Liberty Global plc (LBTYA)

$22.31 (As of 08/13/20)

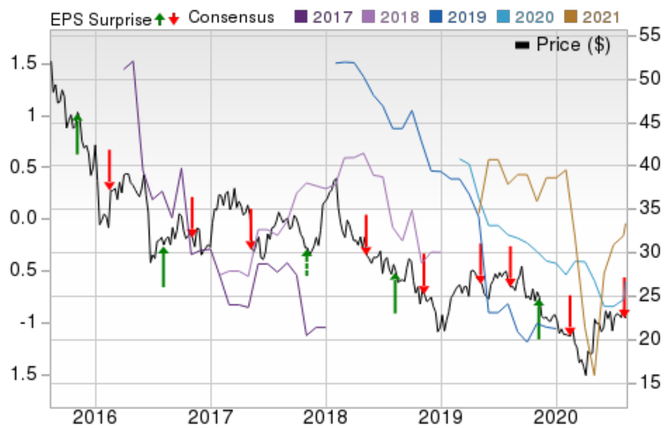
Price Target (6-12 Months): **$23.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 11/11/19) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:C
	Value: A | Growth: F	Momentum: C

Summary

Liberty Global's second-quarter 2020 results were disappointing. The company reported loss and revenues declined year over year despite subscriber gain. Liberty Global gained 7,700 customer relationships in the second quarter against a loss of 28,600 in the year-ago quarter. The company is suffering from a persistent customer loss in the video and voice segment, primarily due to stiff competition. Liberty Global's prospects are weighed down by the maturing Western European operations. Shares have underperformed the industry on a year-to-date basis. However, the company is expected to benefit from increasing Internet speed and an expanding mobile-subscriber base. Fixed-mobile convergence (FMC) penetrations reached 23%, 46% and 22% at VirginMedia, Telenet and UPC Switzerland, respectively in the second-quarter.

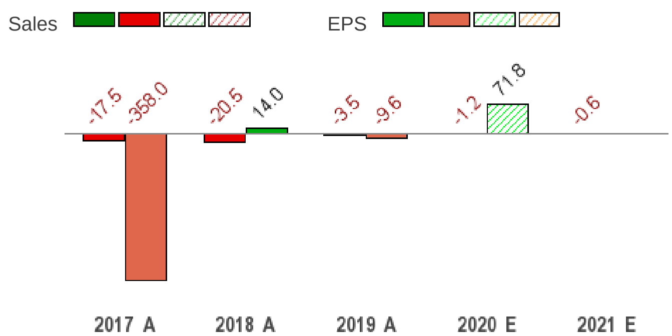
Price, Consensus & Surprise



Data Overview

52 Week High-Low	**$28.48 - $15.24**
20 Day Average Volume (sh)	**1,289,858**
Market Cap	**$13.2 B**
YTD Price Change	**-1.9%**
Beta	**1.26**
Dividend / Div Yld	**$0.00 / 0.0%**
Industry	**Cable Television**
Zacks Industry Rank	**Top 44% (111 out of 252)**
Last EPS Surprise	**-2,544.4%**
Last Sales Surprise	**NA**
EPS F1 Est- 4 week change	**21.8%**
Expected Report Date	**11/04/2020**
Earnings ESP	**0.0%**
P/E TTM	**NA**
P/E F1	**NA**
PEG F1	**NA**
P/S TTM	**1.2**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021					11,337 E
2020	2,876 A	2,723 A			11,403 E
2019	2,868 A	2,850 A	2,841 A	2,982 A	11,542 A

EPS Estimates

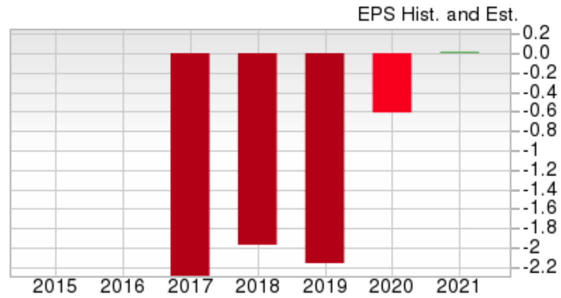
	Q1	Q2	Q3	Q4	Annual*
2021					$0.02 E
2020	$1.50 A	-$0.86 A			-$0.61 E
2019	-$0.43 A	-$0.50 A	$0.77 A	-$2.20 A	-$2.16 A

