



Reporte Post Resultados Tercer Trimestre 2011



Noviembre 2011





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Sección I: Resumen Ejecutivo y Recomendaciones

Resumen Ejecutivo

Los resultados de Megacable para el tercer trimestre fueron percibidos en línea con lo que esperaba el mercado. La mayoría de los entrevistados expresaron que tuvieron resultados sólidos, pero uno de ellos expresó que tenían EBITDA, Net Revenue y Net Profit más bajos de lo esperado.

La capacidad de la Compañía para competir en el mercado en el futuro, especialmente en ARPU y captación de nuevos suscriptores vinieron a ser las mayores preocupaciones, así como también ser más transparentes cuando tienen nuevas adquisiciones. La necesidad por una guía para el 2012 fue un tema bastante importante en la llamada.

Del lado positivo, el equipo de RI ha mejorado, especialmente de la incorporación del nuevo IRO, Saul Gil Peña.

La principal preocupación en este trimestre es la competencia y los avances tecnológicos.

A continuación algunos **comentarios positivos** acerca de los **resultados**:

- ❖ *"...Los resultados de este trimestre me parecieron **positivos**..."*
- ❖ *"...El reporte de resultados y los comunicados de prensa me parece que tienen **buena información**..."*
- ❖ *"...**No tenemos preocupaciones** por el momento, ya que hicimos preguntas en la conferencia sobre nuestras preocupaciones y **nos quedo bastante claro todo**...."*
- ❖ *"...En lo general el **reporte trimestral** estaba bastante **completo, muy claro y con los datos precisos**..."*
- ❖ *"...**No tuve problemas** para comunicarme a la conferencia telefónica..."*
- ❖ *"...Results were **solid** for the third quarter..."*
- ❖ *"...I know **Saul** is new to the team and we have recently had our first conversation a couple of months ago and **it went very well**. Much better than it was before. He **was very helpful**..."*



A continuación alguna de las **principales preocupaciones** de los **resultados**:

- ❖ *"...Los resultados del tercer trimestre fueron **más bajos** de lo que esperábamos, especialmente el **net revenue, net profit** y **EBITDA**...."*
- ❖ *"...a largo plazo la captación de **nuevos usuarios** podría **disminuir** ..."*
- ❖ *"...**We have no idea what they paid for these acquisitions**, I know they are small but they still **should tell investors** ..."*
- ❖ *"...My main concern is that Megacable face more **competition** than we expected, especially on **ARPU** ..."*



Comportamiento de la Acción (01/07/11 – 04/11/11)



Fuente: Bloomberg

La siguiente tabla muestra las recomendaciones de los analistas:

Compañía	Analista	Recomendación 3T11	Precio Objetivo (Pesos)	Fecha
Actinver	Martin Lara	Buy	31.00	6/1/2011
Banif - IXE	Manuel Jimenez	Buy	34.00	10/27/2011
Barclays Capital	Vera Rossi	Neutral	31.00	10/20/2011
Citigroup	James Rivett	Buy	36.00	3/3/2011
Credit Suisse	Andrew Campbell	Neutral	30.00	7/28/2010
Deutsche Bank	Miguel Garcia	Hold	27.00	8/3/2011
Goldman Sachs	Lucio G Aldworth	Neutral	31.00	11/3/2011
HSBC	Enrique Gomez	Underweight	27.50	5/18/2011
Itau Securities	Carlos Constantino	Market Perform	36.00	1/24/2011
JP Morgan	Andre Baggio	Neutral	31.00	6/15/2011
Santander	Gregorio Tomassi	Buy	33.00	5/2/2011

Fuente: Bloomberg



Recomendaciones

Tomando como base la retroalimentación ofrecida por los participantes entrevistados, i-advize ha preparado las siguientes recomendaciones:

1. Guidance:

Respecto a la guía de crecimiento, dos de los entrevistados expresaron la necesidad de una guía de crecimiento para el 2012.

A continuación algunos comentarios al respecto:

- *“...Lo único que preguntamos y no se contestó fue sobre **su guidance**, pero nos dijeron que todavía no lo tenían para el 2012, así eso es lo único que necesitamos...”*
- *“...They did **not provide an official guidance**, they were just giving a ball park figure for CAPEX and growth and it would be very helpful to have them...”*

De acuerdo a la información recopilada, i-advize recomienda que la compañía debiera repasar su guía de crecimiento de manera trimestral, y presentarlo como parte de los resultados para brindar al mercado más información sobre su desempeño, especialmente sobre CAPEX, suscriptores y EBITDA.

2. Nuevas adquisiciones:

De acuerdo con algunos de los participantes entrevistados, la Compañía adquirió tres empresas de servicios y no facilitaron el monto pagado ni el retorno en la inversión, así como EBITDA, captación de suscriptores e información operacional.

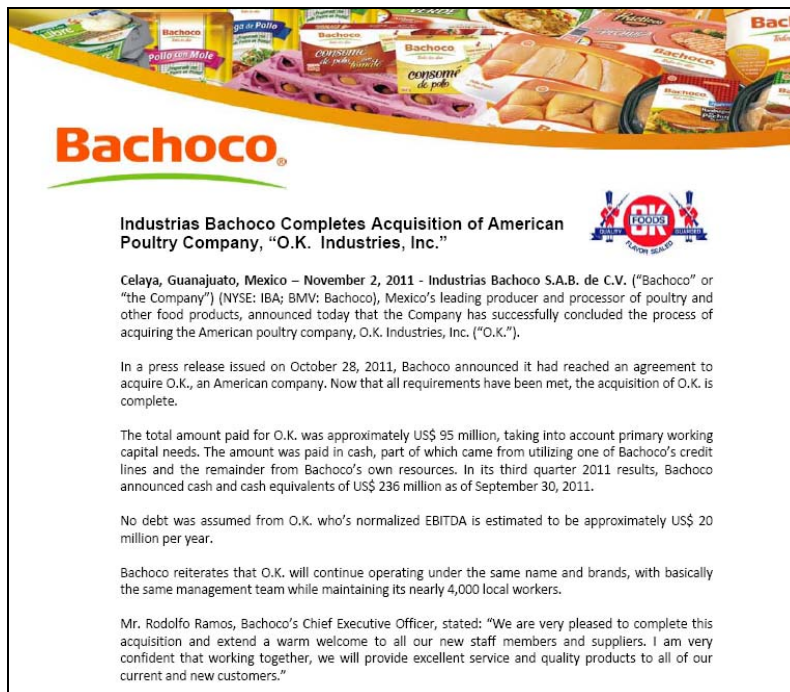
A continuación algunos comentarios al respecto:

- *“...they did not provide me with any kind of information. We have **no idea what they paid** for these acquisitions, I know they are small but they still should tell investors....”*

i-advize recomienda que Megacable presente al mercado sus nuevas adquisiciones y nuevos negocios por un press release presentando información sobre; precio, datos operacionales, método de pago, deuda incurrida de la adquisición, así como de EBITDA, y beneficios estratégicos de la compra.



