

OI S.A.
Form 6-K
November 13, 2014

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
of the Securities Exchange Act of 1934
For the month of November 13, 2014
Commission File Number: 1-15256

OI S.A.

(Exact Name as Specified in its Charter)

N/A

(Translation of registrant's name into English)

Rua General Polidoro, No. 99, 5th floor/part Botafogo

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22280-001 Rio de Janeiro, RJ

Federative Republic of Brazil

(Address of principal executive offices)

(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:**

(Indicate by check mark whether the registrant by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes: **No:**

If **Yes** is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

Results Highlights

	3Q14	3Q13	2Q14	YoY	QoQ	9M14	9M13	YoY
Oi S.A.								
Pro-forma								
Revenue Generating Unit (000)								
Brazil	75,035	74,873	74,895	0.2%	0.2%	75,035	74,873	0.2%
Portugal	13,125	12,944	12,940	1.4%	1.4%	13,125	12,944	1.4%
Net Revenues (R\$ million)								
Brazil	8,842	9,263	9,024	-4.5%	-2.0%	26,939	27,161	-0.8%
Portugal	6,738	7,099	6,935	-5.1%	-2.8%	20,549	21,213	-3.1%
Others ⁽¹⁾	1,833	1,919	1,853	-4.5%	-1.1%	5,641	5,260	7.2%
	271	245	236	10.5%	14.9%	749	688	8.9%
EBITDA (R\$ million)								
	3,003	3,050	2,549	-1.5%	17.8%	9,376	9,244	1.4%
EBITDA Margin (%)								
	34.0%	32.9%	28.3%	1.0 p.p.	5.7 p.p.	34.8%	34.0%	0.8 p.p.
Routine EBITDA (R\$ million)								
	2,375	2,839	2,471	-16.3%	-3.9%	7,423	7,502	-1.1%
Routine EBITDA Margin (%)								
	26.9%	30.6%	27.4%	-3.8 p.p.	-0.5 p.p.	27.6%	27.6%	-0.1 p.p.
Net Earnings ⁽²⁾ (R\$ million)								
	8	172	-221	-95.6%	-103.5%	14	310	-95.4%
Net Debt (R\$ million)								
	47,799	30,196	46,239	58.3%	3.4%	47,799	30,196	58.3%
Available Cash (R\$ million)								
	3,805	3,856	5,988	-1.3%	-36.5%	3,805	3,856	-1.3%
CAPEX (R\$ million)								
	1,670	1,941	1,676	-14.0%	-0.4%	4,886	5,881	-16.9%

Note: (1) Other international assets, most of which were classified as held-for-sale assets on September 30, 2014, and presented on the balance sheet separately.

(2) 2Q14 net earnings consolidate PT Portugal SGPS, S.A. (PT Portugal) after the capital raise concluded on May 5.

Net Revenues:**Table 1 Breakdown of Net Revenues**

R\$ million	Quarter					9 Months			Weight %	
	3Q14	3Q13	2Q14	YoY	QoQ	9M14	9M13	YoY	3Q14	3Q13
Total Net Revenues (Pro-forma)	8,842	9,263	9,024	-4.5%	-2.0%	26,939	27,161	-0.8%	100.0%	100.0%
Brazil	6,738	7,099	6,935	-5.1%	-2.8%	20,549	21,213	-3.1%	76.2%	76.6%
Residential	2,451	2,564	2,519	-4.4%	-2.7%	7,522	7,697	-2.3%	27.7%	27.7%
Personal Mobility	2,180	2,330	2,231	-6.4%	-2.3%	6,578	6,901	-4.7%	24.7%	25.2%
Corporate / SMEs	2,039	2,106	2,096	-3.1%	-2.7%	6,227	6,339	-1.8%	23.1%	22.7%
Other services	67	99	89	-32.6%	-24.4%	222	276	-19.6%	0.8%	1.1%
Portugal	1,833	1,919	1,853	-4.5%	-1.1%	5,641	5,260	7.2%	20.7%	20.7%
Residential	526	536	534	-1.8%	-1.4%	1,639	1,483	10.5%	6.0%	5.8%
Personal Mobility	489	516	474	-5.2%	3.2%	1,451	1,372	5.7%	5.5%	5.6%
Corporate / SMEs	550	591	577	-7.0%	-4.7%	1,741	1,667	4.4%	6.2%	6.4%
Other services	268	276	269	-2.7%	-0.2%	811	739	9.8%	3.0%	3.0%
Others	271	245	236	10.5%	14.9%	749	688	8.9%	3.1%	2.6%

In 3Q14, consolidated net revenues totaled R\$ 8,842 million, down by 4.5% when compared to the 3Q13 pro-forma revenue. Total revenues from the operations in Brazil decreased 5.1% y.o.y, while revenues from the Portuguese operations dropped 4.5% y.o.y.

