

Sector View

Telecom services

	1 M	3 M	6 M	31/12/15
Telecom	-3.3%	-6.1%	-5.8%	-9.2%
DJ Stoxx 600	-1.7%	-2.8%	-8.2%	-9.3%

*Stoxx Sector Indices

Companies covered

ALTICE

Last Price EUR13,965 Market Cap. EUR15,282m

ILIAD NEUTRAL EUR212

Last Price EUR192,7 Market Cap. EUR11,308m

NUMERICABLE SFR

Last Price EUR29,5 Market Cap. EUR12,928m



Bouygues Telecom raises prices of Box offers: end of price war? Not quite there yet...

Bouygues Telecom announced this week-end that it is raising the prices of its Bbox and Miami Box offers for new customers. Although this is a good signal for the market, we believe it is too soon to conclude that the broadband price war is over.

ANALYSIS

- Bouygues Telecom now charges an **extra EUR3 for Box rental on top of its Bbox and Miami Box offers**. In addition, Bouygues Telecom is raising the price of the **Miami Box offer by EUR1**, with new Android TV OS, and all broadband and Fiber offers now include a **12-month commitment**.
- Bouygues Telecom is following Orange and NC-SFR, charging for the Box rental. This should not have a dramatic impact on sales, as **displayed prices will remain unchanged**. On the other hand the **impact on ARPU and Revenues will be quite progressive**, as the new tariffs do not apply to the customer base. In 2016, the impact on total ARPU should be close to EUR1 according to our estimates, ie EUR34m, ie 1% of 2015 revenues from the network.
- This hike will **not be enough for Bouygues Telecom to ensure its recovery**. The company still needs **sustained landline customer growth to fuel its plan**. Even with the price increases, if **growth is insufficient, promotions will be needed again**.
- The impact should not be highly significant for its competitors, as we do not expect a significant negative impact on Bouygues Telecom's sales from this move. Nevertheless, this price hike is a **good signal for the market**, and other players could **afford a little less promotions while maintaining their sales**. In particular, **benefits could be expected for Iliad, Sosh and Red** – the offers which have the closest price points to Bouygues Telecom.
- At this point, we **maintain our assumptions of 2016 fixed ARPU yoy growth** of 3.5% for NC-SFR, - 0.9% for Iliad.

VALUATION

- We stick to our Fair Value of EUR 28.4 for NC-SFR and EUR212 for Iliad, with Neutral recommendations.

NEXT CATALYSTS

- Bouygues Telecoms Q1 results on May 13th, NC-SFR results on May 10th, and Iliad's Q1 results expected mid-May.

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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