La siguiente es una muestra de un comunicado de prensa:



3. Presentación y Audio Webcast: Uno de los participantes sugirió que Megacable utilice una presentación durante la teleconferencia para facilitar el curso de la llamada.

➤ *“...I think a way **they could improve the quality of their conference call** is by adding a **power point presentation** that complements the call. They did not provide an official guidance, they were just giving a ball park figure for CAPEX and growth and it would be very helpful to have them...”*

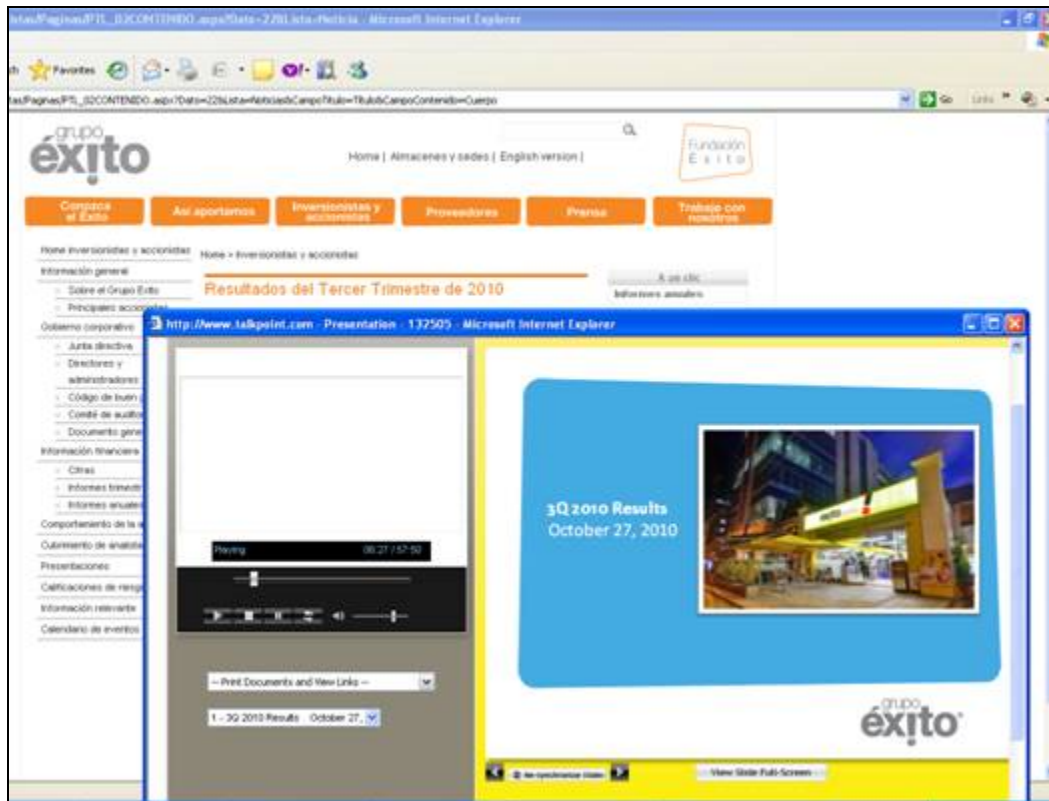
El uso de una presentación en PowerPoint podría ser una alternativa muy útil para presentar la información de manera más dinámica, resumida y precisa, mientras que provee al mercado una diferente perspectiva de los resultados trimestrales, especialmente cuando se trata de información de diferentes líneas de negocios y servicios en los cuales la compañía tiene operaciones.

Incluir una presentación durante la teleconferencia puede ser una alternativa que se puede implementar de diferentes formas, ya sea enviando la presentación en PowerPoint mediante un correo electrónico adjuntando los resultados trimestrales, o contratar los servicios de una empresa para que la presentación se pase en vivo por Internet al mismo tiempo de la teleconferencia (Audio Webcast). Asimismo, se les daría a los participantes la opción de escuchar por Internet la llamada en vivo, o bien consultar el audio cuando mejor les convenga (*ver ejemplo*). i-advize podría asistir a la compañía elaborando una presentación preliminar para la teleconferencia, en este caso, resaltando los puntos más importantes de los diferentes



negocios y lanzamiento de nuevos servicios, adquisiciones, evolución de operaciones a nivel local, etc, y otros eventos relevantes que sucedan o se ejecuten durante el periodo.

Ejemplo de Webcast:





Sección II: Lista de Preguntas de 3T11

- I was wondering if you could give us some guidance regarding **subscribers** for 2012, mostly in terms of Megacel, and how would this affect **margins**?
- It seems like **ARPU** in the internet segment has been **very strong** year-over-year, but some of the ARPUs have been a little bit weak. Can you give us an idea of what to look for going **forward** in 2012?
- You continued to mention that you want to keep **cash in hand** in order to keep on consolidating the sector; is there anything we could expect in the next **12 months** and can we expect it to be bigger in terms of size compared to what you have done in the last two years?
- Can you talk a little bit about what you have been paying in terms of price per subscriber in relation to the **acquisitions** you have made recently? It's \$750 per **video subscriber**, correct?
- Do you have a target of net debt or net debt to **EBITDA** for the end of the year. And also, I know it's a little bit early, but I was wondering if you had any **guidance** for 2012 in terms of **top line** and EBITDA.



Sección III: Lista de Participantes 3T11

	NOMBRE	COMPAÑIA	TELEFONO
1	DAURY RUIZ	AM CAPITAL	525591776300
2	PALOMA CAMPOS	BANCO SANTANDER	525552692200
3	GILBERTO GARCIA	BARCLAYS CAPITAL	525552013326
4	JORGE SILVERSTEIN	BARCLAYS CAPITAL	11525552413217
5	CRYTON HARRISON	BLOOMBERG NEWS	52552429251
6	ISAURA MENDEZ	CENTURION	525555707678
7	ALONSO GARCIA	CREDIT SUISSE	52655289838917
8	RAMON ESTRADA	CSI	525552616737
9	MEL ROY	DCM	2864590321
10	RICARDO CHICHICAL	DEUTSCHE BANK	442075473773
11	LUIS FAUNDES	EVALUESERVE	56322997311
12	FRANCISCO MURTI	EVALUESERVE	56322996112
13	ANDRES MEDINAMORA	GBM	525554805800
14	ANDREA DELAGARZA	GBM	5554805800
15	ERIC PAUL	GISL	9149489065
16	CAROLINA YOSHIMOTO	GOLDMAN SACHS	551133710722
17	GERARDO BRAVO	HEGEL	525552225461
19	SHEKY ESPEJO	INFOSEL	160025555255
20	MARCELO SANTOS	JP MORGAN	551149503756
21	RODRIGO VILLANUVEA	MERRILL LYNCH	525552013286
22	MICHEL MORIN	MORGAN STANLEY	212761028
23	JENNIFER LEONARD	MORGAN STANLEY	2127614075
24	FREDERICK GUANICH	SCOTIA CAPITAL	525552292637
25	HECTOR DIAZ	SELECT	5552561426
26	JEFF MARK	SILGATA	9005949747
27	KATINA METZIDAKIS	UBS	2127139903
28	SHAWN MIKE	UNION CAPITAL	7738842374



Sección IV: Entrevistas

Entrevista #1

Los resultados de este trimestre me parecieron positivos. Realmente no tengo preocupaciones de la empresa en el corto plazo; a largo plazo la captación de nuevos usuarios podría disminuir.

