



Date and time of production:  
7 October 2016 10:05 CET

## Investment Research

### Buy

from Neutral

**Share price: EUR 8.71**

closing price as of 06/10/2016

**Target price: EUR 12.00**

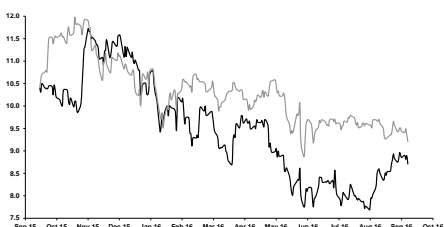
from Target Price: EUR **9.00**

Reuters/Bloomberg

EKT.MC/EKT SM

Daily avg. no. trad. sh. 12 mth	708
Daily avg. trad. vol. 12 mth (m)	2,102.00
Price high 12 mth (EUR)	11.72
Price low 12 mth (EUR)	7.69
Abs. perf. 1 mth	2.6%
Abs. perf. 3 mth	12.4%
Abs. perf. 12 mth	-16.5%
Market capitalisation (EURm)	1,322
Current N° of shares (m)	152
Free float	61%

Key financials (EUR)	12/15	12/16e	12/17e
Sales (m)	327	570	580
EBITDA (m)	143	277	290
EBITDA margin	43.6%	48.6%	50.0%
EBIT (m)	64	154	169
EBIT margin	19.5%	26.9%	29.2%
Net Profit (adj.)(m)	7	77	89
ROCE	2.3%	5.5%	5.8%
Net debt/(cash) (m)	1,358	1,238	1,132
Net Debt Equity	1.9	1.6	1.2
Net Debt/EBITDA	9.5	4.5	3.9
Int. cover(EBITDA/Fin.int)	2.7	6.5	7.5
EV/Sales	9.0	4.3	4.1
EV/EBITDA	20.7	8.9	8.2
EV/EBITDA (adj.)	20.7	8.9	8.2
EV/EBIT	46.2	16.0	14.1
P/E (adj.)	nm	14.4	12.4
P/BV	2.1	1.4	1.2
OpFCF yield	5.6%	7.8%	8.0%
Dividend yield	0.0%	0.0%	6.3%
EPS (adj.)	0.05	0.61	0.70
BVPS	5.56	6.16	7.39
DPS	0.00	0.00	0.55



Source: Factset — EUSKALTEL — Stoxx Telecommunications (Rebased)

Shareholders: Kutxabank 25%; Corp. Financ. Alba 10%; JP Morgan Chase 4%;

For company description please see summary table footnote

## PRE-3T/9M16: sólidos resultados con sorpresas positivas

EKT presentará resultados 9M/3T16 el próximo 27 de octubre a la apertura de mercado. C.C. 16 pm (CET).

Esperamos fuertes resultados a consecuencia del cambio de perímetro de consolidación tras la compra de R Cable (c.246k clientes residenciales, 820k hogares cubiertos en bb -51% penetración- e ingresos/EBITDA stand alone de 231/156mEUR a cierre de 2014).