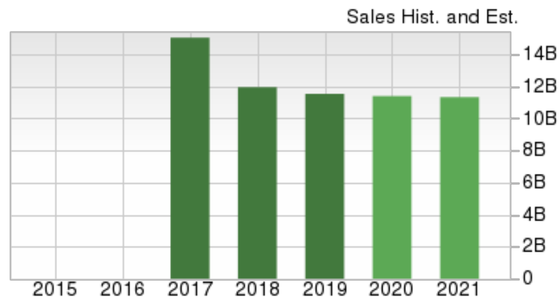
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 08/13/2020. The reports text is as of 08/14/2020.

Overview

Liberty Global Plc is an international provider of video, broadband internet, fixed-line telephony, mobile and other communications services to residential customers and businesses in Europe.





As of Jun 30, 2020, the company's owned and operated networks passed 25,964,000 homes and served 24,883,800 revenue generating units (RGUs) consisting of 9,416,000 broadband internet subscribers, 8,150,100 video subscribers and 10,716,000 fixed-line telephony subscribers.

Moreover, as of Jun 30, 2020, Liberty Global served 6,413,100 mobile subscribers.

The company provides residential and business telecommunication services in (i) the United Kingdom and Ireland through Virgin Media (ii) Belgium through Telenet Group Holding, a 57.7%-owned subsidiary, and (iii) Switzerland, Poland and Slovakia through UPC Holding.

Moreover, Liberty Global has 50% non-controlling interest ownership in VodafoneZiggo, which provides residential and business-to-business communications services in the Netherlands.

The company divested a number of assets in the past couple of years. In July 2019, Liberty Global completed the sale of its operations in Germany, Romania, Hungary and the Czech Republic to Vodafone. Moreover, in May, the company completed the sale of its direct-to-home satellite (DTH) operations to M7 Group, which served customers in Hungary, the Czech Republic, Slovakia and Romania.

Further, in July 2018, the company completed the sale of its operations in Austria. Additionally, in January 2018, Liberty Global completed the spin-off of its Latin American and Caribbean operations into a new, independent, publicly-traded company, Liberty Latin America Ltd.

Revenues were $11.54 billion in 2019. As of Dec 31, 2019, Liberty's reportable segments were U.K./Ireland (57.2% of revenues), Belgium (25.1%), Switzerland (10.9%) and Central and Eastern Europe (4.1%).

Reasons To Buy:

- Liberty Global continues to grow through several initiatives, including divestitures. Launch of DOCSIS 3.1 network services and Amazon Prime video, 50-50 joint venture (JV) with Vodafone in Netherlands, buyout of UTV Ireland TV stations from ITV, and content deal with Sky bode well for the company.

Liberty Global continues to grow through several initiatives including rapid penetration in the U.K., higher Internet speed offerings and aggressive share buyback.

- Moreover, increasing demand for higher Internet speed in the U.K. is a key catalyst. Almost 80% of the company's broadband base prefers speed above 100 Mbps. Liberty Global expects to rollout 1 Gbps speed across the U.K. by the end of 2021. Moreover, the company's focus on offering higher value bundles is expected to drive the topline.

- Moreover, the spin-off of Latin American and Caribbean operations is expected to help Liberty Global focus on operations with long-term potential and prospects. Additionally, the divestiture of Austria, Germany, Hungary, Romania and the Czech Republic operations further helps it focus on developing its core operations.

- We are impressed with Liberty's share repurchase program that reflects the company's strong liquidity position. As of Jun 30, 2020, the company had $9.8 billion of cash, investments under SMAs and unused borrowing capacity. Total principal amount of debt and finance leases were $27.7 billion for continuing operations. Moreover, the average debt tenor is seven years, with approximately 77% not due until 2026 or thereafter. As of Jun 30, 2020, Liberty Global's adjusted gross and net leverage ratios were 5.3X and 3.X, respectively.

