The importance of quad-play customers is demonstrated through churn rates, which are roughly 10% for quad-play subscribers versus 15% for broadband customers alone and 25% for wireless customers alone. Increasing its quad-play base should allow the firm to reduce its subscriber acquisition and retention costs, which should enable a nice boost to margins over time. Only Numericable and Orange are building significant amounts of fibre, which should help distinguish their services from Bouygues Telecom and Iliad and boost their quad-play services.

## Moat Trend

We have upgraded our moat trend for Numericable-SFR to stable from negative. The firm's largest asset by far is SFR. While SFR's larger size has helped it deal better with Iliad's aggressive entrance than Bouygues Telecom, it has still struggled. Since Iliad's entrance, France has become one of the most competitive telecom markets in the world. However, the company has been much faster and more successful at cutting costs than we anticipated. Its EBITDA margin in 2015's first quarter increased to 31.8% from 26.5% for the 2014 year on a pro forma basis and the firm raised its medium-term target to 45%. We think the 45% is aggressive, but we have increased our projected EBITDA margins to 42% by 2019. Meanwhile, wireless pricing has stabilized in France and almost Numericable's entire wireless contract customers have transitioned to the new lower-priced plans.

On the fixed-line side, its fibre-based cable network passes significantly more homes than the telecom operators. However, its network covers only 35% of the population, and its fibre network is only about 74% of its total footprint. This means that for about two thirds of the country, the firm will rely just on SFR's network, which leaves it subject to price competition similar to where it was under Vivendi's ownership. That said, we think Numericable-SFR's fibre position, successful cost-cutting, and the stabilized pricing environment in the French wireless market make the moat trend stable.

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### Bulls Say/Bears Say

#### Bulls Say

- ▶ Numericable is the largest cable television operator in France, with the most extensive fibre network.
- ▶ By acquiring SFR, Numericable has become the second-largest wireless telephone network and second-largest fixed-broadband network.
- ▶ The combined company is well positioned as the French market moves toward the convergence of fixed and wireless telephony, broadband, and pay television.

#### Bears Say

- ▶ Numericable-SFR has a leveraged balance sheet that it could struggle to pay off.
- ▶ France has a very competitive telecom business, with some of the lowest wireless and broadband rates in the world.
- ▶ The company is controlled by Altice, whose objectives may not be aligned with minority shareholders.

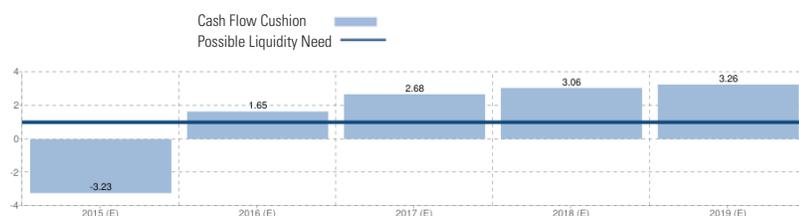
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## Five Year Adjusted Cash Flow Forecast (EUR Mil)

	2015(E)	2016(E)	2017(E)	2018(E)	2019(E)
Cash and Equivalents (beginning of period)	546,000	61,995	721,415	660,345	362,039
Adjusted Available Cash Flow	-3,447,215	1,525,708	1,710,341	1,861,729	2,058,959
Total Cash Available before Debt Service	-2,901,215	1,587,703	2,431,756	2,522,073	2,420,998
Principal Payments	64,249	—	—	—	—
Interest Payments	-962,500	-962,500	-907,500	-825,000	-742,500
Other Cash Obligations and Commitments	-42	-42	-42	-42	-42
Total Cash Obligations and Commitments	-898,293	-962,542	-907,542	-825,042	-742,542

## Cumulative Annual Cash Flow Cushion



## Adjusted Cash Flow Summary

	EUR Millions	% of Commitments
Beginning Cash Balance	546,000	12.6
Sum of 5-Year Adjusted Free Cash Flow	3,709,521	85.6
Sum of Cash and 5-Year Cash Generation	4,255,521	98.1
Revolver Availability	300	0.0
Asset Adjusted Borrowings (Repayment)	-64,249	-1.5
Sum of Cash, 5-Year Cash Generation, Revolver and Adjustments	4,191,572	96.7
Sum of 5-Year Cash Commitments	-4,335,959	—

## Financial Health

Numericable-SFR has a leveraged balance sheet at about 3.3 times debt/pro forma EBITDA. While this is lower than the 5 times at many cable firms, it is well above the average of about 2 times for other European telecom companies. Additionally, the cable firms that have higher debt/EBITDA ratios are generating significantly more of their revenue from pay television, which has historically been stickier and higher priced than telephone services. However, in this case, the SFR telecom side totally dominates the firm's total revenue. Telecom revenue in France has been under pressure since Iliad entered the wireless market at the beginning of 2012. This has hurt not only revenue but margins and churn rates as well. As such, we think the higher leverage rate is riskier for Numericable-SFR than for other cable television companies, such as Liberty Global. That said, the company is doing a better job than we anticipated at generating free cash flow and using it to pay down debt.

## Enterprise Risk

France is one of the most competitive telecom markets in the world because of Iliad's aggressiveness. Numericable has taken on lots of debt to finance its purchase of SFR. If the combined company struggles to integrate or prices in France fall further, the company could struggle to pay off its debt. This could be exacerbated by additional acquisitions that would push its debt levels even higher.