### EUSKALTEL. PRE-9M/3Q'16 RESULTS

EURm	9M'15 *	9M'16e *	Δ% y/y	3Q'15 *	3Q'16e *	Δ% y/y
Residential	151.5	277.5	83.2%	51.7	92.5	78.9%
Business	69.0	122.8	78.0%	22.8	37.6	64.9%
Wholesale & others	23.9	23.7	-0.8%	8.2	7.9	-3.7%
<b>Total Revenues</b>	<b>244.4</b>	<b>424.0</b>	<b>73.5%</b>	<b>82.7</b>	<b>138.0</b>	<b>66.9%</b>
Op. Expenses	-127.7	-216.6	69.6%	-42.1	-69.9	65.9%
Adj. EBITDA	116.7	207.5	77.8%	40.6	68.1	67.9%
% Adj. EBITDA M.	47.7%	48.9%	+1.2 p.p.	49.1%	49.4%	+0.3 p.p.
Net Profit	-3.3	52.5	n.a.	15.1	22.3	47.7%
% Adj. Net Profit Margin	-1.4%	12.4%	n.a.	18.3%	16.2%	
Total RGUs (k)	982,290	1,891,620	92.6%			
Global ARPU fixed customers	55.8	58.0	4.0%	55.8	58.4	4.8%
Residential churn fixed customers	13.9%	14.3%	+0.1 p.p.	13.9%	15.2%	+1.3 p.p.
EPS	-0.022	0.346		0.099	0.147	
Net Financial Debt	449.8	1,282.0				
ND/Adj. EBITDA annualized	3.15x	4.63x				
Adj. EBITDA/Revenues	47.7%	48.9%		49.1%	49.4%	
Net Profit/Revenues	n.a.	12.4%		18.3%	16.2%	

Source: Euskaltel & GVC Gaesco Beka Estimates. \* 1Q'15: EKT, 1Q'16: EKT + R Cable

\*\* Net Profit 9M'15 adjusted excl. IPO expenses and R Cable acquisition = EUR36m

- **Proyectamos un crecimiento orgánico de EKT stand-alone del c.+1,8% a/a en el top-line fundamentalmente explicado por el incremento de ingresos en el área residencial a consecuencia del aumento del ARPU en clientes fijo (58EUR est vs. 55,8EUR en el 9M15 vs. 60EUR como target). Esperamos que el churn se mantenga relativamente estable en términos anuales teniendo en cuenta que EKT decidió no adquirir contenidos como el fútbol en la oferta mayorista de TEF y el ligeramente mayor churn de R stand-alone (13,9%). Estimamos un grado de convergencia cercano al 65% (3/4P) de su base de clientes.**
- **Empresas, la pérdida del contrato con la Administración vasca hace mella en el 2S16.** EKT no se adjudicó la gran mayoría de lotes (sólo uno por 2,3mEUR) del contrato, lo que producirá una merma de ingresos de c.10mEUR anuales (4mEUR a nivel de EBITDA) ya implementados en estimaciones. A ello se une un leve crecimiento subyacente a pesar de la alta competencia. No pensamos que por el momento este impacto se replique en R con la Xunta (c.9mEUR en top-line) ya que su contrato vence en 2017/18. En **Wholesale** proyectamos una evolución plana con el impacto negativo de tarifas de terminación ya acaecido en 2014/15.
- **Opex, one-off's que no esperamos que se produzcan en 2016e (c.50mEUR).** En concreto nos referimos a los gastos de OPV/compra de R y disminución de la partida dedicada al plan de incentivos (por el momento). En cuanto a las sinergias anunciadas (300mEUR, run-rate 20mEUR/año) tras la consolidación de R, esperamos que empiecen a aflorar en el 2S16 teniendo en cuenta que la renegociación del hosting con Orange (1/3 sinergias, previamente R estaba con Vodafone) se materializará a final de año. EKT está en proceso de migración de los clientes de R a su host (ORA) de julio a octubre (proyectamos que a finales de este mes el 80% este migrado).

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For important disclosure information, please refer to the disclaimer page of this report

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Destacar que la **falta de fútbol en su Pay-TV desde Agosto-15** (genera cerca de la mitad de la contracción de opex en estimaciones) y **renegociación del límite de datos con ORA (1/3 de las sinergias reportadas)** son parte de las fuentes de ahorros. **Pensamos que EKT podría incrementar el guidance de sinergias (VAN 300mEUR, run-rate 20mEUR/año) anunciado tras la adquisición.**