Reasons To Sell:

Competitive fixed-line and mobile services business, foreign exchange rate risks and integration risks act as major dampeners.

- The markets for video, broadband, fixed-line telephony and mobile services are highly competitive and speedily evolving. In addition, technological advances and product innovations have amplified and are likely to continue to increase the number of alternative providers available to customers. Consequently, Liberty Global's businesses are expected to keep facing considerable competition in the countries in which they operate.
- Liberty Global's top line and EBITDA growth is weighed down by the maturing Western European operations, which account for a majority of the company's total revenues. The company also faces considerable foreign exchange rate fluctuations. Moreover, the company's plethora of acquisitions exposes it to significant integration risks.
- Liberty Global is also facing significant regulatory hurdles in Belgium, which is negatively impacting results. The company's decision to delay annual price increase due to mobile regulatory headwinds is expected to hurt top-line growth.

Last Earnings Report

Liberty Global Incurs Loss in Q2, Revenues Fall Y/Y

Quarter Ending	06/2020
Report Date	Aug 03, 2020
Sales Surprise	NA
EPS Surprise	-2,544.44%
Quarterly EPS	-0.86
Annual EPS (TTM)	-0.79

Liberty Global's second-quarter 2020 net loss was $524.2 million against the year-ago quarter's earnings of $53 million.

Revenues declined 4.5% year over year to $2.72 billion. On a rebased basis, revenues dipped 4.3% from the year-ago quarter.

Liberty Global gained 7,700 customer relationships in the reported quarter against a loss of 28,600 in the year-ago quarter.

Fixed-mobile convergence ("FMC") continued to drive mobile growth with more than 100,000 post-paid additions. Markedly, FMC penetrations reached 23%, 46% and 22% at VirginMedia, Telenet and UPC Switzerland, respectively.

Top-Line Details

Average revenue per unit ("ARPU") per cable customer relationships decreased 3.6% to $57.35. On a rebased basis, the figure declined 1.3%.

Mobile ARPU, (including interconnect revenues) on a reported basis, declined 5.1% to $15.65. On a rebased basis, the figure decreased 8.4%.

Further, mobile ARPU (excluding interconnect revenues) on a reported basis, slid 7% to $13.16. On a rebased basis, the figure was down 4.8%.

In United Kingdom/Ireland, Virgin Media gained 23,900 customer relationships against a loss of 5,600 in the year-ago quarter.

The U.K./Ireland revenues, on a reported basis, slipped 6.8% year over year to $1.53 billion. On a rebased basis, U.K./Ireland revenues were down 3.6% year over year.

In Belgium, Telenet lost 2,900 customer relationships compared with loss of 8,000 in the year-ago quarter.

Belgium revenues, on a reported basis, decreased 4.3% year over year to $682.5 million. On a rebased basis, revenues fell 5.2%.

In Switzerland, Liberty Global lost 16,400 customer relationships compared with loss of 18,100 in the year-ago quarter.

Switzerland revenues, on a reported basis, decreased 5% year over year to $299.1 million. On a rebased basis, revenues decreased 8.6%.

Continuing CEE (Poland and Slovakia) gained 3,100 customer relationships compared with 3,300K in the year-ago quarter.

Continuing CEE revenues, on a reported basis, declined 2.4% to $93.7 million. On a rebased basis, the top line increased 4.2%.

Revenues from the Dutch joint venture decreased 4.2% year over year on a rebased basis.

Liberty Global built 126,000 new premises in the reported quarter including 93,000 in the U.K. & Ireland.

Operating Details

Adjusted EBITDA declined 0.2% year over year to $1.19 billion in the second quarter.

U.K./Ireland EBITDA, on a rebased basis, decreased 1.5% year over year. Switzerland EBITDA also, on a rebased basis, was down 9.9% from the year-ago quarter.

