

TELEFONICA BRASIL S.A.
Form 6-K
May 07, 2013

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 May, 2013

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 90.9 million in 1Q13 (+0.9% y-o-y), 76.0 million of which was in the mobile business and 14.9 million was in the fixed-line business;
- Postpaid accesses grew 17.4% y-o-y. **42% of the new additions of postpaid clients in 1Q13 selected Vivo**;
- **Increasing leadership** was demonstrated in the higher revenue segments, recording 37.1% market share in the postpaid market (+0.6 p.p. y-o-y). In the segment of **mobile data cards** Vivo recorded 47.4% of market share;
- **Accesses base with plans and data packages** recorded 17.2 million accesses including pre and post-paid, a growth of 64% over 1Q12;
- **Mobile ARPU** grew 3.4% y-o-y, stimulated by the 14.8% growth in Data ARPU in the period;
- **Fixed voice accesses** grew strongly in the corporate segment (+5.2% y-o-y);
- **Quality commitment** is evident in the latest analysis of the customer service index (IDA) disclosed (Jan/13), in which Vivo continues to be the one with the lowest rate of customer complaints in the mobile service;
- **Total Net Revenue** records growth of 2.9% y-o-y in the quarter;
- **Net Operating Mobile Revenues** recorded annual growth of 10.4% y-o-y. **Net Service Mobile Revenues** maintained strong annual growth, recording a positive variation of 7.0% compared to 1Q12;
- Accelerated growth of **mobile internet revenues** was seen for the third quarter in a roll, recording evolution of 22.5% y-o-y in 1Q13;
- **Recurring Operating Costs** recorded annual growth of 3.4% in relation to 1Q12, excluding the non-recurrent effects;
- **Recurrent EBITDA** increased by 2.0% y-o-y with **EBITDA Margin** of 33.2% (-0.3 p.p. y-o-y) in the quarter;
- **Cash flow after investments** reaches 2.5 times the amount registered in 1Q12;

Notes: (1) y-o-y: annual variation and (2) q-o-q: quarterly variation.

HIGHLIGHTS

Net Operating Revenues	8,555.5	8,907.4	(4.0)	8,311.3	2.9
Net Operating Services Revenues	8,189.7	8,559.1	(4.3)	8,130.0	0.7
Net operating mobile services revenues	5,270.5	5,474.3	(3.7)	4,924.4	7.0
Net operating fixed revenues	2,919.2	3,084.8	(5.4)	3,205.6	(8.9)
Net handset revenues	365.8	348.3	5.0	181.4	101.7
Operating costs	(5,807.9)	(5,054.0)	14.9	(5,465.4)	6.3
<i>Recurrent Operating costs</i>	<i>(5,718.1)</i>	<i>(5,729.7)</i>	<i>(0.2)</i>	<i>(5,530.2)</i>	<i>3.4</i>
EBITDA	2,747.6	3,853.4	(28.7)	2,845.9	(3.5)
EBITDA Margin %	32.1%	43.3%	(11.1) p.p.	34.2%	(2.1) p.p.
<i>Recurrent EBITDA</i>	<i>2,837.4</i>	<i>3,177.7</i>	<i>(10.7)</i>	<i>2,781.1</i>	<i>2.0</i>
<i>Recurrent EBITDA Margin %</i>	<i>33.2%</i>	<i>35.7%</i>	<i>(2.5) p.p.</i>	<i>33.5%</i>	<i>(0.3) p.p.</i>
Net income	810.2	1,474.3	(45.0)	956.5	(15.3)
Capex	708.0	2,845.5	(75.1)	1,164.6	(39.2)
Total accesses (thousand)	90,860	91,115	(0.3)	90,036	0.9
Total Mobile accesses	75,988	76,137	(0.2)	74,784	1.6
Total Fixed accesses	14,872	14,978	(0.7)	15,252	(2.5)