- **El punto fuerte de EKT, el apalancamiento operativo (48,9% d M. EBITDA en el 9M16e vs. 47,7% a/a vs. 50% de target en el medio plazo).** EKT stand-alone poseía un ratio de conversión de caja del 72,9% vs. 56,9% de R (inferior al no ser propietario del backbone). Estimamos que éste se sitúe en c.65% en el 3T16 estanco.
- **Capex/ventas aún elevado por el despliegue FttH y 4G y la construcción de emplazamientos propios para banda ancha móvil.** El objetivo de EKT es homogeneizar las inversiones de R e incrementar su penetración en banda ancha fija. EKT fijó la horquilla de capex/ventas del 15/17% (16,7% est para 2016 e incluye actualización a Docsis 3.1 de su HFC por 45mEUR en 3 años y despliegue de 300 sites para bb móvil con 100 de ellos acordados con Telxius).
- **Prioridad número uno, la reducción de deuda (coste medio 3,22%).** La adquisición de R Cable en Nov-15 supuso la incorporación de 900mEUR en deuda bancaria (600mEUR) e institucional (300mEUR). **El ratio de apalancamiento pasó desde 2,4x de EKT stand-alone al entorno de c.5x** (1,37bnEUR de deuda neta ajustada a cierre de 2015 vs. 237mEUR a/a) en la Newco.. **El objetivo es reducir este ratio por debajo de las 4x para reanudar la política de remuneración al accionistas.**

**Fuertes resultados esperados con sorpresas positivas (mejora de guidance de sinergias/mayor visibilidad en materia de remuneración al accionista), pensamos que el mercado reaccionará de manera positiva.** Sus títulos registraron una caída del -24,8% YTD, sin embargo; pensamos que el valor consolidará la tendencia positiva ya iniciada (+12,4% en 3 meses). **Aunque en el medio plazo las cuotas de mercado de EKT se verán erosionadas** (especialmente en banda ancha fija y Pay-TV; todo lo contrario en móvil por el efecto positivo de la convergencia) a medida que operadores como VOD y ORA aceleren sus respectivos despliegues de FttH, **existen suficientes catalizadores en el corto/medio plazo para sustentar nuestro cambio de recomendación de Neutral a Comprar (PO 12 vs. 9EUR/acc. anteriores),**

- **Roadshow internacional para presentar a su nuevo CEO, F. Arteche.**
- **En los próximos resultados 3T16e comenzarán a materializarse las sinergias de la integración con R.** Éstas evolucionan a buen ritmo y EKT podría adelantar en su c.c. de resultados unas sinergias aún más ambiciosas (procedentes de la unificación de servicios centrales, administración, homogeneización de inversiones, e-billing y IT) aun teniendo en cuenta que no hay solapamiento geográfico ni unificación de marca.
- **Noticias acerca de la reanudación de dividendos a niveles atractivos.** EKT ya manifestó su intención de fijar el Pay-out en niveles del 90% sobre resultados 2016. La alta generación de caja de la compañía permitirá que su DN/EBITDA se sitúe en 2017 en niveles inferiores a 4,5x (excl. dividendo).

**Hemos revisado nuestras estimaciones al alza** especialmente en materia de ingresos y apalancamiento operativo por mayores sinergias en la integración con R. También hemos disminuido ligeramente el capex hasta niveles del 14/15% en 2019/20e, incrementado tasa impositiva (32%) y la beta del DCF desde 0,8 a 0,9 por reducción de riesgo de management.

EUSKALTEL. Estimates Adjustment					
(EURm)	2015	2016e	2017e	2018e	CARG15/18e
Sales before	327.4	553.4	568.7	583.6	21.2%
.... And after	327.4	570.0	579.6	594.7	22.0%
% change	0.0%	3.0%	1.9%	1.9%	-
EBITDA before	142.7	265.5	289.0	300.6	28.2%
.... And after	142.7	277.0	290.1	301.8	28.4%
% change	0.0%	4.4%	0.4%	0.4%	-
EBITDA M. before	43.6%	48.0%	50.8%	51.5%	-
.... And after	43.6%	48.6%	50.0%	50.7%	-
% change	0.0%	1.3%	-1.5%	-1.5%	-
Net Profit before	6.8	84.1	111.1	124.6	163.9%
.... And after	6.8	76.7	88.6	102.8	147.5%
% change	0.0%	-8.7%	-20.3%	-17.5%	-
EPS before	0.054	0.665	0.878	0.985	163.9%
.... And after	0.054	0.606	0.700	0.813	147.5%
% change	0.0%	-8.7%	-20.3%	-17.5%	-
FCF before	99	98	117	126	8.6%
.... And after	99	103	106	120	6.8%
% change	0.0%	4.7%	-9.2%	-5.0%	-