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## Management & Ownership

### Management Activity

Name	Position	Shares Held	Report Date*	Insider Activity
NA	NA	NA	NA	NA

\*Represents the date on which the owner's name, position, and common shares held were reported by the holder or issuer.

### Fund Ownership

Top Owners	% of Shares Held	% of Fund Assets	Change (k)	Portfolio Date
VA CollegeAmerica EuroPacific Growth	6.05	0.55	-1,407	30 Sep 2015
Hansard EU Carmignac Patrimoine	2.14	0.85	—	31 Mar 2015
Thornburg Investment Income Builder Fund	1.87	1.04	4,265	31 Oct 2015
Hansard EU Carmignac Investissement	1.31	2.09	—	31 Mar 2015
Thornburg Global Opportunities Fund	1.12	4.74	—	31 Oct 2015
Concentrated Holders				
Thornburg Global Equity Fund	0.11	5.58	—	31 Oct 2015
Thornburg Global Opportunities Fund	1.12	4.74	—	31 Oct 2015
CPR Middle-Cap France	0.06	4.68	47	31 Jul 2015
Putnam Global Telecommunication Fund	0.01	4.43	10	30 Sep 2015
Thornburg Global Opportunities Fd	0.01	4.31	—	31 Oct 2015

### Institutional Transactions

Top 5 Buyers	% of Shares Held	% of Fund Assets	Shares Bought/Sold (k)	Portfolio Date
Thornburg Investment Management Inc	3.11	1.51	4,265	31 Oct 2015
Massachusetts Financial Services Co	0.07	0.10	148	31 Oct 2015
Lyxor International Asset Management	0.07	1.17	135	30 Nov 2015
CM-CIC Asset Management	0.05	0.73	104	30 Nov 2015
Natixis Asset Management	0.07	0.22	104	31 Dec 2014
Top 5 Sellers				
Capital Research and Management Company	7.25	0.57	-1,407	30 Sep 2015
Legal and General	0.22	0.04	-76	30 Sep 2015
UBS Global Asset Management (UK) Ltd	—	0.10	-30	15 Dec 2015
Carmignac Gestion	3.54	1.10	-29	31 Mar 2015
AMP Capital Investors Limited	0.02	0.03	-18	30 Sep 2015

### Management 01 Jan 0001

After Altice and Numericable-SFR recently bought back the rest of Vivendi's stake in Numericable-SFR, Numericable-SFR is 78% owned by Altice. At some point Altice may decide to buy in the rest of Numericable-SFR, which could keep its stock price above what we believe is its intrinsic fair value. This company is controlled by Altice, particularly its controlling shareholder, billionaire Patrick Drahi. On Aug. 31, 2015, the company announced it would separate the chairman and CEO positions. Eric Denoyer remains as CEO. He was previously the general manager of Completel, Numericable's predecessor's wholesale division. The new chairman, Michel Combes, has significant telecom experience. He recently resigned as CEO of Alcatel-Lucent after selling the business to Nokia Networks. Before that, he held various senior management positions at Vodafone, TDF, and France Telecom. Five of Numericable's eight directors, including the CEO, are appointed by Altice. One of those directors is Dexter Goei, chairman and CEO of Altice. Thierry Lemaitre is CFO and previously held similar roles at several other companies. Altice has been on an acquisition tear recently and has been willing to pay top valuations for its purchases. While most have made strategic sense, we are concerned that the company is more interested in gaining global scale than worrying about valuation or the amount of debt it takes on.

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### Analyst Notes

#### **Altice Grabs French Premier League Rights From Vivendi; Numericable-SFR Subsidiary Should Benefit** Nov 2015

On Nov. 26, Altice announced that it had acquired exclusive rights to the English Premier League in France and Monaco for the three seasons starting next August. This will make the most-watched football league available to all fixed-line and wireless customers of Altice's French subsidiary, Numericable-SFR, rather than to subscribers to Vivendi's Canal+ pay TV service. For now, we retain our fair value estimates and narrow moat ratings for both companies, but we believe the risk to our fair value estimate for Vivendi is to the downside.

We have seen Altice splash out significant cash for acquisitions, including SFR, Portugal Telecom, Suddenlink and Cablevision, but this is the first time we've seen a significant purchase of exclusive content. This could be a precursor to additional content acquisitions. Numericable-SFR has succeeded in reducing costs since the merger, but has continued to lose subscribers. Unique content, such as the Premier League, may be just the ticket to turn those subscriber losses around. While the EUR 100 million (\$106 million) price per season is a significant increase from the EUR 65 million per season that Vivendi is currently paying, we think this is a better use of its cash than the high prices it paid for Suddenlink and Cablevision.

In our opinion, Vivendi has been caught flatfooted. Canal+ has touted its exclusive content as the reason to charge high prices for its pay TV service. While it still has the French Ligue 1 championship, which is probably more important in France, we think the loss of the Premier League is still a major blow. This is particularly true since the company is sitting on a pile of cash (EUR 6.7 billion net of debt at the end of the third quarter), which it is supposed to be using for media acquisitions; instead, this money is being wasted on buying shares of Telecom Italia, a phone company that

we view as overvalued and that has historically been poorly run. We think Numericable-SFR's shares are undervalued.