Telefônica Brasil S.A. (BM&FBOVESPA: VIVT3 and VIVT4, NYSE: VIV), discloses today its consolidated results for the first quarter of 2013, presented in accordance with the International Financial Reporting Standards (IFRS) and with the pronouncements, interpretations and guidelines of the Accounting Pronouncements Committee. For comparative purposes, the 2012 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 total accesses	75,988	76,137	(0.2)	74,784	1.6
Postpaid	19,518	18,802	3.8	16,621	17.4
Prepaid	56,470	57,335	(1.5)	58,163	(2.9)
Market Share (*)	28.8%	29.1%	(0.3) p.p.	29.8%	(1.0) p.p.
Postpaid	37.1%	36.9%	0.2 p.p.	36.5%	0.6 p.p.
Mobile broadband (modem only)	47.4%	47.3%	0.1 p.p.	n.a.	n.a.
Net additions	(150)	(668)	(77.6)	3,230	n.a.
Market Share of net additions (*)	-6.7%	-22.7%	n.a.	37.6%	n.a.
Postpaid	41.8%	37.5%	4.4 p.p.	33.2%	8.7 p.p.
Market penetration	133.6%	132.7%	0.9 p.p.	128.0%	5.6 p.p.
Monthly churn	3.6%	4.1%	(0.5) p.p.	2.5%	1.1 p.p.
Postpaid	1.7%	1.7%	0.0 p.p.	2.1%	-0.4 p.p.
ARPU (R\$/month)	23.1	23.9	(3.3)	22.4	3.4
Voice ARPU	16.3	17.1	(4.8)	16.4	(0.8)
Data ARPU	6.9	6.8	0.6	6.0	14.8
Total traffic (minutes million) (**)	28,110	29,393	(4.4)	25,125	11.9

(*) source: Anatel.

(**) retroactively adjusted due to systemic rereading.

- **Total accesses** increased by 1.6% over 1Q12, closing the quarter with 75,988 thousand accesses. The post-paid segment grew by 17.4% with 19,518 thousand accesses, consolidating the post-paid customer mix which reaches 25.7%, an increase of 3.5 p.p. in the annual comparison.

- **Market share** recorded a slight annual reduction by reaching 28.8% (-1.0 p.p. y-o-y) due to our more restrict commercial policy in pre-paid. **In the post-paid market** Telefônica Brasil achieved 46.3% of the net additions in March and 41.8% in the quarter, recording a market share of 37.1% (+0.6 p.p. y-o-y), reflecting the quality standard presented by the company.

- Vivo led the market of **Data cards** with 47.4% market share, due to differentiated 3G and HSPA+ coverage nationwide.

- In the **machine-to-machine (M2M)** market the customer base came to 1.4 million customers in 1Q13, a growth of 16.5% q-o-q.

- Our **quality commitment** is evident from the analysis of the customer service index (IDA). The company recorded the best performance in the latest rate disclosed (Jan/13) and continues with the lowest rate of customer complaints in the mobile service.

- In 1Q13 the **mobile net disconnections** reached 150 thousand accesses. The company continues its more rational commercial policy focused on profitability.

- **ARPU** reached R\$ 23.1, a growth of 3.4% over 1Q12 due to the increase in the voice and data revenues. Excluding the regulatory impact, the ARPU would have recorded an annual growth of 3.6%. In the q-o-q comparison, there was a drop of 3.3% mainly due to the seasonal reduction in the revenues in the period.
- **Total traffic** grew by 11.9% over 1Q12 due to the increase of on-net local traffic and long distance calls.
- The financial volume of **Recharges** presented again a strong growth in the quarter (+9.5% y-o-y), despite an annual reduction of 2.9% in the prepaid customer base demonstrating the effectiveness of our disconnection policy with little impact on recharges .

NET OPERATING REVENUES

Net operating mobile revenues	5,636.3	5,822.6	(3.2)	5,105.7	10.4
Net service revenues	5,270.5	5,474.3	(3.7)	4,924.4	