Source: Euskaltel & GVC Gaesco Beka Estimates

## Euskaltel: Summary tables

PROFIT & LOSS (EURm)	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
<b>Sales</b>	<b>334</b>	<b>321</b>	<b>327</b>	<b>570</b>	<b>580</b>	<b>595</b>
Cost of Sales & Operating Costs	-179	-165	-185	-293	-290	-293
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	1.0
<b>EBITDA</b>	<b>155</b>	<b>156</b>	<b>143</b>	<b>277</b>	<b>290</b>	<b>303</b>
<b>EBITDA (adj.)*</b>	<b>155</b>	<b>156</b>	<b>143</b>	<b>277</b>	<b>290</b>	<b>302</b>
Depreciation	-81.8	-82.9	-81.1	-123	-121	-119
<b>EBITA</b>	<b>73.3</b>	<b>72.9</b>	<b>61.7</b>	<b>154</b>	<b>169</b>	<b>184</b>
<b>EBITA (adj)*</b>	<b>73.3</b>	<b>72.9</b>	<b>61.7</b>	<b>154</b>	<b>169</b>	<b>183</b>
Amortisations and Write Downs	0.0	0.3	2.2	0.0	0.0	0.0
<b>EBIT</b>	<b>73.3</b>	<b>73.2</b>	<b>63.9</b>	<b>154</b>	<b>169</b>	<b>184</b>
<b>EBIT (adj.)*</b>	<b>73.3</b>	<b>73.2</b>	<b>63.9</b>	<b>154</b>	<b>169</b>	<b>183</b>
Net Financial Interest	-15.9	-23.4	-53.8	-42.5	-38.9	-35.3
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	0.0	0.3	0.0	0.0	0.0	0.0
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings Before Tax (EBT)</b>	<b>57.4</b>	<b>50.1</b>	<b>10.0</b>	<b>111</b>	<b>130</b>	<b>149</b>
Tax	-7.3	-13.2	-3.2	-34.3	-41.6	-45.1
<i>Tax rate</i>	<i>12.7%</i>	<i>26.3%</i>	<i>31.7%</i>	<i>30.9%</i>	<i>32.0%</i>	<i>30.3%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Profit (reported)</b>	<b>50.1</b>	<b>36.9</b>	<b>6.8</b>	<b>76.7</b>	<b>88.6</b>	<b>104</b>
<b>Net Profit (adj.)</b>	<b>50.1</b>	<b>36.9</b>	<b>6.8</b>	<b>76.7</b>	<b>88.6</b>	<b>104</b>
<b>CASH FLOW (EURm)</b>	<b>12/2013</b>	<b>12/2014</b>	<b>12/2015</b>	<b>12/2016e</b>	<b>12/2017e</b>	<b>12/2018e</b>
Cash Flow from Operations before change in NWC	132	119	85.7	200	210	221
Change in Net Working Capital	6.7	-13.7	65.6	-5.0	-5.0	-5.0
<b>Cash Flow from Operations</b>	<b>139</b>	<b>106</b>	<b>151</b>	<b>195</b>	<b>205</b>	<b>216</b>
Capex	-41.5	-42.2	-53.0	-92.3	-98.4	-96.2
Net Financial Investments	-1.9	-1.0	0.4	0.0	0.0	0.0
<b>Free Cash Flow</b>	<b>95.2</b>	<b>62.5</b>	<b>98.6</b>	<b>103</b>	<b>106</b>	<b>120</b>
Dividends	0.0	0.0	0.0	0.0	-69.1	-79.7
Other (incl. Capital Increase & share buy backs)	8.5	-26.7	1,220	-17.0	69.1	79.7
<b>Change in Net Debt</b>	<b>104</b>	<b>35.8</b>	<b>1,318</b>	<b>85.9</b>	<b>106</b>	<b>120</b>
