

Altice USA, Inc.

Financials ahead, broadband still challenged

Maintain Rating: UNDERPERFORM | PO: 2.85 USD | Price: 2.50 USD

4Q23: mixed results, but financials ahead of our estimates

ATUS reported mixed financial and operating results for 4Q23 as revenue, EBITDA and FCF came in above, while the company reported a slightly larger high-speed data (HSD) net loss than we projected. ATUS' 4Q total revenue declined 2.8% Y/Y, which was better than our -3.5% estimate, and total adj. EBITDA declined 1.1% to \$903bn (vs. our -2.5% estimate). Adj. EBITDA margin of 39.2% increased 70bps Y/Y and was better than our estimate of 38.9%). Subscriber results were mixed as HSD and SMB net results were below our forecasts, while mobile, video, and voice were higher than forecast. Capex was \$295mn (vs. \$291mn estimate) and capital intensity was 12.8%. FCF of \$201mn for 4Q was well above our estimate of \$140mn. News and Advertising, which faced tough political comps, declined 15.7% essentially in-line with our -15% estimate (excluding political) News and Advertising grew 8.9%. Leverage at the end of 2023 was 6.8x.

2024 guidance for capex of \$1.6bn to \$1.7bn

For 2024, management guided to capex guidance of \$1.6bn to \$1.7bn (vs. \$1.65bn est.) will be focused on its fiber rollout as well as increasing passings. The company did not provide FCF guidance. The company also maintained its guidance to return to net leverage at CSC Holdings of between 4.5x to 5x "over time".

Sub losses better than estimates, but not for broadband

The company reported a broadband net loss of -27k (vs. -25k est.), video net losses of 62k (vs. -70k estimate) and phone net loss of -57k (vs. -65k est.). ATUS added 34k (vs. +30k est.) mobile customers in the quarter. Residential revenue declined 2.8% (vs. -3.3% est.) to \$1.786bn driven by 2.2% HSD revenue decline (vs. -1.7% est.), 4% video revenue decline (vs. -5.9% est.) and 8.4% residential voice revenue decline (-11% est.). SMB/Enterprise revenue increased 1% (vs. +0.3% est.) to \$372mn.

Maintain Underperform

Overall, we remain encouraged by the increased focus on improving the customer experience and believe that the current CEO is positioning the company well for a turn-around. Maintain Underperform. However, ATUS remains a show me story with still significant net leverage (6.8x L2QA on consolidated basis), declining EBITDA, and likely de minimis FCF.

14 February 2024

Equity

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Stock Data

Price	2.50 USD
Price Objective	2.85 USD
Date Established	27-Apr-2023
Investment Opinion	C-3-9
52-Week Range	1.75 USD - 4.82 USD
Mrkt Val (mn) / Shares Out (mn)	1,133 USD / 453.3
Free Float	79.2%
Average Daily Value (mn)	9.30 USD
BofA Ticker / Exchange	ATUS / NYS
Bloomberg / Reuters	ATUS US / ATUS.N
ROE (2023E)	NA
Net Dbt to Eqty (Dec-2022A)	NA
ESGMeter™	Medium

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Exhibit 1: Altice USA 4Q24 results summary

