

Bloomberg	ILD FP
Reuters	ILD.PA
12-month High / Low (EUR)	235.1 / 175.5
Market Cap (EURm)	13,260
Ev (BG Estimates) (EURm)	14,382
Avg. 6m daily volume (000)	99.70
3y EPS CAGR	27.2%

This morning Bouygues Telecom published full year 2015 results. Some positive signs, in line with consensus and recovery plan, with improvement of EBITDA and revenues over the year. Results are good in mobile in particular but broadband is still under pressure. CAPEX are very high and Free Cash Flow is negative over the year. Recovery is not fully there yet, which reinforces our belief in the need for a consolidation on the market, and thus positive impact on Iliad.

## ANALYSIS

- Annual results.** Revenues came out at EUR4,505bn, up +1.6% yoy (vs. consensus: EUR4,42bn), with sales from network down -1.1% yoy. EBITDA reached EUR752m (vs cons EUR755.3m), up 8.4% yoy, at a margin of 19.7% up 180 bps vs 2014. Current operating profit reached EUR-11m, vs cons EUR28.5m, and EUR-65m in 2014. Net profit reached EUR-65m, vs EUR-45m in 2014, due to exceptional non recurring charges of EUR123m. CAPEX reached EUR822m, up 20% vs 2014 and Free cash flow generation was EUR-125m, vs EUR138m in 2014.
- Q4 results.** Q4 revenues came out at EUR1,186bn, up +4.2% yoy, compared with +4.1% yoy in Q3. Revenues from network were up 0.9% yoy, compared with 0.3% in Q3. Q4 EBITDA reached EUR187m, i.e. an EBITDA margin of 19.4% vs 17.9% in Q4 2014.
- Mobile** net adds reached 249k in Q4, of which 177k of contracts excluding M2M, vs 149k in Q3, and 47k in Q4 2014. Mobile postpaid net adds market share was 20% over Q4, vs 21% in Q3 and 6% in Q4 2014. Cumulated mobile net adds reached 769k in 2015, ie 77% of the company's objective of 1000 net adds by 2017. Mobile ARPU was EUR22.8 in Q4, down -4.2% yoy vs -5.3% in Q3, and down -2.1% vs Q3, but almost flat in comparison with Q1 and Q2.
- Broadband** net adds reached 92k in Q4, vs 94k in Q3, and 109k in Q4 2014. Cumulated net adds reached 360k in 2015, i.e. 36% of the company's objective of 1000 net adds by 2017. Broadband ARPU was EUR28.1 in Q4, down -5.1% yoy vs -3.3% in Q3, and down -4.4% vs Q3.
- Mobile results are good**, on line with Bouygues Telecom recovery plan, with good commercial results and ARPU on the way to stabilisation. Things look **more difficult on the broadband side**, where ARPU and commercial activity are still under pressure. Although EBITDA is improving, **CAPEX are high and Free Cash Flow is negative in 2015**. In our opinion, these results **highlight the uncertainty of the recovery plan and the importance for a merger deal between Bouygues Telecom and Orange**.
- We have a positive read across for Iliad, since the company will benefit from consolidation. Bouygues Telecom and Orange performance in Q4 should also leave room for good commercial performance from Iliad.

## 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.	-0.2%	8.2%	8.6%	2.7%
Telecom	-3.1%	-12.1%	-8.0%	-6.5%
DJ Stoxx 600	-1.9%	-13.1%	-8.2%	-9.3%

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	47.8x	38.6x	31.7x	23.2x
FCF yield (%)	NM	0.4%	NM	2.6%
Dividends (EUR)	0.36	0.38	0.38	0.38
Div yield (%)	0.2%	0.2%	0.2%	0.2%
EV/Sales	3.4x	3.2x	3.1x	2.8x
EV/EBITDA	11.2x	9.5x	8.3x	7.0x
EV/EBIT	NS	NS	NS	NS



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SELL ratings 28%

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