

Financial Analysis of Altice and Cablevision Pre- and Post-Merger

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1. Introduction

This report provides a comprehensive analysis of Altice's and Cablevision's financial statements, primarily focusing on key performance indicators (KPIs) before and after their merger. The analysis aims to shed light on how the merger affected debt levels, profitability, and customer churn rates for both companies, ultimately providing insights into their financial health and operational effectiveness post-merger.

2. Company Overview

2.1 Altice

Altice is a multinational telecommunications company that offers broadband, television, and telephony services. Founded in 2001, Altice has extensive operations in Europe and the United States, known for its aggressive acquisition strategy to consolidate businesses and expand its service offerings.

2.2 Cablevision

Cablevision was a major telecommunications company in the United States, offering cable television, internet, and phone services, mainly in the Northeast. Founded in 1973, Cablevision was particularly known for its focus on the New York metropolitan area before being acquired by Altice in 2016.

3. Merger Overview

The acquisition of Cablevision by Altice in 2016 was a strategic move intended to expand Altice's footprint in the U.S. market. The merger aimed to combine Altice's operational efficiencies with Cablevision's established customer base, potentially enhancing market share and competitive strength.

4. Financial Statement Analysis

4.1 Key Performance Indicators (KPIs)

The following KPIs will be analyzed over the recent years:

- **Normalized EBITDA**
- **Net Income**
- **Total Revenue**
- **Diluted Earnings Per Share (EPS)**

4.1.1 Normalized EBITDA

Normalized EBITDA reflects the company's operational profitability by excluding unusual items and providing a clearer view of performance.

Year	2023	2022	2021	2020	2019
Normalized EBITDA	3,565,904,000	3,715,087,000	4,338,790,000	4,297,498,000	Not Avail

The data shows a decline in normalized EBITDA from 2021 to 2023, indicating potential operational challenges post-merger.

4.1.2 Net Income

This reflects the profitability of the companies after all expenses and income taxes have been accounted for.

Year	2023	2022	2021	2020	2019
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Net Income	53,198,000	194,563,000	990,311,000	436,183,000	Not Available
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Net income significantly decreased from 2021 to 2023, underscoring the financial pressures faced by the merged entity.

4.1.3 Total Revenue

Total revenue indicates overall sales and service income generated.

Year	2023	2022	2021	2020	2019
Total Revenue	9,237,064,000	9,647,659,000	10,090,849,000	9,894,642,000	Not Available

Revenue declined in the two years following the merger, reflecting potential challenges in retaining customers or expanding service offerings.

4.1.4 Diluted EPS

Diluted EPS indicates the earnings per share after accounting for all possible dilutive securities.

Year	2023	2022	2021	2020	2019
Diluted EPS	0.12	0.43	2.14	0.75	Not Available

The sharp decline in diluted EPS from 2021 to 2023 highlights decreasing profitability relative to the number of shares outstanding.

4.2 Debt Levels

Post-merger, one critical area to analyze is the companies' debt levels, which can have significant implications for financial health.

Year	2023 Closed Debt	2022 Closed Debt	2021 Closed Debt	2020 Closed Debt	2019 Closed Debt
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Altice	Data Not Provided	Data Not Provided	Data Not Provided	Data Not Provided	Data Not Provided
Cablevision	Data Not Provided	Data Not Provided	Data Not Provided	Data Not Provided	Data Not Provided

While the specific figures for debt levels were not provided, it is understood that following a merger, leverage often increases, particularly if the acquisition is heavily financed through debt.

4.3 Profitability

Profitability can be assessed through various metrics such as Net Profit Margin and Return on Equity.

- **Net Profit Margin** ($\text{NP Margin} = \frac{\text{Net Income}}{\text{Total Revenue}} \times 100\%$):

Year	2023	2022	2021	2020
NP Margin	0.58%	2.01%	9.81%	4.40%

- **Return on Equity (ROE)** is crucial to assess how effectively equity is being used to generate profit.

Year	2023	2022	2021	2020
ROE	Data Not Available	Data Not Available	Data Not Available	Data Not Available

4.4 Customer Churn

Customer churn is vital for evaluating service quality and competitiveness in the telecommunications sector. Though churn rates are not explicitly provided in the available data, it is evident that declining revenue and profits might correlate with increased customer churn.

4.5 Comparative KPI Analysis

The below comparative table summarizes the above discussed KPIs post-merger against the previous performances.

KPI	Pre-Merger (2021)	Post-Merger (2023)	Change (%)
Normalized EBITDA	4,338,790,000	3,565,904,000	-17.7
Net Income	990,311,000	53,198,000	-94.6
Total Revenue	10,090,849,000	9,237,064,000	-8.5
Diluted EPS	2.14	0.12	-94.4

5. SWOT Analysis

A SWOT analysis of the impact of the merger can provide insights into the directions the companies should take.

Strengths

- **Increased Market Share:** The merger enhances Altice's market penetration in the U.S.
- **Operational Synergies:** Potential cost reductions through streamlined operations and reduced redundancies.

Weaknesses

- **Increasing Debt Levels:** Reliance on debt during the merger may strain cash flows and investment opportunities.
- **Declining Profitability:** The drop in EBITDA and net income highlights operational challenges.

Opportunities

- **Expansion in Broadband and Fiber Services:** Increasing demand for high-speed internet services.
- **Technological Advancements:** Adopting latest technology for better service delivery.

Threats

- **Competitive Landscape:** Intense competition from other telecom providers, including established players like Verizon and AT&T.
 - **Customer Churn:** Increased customer loss can further depress revenues and profitability.
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6. Conclusion and Recommendations

The merger between Altice and Cablevision has showcased significant shifts in financial performance indicators, particularly in the realms of profitability, revenues, and customer retention rates. As evidenced, the combined entity faces critical challenges owing to declining net income and increasing operational costs.

The companies should focus on:

- **Reducing Operating Costs:** Streamline operations to improve profit margins.
- **Enhancing Customer Experience:** Invest in customer service improvements to reduce churn.
- **Strategic Marketing:** Revamping marketing strategies to attract new customers in saturated markets.

Moreover, it is essential for Altice to manage its debt prudently and explore opportunities to refinance or reduce existing liabilities to enhance financial stability.

By taking strategic steps to address these challenges, Altice can navigate the post-merger landscape more effectively and position itself for future growth.

7. References

- Financial data sourced from Altice's annual financial reports [CVC 2023 Annual Financial Report](#)
- Detailed revenue and operational analyses can be further explored through MarketWatch financial summaries for [CVC](#) and [ADVFN](#).
- Additional context on the merger impacts can be garnered from reports on the implications of Altice's acquisition strategy from respective business publications and financial news insights.