

Bloomberg	ILD FP
Reuters	ILD.PA
12-month High / Low (EUR)	235.1 / 175.5
Market Cap (EURm)	12,332
Ev (BG Estimates) (EURm)	13,455
Avg. 6m daily volume (000)	98.20
3y EPS CAGR	27.2%

This morning Orange SA published full year 2015 results. For the first time since the arrival of Free Mobile, EBITDA was up +0.1% yoy and revenues were virtually stable at -0.1%. Orange posted a very high commercial performance in very high speed landline. No major learnings for Iliad, although mobile performance should be quite good, since Orange only had a 20% market share on post paid net adds over the quarter. ARPU's are still under pressure, showing the intensity of promotions over the Christmas period. No news on the Orange – Bouygues merger, Stéphane Richard reiterated his aim to strike a deal within a few weeks.

## ANALYSIS

- **Overall results: Q4 revenues came out at EUR10,395bn, up +0.1% yoy** (vs consensus: EUR10,415bn with +0.3% yoy), compared with +0.5% yoy in Q3. France revenues were down -0.1% yoy vs consensus -0.9%, compared with -0.6% in Q3, showing a good trend. **Restated EBITDA reached EUR3.063bn** (vs cons EUR2995bn), **up 1.4% yoy** compared with +1.1% in Q3 and consensus -0.8%. **France Restated EBITDA reached EUR3761bn in H2** (vs cons EUR3.689bn), **up 2.7% yoy** compared with -0.7% in H1.
- In France, mobile postpaid net adds reached 179k in Q4, vs 234k in Q3, and 256k in Q4 2014. Sosh net adds reached 121k in Q4, vs 95k in Q3, and 167k in Q4 2014. Mobile postpaid net adds market share was 20% over Q4, vs 33% in Q3 and 30% in Q4 2014. Postpaid ARPU was EUR26.5 in Q4, down 5.4% yoy vs -5.6% in Q3.
- In France, broadband net adds reached 121k in Q4, vs 116k in Q3, and 96k in Q4 2014. FTTH net adds reached 133k in Q4, vs 107k in Q3, and 82k in Q4 2014. Broadband ARPU was EUR26.9 in Q4, down 0.9% yoy vs -0.9% in Q3.
- Orange market share in mobile postpaid was around 20%, below last year and the last quarter. This should leave room for good commercial performance from Iliad on the mobile side, although we know SFR also had a good performance. The commercial performance from Orange was strong on the landline side, but we still expect Free to be around 60k.

## VALUATION

- We reiterate our BUY rating on Iliad, with FV of EUR270.

## NEXT CATALYSTS

- Iliad's FY2015 results on 10th March

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	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.8%	4.5%	-3.0%	-4.5%
Telecom	-9.5%	-16.0%	-19.4%	-12.4%
DJ Stoxx 600	-9.0%	-16.1%	-18.4%	-14.6%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	4,168	4,428	4,782	5,149
% change		6.2%	8.0%	7.7%
EBITDA	1,284	1,507	1,761	2,062
EBIT	0.0	0.0	0.0	0.0
% change		NM	NM	NM
Net income	278.4	350.2	426.8	582.6
% change		25.8%	21.9%	36.5%

	2014	2015e	2016e	2017e
Operating margin	13.7	15.6	17.0	20.9
Net margin	6.7	7.9	8.9	11.3
ROE	12.3	13.3	14.1	16.2
ROCE	9.7	10.5	10.3	12.1
Gearing	46.9	42.5	46.1	32.7

(EUR)	2014	2015e	2016e	2017e
EPS	4.73	5.85	7.13	9.73
% change	-	23.7%	21.9%	36.4%
P/E	44.4x	35.9x	29.5x	21.6x
FCF yield (%)	NM	0.5%	NM	2.8%
Dividends (EUR)	0.36	0.38	0.38	0.38
Div yield (%)	0.2%	0.2%	0.2%	0.2%
EV/Sales	3.2x	3.0x	2.9x	2.6x
EV/EBITDA	10.5x	8.9x	7.8x	6.6x
EV/EBIT	NS	NS	NS	NS



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