#### **French 700 MHz Spectrum Auction Ends With Orange Acquiring Two Blocks and Bouygues and SFR One Each** 18 Nov 2015

Late on Nov. 17, ARCEP, the French telecom regulator, released the results of the French 700 MHz spectrum auction. Unlike recent spectrum auctions in the United States and Poland that went on for months and ended with very high prices paid, the French auction ended after 11 rounds, with each block of 5 MHz being sold for EUR 466 million (\$498 million). Orange and Iliad each acquired two blocks, while Numericable-SFR and Bouygues each gained one block. We are pleased with the results and that bidding was disciplined, and we will not be changing any of our fair value estimates or moat ratings.

With Orange having the most subscribers, we think the firm needed to gain two blocks in order to maintain its superior network. It is now the only operator in France to possess 30 MHz in the sub-1000 MHz spectrum, which has superior propagation properties. The result also improves Iliad's weaker spectrum position, but adds debt to its balance sheet. In our view, the firm needed to increase its capital expenditures in order to improve the quality of its network, or it would be at risk of losing customers. We believe Iliad is realising this as well, and additional capital expenditures will continue to squeeze the firm's ability to increase its free cash flow.

The auction could lead to SFR returning for another go at Bouygues Telecom. Bouygues provided several reasons for rejecting SFR's previous offer, but we think the one legitimate reason was the risk of not obtaining any spectrum in this auction, and then having the deal rejected by the regulators. However, with the harder line on mergers that

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Margrethe Vestager, the EU competition commissioner, has taken, we think SFR will await the rulings of the pending mergers in the United Kingdom and Italy. If these are approved, we wouldn't be surprised to see SFR make a new offer, though the pullback in its stock price may prevent that. That said, with the pullback, we think Numericable-SFR's shares are undervalued.

#### **Numericable-SFR Reported In-Line Third-Quarter Results; Shares Undervalued** 28 Oct 2015

Numericable-SFR reported third-quarter results that were generally in line with our expectations, and we are maintaining our fair value estimate and narrow moat rating. The firm's revenue declined 3.5% year over year on a pro forma basis, assuming that SFR was acquired at the end of 2013. This result is in line with our projection of EUR 11 billion for 2015, a 407% full-year increase from actual reported 2014 results. While the company's revenue continues to decline year over year, we view it as important that it grew slightly on a sequential basis. We think this demonstrates that the worst is over.

The firm is behind Orange in rolling out its 4G network and marketing converged products, but is pushing into this area more and more, given its strong fibre network, which was created by its cable TV operation. Over time, we think Orange and Numericable-SFR are best positioned for convergence in France, which is why we assign these two companies a narrow moat rating. Numericable-SFR also demonstrated successful improvement in its average revenue per user in both its wireless and its fixed-line operations, stemming from its focus on wealthier customers who are willing to pay up for increased network quality.

However, the most impressive result from the firm continues to be its cost-cutting success. It reported an EBITDA margin of 37.3% in the quarter, versus our full-year projection of

34.2%. However, the fourth quarter's margins are historically significantly weaker, so we expect that Numericable-SFR's full-year margin will decline towards our projection. We believe the shares are undervalued.

#### **Numericable-SFR Reported Strong 2Q EBITDA Margins, but We're Maintaining Our Fair Value Estimate** 30 Jul 2015

Numericable-SFR reported second-quarter results that were ahead of our expectations, but we are maintaining our fair value estimate and narrow moat rating for now. The firm reported pro forma revenue (as if SFR was acquired at the beginning of 2014) that declined 2.4%. We model from actual revenue, so anticipate a huge revenue increase from the acquisition. However on a euro basis our full-year revenue projection is roughly double Numericable-SFR's first-half result. The firm continues to lose customers with its wireless base falling 5.2% to 21.9 million and its fixed-line broadband base declining 3.4% to 6.4 million. However, it is succeeding in converting DSL customers to fibre customers with a higher average revenue per user. It also was able to slightly improve its wireless ARPU.

While its revenue growth was in line with our expectations, it continues to cut costs faster than we anticipated. Impressively it reported an adjusted EBITDA margin of 38%, which is well ahead of our full year projection of 34.2%, which is itself much higher than last year's EBITDA margin of 26.5%. However, SFR has traditionally had much lower margins in the second half, so while we have been pleasantly pleased with Numericable's margin expansion, we don't think the full year can maintain such a high result.

We are also concerned with management's claims regarding the speed it is building out its 4G wireless and fibre broadband networks, while at the same time it is cutting capex. We don't believe such a buildout is feasible

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### Analyst Notes

without higher capex. We have seen limited fibre expansion beyond its traditional cable TV network and much of its 4G network is due to a sharing agreement with Bouygues that has actually built out the network. We think longer term Numericable must increase its capex, which will hurt its free cash flow generation and its ability to reduce debt. We think the shares are fairly valued.

near the reported price, we would likely increase Bouygues' fair value estimate.