El reporte de resultados y los comunicados de prensa me parece que tienen buena información. No tuve problemas para ingresar a la llamada de conferencia.

El departamento de relación con inversionistas hace un buen trabajo de comunicación con el mercado.

Conozco a la gerencia, soy un banquero de ellos y trato directamente con ellos.

Entrevista #2

Los resultados del tercer trimestre fueron más bajos de lo que esperabamos, especialmente el *net revenue*, *net profit* y *EBITDA*.

No tenemos preocupaciones por el momento, ya que hicimos preguntas en la conferencia sobre nuestras preocupaciones y nos quedó bastante claro todo. Lo único que preguntamos y no se contestó fue sobre su *guidance*, pero nos dijeron que todavía no lo tenían para el 2012, así eso es lo único que necesitamos.

En lo general el reporte trimestral estaba bastante completo, muy claro y con los datos precisos, lo único que necesitaríamos es el *guidance*.

No tuve problemas para comunicarme a la conferencia telefónica y pudimos hacer preguntas cuando vino la posibilidad.

No he tenido contacto con el departamento de relación con inversionistas pero sé que están en contacto constante con otros integrantes de mi equipo.

Entrevista #3

Results were solid for the third quarter, but they could be more transparent. They announced an acquisition of three operators in Mexico, and when I called them to ask more details on the price paid in the deal and operational information on the operators, they did not provide me with any kind of information. We have no idea what they paid for these acquisitions. I know they are small, but they still should tell investors.

My main concern is that Megacable face more competition than we expected, especially on ARPU.

I have had contact with the IR team, I know Saul is new to the team and we have recently had our first conversation a couple of months ago and it went very well; much better than it was



before. He was very helpful. They should provide more detail on their perception or expectations on the mobile business. They are launching a deal with Telefonica and they are launching services in Mexico and we are having problems modeling it because we do not know the potential it has, how many subscribers they could reach, ARPU etc.

I think a way they could improve the quality of their conference call is by adding a power point presentation that complements the call. They did not provide official guidance, they were just giving a ball park figure for CAPEX and growth and it would be very helpful to have them.



Sección V: Lista de Accionistas

A continuación, la lista de accionistas identificados al 10 de Noviembre de 2011:

Total de Accionistas						
Institution Name	3Q11	2Q11	Change	Position Date	City	Country
1 Genesis Investment Management, LLP	17,167,347	17,167,347	0	6/30/2011	London	United Kingdom
2 APG Algemene Pensioen Groep N.V.	2,587,867	2,587,867	0	12/31/2010	Amsterdam	Netherlands
3 Blackrock Asset Management (Australia), LTD	1,040,600	1,040,600	0	9/30/2011	Sydney	Australia
4 Handelsbanken Asset Management (Sweden)	792,800	792,800	0	6/30/2011	Stockholm	Sweden
5 Dimensional Fund Advisors, L.P. (U.S.)	486,236	443,573	42,663	7/31/2011	Santa Monica	United States
6 Hansberger Global Investors, Inc. (U.S.)	343,329	0	343,329	8/31/2011	Fort Lauderdale	United States
7 The Boston Company Asset Management, LLC	164,900	164,900	0	6/30/2011	Boston	United States
8 Global X Management Company, LLC	17,182	33,282	(16,100)	9/30/2011	New York	United States
9 Natixis Asset Management	0	78,000	(78,000)	8/31/2011	Paris	France

Compradores						
Institution Name	3Q11	2Q11	Change	Position Date	City	Country
1 Hansberger Global Investors, Inc.	343,329	0	343,329	8/31/2011	Fort Lauderdale	United States
2 Dimensional Fund Advisors, L.P.	486,236	443,573	42,663	7/31/2011	Santa Monica	United States

Vendedores						
Institution Name	3Q11	2Q11	Change	Position Date	City	Country
1 Natixis Asset Management	0	78,000	(78,000)	8/31/2011	Paris	France
2 Global X Management Company, LLC	17,182	33,282	(16,100)	9/30/2011	New York	United States

Fuente: IPREO

A continuación están las explicaciones de las tres tablas anteriores (Compradores, Vendedores, Buy-Ins, Sell-outs)

Los Compradores, son los principales compradores de la empresa en 3T11. En este caso hay solo dos instituciones que compraron acciones este trimestre. Lo que está explicando el cuadro es que Dimensional Fund Advisors tiene 486,236 acciones de Megacable demostrando un incremento 42,663 acciones (Change) el 31 de Julio del 2011, en los Estados Unidos.

Los Vendedores, se refieren a los principales vendedores de acciones de la empresa, en este momento es Global X Management Co. y Natixis Asset Management son los únicos. Ellos vendieron (16,100) y (78,000) acciones respectivamente.

Los *Buy-ins* son aquellas empresas que por primera vez están comprando acciones de la empresa. En este caso, Hansberger Global Investors adquirió por primera vez 343,329 acciones el 31 de Agosto del 2011. Esto está demostrado en la tabla de Compradores resaltado en color gris.



Sección VI: Transcripción Conferencia Telefónica

Megacable 3Q11 Conference Call
October 28, 2011
11:00 am ET.

Operator: Good afternoon. My name is Julianne and I will be your conference operator today. At this time I would like to welcome everyone to the Megacable third quarter 2011 earnings conference call. All lines have been placed on mute to prevent any background noise. Thank you. I would now like the turn the conference over to Ms. Maria Barona of i-advize Corporate Communications. Ms. Barona you may begin your conference.

Maria Barona: Thank you and good day everyone. I'm pleased to welcome you to Megacable's third quarter this October 28th, 2011. Please note that the statements made today may constitute forward-looking statements which do not account for economic circumstances, company performance and financial results. These are subject to a different condition. For a complete note on forward-looking statements please refer to the quarterly report which was distributed yesterday. If you did not receive a copy please contact us in New York at 212-406-3691.