However, Belgium EBITDA, on a rebased basis, increased 3.7% year over year. Continuing CEE EBITDA also, on a rebased basis, increased 4.2% year over year.

Loss from continuing operations was $503.8 million in the reported quarter compared with loss of $339.6 million in the year-ago quarter.

Segmental operating cash flow (operating income after adjusted for non-cash items) increased 14.2% year over year to $600.5 million, on a rebased basis.

Balance Sheet & Cash Flow

As of Jun 30, 2020, Liberty Global had $9.8 billion of cash, investments under SMAs and unused borrowing capacity.

Total principal amount of debt and finance leases were $27.7 billion for continuing operations. Moreover, the average debt tenor is seven years, with approximately 77% not due until 2026 or thereafter.

As of Jun 30, 2020, Liberty Global's adjusted gross and net leverage ratios were 5.3X and 3.X, respectively.

Cash provided by operating activities was $1.14 billion, down 13.6% year over year.

Moreover, adjusted free cash outflow was $455.7 million in the second quarter compared with $591.8 million in the year-ago quarter and $317 million in the previous quarter.

The company bought back roughly $750 million shares under its repurchase program in the reported quarter.

Key Q2 Development

On May 7, 2020, Liberty Global entered into an agreement with Telefonica SA to form a 50:50 joint venture that will combine Virgin Media's operations in the United Kingdom with Telefonica's mobile business (O2).

Recent News

On Aug 11, Liberty Global announced, that pursuant to the terms of a transaction agreement between Liberty Global and Sunrise Communications Group AG, the former has agreed to make an all-cash public-tender offer for all publicly held shares of Sunrise at a price of CHF110 per share.

On Aug 4, Liberty Global announced the launch of gigabit-broadband services from Virgin Media to almost 1 million homes in Glasgow, Leeds and Bradford.

Per a MarketWatch report on May 4, Telefonica and Liberty Global are in discussions to merge the O2 mobile business of the former with the latter's Virgin Media Cable network.

On Apr 9, Liberty Global announced the formation of Liberty Global Response Fund aimed at helping employees and their families who have been significantly affected by the COVID-19 crisis.

Valuation

Liberty Global shares are down 1.9% in the year-to-date period and 14.2% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 4.2% while the same in the Zacks Consumer Discretionary sector are down 4.2% in the year-to-date period. Over the past year, Zacks sub-industry and the sector are up 15.4% and 9%, respectively.

The S&P 500 index is up 4.8% in the year-to-date period and 18.8% in the past year.

The stock is currently trading at 1.17X forward 12-month sales, which compares to 2.27X for the Zacks sub-industry, 2.4X for the Zacks sector and 3.7X for the S&P 500 index.

Over the past five years, the stock has traded as high as 2.44X and as low as 0.83X, with a 5-year median of 1.57X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $23 price target reflects 1.23X forward 12-month sales.

The table below shows summary valuation data for LBTYA

Valuation Multiples -LBTYA

		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	1.17	2.27	2.4	3.7
	5-Year High	2.44	2.59	2.95	3.7
	5-Year Low	0.83	1.61	1.68	2.53
	5-Year Median	1.57	2.04	2.5	3.05
EV/Sales TTM	Current	1.45	3.41	3.15	3.28
	5-Year High	8.8	3.75	3.86	3.46
	5-Year Low	1.43	2.64	2.29	2.14
	5-Year Median	4.38	3.26	3.39	2.86
EV/EBITDA TTM	Current	4.29	10.28	11.14	12.75
	5-Year High	12.32	19.25	17.86	12.84
	5-Year Low	4.23	8.27	8.32	8.24
	5-Year Median	9.55	10.36	12.29	10.9

As of 08/13/2020

Industry Analysis **Zacks Industry Rank:** Top 44% (111 out of 252)