#### **FT Reports Numericable-SFR Offers EUR 10 Billion for Bouygues Telecom** 22 Jun 2015

The Financial Times reported Sunday that Patrick Drahi, the billionaire owner of Altice and Numericable-SFR has made an offer in excess of EUR 10 billion to Bouygues for Bouygues Telecom through his Numericable-SFR business. The FT states Bouygues' board will meet on Tuesday to consider the offer. This is a merger we've anticipated, but is sooner than we expected. We thought Numericable-SFR would want more time to integrate SFR first, which it acquired just last year. We think this deal will create a stronger number-two telecommunications operator in France and remove the pressure on Bouygues, which has been hurt the most from Iliad's aggressive entrance in 2012. It would also provide significant cost-cutting opportunities, which would help offset the high price being offered. The price is about twice what Iliad offered last year and we think is potentially high enough for the Bouygues brothers, who control the company, to accept and be able to show they produced significant value in a business that they created. If the deal is agreed by the companies, it would need regulatory approval, which would probably not be completed until 2016. The merger would follow other European countries in consolidating from four to three wireless operators. Prior to Numericable acquiring SFR, several French politicians came out in favor of Bouygues buying SFR rather than Numericable, so we think the chances of regulatory approval are quite high. For now, we maintain our fair value estimates and moat ratings on Numericable-SFR and Bouygues, but if a deal is agreed

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## Morningstar Analyst Forecasts

### Financial Summary and Forecasts

Fiscal Year Ends in December

	3-Year Hist. CAGR	Forecast					5-Year Proj. CAGR
		2012	2013	2014	2015	2016	
Growth (% YoY)	—	—	0.9	65.1	407.0	-0.5	39.2
Revenue	—	—	-14.8	-57.8	NM	20.4	96.6
EBIT	—	—	-2.5	0.2	545.9	7.5	54.1
EBITDA	—	—	-25.1	-372.0	-404.9	53.1	—
Net Income	—	—	-26.1	-273.2	-219.3	61.6	—
Diluted EPS	—	—	-146.6	-224.0	901.7	6.3	69.5
Earnings Before Interest, after Tax	—	—	-152.9	NM	-110.0	30.2	—
Free Cash Flow	—	—	—	—	—	—	—

	3-Year Hist. Avg	Forecast					5-Year Proj. Avg
		2012	2013	2014	2015	2016	
Profitability	—	—	—	—	—	—	—
Operating Margin %	15.8	23.1	19.5	5.0	15.2	18.4	21.5
EBITDA Margin %	38.4	45.1	43.6	26.5	33.7	36.4	38.9
Net Margin %	1.2	6.6	4.9	-8.1	4.9	7.5	10.1
Free Cash Flow Margin %	NM	20.6	-10.8	NM	11.5	15.1	16.0
ROIC %	6.8	13.9	5.9	0.6	6.1	6.5	7.7
Adjusted ROIC %	14.2	28.8	12.2	1.7	17.2	17.5	20.6
Return on Assets %	1.8	4.7	1.7	-1.1	1.9	2.9	3.9
Return on Equity %	-148.4	-60.2	-380.7	-4.3	9.0	19.0	18.4

	3-Year Hist. Avg	Forecast					5-Year Proj. Avg
		2012	2013	2014	2015	2016	
Leverage	—	—	—	—	—	—	—
Debt/Capital	0.88	1.10	0.92	0.63	0.82	0.79	0.72
Total Debt/EBITDA	11.25	5.18	4.83	23.75	4.72	4.39	3.78
EBITDA/Interest Expense	2.54	3.21	3.10	1.31	3.85	4.14	5.01

### Valuation Summary and Forecasts

	2013	2014	2015(E)	2016(E)
Price/Fair Value	—	1.24	—	—
Price/Earnings	47.1	NM	32.4	20.1
EV/EBITDA	—	—	0.0	0.0
EV/EBIT	—	—	0.0	0.0
Free Cash Flow Yield %	—	—	2,725.9	7,730.2
Dividend Yield %	—	—	NM	—

### Key Valuation Drivers

Cost of Equity %	10.0
Pre-Tax Cost of Debt %	5.5
Weighted Average Cost of Capital %	6.8
Long-Run Tax Rate %	34.4
Stage II EBI Growth Rate %	3.0
Stage II Investment Rate %	20.0
Perpetuity Year	15

Additional estimates and scenarios available for download at <http://select.morningstar.com>.

### Discounted Cash Flow Valuation

	EUR Mil	Firm Value (%)	Per Share Value
Present Value Stage I	7,207,150	19.7	16.45
Present Value Stage II	11,282,613	30.9	25.75
Present Value Stage III	18,036,933	49.4	41.16
<b>Total Firm Value</b>	<b>36,526,696</b>	<b>100.0</b>	<b>83.35</b>
Cash and Equivalents	554,000	—	1.26
Debt	-13,632,000	—	-31.11
Preferred Stock	—	—	—
Other Adjustments	-4,967,512	—	-11.34
<b>Equity Value</b>	<b>18,481,184</b>	<b>—</b>	<b>42.17</b>

Projected Diluted Shares 438,245

Fair Value per Share (EUR) —

The data in the table above represent base-case forecasts in the company's reporting currency as of the beginning of the current year. Our fair value estimate may differ from the equity value per share shown above due to our time value of money adjustment and in cases where probability-weighted scenario analysis is performed.