With us today from Megacable are Mr. Enrique Yamuni chief executive officer, Mr. Raymundo Fernandez, deputy chief executive officer and Mr. Luis Zetter chief financial and administrative officer who will take your questions after the presentation. At this time I'd like to turn the call over to Mr. Yamuni; sir, please go ahead.

Enrique Yamuni: Thank you, Melanie, Good morning everyone, thank you for joining us for Megacable's Third quarter conference call. I will first briefly review the highlights for the period, then I will ask Raymundo to review key operating results and followed by Luis who will discuss the financials.

Megacable reported sales of over 2,000 Million pesos for the fourth consecutive quarter, which was achieved through the addition of approximately 195 thousand RGU's from 3Q10 to 3Q11, due to increased sales of bundled services.

Regarding the acquisition of the cable television systems of Uruapan, San Miguel de Allende and Dolores Hidalgo, is transaction was completed as of September 30th, 2011, and added approximately 55,000 RPU's, mainly video subscriber. That acquisition also added 670 kilometers of network and 112,000 passed homes.

Demonstrating leadership in delivering the best television experience, Megacable became the first pay TV operator to offer Quadruple Play in Mexico, which was launched at the end of July. This service, provided to subscribers of the premium service, allows them to view Movie City content online on any device anywhere as long as they are a Movie City-Megacable subscriber.

Megacable launched Megacel to the market, a new cellular telephone service offering customers quadruple play. Megacel is focused on families that require telecommunications services without restrictions and with unlimited calls between their mobile phones and fixed telephone lines in their homes. As we have mentioned in the past, the launch was made under the MVNO partnership with Telefonica



México. Megacable will manage the marketing, billing, customer service and sales efforts, in addition to the provision of the terminal equipment directly with the Megacel brand, operating with Telefonía México's infrastructure, thereby leveraging Telefonía México's coverage, experience and service quality.

Megacable continues to be the innovator and the benchmark in technology, service, broadband speeds, pricing and bundling in a competitive market, delivering value to its customers and adding value to our shareholders.

On the financial side, Megacable continues to deliver strong figures along with reinforcing our commitment to be the best pay TV option available in the market. We expect to end 2011 in line with our guidance, while we continue generating cash flow for future acquisitions and offering the most complete bundled services. In our balance sheet we have minimum exposure in dollars and we just signed three interest rate swaps to hedge the interest rate liability.

Thank you for your attention I will now turn the call over to Mr. Raymundo Fernandez, who will briefly review some of the key operating highlights.

Raymundo Fernandez: Good morning everyone and thank you for joining us today.

Regarding our operating results, broadband was the segment which registered the best performance in terms of net adds, increasing its base by more than 61 thousand net additions during the year and more than 52 thousand net additions during the quarter. This was mainly the result of targeted marketing campaigns aimed at capturing the maximum benefit of the back to school season, which resulted in significantly improved growth rates.

On the other hand, the digital video segment increased an outstanding 94%, implying net additions of 404 thousand year to year, as a result of our digitalization project, totaling 834 thousand main digital set top boxes and an additional 867 thousand as second or additional outlets. Video subscribers presented a growth of 7% and a net addition of 118 thousand year to year, while telephony added over 15 thousand subscribers, a growth of 3% year to year. Megacable increased its subscriber number through organic growth in all of our segments, thus, achieving significant growth of 50 thousand, 42 thousand and 21 thousand additional subscribers in video, broadband and telephony, respectively quarter to quarter. We began 1Q11 cleaning-up our subscriber base, in 2Q11 we added some subscribers and in 3Q11 we are back on target and pushing forward to meet our guidance.

During this quarter, Megacable increased the bandwidth provided to our subscribers and launched docsis 3.0 so now we can offer speeds from 5 mb up to 100 mb to the home. In addition, the digital set top deployment, our economic 50 channel minibasic, the new speeds and the back to school and YOO campaign proved to be a great success.

As a result of all these efforts, the Company posted a 7% increase in RGU's, totaling almost 3.0 million units as of September 30, 2011, while unique subscribers accounted for more than 1.9 million, maintaining RGU's per unique subscriber at 1.56 as last year.



Related to ARPUs, Video decreased 1% and 0.3% quarter to quarter and year over year, respectively. Broadband increased 2% quarter to quarter and 13% year over year, while telephony decreased 7% quarter to quarter and increased 4% year over year. Therefore, unique ARPU increased 3% year over year, from \$354.6 pesos to \$366.2 pesos per subscriber.

The monthly average churn rate however decreased in the, three segments year over year, but video and telephony both increased from quarter to quarter. The broadband service shows 13 basis points decreased in the last quarter due to the high number of subscribers in 3Q11 that took advantage of our promotions.

Finally, the number of homes passed increased 9 percent year over year, reaching approximately 5.6 million homes passed and more than 39 thousand kilometers of network with a bidirectional rate of 97 percent.

Thank you for your attention, now I will turn the call over Mr. Luis Zetter, our Chief Financial and Administrative Officer who will review the key financial highlights. Luis, please go ahead.

Luis Zetter:

Thank you, Raymundo, At this point, I just want to briefly review the financials before moving to the question and answer session.

Megacable's consolidated services revenues increased 8% from 3Q10 to 3Q11, reaching over 2.0 billion pesos. On a per-segment basis, Video contributed 61% of revenues, internet 20% and telephony 13%.

Cost of services decreased 3% compared to 3Q10, as a result of a reduction in interconnection rates and partly by the improvement in the cost of drop?????. As we mentioned in the last conference call, we are building a partial reserve in case the final court decision is different than what we expect based on today's scenario.

Consolidated EBITDA rose 11% compared to 3Q10, reaching 859 million pesos, for an EBITDA margin of 42.1%. Adjusted EBITDA for cable operations rose 10% from 3Q10 to 3Q11 to 836 Million pesos, reaching a margin over cable revenues of 42.6%. Net income totaled 393 million pesos remained flat year over year. On a year to date basis Revenue and EBITDA are 12% and 15% higher respectively, aligned with our guidance.

Regarding to the Company's balance sheet, assets, cash and temporary investments increased approximately 589 million pesos or 34% compared to 3T10, a decrease of 9% compared to 2Q11 mainly due to the acquisition of the operations of Uruapan, San Miguel de Allende and Dolores Hidalgo, described previously.

Properties, systems and equipment, net, increased 19%, mainly due to the purchase of TV-set top boxes for the digitalization project, the increase and modernization of Megacable's network, the addition of more new network kilometers, and the purchase of transportation, computer and office equipment, among others.

Lastly, this quarter, Megacable invested Ps. 409 million, reaching Ps. 1,378 million during the nine-months 2011. This investment was mainly allocated towards the purchase of terminal subscriber equipment, growth and modernization of the cable network, the purchase of fixed assets and the assets from the new acquisition.



