

TELEFONICA BRASIL S.A.
Form 6-K
November 06, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE
SECURITIES EXCHANGE ACT OF 1934**

For the month of November, 2012

Commission File Number: 001-14475

TELEFÔNICA BRASIL S.A.

(Exact name of registrant as specified in its charter)

TELEFONICA BRAZIL S.A.

(Translation of registrant's name into English)

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Rua Martiniano de Carvalho, 851 – 21 andar

São Paulo, S.P.

Federative Republic of Brazil

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes

No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes

No

Highlights

- **Total accesses** reached 91,9 million in 3Q12 (+11.6% y-o-y), 76.8 million of which in the mobile business (+14.6% y-o-y) and 15.1 million in the fixed-line business (-1.6% y-o-y);
- In the mobile market, the **market share** totaled 29.7% in September 2012 (+0.2 p.p. y-o-y);
- **Undisputable leadership** in the higher revenue segments, recording 36.9% market share in the postpaid market. In the segment of **datacards** Vivo recorded 48.1% of the market share;
- **Fixed broadband** accesses moved up by 5.7% y-o-y to 3.8 million accesses;
- **Superior quality of the fixed services** remaining among the best two companies in the industry in the IDA (Attendance Index measured by Anatel) and leadership in customer satisfaction;
- **Focus on quality and new integrated offers** between fixed and mobile **produce increased retention of fixed voice customers** (-57 thousand net additions in 3Q12 compared to -114 thousand in 2Q12 and -97 thousand in 1Q12), supported by a better performance in the corporate segment and lower loss of accesses in the residential segment;
- **Mobile ARPU** grew by 1.1% over last quarter due to the increase in data revenue and reasonable purchases and disconnection of accesses;
- **Mobile Services Revenue** maintained its high annual growth, recording a positive variation of 8.1% in 3Q12 (11% excluding the MTR effect), driven by the **Data and VAS revenue**;
- **Fixed Service Revenues** dropped by 7.3% annually, a strong deceleration in comparison to the last quarter, which registered a decrease of 11.7%.
- **Operating costs** increased less than the revenue growth, evidencing an efficient cost control;
- The **EBITDA** reached R\$2,911.2 million in the quarter (+3,1% y-o-y). The annual evolution is affected by non-recurring events, generating a positive effect of R\$40.4 million in 3Q12 due to the sale of non strategic assets;
- **EBITDA Margin** of 34.4% in the quarter (+0.3 p.p. y-o-y) presenting an adjusted margin of 33.9%;

- **Cash flow after investment activities** reached R\$3,737.5 million. We grew 27% over the same period in the year to date of 2012.
- Declaration of **Interim Dividends** in the amount of R\$ 1,122.52 million.

Notes: (1) y-o-y: 12 month change; (2) q-o-q: change over the previous quarter and (3) y-t-d: year to date.

Highlights

| | | | | | | | |
|--|-----------|-----------|------------|-----------|----------|------------|----------|
| Net Operating Revenues | 8,463.3 | 8,243.5 | 2.7 | 8,293.1 | 2.1 | 25,021.1 | 2.1 |
| Net Operating Services Revenues | 8,200.6 | 8,075.0 | 1.6 | 8,067.7 | 1.6 | 24,408.5 | 2.1 |
| Net operating mobile services revenues | 5,078.2 | 4,959.7 | 2.4 | 4,697.9 | 8.1 | 14,962.1 | 1.1 |
| Net operating fixed revenues | 3,122.4 | 3,115.3 | 0.2 | 3,369.8 | (7.3) | 9,446.5 | 1.1 |
| Net handset revenues | 262.7 | 168.5 | 55.9 | 225.4 | 16.6 | 612.6 | 1.1 |
| Operating costs | (5,552.1) | (5,150.6) | 7.8 | (5,468.5) | 1.5 | (16,169.7) | (15.1) |
| EBITDA | 2,911.2 | 3,092.9 | (5.9) | 2,824.5 | 3.1 | 8,851.5 | 3.1 |
| EBITDA Margin % | 34.4% | 37.5% | (3.1) p.p. | 34.1% | 0.3 p.p. | 35.4% | 0.3 p.p. |
| Net income | 935.8 | 1,085.5 | (13.8) | 1,332.3 | (29.8) | 2,977.9 | (29.8) |
| Capex | 963.6 | 1,143.5 | (15.7) | 1,226.3 | (21.4) | 3,271.6 | (21.4) |
| Total number of accesses (thousand) | 91,892 | 90,858 | 1.1 | 82,372 | 11.6 | 91,892 | 11.6 |
| Mobile accesses | 76,806 | 75,720 | 1.4 | 67,038 | 14.6 | 76,806 | 14.6 |
| Fixed accesses | 15,087 | 15,138 | (0.3) | 15,333 | (1.6) | 15,087 | (1.6) |