# Numericable-SFR SA NUM (XPAR) | ★★★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
32.56 EUR	46.00 EUR	27.60 EUR	71.30 EUR	High	Narrow	Stable	Standard	Communication Services

## Morningstar Analyst Forecasts

### Income Statement (EUR Mil)

Fiscal Year Ends in December

	2012	2013	2014	Forecast	
				2015	2016
<b>Revenue</b>	<b>1,302,425</b>	<b>1,314,242</b>	<b>2,170,000</b>	<b>11,001,410</b>	<b>10,945,456</b>
Cost of Goods Sold	602,121	611,016	1,331,000	5,885,754	5,615,019
<b>Gross Profit</b>	<b>700,304</b>	<b>703,226</b>	<b>839,000</b>	<b>5,115,656</b>	<b>5,330,437</b>
Selling, General & Administrative Expenses	173,871	188,527	320,000	1,595,204	1,532,364
Other Operating Expense (Income)	-89,229	-86,321	-98,000	-242,031	-240,800
Other Operating Expense (Income)	23,397	40,932	48,000	55,007	54,727
Depreciation & Amortization (if reported separately)	291,724	304,042	461,000	2,035,261	1,970,182
<b>Operating Income (ex charges)</b>	<b>300,541</b>	<b>256,046</b>	<b>108,000</b>	<b>1,672,214</b>	<b>2,013,964</b>
Restructuring & Other Cash Charges	—	—	—	—	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
<b>Operating Income (incl charges)</b>	<b>300,541</b>	<b>256,046</b>	<b>108,000</b>	<b>1,672,214</b>	<b>2,013,964</b>
Interest Expense	183,057	184,839	439,000	962,500	962,500
Interest Income	-28,373	-138,809	-161,000	-138,809	-138,809
<b>Pre-Tax Income</b>	<b>89,111</b>	<b>-67,602</b>	<b>-492,000</b>	<b>570,905</b>	<b>912,655</b>
Income Tax Expense	2,486	-132,792	-313,000	34,254	91,265
Other After-Tax Cash Gains (Losses)	-199	-484	3,000	—	—
Other After-Tax Non-Cash Gains (Losses)	—	—	—	—	—
(Minority Interest)	—	—	—	—	—
(Preferred Dividends)	—	—	—	—	—
<b>Net Income</b>	<b>86,426</b>	<b>64,706</b>	<b>-176,000</b>	<b>536,651</b>	<b>821,389</b>
Weighted Average Diluted Shares Outstanding	113,772	115,271	181,038	462,592	438,245
<b>Diluted Earnings Per Share</b>	<b>0.76</b>	<b>0.56</b>	<b>-0.97</b>	<b>1.16</b>	<b>1.87</b>
Adjusted Net Income	86,426	64,706	-176,000	536,651	821,389
<b>Diluted Earnings Per Share (Adjusted)</b>	<b>0.76</b>	<b>0.56</b>	<b>-0.97</b>	<b>1.16</b>	<b>1.87</b>
Dividends Per Common Share	—	—	—	5.70	—
<b>EBITDA</b>	<b>587,534</b>	<b>572,966</b>	<b>574,000</b>	<b>3,707,475</b>	<b>3,984,146</b>
<b>Adjusted EBITDA</b>	<b>587,534</b>	<b>572,966</b>	<b>574,000</b>	<b>3,707,475</b>	<b>3,984,146</b>

# Numericable-SFR SA NUM (XPAR) | ★★★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
32.56 EUR	46.00 EUR	27.60 EUR	71.30 EUR	High	Narrow	Stable	Standard	Communication Services

## Morningstar Analyst Forecasts

### Balance Sheet (EUR Mil)

Fiscal Year Ends in December

	2012	2013	2014	Forecast	
				2015	2016
Cash and Equivalents	7,996	101,365	546,000	61,995	721,415
Investments	—	4,000	8,000	8,000	8,000
Accounts Receivable	245,697	403,000	2,812,000	2,561,972	2,548,942
Inventory	45,609	50,000	256,000	1,132,046	1,079,974
Deferred Tax Assets (Current)	—	—	—	—	—
Other Short Term Assets	175,714	3,000	252,000	252,000	252,000
<b>Current Assets</b>	<b>475,016</b>	<b>561,365</b>	<b>3,874,000</b>	<b>4,016,013</b>	<b>4,610,330</b>
Net Property Plant, and Equipment	1,389,932	1,464,763	5,897,000	5,731,979	5,622,524
Goodwill	1,458,686	1,483,628	12,935,000	12,935,000	12,935,000
Other Intangibles	326,187	307,362	4,196,000	4,196,000	4,196,000
Deferred Tax Assets (Long-Term)	—	132,662	634,000	500,000	500,000
Other Long-Term Operating Assets	3,377	2,893	130,000	130,000	130,000
Long-Term Non-Operating Assets	6,831	7,263	1,049,000	1,049,000	1,049,000
<b>Total Assets</b>	<b>3,660,029</b>	<b>3,959,936</b>	<b>28,715,000</b>	<b>28,557,992</b>	<b>29,042,854</b>
Accounts Payable	416,183	757,000	5,621,000	5,643,874	5,307,347
Short-Term Debt	114,732	64,249	283,000	2,500,000	2,500,000
Deferred Tax Liabilities (Current)	—	—	—	—	—
Other Short-Term Liabilities	314,863	7,207	534,000	534,000	534,000
<b>Current Liabilities</b>	<b>845,778</b>	<b>828,456</b>	<b>6,438,000</b>	<b>8,677,874</b>	<b>8,341,347</b>
Long-Term Debt	2,926,343	2,701,894	13,349,000	15,000,000	15,000,000
Deferred Tax Liabilities (Long-Term)	—	—	43,000	43,000	43,000
Other Long-Term Operating Liabilities	111,266	102,585	583,000	583,000	583,000
Long-Term Non-Operating Liabilities	63,973	73,633	327,000	327,000	327,000
<b>Total Liabilities</b>	<b>3,947,360</b>	<b>3,706,568</b>	<b>20,740,000</b>	<b>24,630,874</b>	<b>24,294,347</b>
Preferred Stock	—	—	—	—	—
Common Stock	—	123,942	487,000	487,000	487,000
Additional Paid-in Capital	—	2,108,037	9,748,000	9,748,000	9,748,000
Retained Earnings (Deficit)	-287,364	-1,978,611	-2,270,000	-4,370,125	-3,548,736
(Treasury Stock)	—	—	—	-1,947,757	-1,947,757
Other Equity	—	—	—	—	—
<b>Shareholder's Equity</b>	<b>-287,364</b>	<b>253,368</b>	<b>7,965,000</b>	<b>3,917,118</b>	<b>4,738,508</b>
Minority Interest	33	—	10,000	10,000	10,000
<b>Total Equity</b>	<b>-287,331</b>	<b>253,368</b>	<b>7,975,000</b>	<b>3,927,118</b>	<b>4,748,508</b>