Operator: Thank you. Ladies and gentlemen if you would like ask a question at this time please press star then the number one on your telephone keypad. Your first question is from the line of Andres Medina-Mora with GBM.

Andres Medina-Mora: Thank you, good morning. I was wondering if you could give us some guidance regarding subscribers for 2012, mostly in terms of Megacel, and how would this affect margins? Thank you.

Raymundo Fernandez: Hi, Andres. Yes, we're targeting -- we're expecting to have 90,000 cell subscribers -- Megacel subscriber for 2000 -- by the end of 2012. We do not expect this to hurt our margins since this is not a relevant base compared to all the RGUs we have. And we're also being careful about how we structure the products so they don't hurt the margin that we have right now, but that's somewhere 90,000 that we're targeting for December 2012.

Andrea Medina-Mora: Thank you.

Operator: And in order to ask a question please press star 1 and there are no further questions at this time. I will now turn the floor back over to Mr. Yamuni for any concluding comments.

Maria Barona: Oh, wait a second, Mr. Yamuni, we do have two questions that just came in.

Enrique Yamuni: Go ahead. We were kind of worried. Please.

Raymundo Fernandez: We were kind of worried we weren't prepared for this.

Operator: Your next question is from the line of Jennifer Leonard with Morgan Stanley.

Jennifer Leonard: Good morning. I just wanted to ask a couple questions about the ARPU trends. It seems like ARPU in the internet segment has been very strong year over year but on some of the ARPUs have been a little bit weak. Can you give us an idea of what to look for going forward in 2012?

Raymundo Fernandez: Yes, sure Jennifer. As you mentioned, Internet ARPU has been going up but we do not expect this to change. In the video side, we have a slightly seasonal leaning low ARPU. Also, we are setting and selling our subscribers a much lower package, a lifeline package that we have a mini basic that has been compensated with the digitalization. That's why I mentioned in my speech that digitalization is very important for us.

That's how we want to compensate our work. We want to compensate any difference in the mix of subscribers that we have. So video will have to remain stable on that part.

On the telephony side, we have a third quarter, a low ARPU on the third quarter. We do not expect that to continue to decrease. We expect that to remain or go back to the regular frame we have in that part with some companies that we are going to promote more calls from our subscribers.

Jennifer Leonard: OK thank you very much.



Raymundo Fernandez: And second question?

Operator: Once again, in order to ask a question please press star one on your telephone keypad. Your next question is from the line of (Rodrigo Ve with Merrill Lynch.

Rodrigo Villanueva: Hi, good morning. I was wondering if you could talk a little bit more about acquisitions going forward. You continued to mention that you want to keep cash in hand in order to keep on consolidating the sector; is there anything we could expect in the next 12 months and can we expect it to be bigger in terms of size compared to what you have done in the last two years? Thank you.

Enrique Yamuni: Yes, Rodrigo, thank you very much for your question. Well there is not very much market size or smaller, or large or small operators to be acquired anymore. The acquisition we did last month was maybe the last one that was about that size. The other ones would be smaller or one of the big ones that are still out there. We, as you know, we are always -- we've been talking with these guys for quite a long time, and we think that we've been thinking for the past two years that consolidation should be faster and we expect, we still expect that. We think that due to the new applications and the new technologies in the competitive environment, that should happen but we cannot tell we don't have a signed agreement with them; we don't have any indication of pricing or anything like that yet. We're still there. We are pursuing that but we wouldn't able to give you a date or a definitive -- yes, we will have our consolidation within the next 12 months. We wish it would be fast, it will happen but we don't have any indication yet. We think that the next acquisition should be a big one or the other one would be too small that maybe they are just going to be making sense, small towns around us and -- well, that's what I can tell you.

Rodrigo Villanueva: OK. Thank you very much. Can you talk a little bit about what you have been paying in terms of price per subscriber in relation to the acquisitions you have made recently? Thank you.

Enrique Yamuni: Luis do you want to comment?

Luis Zetter: Right. On the acquisitions we made we have a NDA agreement with them but what we can say is that we did the operation on slow basis and with discount rate of 15 percent.

Enrique Yamuni: We do have a complete share of the agreement with the sellers, but the price per subscriber was around [ph] \$700 or \$750 (18:53) per subscriber and the upside is big because they were -- they had small penetration in Internet and telephony and in the series where they had launched that. So at once where they have not launched the Internet or telephony. So it made sense to -- geographically a lot of sense to us because we already have fiber links to those cities. So it's very easy for us to manage that consolidation and then consolidate the switch, the soft switch and everything and it was very easily integrated to one of our regions. The Megacable is divided by regions and it was very, very natural for us to buy them. So we think it's going to be a great operation for us.

Rodrigo Villanueva: OK thank you very much. Just to clarify, it's \$750 per video subscriber, correct?



Enrique Yamuni: Yes, that's right.

Rodrigo Villanueva: OK, thank you very much.

Operator: Once again, ladies and gentlemen, in order to ask a question please press star one on your telephone keypad. Your next question is from the line of Andres Medina Mora with GBM.

Andres Medina-Mora: Thank you for the follow-up. I was just wondering if you had a target of net debt or net debt to EBITDA for the end of the year. And also I know it's a little bit early but I was wondering if you had any guidance for 2012 in terms of top line and EBITDA. Thank you.

Luis Zetter: Yes, for the remainder of year we stay with the current guidance that we had since we started the year. That's 3.5 billion on EBITDA. So we keep that 3.5 – sorry, 3,545 million pesos and we stick to that in EBITDA. And for following year I think we have not confirmed our numbers; we are still in the budgeting process. We expect to finish soon but we have not come to a final number.

Enrique Yamuni: And the net debt Andres was at negative

Luis Zetter: Oh, the net debt by the end of the year would be, again, coming back to a positive, or a negative net debt, however you want to see it. So we will have more cash-in-hand than on our debt. So we expect that to come back to like levels we had in Q2.

Andres Medina-Mora: Great. Thank you.

Operator: Your next question comes from the line of Valerie Ruiz with A.M. Capital.

Valerie Ruiz: Hello, my question has already been answered. Thank you.

Operator: Once again, in order to ask a question please press star one. Again, in order to ask a question please press star one. Your next question is from the line of Gilberto Garcia with Barclay's Capital.

Gilberto Garcia: Hi good morning, thank you for the call. I was wondering if you could give us a little color on the low effective tax rate for the quarter. Thank you.

Luis Zetter: Right. We have been, we have been – you know, creating some operations on the company that have been resulting on really a reduced tax rate. Basically the acquisitions and other operations have been giving us the opportunity to really lower the tax rate. So that's basically the result during this quarter.

Gilberto Garcia: OK thank you.

Operator: And there are no further questions at this time. I will now turn the floor back over to Mr. Yamuni for any final comments.