ATUS reported generally better than projected financial results

Fiscal Year Ends 12/31	4Q22A	4Q23E	4Q23A	Change	+ / -
ATUS: Actuals & BofA Estimates	BofA Est.	Actual	Actual vs. BofA Est.		
Net Adds					
Residential Video Subscribers	(53)	(70)	(62)	8	+
Residential HSD Subscribers	(8)	(25)	(27)	(2)	-
Residential Voice Subscribers	(55)	(65)	(57)	8	+
TOTAL Residential PSU Net Adds	(115)	(160)	(147)	13	+
SMB Customer Relationships Net Adds	(1.3)	2.0	(0.8)	(2.8)	-
Mobile subscriber Net Adds	4	30	34	4	+
Revenues					
Residential Video Revenue	\$782	\$736	\$750	\$14	+
% Chg. (YOY)	-8.1%	-5.9%	-4.0%		
Residential HSD Revenue	\$961	\$945	\$940	(\$5)	-
% Chg. (YOY)	-1.3%	-1.7%	-2.2%		
Residential Voice Revenue	\$79	\$70	\$73	\$2	+
% Chg. (YOY)	-15.9%	-11.4%	-8.4%		
Mobile Service Revenue	\$15	\$25	\$23	(\$1)	-
% Chg. (YOY)	8.8%	65.6%	55.5%		
TOTAL Residential Revenue	\$1,837	\$1,775	\$1,786	\$11	+
% Chg. (YOY)	-4.2%	-3.3%	-2.8%		
SMB/Enterprise Revenue	\$368	\$369	\$372	\$3	+
% Chg. (YOY)	-9.3%	0.3%	1.0%		
News and Advertising	\$152	\$129	\$128	(\$1)	-
% Chg. (YOY)	-10.8%	-15.0%	-15.7%		
Other (e.g., Data Analytics)	\$12	\$13	\$16	\$2	+
% Chg. (YOY)	--	--	--		
TOTAL Altice Revenue	\$2,369	\$2,287	\$2,301	\$14	+
% Chg. (YOY)	-6.0%	-3.5%	-2.8%	1%	
Costs & Expenses					
TOTAL Costs (Direct + Operating)	\$1,456	\$1,397	\$1,398	\$1	+
% Chg. (YOY)	1.2%	-4.1%	-3.9%	0.1%	+
Adjusted EBITDA	\$913	\$890	\$903	\$13	+
% Chg. (YOY)	-15.7%	-2.5%	-1.1%	1.4%	
% Margin	38.5%	38.9%	39.2%	0.3%	+
Capital Expenditure	\$543	\$291	\$295	\$4	+
% of Revenue	22.9%	12.7%	12.8%		
Free Cash Flow	(\$82)	\$140	\$201	\$61	

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

Price objective basis & risk**Altice USA, Inc. (ATUS)**

Our \$2.85 PO for ATUS is based on a 7x multiple on our EV/2024E EBITDA, in line with historical cable multiples. Our multiple is supported by our discounted cash flow (DCF) analysis in which we use a weighted average cost of capital (WACC) of 7.8% and terminal growth rate of -1% and derive a forward EV/EBITDA multiple of 6.9x.

Upside risks to our price objective are (1) a sizeable and accretive acquisition which

would boost slow organic growth, (2) faster broadband build-out and better growth than currently projected, (3) less regulation than currently anticipated, (4) a stall in the development of 5G as a fixed wireless offering and generally reduced broadband competition versus current forecast, and (5) a privatization/acquisition of the company at a premium to current prices.

Downside risks to our price objective are (1) increased competition in broadband markets from incremental fiber competition, (2) wireless broadband competition through the form of 5G, (3) increased government regulations, and (4) financial risks due to leverage.

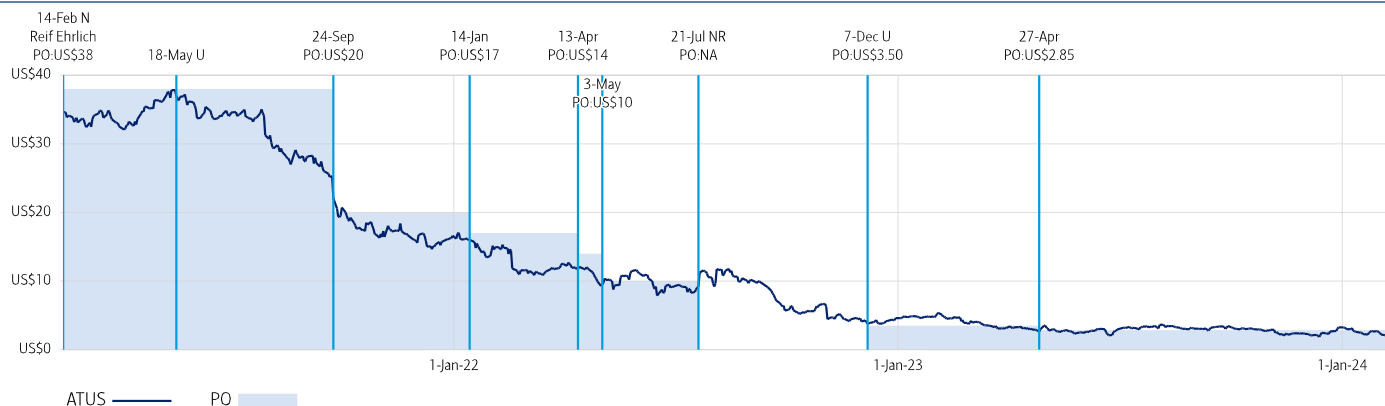
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Altice USA, Inc. (ATUS) Price Chart



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Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	35	53.85%	Buy	15	42.86%
Hold	15	23.08%	Hold	8	53.33%
Sell	15	23.08%	Sell	7	46.67%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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