NOPLAT	64.0	54.0	45.7	113	124	135
<b>BALANCE SHEET &amp; OTHER ITEMS (EURm)</b>	<b>12/2013</b>	<b>12/2014</b>	<b>12/2015</b>	<b>12/2016e</b>	<b>12/2017e</b>	<b>12/2018e</b>
Net Tangible Assets	788	744	1,244	1,336	1,434	1,531
Net Intangible Assets (incl. Goodwill)	20.4	22.6	776	776	776	776
Net Financial Assets & Other	165	155	165	102	64.3	41.6
<b>Total Fixed Assets</b>	<b>973</b>	<b>922</b>	<b>2,185</b>	<b>2,214</b>	<b>2,275</b>	<b>2,348</b>
Inventories	2.2	2.3	3.5	3.5	3.5	3.5
Trade receivables	39.4	39.3	63.9	68.9	73.9	78.9
Other current assets	0.9	4.5	6.8	6.8	6.8	6.8
Cash (-)	-6.3	-10.7	-23.4	-23.4	-23.4	-23.4
<b>Total Current Assets</b>	<b>48.8</b>	<b>56.8</b>	<b>97.6</b>	<b>103</b>	<b>108</b>	<b>113</b>
<b>Total Assets</b>	<b>1,022</b>	<b>978</b>	<b>2,282</b>	<b>2,317</b>	<b>2,382</b>	<b>2,461</b>
Shareholders Equity	615	647	703	779	936	1,122
Minority	0.0	0.0	0.0	0.0	0.0	0.0
Total Equity	615	647	703	779	936	1,122
Long term interest bearing debt	224	213	1,381	1,260	1,154	1,034
Provisions	0.0	0.0	0.0	1.0	0.0	0.0
Other long term liabilities	0.0	0.0	58.3	76.3	76.3	76.3
<b>Total Long Term Liabilities</b>	<b>224</b>	<b>213</b>	<b>1,439</b>	<b>1,337</b>	<b>1,230</b>	<b>1,110</b>
Short term interest bearing debt	108	34.3	0.2	1.2	1.2	1.2
Trade payables	61.5	47.8	139	139	139	139
Other current liabilities	13.6	35.8	1.0	59.7	76.1	88.5
<b>Total Current Liabilities</b>	<b>183</b>	<b>118</b>	<b>140</b>	<b>200</b>	<b>217</b>	<b>229</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,022</b>	<b>978</b>	<b>2,282</b>	<b>2,317</b>	<b>2,382</b>	<b>2,461</b>
<b>Net Capital Employed</b>	<b>940</b>	<b>884</b>	<b>2,119</b>	<b>2,094</b>	<b>2,143</b>	<b>2,210</b>
<b>Net Working Capital</b>	<b>-19.9</b>	<b>-6.2</b>	<b>-71.8</b>	<b>-66.8</b>	<b>-61.8</b>	<b>-56.8</b>
<b>GROWTH &amp; MARGINS</b>	<b>12/2013</b>	<b>12/2014</b>	<b>12/2015</b>	<b>12/2016e</b>	<b>12/2017e</b>	<b>12/2018e</b>
<i>Sales growth</i>	<i>-2.2%</i>	<i>-4.0%</i>	<i>2.0%</i>	<i>74.1%</i>	<i>1.7%</i>	<i>2.6%</i>
<b>EBITDA (adj.)* growth</b>	<b>15.2%</b>	<b>0.5%</b>	<b>-8.4%</b>	<b>94.1%</b>	<b>4.7%</b>	<b>4.0%</b>
<i>EBITA (adj.)* growth</i>	<i>8.0%</i>	<i>-0.5%</i>	<i>-15.4%</i>	<i>149.1%</i>	<i>10.1%</i>	<i>8.3%</i>
<i>EBIT (adj)* growth</i>	<i>11.0%</i>	<i>-0.1%</i>	<i>-12.8%</i>	<i>140.5%</i>	<i>10.1%</i>	<i>8.3%</i>