Enrique Yamuni: Well thank you very much for your interest in Megacable and for your time in this conference call and we look forward for speaking with you very soon. And we are, as always, at your orders for any further questions or any further comment that you



have. Thank you very much again and we'll be in touch. We'll be here for anything you need.

Raymundo Fernandez: Sure. We have this conference call was informative. Thank you for participating as Enrique said, we're very happy and grateful for the results that we posted. It seems like the campaign and the strategy we took at the beginning of the year is paying off. So we're very confident we can meet guidance, and everything we commit to you and to our stockholders in the past. So, again we're open for any question you have and we really appreciate your time and being here with us. Luis?

Luis Zetter: That's basically it. Thanks everybody for your time and we'll talk to you in three quarters, I mean in three months.

Raymundo Fernandez: Thank you.

Luis Zetter: Thank you, bye bye.

Operator: Thank you all for participating in today's conference call. You may now disconnect.

END



Sección VII: Reportes de Analistas

Equity | Mexico | Cable TV
28 October 2011

3Q11 operating results slightly below BofAMLe

3Q11 revenue and EBITDA -1% and -2% vs. BofAMLe

Mega's 3Q11 revenues of P\$2bn grew by 8% YoY (-1% vs. BofAMLe) mainly supported by a 4% increase in consolidated ARPU and a 5% higher subscriber base (without including RGUs from recent acquisitions). During Q3 Mega added 114k revenue generating units (RGUs), 6% below our forecast. EBITDA of P\$859mn fell short our estimate by 2% (+13% YoY) and EBITDA margin of 42.1% was 60bp below our projection (+190bp YoY). EPS of P\$0.46 beat our estimate by 9% (flat YoY) as the softer EBITDA was more than offset by a 22% lower FX loss of P\$94mn.

Mega's results softer than Televisa's cable companies

Mega's RGU, revenue and EBITDA YoY growth rates of 5%, 8% and 13%, respectively, were lower than those achieved by the aggregate of TV's cable companies of 17%, 11% and 16%. We believe that in order for Mega to maintain or expand current valuation levels, it would need to grow RGU's at least in line with Televisa.

Neutral rating on valuation, liquidity and lack of catalysts

We rate Mega a Neutral as (1) the company has outperformed its LatAm peers by nearly 11% in the last four months, limiting further multiple expansion from its 5.9x EBITDA and 12.1x earnings for 2012E (vs. an average of 4.5x and 11.3x for LatAm telco and media peers); (2) liquidity has significantly declined, making it very difficult to trade (less than US\$400k/day vs. over US\$1mn a year earlier); and (3) we see no short-term catalysts.

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Stock Data

Price	MXN27.94
Price Objective	MXN31.00
Date Established	27-Oct-2011
Investment Opinion	C-2-9
Volatility Risk	HIGH
BofAML Ticker / Exchange	MHSDf / MEX
Bloomberg / Reuters	MEGACPO MM / MEGACPO.MX

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Table 1: Mega - 3Q11 earnings summary

INCOME STATEMENT (P\$ mn)	3Q11A	3Q11E	Act / Est	2Q11A	QoQ%	3Q10A	YoY%
Video subs ('000)*	1,820	1,830	-1%	1,770	3%	1,746	4%
Internet subs ('000)*	637	634	0%	594	7%	585	9%
Telephony subs ('000)*	472	472	0%	451	5%	459	3%
RGU ('000)*	2,929	2,936	0%	2,815	4%	2,790	5%
Video subs net-adds ('000)*	50	60	-17%	39	27%	19	167%
Internet subs net-adds ('000)*	43	40	7%	3	1225%	42	2%
Telephony subs net-adds ('000)*	21	21	0%	8	169%	4	471%
RGU net-adds ('000)*	114	121	-6%	50	126%	65	77%
Video	1,238	1,247	-1%	1,218	2%	1,191	4%
Internet	405	395	2%	382	6%	320	27%
Telephony	274	292	-6%	282	-3%	256	7%
Other	121	127	-5%	127	-5%	125	-3%
Net Revenues	2,038	2,062	-1%	2,009	1%	1,892	8%
EBITDA	859	881	-2%	883	-3%	760	13%
EBITDA Margin (%)	42.1%	42.7%	-58bp	43.9%	-182bp	40.2%	194bp
Depreciation & Amortization	(265)	(273)	-3%	(260)	2%	(238)	11%
Net Interest	(90)	(123)	-27%	(8)	1092%	(8)	981%
Other	(39)	(12)	240%	(14)	176%	0	-8769%
Taxes	(71)	(114)	-37%	(125)	-43%	(122)	-42%
Net income	393	359	9%	477	-18%	392	0%
EPS (P\$)	0.46	0.42	9%	0.56	-18%	0.46	0%

*Reported subscribers and net-additions do not include the subscribers of recently acquired companies, in order to be comparable with our estimates
Source: Company reports, BofA Merrill Lynch Global Research estimates

Price objective basis & risk Megacable (MHSDF)

We calculate a 12-month price objective of P\$31/share for Mega using a target EBITDA multiple valuation method. To arrive at our P\$31/share PO for Mega, we use a target multiple of 6.8x EBITDA for 2012E. This target multiple implies a 5% premium to the target multiple for US cable & satellite stocks, in line with Mega current valuation premium to US peers. A premium for Mega seems reasonable to us because we expect its EBITDA to grow faster (10%/year from 2010-13E vs. 6%), and its EBITDA margin is much higher (42% vs. 31%). Upside risks to our price objective are: 1) being a potential acquisition target, and 2) softer competition in pay-TV, broadband and fixed telephony. Downside risks to our price objective are: 1) increased competition in pay-TV, broadband and fixed telephony, 2) potential for margin contraction on pricing pressure, and 3) relatively high valuation levels compared to US cable peers.

Link to Definitions Media & Telecom

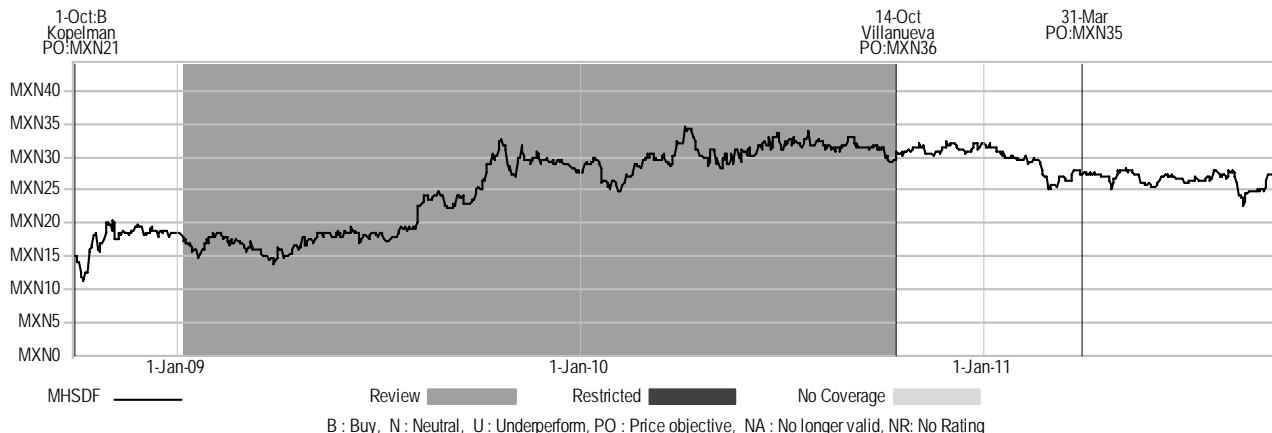
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MHSDF Price Chart



