

10th March 2016

TMT

**Iliad**

Price EUR215.00

Iliad: FY2015 results

Fair Value EUR270 (+26%)

BUY

This morning Iliad published strong full year 2015 results, with EBITDA above consensus, up 16.1%, and a robust commercial performance in Q4, in line with expectations. Revenues rose 5.9%, a little below our estimates and the consensus at 6.3%, because of lower than expected mobile revenues in Q4. CAPEX was under control, below our estimates. We think the stock should react positively although mobile ARPU should be carefully watched. We still believe in the market consolidation and stick to our FV of EUR270.

**ANALYSIS**

- **Annual results.** Revenues came out at EUR4.414bn, up 5.9% yoy (vs. consensus: EUR4,429bn), with fixed sales up 1.3% (vs consensus 1.1%) and mobile sales up 13.3% (vs consensus 14.5%). EBITDA reached EUR1.490bn (vs cons EUR1.476bn), up 16.7% yoy, at a margin of 33.8% up 295 bps vs 2014. Current operating profit reached EUR666.2m, vs cons EUR667.9m, and net profit reached EUR351.1m, vs cons EUR351.1m. CAPEX reached EUR1.220bn, vs cons EUR1.250bn, up 26% vs 2014.
- **Mobile:** Mobile Q4 Revenues were up 7.2% yoy, compared with 11.2% in Q3, with services revenues up 11.4% according to our estimates, vs 20% in Q3. Net adds reached 370k in Q4, vs the consensus figure of 368k, 390k in Q3 and 530k in Q4 2014. Net adds market share was 41% over Q4, vs 55% in Q3 and 63% in Q4 2014. Our estimate for mobile services ARPU is EU11.7 in Q4, down -4.7% yoy vs 0.8% in Q3.
- **Broadband:** Fixed Q4 Revenues were up 2.8% yoy, compared with 1.4% in Q3. Net adds reached 56k in Q4, vs consensus 54k, vs 91k in Q3, and 63k in Q4 2014. Net adds market share was 19.3% over Q4, vs 30% in Q3 and 20% in Q4 2014. Broadband ARPU was EUR34.5 in Q4, down -2.8% yoy vs -3.6% in Q3, and stable vs Q3.
- **Commercial performance was good, as expected, in a context of high promotional levels. Fixed ARPU is better than our estimates, which is very positive and shows a good turnaround trend after the first quarters of 2015. Mobile revenues appear under pressure, probably due to high promotional intensity from SFR in particular. The trend in mobile services should be watched carefully.**

**VALUATION**

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

**NEXT CATALYSTS**

- News on the Orange-Bouygues merger talks expected by the end of March.

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Bloomberg	ILD FP
Reuters	ILD.PA
12-month High / Low (EUR)	231.4 / 175.5
Market Cap (EURm)	12,617
Ev (BG Estimates) (EURm)	13,740
Avg. 6m daily volume (000)	97.20
3y EPS CAGR	27.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	3.1%	0.8%	8.2%	-2.3%
Telecom	7.5%	-5.6%	-8.9%	-5.9%
DJ Stoxx 600	9.6%	-6.9%	-6.8%	-7.3%

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				
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	45.5x	36.8x	30.2x	22.1x
FCF yield (%)	NM	0.4%	NM	2.7%
Dividends (EUR)	0.36	0.38	0.38	0.38
Div yield (%)	0.2%	0.2%	0.2%	0.2%
EV/Sales	3.3x	3.1x	2.9x	2.7x
EV/EBITDA	10.7x	9.1x	8.0x	6.7x
EV/EBIT	NS	NS	NS	NS



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