BRAZIL

In 3Q14, net revenues from the Brazilian operations (Brazil) totaled R\$ 6,738 million, a drop of 5.1% and 2.8% on annual and sequential basis, respectively. The main factors that led to a drop in revenues were: (i) reduction of network usage revenues, mainly due to the regulated cut of interconnection tariffs in mobile voice services (MTR); (ii) decline in the fixed-to-mobile tariffs (VC) in local and long-distance calls, and mobile-to-mobile long distance calls; (iii) decline in fixed line customer base; and (iv) a less favorable macroeconomic scenario. These effects were partially offset by higher data revenues and handset sales, and growth of mobility and pay TV customer base.

Residential

	3Q14	3Q13	2Q14	YoY	QoQ	9M14	9M13	YoY
Residential								
Net Revenues (R\$ million)	2,451	2,564	2,519	-4.4%	-2.7%	7,522	7,697	-2.3%
Revenue Generating Units (RGU) - (000)	17,401	18,336	17,514	-5.1%	-0.6%	17,401	18,336	-5.1%
Fixed Line in Service	11,128	12,091	11,360	-8.0%	-2.0%	11,128	12,091	-8.0%
Fixed Broadband	5,241	5,336	5,268	-1.8%	-0.5%	5,241	5,336	-1.8%
Pay TV	1,032	909	887	13.6%	16.4%	1,032	909	13.6%
ARPU Residential (R\$)	73.4	70.7	73.9	3.8%	-0.7%	73.7	69.9	5.4%

Net revenues from Residential segment totaled R\$ 2,451 million in 3Q14 (-4.4% y.o.y). This performance is broadly explained by the decline in the fixed line customer base and the reduction in the fixed-to-mobile tariffs (VCs), partially offset by the increase in broadband and pay TV revenues.

RGUs from the Residential segment totaled 17,401 thousand in 3Q14 (-5.1% y.o.y), explained by 8.0% decline in fixed line and a 1.8% decline in broadband, partially offset by a 13.6% increase in pay TV customers.

ARPU reached R\$ 73.4 in 3Q14, an improvement of 3.8% y.o.y underpinned by the focus on upselling and cross selling services and managing churn more efficiently. In effect, ARPU growth benefitted from the pick-up in pay TV gross additions with the re-launch of the commercial offer, and from the higher ARPU from fixed broadband due to higher speeds contracted by new customers combined with upselling of the current customers, underpinned by network improvements and attractive offerings designed to offer higher speeds at attractive prices.

Wireline

At the end of 3Q14, Oi had 11,128 thousand wireline customers in the Residential segment (-8.0% y.o.y) with net disconnections of 232 thousand fixed lines in 3Q14. During the last quarters, the Company has been working on the implementation of several initiatives towards the business turnaround, such as

sales channel and commission model restructuring, redesigning of offers and credit policy, as well as, the rollout of the new field force management tool (Click), which is now in stabilization process. All these initiatives are related to the business transformation process that the company has been implementing during 2014, which naturally impacted fixed line and broadband gross adds during this period. Additionally, the field force strikes occurred in 2Q14 in some states and the fewer working days during FIFA's World Cup had impacts on installations of both fixed line and broadband customers.

The Company's strategy to retain wireline loss trends is based on cross selling efforts by offering bundled packages combining broadband, pay TV and mobile services, as well as plans in the Personal Mobility segment that promote fixed-to-mobile convergence. As discussed later on, the successful launch of the new TV product will be a strategic tool to strengthen Oi's positioning in Residential segment, retaining the fixed line customers and improving the penetration of broadband, with positive impacts in ARPU and churn.

Bundled offerings, such as *Oi Conta Total* (OCT) and *Oi Voz Total* (OVT), have significant lower churn rates when compared to unbundled products.

OCT is a triple-play postpaid offer that combines wireline, broadband and postpaid mobile, and that can be combined with pay TV (quadruple-play) and mobile data packages.

OVT is a double-play offer combining wireline and prepaid mobile, that was designed to promote fixed-to-mobile convergence and increase customer loyalty. This offering already corresponds to approximately 13% of the Residential wireline base in 3Q14 and posted a 40.5% annual increase in the number of fixed lines bundled with prepaid. Additionally, the average penetration of SIM cards per OVT customer has increased 21% to 1.5 in 3Q14 from 1.3 in 3Q13. OVT also recorded a lower churn rate than the standard wireline churn rate (-1.1pp).

Broadband

In 3Q14, Oi had 5,241 thousand fixed broadband RGUs in the Residential segment, an annual decrease of 1.8%, mainly due to the impacts from the business transformation initiatives, field force strikes and FIFA's World Cup as explained above, which have been impacting gross adds in the last quarters. In this context, the Company presented net disconnections of 26.7 thousand fixed broadband RGUs in 3Q14. On the other hand, in September 2014 the Company started to recover the gross addition levels, as a positive response from the ongoing restructuring processes and the good receptivity of the market regarding the convergent plans. In September, Oi presented net adds of circa 1.6 thousand.