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Investment Rating Distribution: Media & Entertainment Group (as of 01 Oct 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	57	53.77%	Buy	20	38.46%
Neutral	29	27.36%	Neutral	11	44.00%
Sell	20	18.87%	Sell	6	30.00%

Investment Rating Distribution: Global Group (as of 01 Oct 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	2073	54.13%	Buy	923	49.12%
Neutral	961	25.09%	Neutral	460	52.57%
Sell	796	20.78%	Sell	287	38.32%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
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Underperform	N/A	≥ 20%

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28 Oct 2011 - 07:05:28 AM BRST

COMPANY ALERT

Megacable

3Q11 operating results in line - Sub growth recovers

Results

Hold

Reuters:MEGACPO.MX Exchange:MEX Ticker:MEGACPO

Price (MXN)	27.25
Target price	27.00
52-week range	32.34 - 22.60
Market cap (USDm)	1,725.3
Shares outstanding (m)	857.9
Free float (%)	23
Volume (21 Oct 2011)	6,800
ADR ratio	0.0
Mexico IPC Index	35,021
Exchange rate (MXN/USD)	13.55

FYE 12/31	2009A	2010E	2011E
Revenue (MXNm)	6,894	7,582	9,028
EBITDA (MXNm)	2,929	3,251	3,758
EBITDA margin (%)	42.5	42.9	41.6
Net Income (MXNm)	2,009	1,928	2,258
EPS (MXN)	2.34	2.25	2.77
Div Yield (%)	0.0	0.0	0.0

EPCPO of P\$0.46 was below our P\$0.55 forecast on the back of higher depreciation charges and financial expenses as operating results were right in line with our forecast.

Revenues of P\$2.0bn were in line with our estimate as higher revenues from cable and internet offset lower telephony and others. Cable revenues were 1.1% higher than our forecasts on the back of slightly stronger net adds (94k vs. our 90k forecast) and ARPU. ARPU decreased 1% q.o.q. versus our 3% decline estimate. Internet revenues were 1.5% higher, also on the back of stronger sub growth (53k vs. our 50k est) and ARPU; which grew 2% from 2Q11, compared to out flat base estimate.

On the other hand, Telephony revenues were 4.4% below our projections mainly on lower ARPU as net adds of 23k were close to our 25k estimate. Telephony ARPU decreased 7% versus our 2% decline estimate. Adjusting for acquisitions, Cable and broadband organic growth reached 50k and 43k net adds, respectively. This represents a material recovery from 13k and 1k net adds during 1H11. Telephony also recovered by reaching organic net adds of 19k, compared to 13k net disconnections in 1H11.

EBITDA of P\$859mn also came in line with our expectations, resulting in margin of 42.2% (vs. our 42.1% est). Higher SG&A of P\$570mn were offset by lower cost of services, which were 5.3% below our estimates mainly as a result of lower interconnection rates. Capex of P\$419mn compares to our P\$417mn estimate, resulting in pre-tax operating FCF of P\$440mn, in line with our forecasts.

3Q11 results vs. our estimates (P\$m ex. EPCPO)

	3Q11A	3Q11E	Diff.	(000)	3Q11A	3Q11E	Diff.
Revenue	2,038	2,039	-0.1%	Video subs	1,864	1,860	0.2%
EBITDA	859	859	0.1%	Net adds	94	90	
EBITDA mg.	42.1%	42.1%		Broadband subs	647	644	0.5%
Operating inc	594	606	-2.0%	Net adds	53	50	
Net income	393	471	-16.5%	Phone lines	474	476	-0.4%
EPCPO (P\$)	0.46	0.55		Net adds	23	25	

Source: Deutsche Bank, Company Data

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October 28, 2011

Stock Rating
Equal-weight

Industry View
In-Line

Megacable Holdings

3Q11: Decent Quarter

Results were strong but were lower than our estimates across the board. Revenue and EBITDA y/y growth slowed compared to y/y growth in 2Q11 and 1Q11, but was still respectable.

EPCPO of P\$0.46 was flat y/y but declined 17% sequentially, and was 14% below our P\$0.53 estimate. Gains in EBITDA were offset by higher financial expenses.

Revenues were P\$2.0bn, up 8% y/y but 2% below our estimate. Telephony and Pay Television revenues showed good growth of 4% and 7% y/y, but were lighter than we expected. Broadband had the largest revenue growth, rising 27% y/y and 5% above our forecast, and had y/y ARPU expansion of 13%. Telephony ARPUs rose 4% y/y and Video ARPUs were flat.

EBITDA rose 11% y/y to P\$859mn, but was 3% below our estimate due to the lighter pay tv and telephony revenues, and a 13% y/y rise in operating expenses. A 3% decrease in cost of service offset part of the higher expenses. Margins expanded 120 bps y/y to 42.2%, but were 20 bps below our estimate.

Megacable continues to see good subscriber growth, both organically and through acquisitions. Total 3Q11 net adds of 94k video, 53k broadband, and 23k telephony subscribers includes the recent acquisition of 44k video, 11k internet, and 2k telephony subs subscribers in three cities. Excluding these, organic y/y subscriber growth was 4% for pay tv, 9% for broadband, and 3% for telephony.

Megacel, the MVNO with TEF, has launched. Megacable is targeting pre-paid customers and customers with family plans, and is offering quad-play bundles. Little has been disclosed about the product's initial sales, but we hope to get more information on the conference call.