# Numericable-SFR SA NUM (XPAR) | ★★★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
32.56 EUR	46.00 EUR	27.60 EUR	71.30 EUR	High	Narrow	Stable	Standard	Communication Services

## Morningstar Analyst Forecasts

### Cash Flow (EUR Mil)

Fiscal Year Ends in December

	2012	2013	2014	Forecast	
				2015	2016
Net Income	86,426	64,706	-176,000	536,651	821,389
Depreciation	286,993	316,920	466,000	2,035,261	1,970,182
Amortization	—	—	—	—	—
Stock-Based Compensation	—	—	—	—	—
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	—	—	—	134,000	—
Other Non-Cash Adjustments	3,028	110,073	128,000	—	—
(Increase) Decrease in Accounts Receivable	—	—	—	250,028	13,030
(Increase) Decrease in Inventory	—	—	—	-876,046	52,072
Change in Other Short-Term Assets	-31,911	20,653	725,000	—	—
Increase (Decrease) in Accounts Payable	—	—	—	22,874	-336,527
Change in Other Short-Term Liabilities	—	—	—	—	—
<b>Cash From Operations</b>	<b>344,536</b>	<b>512,352</b>	<b>1,143,000</b>	<b>2,102,768</b>	<b>2,520,147</b>
(Capital Expenditures)	-299,890	-330,090	-559,000	-1,870,240	-1,860,728
Net (Acquisitions), Asset Sales, and Disposals	3,810	-22,259	-13,500,000	—	—
Net Sales (Purchases) of Investments	-3,440	-568	8,000	—	—
Other Investing Cash Flows	14,303	10,260	-3,000	—	—
<b>Cash From Investing</b>	<b>-285,217</b>	<b>-342,657</b>	<b>-14,054,000</b>	<b>-1,870,240</b>	<b>-1,860,728</b>
Common Stock Issuance (or Repurchase)	—	236,490	4,721,000	-1,947,757	—
Common Stock (Dividends)	—	—	—	-2,636,776	—
Short-Term Debt Issuance (or Retirement)	—	—	—	2,217,000	—
Long-Term Debt Issuance (or Retirement)	-126,214	-190,197	8,784,000	1,651,000	—
Other Financing Cash Flows	—	—	—	—	—
<b>Cash From Financing</b>	<b>-126,214</b>	<b>46,293</b>	<b>13,505,000</b>	<b>-716,533</b>	<b>—</b>
Exchange Rates, Discontinued Ops, etc. (net)	—	—	—	—	—
<b>Net Change in Cash</b>	<b>-66,895</b>	<b>215,988</b>	<b>594,000</b>	<b>-484,005</b>	<b>659,419</b>

# Numericable-SFR SA NUM (XPAR) | ★★★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
32.56 EUR	46.00 EUR	27.60 EUR	71.30 EUR	High	Narrow	Stable	Standard	Communication Services

## Comparable Company Analysis

These companies are chosen by the analyst and the data are shown by nearest calendar year in descending market capitalization order.

### Valuation Analysis

Company/Ticker	Price/Fair Value	Price/Earnings			EV/EBITDA			Price/Free Cash Flow			Price/Book			Price/Sales		
		2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)
Bouygues EN FRA	0.97	12.5	26.5	18.4	6.1	7.3	6.8	7.3	19.0	15.9	1.3	1.6	1.5	0.3	0.4	0.4
Average		12.5	26.5	18.4	6.1	7.3	6.8	7.3	19.0	15.9	1.3	1.6	1.5	0.3	0.4	0.4
<b>Numericable-SFR SA NUM FR</b>	<b>0.72</b>	<b>NM</b>	<b>32.4</b>	<b>20.1</b>	—	<b>0.0</b>	<b>0.0</b>	—	<b>0.0</b>	<b>0.0</b>	—	<b>0.0</b>	<b>0.0</b>	—	<b>0.0</b>	<b>0.0</b>

### Returns Analysis

Company/Ticker	Last Historical Year Total Assets (Mil)	ROIC %			Adjusted ROIC %			Return on Equity %			Return on Assets %			Dividend Yield %		
		2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)
Bouygues EN FRA	34,868 EUR	7.4	5.8	6.2	12.9	9.5	9.8	10.8	5.8	8.4	2.3	1.3	1.9	1.1	4.4	4.4
Average		7.4	5.8	6.2	12.9	9.5	9.8	10.8	5.8	8.4	2.3	1.3	1.9	1.1	4.4	4.4
<b>Numericable-SFR SA NUM FR</b>	<b>28,715,000 EUR</b>	<b>0.6</b>	<b>6.1</b>	<b>6.5</b>	<b>1.7</b>	<b>17.2</b>	<b>17.5</b>	<b>-4.3</b>	<b>9.0</b>	<b>19.0</b>	<b>-1.1</b>	<b>1.9</b>	<b>2.9</b>	—	<b>NM</b>	—