## Euskaltel: Summary tables

<b>GROWTH &amp; MARGINS</b>	<b>12/2013</b>	<b>12/2014</b>	<b>12/2015</b>	<b>12/2016e</b>	<b>12/2017e</b>	<b>12/2018e</b>
Net Profit growth	7.3%	-26.3%	-81.5%	1024.9%	15.4%	17.2%
EPS adj. growth	7.3%	-26.3%	-81.2%	1024.9%	15.4%	17.2%
DPS adj. growth					n.m.	15.4%
EBITDA (adj)* margin	46.4%	48.6%	43.6%	48.6%	50.0%	50.7%
EBITA (adj)* margin	21.9%	22.7%	18.8%	26.9%	29.2%	30.8%
EBIT (adj)* margin	21.9%	22.8%	19.5%	26.9%	29.2%	30.8%
<b>RATIOS</b>	<b>12/2013</b>	<b>12/2014</b>	<b>12/2015</b>	<b>12/2016e</b>	<b>12/2017e</b>	<b>12/2018e</b>
Net Debt/Equity	0.5	0.4	1.9	1.6	1.2	0.9
Net Debt/EBITDA	2.1	1.5	9.5	4.5	3.9	3.3
Interest cover (EBITDA/Fin.interest)	9.8	6.7	2.7	6.5	7.5	8.6
Capex/D&A	50.7%	51.1%	67.2%	74.8%	81.3%	81.2%
Capex/Sales	12.4%	13.2%	16.2%	16.2%	17.0%	16.2%
NWC/Sales	-5.9%	-1.9%	-21.9%	-11.7%	-10.7%	-9.6%
ROE (average)	8.4%	5.9%	1.0%	10.4%	10.3%	10.1%
ROCE (adj.)	8.1%	7.1%	2.3%	5.5%	5.8%	6.0%
WACC	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
ROCE (adj.)/WACC	1.2	1.0	0.3	0.8	0.8	0.9
<b>PER SHARE DATA (EUR)***</b>	<b>12/2013</b>	<b>12/2014</b>	<b>12/2015</b>	<b>12/2016e</b>	<b>12/2017e</b>	<b>12/2018e</b>
Average diluted number of shares	129.0	129.0	126.5	126.5	126.5	126.5
EPS (reported)	0.39	0.29	0.05	0.61	0.70	0.82
EPS (adj.)	0.39	0.29	0.05	0.61	0.70	0.82
BVPS	4.76	5.02	5.56	6.16	7.39	8.87
DPS	0.00	0.00	0.00	0.00	0.55	0.63
<b>VALUATION</b>	<b>12/2013</b>	<b>12/2014</b>	<b>12/2015</b>	<b>12/2016e</b>	<b>12/2017e</b>	<b>12/2018e</b>
EV/Sales			9.0	4.3	4.1	3.9
EV/EBITDA			20.7	8.9	8.2	7.6
<b>EV/EBITDA (adj.)*</b>			<b>20.7</b>	<b>8.9</b>	<b>8.2</b>	<b>7.6</b>
EV/EBITA			47.9	16.0	14.1	12.4
<b>EV/EBITA (adj.)*</b>			<b>47.9</b>	<b>16.0</b>	<b>14.1</b>	<b>12.5</b>
EV/EBIT			46.2	16.0	14.1	12.4
<b>EV/EBIT (adj.)*</b>			<b>46.2</b>	<b>16.0</b>	<b>14.1</b>	<b>12.5</b>
<b>P/E (adj.)</b>			<b>n.m.</b>	<b>14.4</b>	<b>12.4</b>	<b>10.6</b>
P/BV			2.1	1.4	1.2	1.0
Total Yield Ratio			0.0%	5.2%	6.0%	7.0%
EV/CE			1.5	1.2	1.1	1.0
OpFCF yield			5.6%	7.8%	8.0%	9.1%
OpFCF/EV			3.3%	4.2%	4.4%	5.2%
Payout ratio	0.0%	0.0%	0.0%	0.0%	78.0%	76.8%
Dividend yield (gross)			0.0%	0.0%	6.3%	7.2%
<b>EV AND MKT CAP (EURm)</b>	<b>12/2013</b>	<b>12/2014</b>	<b>12/2015</b>	<b>12/2016e</b>	<b>12/2017e</b>	<b>12/2018e</b>
Price** (EUR)			11.58	8.71	8.71	8.71
Outstanding number of shares for main stock	0.0	126.5	151.8	151.8	151.8	151.8
<b>Total Market Cap</b>			<b>1,758</b>	<b>1,322</b>	<b>1,322</b>	<b>1,322</b>
<b>Net Debt</b>	<b>326</b>	<b>237</b>	<b>1,358</b>	<b>1,238</b>	<b>1,132</b>	<b>1,011</b>
<i>o/w Cash &amp; Marketable Securities (-)</i>	-6	-11	-23	-23	-23	-23
<i>o/w Gross Debt (+)</i>	332	247	1,381	1,261	1,155	1,035
<b>Other EV components</b>	<b>-165</b>	<b>-155</b>	<b>-165</b>	<b>-102</b>	<b>-64</b>	<b>-42</b>
<b>Enterprise Value (EV adj.)</b>			<b>2,951</b>	<b>2,458</b>	<b>2,390</b>	<b>2,292</b>