Key Ratios and Statistics

Reuters: MEGACPO.MX Bloomberg: MEGACPO MM
Latin America Media / Mexico

Price target	M\$35.00
Shr price, close (Oct 27, 2011)	M\$27.94
Mkt cap, curr (mm)	US\$1,835
52-Week Range	M\$32.50-22.40

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October 28, 2011
Megacable Holdings

Exhibit 1

Megacable 3Q11 Actuals vs. Estimates

P\$mnn	3Q11	3Q11E	A-E	A/E	3Q10	Y/Y	2Q11	Q/Q	3Q11E	Consensus
Net Revenues	2,038	2,087	(49)	-2.4%	1,892	7.7%	2,009	1.4%	2,066	-1.4%
Pay television	1,238	1,286	(48)	-3.8%	1,191	3.9%	1,218	1.6%		
Broadband	405	387	18	4.6%	320	26.6%	382	6.0%		
Telephony	274	289	(15)	-5.2%	256	7.0%	282	-2.8%		
Other	121	125	(4)	-3.1%	125	-3.2%	127	-4.7%		
Cost of Services	608	654	(46)	-7.0%	626	-2.8%	595	2.2%		
Operating and G&A exp.	571	548	22	4.1%	506	12.8%	531	7.5%		
EBITDA	859	885	(26)	-2.9%	774	11.0%	883	-2.7%	862	-0.3%
% EBITDA Margin	42.2%	42.4%	(0)	-20 bps	40.9%	120 bps	43.9%	-180 bps	41.7%	50 bps
EBITDA Adjusted	836	870	(34)	-3.9%	762	9.8%	870	-3.8%		
% EBITDA Adj. Margin	41.0%	41.7%	(0)	-70 bps	40.3%	80 bps	43.3%	-230 bps		
Depreciation	265	260	5	2.1%	238	11.4%	260	2.1%		
Operating Income	594	625	(31)	-5.0%	523	13.7%	623	-4.7%		
Operating Margin	29.1%	30.0%	(0)	-80 bps	27.6%	150 bps	31.0%	-190 bps		
Fin. & Other Exp.	(110)	1	(111)	NM	(8)	NM	(8)	NM		
Tax Provisions	71	146	(75)	-51.2%	122	-41.8%	125	-42.8%		
Minority Interest	(19)	(21)	1	-5.8%	(12)	-65.8%	(21)	6.1%		
Net Income	393	460	(66)	-14.4%	392	0.3%	477	-17.5%	439	-10.3%
Earnings per CPO (P\$)	0.46	0.53	(0)	-14.4%	0.46	0.4%	0.55	-17.4%	0.51	-10.2%
CPOs outstanding	859	860	(1)	-0.1%	861	-0.2%	860	-0.1%		
Operating Metrics										
Total Pay TV	1,864	1,799	65	3.6%	1,746	6.8%	1,770	5.3%		
Pay TV Net Adds (000)	94	29	65	224.5%	19	402.2%	39	139.2%		
Total Broadband	647	642	5	0.7%	585	10.5%	594	8.9%		
Bband Net Adds (000)	53	48	5	10.0%	42	25.2%	3	1534.0%		
Total Lines in Svc (LIS)	474	454	20	4.5%	459	3.4%	451	5.2%		
Voice Net Adds (000)	23	3	20	736.2%	4	525.1%	8	194.7%		


e = Morgan Stanley Research estimates

Source: Company data, Morgan Stanley Research

Valuation and Risks

We value Megacable using a DCF that assumes WACC of 9.8% and a terminal long term growth rate of 4%. Risks to our price target include increased competition in the Mexican communications market, the potential for TMX to get a video license, and slower than expected macroeconomic growth.

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Megacable Holdings

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(as of September 30, 2011)

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	Count	% of Total	Count	Total IBC	% of % of Rating Category
Overweight/Buy	1130	40%	457	46%	40%
Equal-weight/Hold	1168	42%	419	42%	36%
Not-Rated/Hold	112	4%	23	2%	21%
Underweight/Sell	400	14%	104	10%	26%
Total	2,810		1003		

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Megacable Holdings

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Overweight (O or Over) - The stock's total return is expected to exceed the total return of the relevant country MSCI Index, on a risk-adjusted basis over the next 12-18 months.

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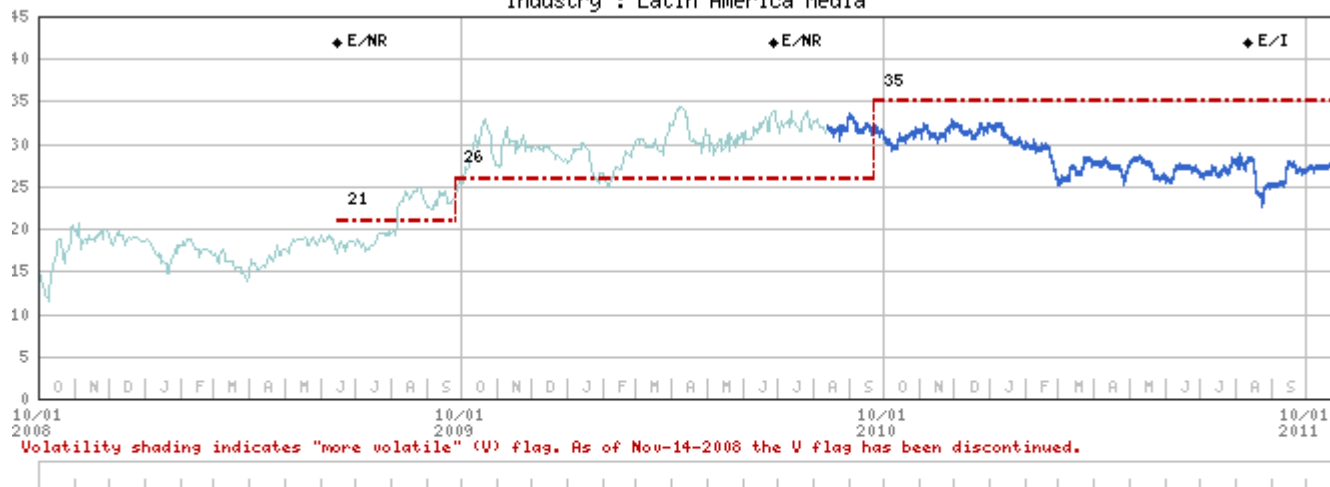
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Stock Price, Price Target and Rating History (See Rating Definitions)

Megacable Holdings, S.A.B. de C.V. (MEGACPO.MX) - As of 10/28/11 in MXN
Industry : Latin America Media



Stock Rating History: 6/16/09 : E/NR; 6/27/10 : E/NR; 8/12/11 : E/I

Price Target History: 6/16/09 : 21; 9/25/09 : 26; 9/22/10 : 35

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target --- No Price Target Assigned (NA)
 Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —
 Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View
 Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) More Volatile (V) No Rating Available (NA)
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Megacable Holdings

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Industry Coverage: Latin America Media

Company (Ticker)	Rating (as of)	Price* (10/27/2011)
Jennifer Leonard, CFA		
Megacable Holdings, S.A.B. de C.V. (MEGACPO.MX)	E (06/27/2010)	M\$27.94
TV Azteca (AZTECACPO.MX)	E (06/27/2010)	M\$7.85
Michel Morin, CFA		
Grupo Televisa (TV.N)	O (06/27/2010)	US\$22.02

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