### Growth Analysis

Company/Ticker	Last Historical Year Revenue (Mil)	Revenue Growth %			EBIT Growth %			EPS Growth %			Free Cash Flow Growth %			Dividend/Share Growth %		
		2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)
Bouygues EN FRA	33,138 EUR	0.1	-3.6	0.4	-24.8	-24.8	12.0	-201.3	-43.9	44.6	-582.2	-38.1	-31.4	0.0	—	—
Average		0.1	-3.6	0.4	-24.8	-24.8	12.0	-201.3	-43.9	44.6	-582.2	-38.1	-31.4	—	—	—
<b>Numericable-SFR SA NUM FR</b>	<b>2,170,000 EUR</b>	<b>65.1</b>	<b>407.0</b>	<b>-0.5</b>	<b>-57.8</b>	<b>NM</b>	<b>20.4</b>	<b>-273.2</b>	<b>-219.3</b>	<b>61.6</b>	<b>NM</b>	<b>-110.0</b>	<b>30.2</b>	—	—	<b>-100.0</b>

# Numericable-SFR SA NUM (XPAR) | ★★★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
32.56 EUR	46.00 EUR	27.60 EUR	71.30 EUR	High	Narrow	Stable	Standard	Communication Services

## Comparable Company Analysis

These companies are chosen by the analyst and the data are shown by nearest calendar year in descending market capitalization order.

### Profitability Analysis

Company/Ticker	Last Historical Year Net Income (Mil)	Gross Margin %			EBITDA Margin %			Operating Margin %			Net Margin %			Free Cash Flow Margin %		
		2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)
Bouygues EN FRA	996 EUR	49.8	49.6	49.6	8.5	7.2	7.8	4.2	3.2	3.6	3.0	1.8	2.0	4.2	2.0	2.4
Average		49.8	49.6	49.6	8.5	7.2	7.8	4.2	3.2	3.6	3.0	1.8	2.0	4.2	2.0	2.4
<b>Numericable-SFR SA NUM FR</b>	<b>-176,000 EUR</b>	<b>38.7</b>	<b>46.5</b>	<b>48.7</b>	<b>26.5</b>	<b>33.7</b>	<b>36.4</b>	<b>5.0</b>	<b>15.2</b>	<b>18.4</b>	<b>-8.1</b>	<b>4.9</b>	<b>7.5</b>	<b>26.9</b>	<b>2.1</b>	<b>6.0</b>

### Leverage Analysis

Company/Ticker	Last Historical Year Total Debt (Mil)	Debt/Equity %			Debt/Total Cap %			EBITDA/Interest Exp.			Total Debt/EBITDA			Assets/Equity		
		2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)
Bouygues EN FRA	7,351 EUR	93.6	94.6	93.2	48.4	48.6	48.3	7.7	7.2	7.8	2.6	3.2	2.9	4.4	4.4	4.4
Average		93.6	94.6	93.2	48.4	48.6	48.3	7.7	7.2	7.8	2.6	3.2	2.9	4.4	4.4	4.4
<b>Numericable-SFR SA NUM FR</b>	<b>13,632,000 EUR</b>	<b>171.2</b>	<b>446.8</b>	<b>369.3</b>	<b>63.1</b>	<b>81.7</b>	<b>78.7</b>	<b>1.3</b>	<b>3.9</b>	<b>4.1</b>	<b>23.7</b>	<b>4.7</b>	<b>4.4</b>	<b>3.6</b>	<b>7.3</b>	<b>6.1</b>

### Liquidity Analysis

Company/Ticker	Market Cap (Mil)	Cash per Share			Current Ratio			Quick Ratio			Cash/Short-Term Debt			Payout Ratio %		
		2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)
Bouygues EN FRA	12,113 EUR	12.46	13.78	14.00	0.96	0.98	0.98	0.78	0.80	0.81	2.79	3.08	3.13	66.6	118.8	82.2
Average		12.46	13.78	14.00	0.96	0.98	0.98	0.78	0.80	0.81	2.79	3.08	3.13	66.6	118.8	82.2
<b>Numericable-SFR SA NUM FR</b>	<b>8,530 EUR</b>	<b>3.02</b>	<b>0.13</b>	<b>1.65</b>	<b>0.60</b>	<b>0.46</b>	<b>0.55</b>	<b>0.56</b>	<b>0.33</b>	<b>0.42</b>	<b>1.93</b>	<b>0.02</b>	<b>0.29</b>	—	—	—

## Research Methodology for Valuing Companies

### Components of Our Methodology

- ▶ Economic Moat™ Rating
- ▶ Moat Trend™ Rating
- ▶ Moat Valuation
- ▶ Three-Stage Discounted Cash Flow
- ▶ Weighted Average Cost of Capital
- ▶ Fair Value Estimate
- ▶ Scenario Analysis
- ▶ Uncertainty Ratings
- ▶ Margin of Safety
- ▶ Consider Buying/Selling
- ▶ Stewardship Rating

We believe that a company's intrinsic worth results from the future cash flows it can generate.