Source: Company, GVC Gaesco Beka estimates.

### Notes

\* Where EBITDA (adj.) or EBITA (adj.)= EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj.)= EBIT -/+ Non Recurrent Expenses/Income - PPA amortisation

\*\*Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

Sector: Telecommunications/Telecommunications

Company Description: Basque fiber and convergence leader that operates in one of the most affluent regions in Spain. Euskaltel offers primarily bundled services comprised of high speed broadband, Pay TV, mobile and fixed telephony services to residential and business customers. They own a proprietary, fully invested next generation fiber network of approximately 350,000 km and are the only operator with a fiber network covering most of the Basque Country. It acquired R Cable, extending its activities to Galicia with the main objective of building a telecom leader in the North of Spain

## ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.



The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B)**, **Accumulate (A)**, **Neutral (N)**, **Reduce (R)** and **Sell (S)**.

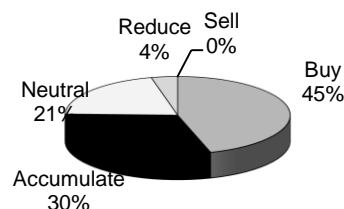
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

### Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months time horizon
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12 months time horizon
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12 months time horizon
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Certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

### GVC Gaesco Beka Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website [Link](#)

**Recommendation history for EUSKALTEL**

Date	Recommendation	Target price	Price at change date
07-Oct-16	Buy	12.00	8.71
23-Sep-16	Neutral	9.00	8.83
13-Jun-16	Neutral	8.90	8.43

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows GVC Gaesco Beka continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Eduardo Garcia Arguelles (since 13/06/2016)



First date and time of dissemination: **7 October 2016 10:05 CET**

Information regarding Market Abuse and Conflicts of Interests and recommendation history available in our web page: [www.valores.gvcgaesco.es](http://www.valores.gvcgaesco.es) and our offices

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