It is worth to highlight that the Company was able to restore the number of installations of the broadband service after the field force workers strike in 2Q14. The Company's efforts resulted in a 14pp climb in terms of number of installations per sales from July to September, fully normalizing the installation process.

The penetration of Oi's fixed broadband reached 47.1% of residences with Oi services (+3.8pp y.o.y). This is a result of the Company's initiatives to promote improvements in customer profitability and retention, investing in the expansion and capacity of its broadband network and in customer speeds upgrade. In 3Q14, the average speed for Residential broadband RGUs increased by 15.7% y.o.y to 4.3 Mbps. Also, the share of RGUs with speeds equal to or greater than 5 Mbps and 10 Mbps improved 9.4pp y.o.y to 46.7% and 3.8pp to 21.2%, respectively.

In terms of gross additions, the contracted average speed was 4.8 Mbps (+28.0% y.o.y). Currently, around 59.6% of Oi's gross additions have speeds equal to or greater than 5 Mbps and 23.1% have speeds equal to or greater than 10 Mbps.

Together with pay TV, broadband plays an important role in increasing the share of wallet and profitability through cross selling and upselling of bundled offerings. As a result, broadband churn rate continued to be strictly under control, reflecting the strategy to focus on improving the quality of the customer base.

Pay TV

Oi ended 3Q14 with 1,032 thousand pay TV customers (+13.6% y.o.y and 16.4% q.o.q). The robust performance of the new Oi TV relied on its differentiated value proposition supported by the SES-6 satellite and on the regional Globo HD content with very competitive prices, which has been very well received by the market. This result more than compensated the negative impacts with the base cleanup in 4Q13 and the sales deceleration related to the sales quality focus.

The new Oi TV offer is anchored on a differentiated value proposition that comprises more channels, including open HD channels, HD channels in all offers, a broad range of Globo channels (the highest number of Globo channels among the pay TV operators), new pay-per-view services and DVR. In addition, Oi is the only pay TV operator to receive Globo's signal in 2 thousand municipalities, thus further contributing to the differentiation of Oi TV offer. The re-launch of Oi TV followed the implementation of a new TV platform using the SES-6 satellite contracted in 2013, allowing Oi to achieve an important competitive edge. SES-6 provides the greatest satellite capacity in the Brazilian market, whilst improving signal quality and coverage, therefore allowing Oi TV offer to include open channels in HD via DTH, even in entry-level packages. The additional capacity provided by the SES-6 satellite is a competitive advantage that will support Oi's pay TV via DTH growth in the next years.

This new offer is also providing a greater upselling potential in Oi's portfolio, driving ARPU growth and playing a strategic role in retaining and increasing the loyalty of residential customers, which translates to better performance in terms of churn rates when compared to the previous Oi TV

platform. The new offer is presenting a healthy and sustainable growth in terms of customer base, by adding quality customers with early churn and FPD (first payment default) strictly under control.

In 3Q14, pay TV presented an increase in gross adds of 55% q.o.q. Moreover, in September, Oi TV reached the mark of around 100,000 installations. According to the most recent data released by Anatel, Oi was responsible for 27.4% of the total net additions posted by the Brazilian pay TV market in August. Among only DTH providers, Oi TV reached 46.7% of the total share of net adds, also in August. Penetration of Oi TV reached 9.3% of homes with Oi services in 3Q14, equivalent to +1.8pp y.o.y and +1.5pp q.o.q. TV service installations were not impacted by the field force strike in Bahia and in the southern region of Brazil as Oi uses different service providers.

Residential ARPU

In this quarter, Oi had approximately 61% of the homes, or 6.9 thousand homes, with more than one Oi product, which is a yearly improvement of 2.5pp. As a result of the focus on bundled offering sales, combined with the upselling initiatives, Residential ARPU continued to post positive results, closing 3Q14 at R\$ 73.4 (+3.8% y.o.y). In 9M14 ARPU stood at R\$ 73.7 (+5.4% y.o.y).

The Company's focus continues to be on convergence, through the offering of multiple-play services. This initiative creates positive impacts in ARPU and in customer loyalty, as the convergent products have significant lower churn rate in comparison to unbundled services offers.

Personal Mobility

	3Q14	3Q13	2Q14	YoY	QoQ	9M14	9M13	YoY
Personal Mobility								
Net Revenues (R\$ million)	2,180	2,330	2,231	-6.4%	-2.3%	6,578	6,901	-4.7%
Service	1,978	2,232	2,023	-11.4%	-2.2%	6,053	6,527	-7.3%
Customer ⁽¹⁾	1,646	1,679	1,698	-2.0%	-3.1%	4,998	4,871	2.6%
Network Usage	332	554	324	-40.0%	2.5%	1,056	1,656	-36.3%
Sales of handsets, sim cards and others	202	97	208	108.0%	-2.9%	525	374	40.4%
Revenue Generating Units (RGU) - (000)	48,976	47,337	48,618	3.5%	0.7%	48,976	47,337	3.5%
Prepaid Plans	41,990	40,676	41,801	3.2%	0.5%	41,990		