Top Peers

Company (Ticker)	Rec	Rank
Cable One, Inc. **(CABO)**	Outperform	3
DISH Network Corporation **(DISH)**	Outperform	1
Comcast Corporation **(CMCSA)**	Neutral	3
Rogers Communication, Inc. **(RCI)**	Neutral	4
Shaw Communications Inc. **(SJR)**	Neutral	2
ATT Inc. **(T)**	Neutral	3
TMobile US, Inc. **(TMUS)**	Neutral	3
WideOpenWest, Inc. **(WOW)**	Neutral	4

Industry Comparison Industry: Cable Television

	LBTYA	X Industry	S&P 500	Industry Peers DISH	RCI	SJR
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	1	4	2
VGM Score	C	-	-	C	B	B
Market Cap	13.24 B	12.30 B	23.58 B	18.39 B	21.18 B	9.18 B
# of Analysts	1	4	14	4	7	5
Dividend Yield	0.00%	0.00%	1.68%	0.00%	3.46%	4.72%
Value Score	A	-	-	C	A	B
Cash/Price	0.53	0.07	0.07	0.19	0.06	0.05
EV/EBITDA	4.22	10.03	13.34	10.03	7.26	7.38
PEG Ratio	NA	3.13	2.99	NA	4.38	5.58
Price/Book (P/B)	1.06	2.36	3.20	1.51	2.94	2.05
Price/Cash Flow (P/CF)	6.47	9.04	12.83	9.04	5.98	6.87
P/E (F1)	NA	32.59	21.99	18.18	18.98	19.57
Price/Sales (P/S)	1.16	1.99	2.53	1.43	1.99	2.27
Earnings Yield	-2.73%	2.40%	4.35%	5.50%	5.27%	5.13%
Debt/Equity	0.83	0.83	0.77	0.91	1.92	0.73
Cash Flow ($/share)	3.45	2.72	6.94	3.88	7.01	2.72
Growth Score	F	-	-	D	B	C
Hist. EPS Growth (3-5 yrs)	NA%	4.27%	10.41%	-2.69%	10.77%	-2.22%
Proj. EPS Growth (F1/F0)	71.76%	21.79%	-6.32%	-25.77%	-29.39%	-11.48%
Curr. Cash Flow Growth	-8.34%	-3.39%	5.20%	-11.24%	1.79%	-3.39%
Hist. Cash Flow Growth (3-5 yrs)	-15.92%	2.34%	8.55%	0.07%	2.34%	-1.48%
Current Ratio	1.99	0.98	1.33	0.71	1.03	0.87
Debt/Capital	45.26%	46.84%	44.59%	48.97%	65.73%	42.11%
Net Margin	104.07%	11.89%	10.13%	9.90%	11.89%	12.55%
Return on Equity	-3.19%	1.72%	14.51%	11.14%	18.57%	10.86%
Sales/Assets	0.24	0.34	0.51	0.39	0.38	0.34
Proj. Sales Growth (F1/F0)	-1.20%	0.00%	-1.43%	-2.62%	-11.06%	-1.62%
Momentum Score	C	-	-	C	B	C
Daily Price Chg	-0.27%	0.12%	-0.44%	1.89%	0.12%	-1.89%
1 Week Price Chg	-4.34%	2.51%	2.30%	6.42%	0.76%	1.26%
4 Week Price Chg	-3.38%	3.63%	4.38%	5.57%	0.43%	4.29%
12 Week Price Chg	6.80%	6.37%	13.59%	22.85%	5.93%	16.28%
52 Week Price Chg	-14.29%	-7.17%	5.75%	10.07%	-17.26%	-1.84%
20 Day Average Volume	1,289,858	285,843	1,984,154	2,834,680	566,558	424,441
(F1) EPS Est 1 week change	-0.83%	0.00%	0.00%	5.70%	0.00%	0.00%
(F1) EPS Est 4 week change	21.80%	3.11%	2.08%	8.02%	-12.30%	1.06%
(F1) EPS Est 12 week change	-2.52%	2.17%	2.66%	-1.60%	-12.45%	3.69%
(Q1) EPS Est Mthly Chg	NA%	7.72%	0.94%	20.69%	-21.41%	10.29%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	A
Growth Score	F
Momentum Score	C
VGM Score	C

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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