Telefônica Brasil S.A. (BM&FBOVESPA: VIVT3 and VIVT4, NYSE: VIV), discloses today its consolidated results for the third quarter of 2012, presented in accordance with International Financial Reporting Standards (IFRS) and with the pronouncements, interpretations and guidelines of the Accounting Pronouncements Committee, effective on December 31, 2010. For comparative purposes, the 9M11 figures were prepared on a combined basis. Totals are subject to differences due to rounding up or down. The results of the following direct and indirect subsidiaries are consolidated in the Company's statements: Vivo S.A., Telefônica Data S.A., A. Telecom S.A., Telefônica Sistema de Televisão S.A., Ajato Telecomunicações Ltda., GTR Participações e Empreendimentos S.A., TVA Sul Paraná S.A., Lemontree S.A., Comercial Cabo TV São Paulo S.A., Aliança Atlântica Holding B.V., Companhia AIX de Participações and Companhia ACT de Participações.

Mobile business

OPERATING PERFORMANCE

| | | | | | | | |
|--------------------------------------|--------|--------|------------|--------|-----------|--------|--------|
| Mobile accesses | 76,806 | 75,720 | 1.4 | 67,038 | 14.6 | 76,806 | 67,038 |
| Postpaid | 17,955 | 17,177 | 4.5 | 15,359 | 16.9 | 17,955 | 15,359 |
| Prepaid | 58,851 | 58,542 | 0.5 | 51,679 | 13.9 | 58,851 | 51,679 |
| Market Share (*) | 29.7% | 29.6% | 0.1 p.p. | 29.5% | 0.2 p.p. | 29.7% | 29.5% |
| Postpaid | 36.9% | 36.6% | 0.3 p.p. | 36.8% | 0.1 p.p. | 36.9% | 36.8% |
| Mobile broadband (modem only) | 48.1% | 49.2% | -1,1 p.p. | n.d. | n.d. | n.d. | n.d. |
| Net additions | 1,086 | 936 | 16.0 | 2,989 | (63.7) | 5,252 | 6,746 |
| Market Share of net additions (*) | 39.8% | 17.6% | 22.1 p.p. | 29.9% | 9.9 p.p. | 31.1% | 27.6% |
| Market penetration | 131.6% | 130.4% | 1.2 p.p. | 116.4% | 15.1 p.p. | 131.6% | 116.4% |
| Monthly churn | 3.5% | 3.8% | (0.4) p.p. | 2.9% | 0.6 p.p. | 3.3% | 2.8% |
| ARPU (R\$/month) | 22.2 | 21.9 | 1.1 | 23.9 | (7.1) | 22.2 | 23.9 |
| Voice ARPU | 16.0 | 15.9 | 0.9 | 17.7 | (9.8) | 16.1 | 18.0 |
| Data ARPU | 6.2 | 6.0 | 3.3 | 6.1 | 0.8 | 6.0 | 5.8 |
| Total traffic (minutes million) (**) | 27,988 | 26,239 | 6.7 | 24,380 | 14.8 | 79,352 | 67,671 |

(*) source: Anatel

(**) retroactively adjusted due to systemic rereading.

- **Total accesses** increased by 14.6% over 3Q11, closing the quarter with 76,806 thousand accesses.

- **Market share** recorded a slight annual growth by reaching 29.7% (+0.2 p.p. y-o-y). **In the post-paid market segment** we continued expanding our leadership with 36.9% market share (+0.1 p.p. y-o-y). In this quarter we led the market share of net additions with 43.6%.

- We continue to lead the market share of **datacards** with 48.1% of the market, thus showing Vivo's differential in relation to network quality and 3G / HSPA+ coverage.

- **Total net additions** reached 1,086 thousand accesses and a market share of net additions of 39.8% in 3Q12. The y-o-y comparison is affected by the adoption of our strict disconnection policy which applies to customers that meet two conditions at the same time: no recharge activity for 60 days after expiration of previous recharge and 60 days with no traffic.

- This quarter we also managed to **improve the customer mix** with 72% of the new additions composed by postpaid plans.

- **ARPU** reached R\$22.2, a growth of 1.1% over the previous quarter due to the growth in the data ARPU. In the y-o-y comparison, there was a drop of 7.1% due to the reduction in the MTR and higher proportion of prepaid and hybrid plan customers in relation to the same period of 2011. Excluding the mentioned regulatory impact, the

ARPU would record a reduction of 4.6% in the quarter.

- **Total traffic** grew by 14.8% over 3Q11 due to the growth of our customer base.
- The **recharge** activity is worthy of mention, having continued to record a strong growth in the quarter (+21% y-o-y), higher than the growth in the prepaid customer base (+14% y-o-y).

NET OPERATING REVENUES