The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk-adjusted discount to their fair values, whereas 1-star stocks trade at premiums to their intrinsic worth. Four key components drive the Morningstar rating: our assessment of the firm's economic moat, our estimate of the stock's fair value, our uncertainty around that fair value estimate and the current market price. This process ultimately culminates in our single-point star rating. Underlying this rating is a fundamentally focused methodology and a robust, standardized set of procedures and core valuation tools used by Morningstar's equity analysts.

The concept of the Morningstar Economic Moat™ Rating plays a vital role not only in our qualitative assessment of a firm's investment potential, but also in our actual calculation of our fair value estimates. We assign three moat ratings—none, narrow, or wide—as well as the Morningstar Moat Trend™ Rating—positive, stable, or negative—to each company we cover. Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns on invested capital over at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for

10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. The assumptions that we make about a firm's economic moat play a vital role in determining the length of "economic outperformance" that we assume in the terminal sections of our valuation model. To assess the sustainability of excess profits, analysts perform ongoing assessments of what we call the moat trend. A firm's moat trend is positive in cases where we think its sources of competitive advantage are growing stronger; stable where we don't anticipate changes to competitive advantages over the next several years; or negative when we see signs of deterioration.

At the heart of our valuation system is a detailed projection of a company's future cash flows. The first stage of our three-stage discounted cash flow model can last from 5 to 10 years and contains numerous detailed assumptions about various financial and operating items. The second stage of our model—where a firm's return on new invested capital (RONIC) and earnings growth rate implicitly fade until the perpetuity year—can last anywhere from one year (for companies with no economic moat) to 10-15 years (for wide-moat companies). In our third stage, we assume the firm's RONIC equals its weighted average cost of capital, and we calculate a continuing value using a standard perpetuity formula. In deciding on the rate at which to discount future cash flows, we use a building block approach,

### Morningstar Research Methodology for Valuing Companies



Source: Morningstar, Inc.

**Detailed Methodology Documents and Materials\***

- ▶ Comprehensive Equity Research Methodology
- ▶ Uncertainty Methodology
- ▶ Cost of Equity Methodology
- ▶ Morningstar DCF Valuation Model
- ▶ Stewardship Rating Methodology

\*Please contact a sales representative for more information.

which takes into account expectations for market real return, inflation, country risk premia, corporate credit spread, and any additional systematic risk.

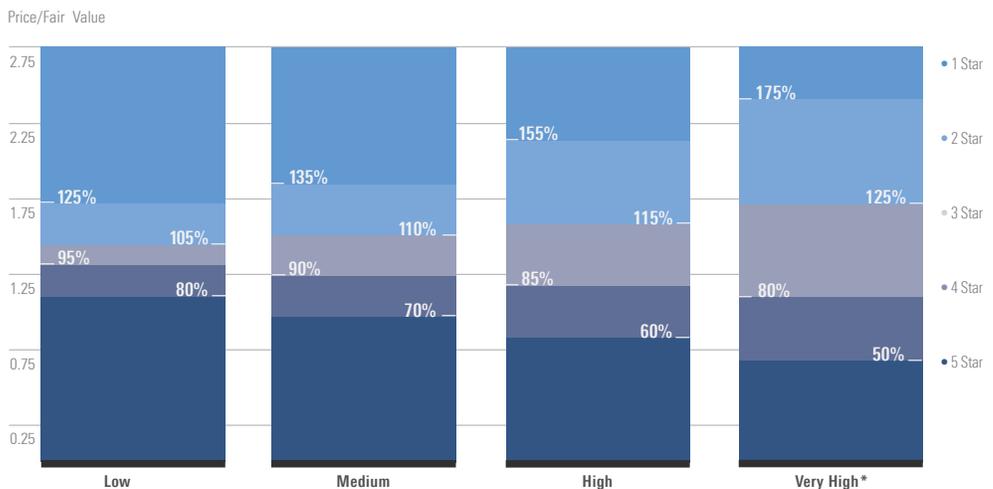
We also employ a number of other tools to augment our valuation process, including scenario analysis, where we assess the likelihood and performance of a business under different economic and firm-specific conditions. Our analysts model three scenarios for each company we cover, stress-testing the model and examining the distribution of resulting fair values.

The Morningstar Uncertainty Rating captures the range of likely potential fair values and uses it to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating represents the analysts' ability to bound the estimated value of the shares in a company around the Fair Value Estimate, based on the characteristics of the business underlying the stock, including

operating and financial leverage, sales sensitivity to the overall economy, product concentration, pricing power, and other company-specific factors.

Our corporate Stewardship Rating represents our assessment of management's stewardship of shareholder capital, with particular emphasis on capital allocation decisions. Analysts consider companies' investment strategy and valuation, financial leverage, dividend and share buyback policies, execution, compensation, related party transactions, and accounting practices. Corporate governance practices are only considered if they've had a demonstrated impact on shareholder value. Analysts assign one of three ratings: "Exemplary," "Standard," and "Poor." Analysts judge stewardship from an equity holder's perspective. Ratings are determined on an absolute basis. Most companies will receive a Standard rating, and this is the default rating in the absence of evidence that managers have made exceptionally strong or poor capital allocation decisions. ■■■

**Morningstar Margin of Safety and Star Rating Bands**



\* Occasionally a stock's uncertainty will be too high for us to estimate, in which case we label it Extreme.

Source: Morningstar, Inc.

# Numericable-SFR SA NUM (XPAR) | ★★★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
32.56 EUR	46.00 EUR	27.60 EUR	71.30 EUR	High	Narrow	Stable	Standard	Communication Services



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