

Sector View

Telecom services

Q1 2016 results: trend slowly improving

	1 M	3 M	6 M	31/12/15
Telecom	-0.8%	-2.9%	-7.3%	-6.3%
DJ Stoxx 600	2.4%	3.0%	-5.8%	-4.7%

*Stoxx Sector Indices

Companies covered

Company	Recommendation	Fair Value (FV)
ALTICE	BUY	EUR16,3
Last Price	EUR13,61	Market Cap. EUR14,893m
ILIAD	NEUTRAL	EUR212
Last Price	EUR190,25	Market Cap. EUR11,165m
NUMERICABLE SFR	NEUTRAL	EUR28,4
Last Price	EUR28,415	Market Cap. EUR12,453m



This morning Orange SA has published Q1 2016 results in line with the consensus, with revenues still growing, as well as EBITDA. Revenues in France remained under pressure, with a good commercial performance on the fixed side, but a more mixed one on the mobile side in our opinion, showing intense competition at the low end. The group reaffirmed its guidance for 2016 EBITDA higher than 2015.

ANALYSIS

- **Overall results: Q1 revenues came out at EUR10.009bn, up 0.6% yoy** (vs consensus: EUR10.016bn), compared with +0.1% yoy in Q4. France revenues were down 0.7% yoy vs the consensus for -0.8% and compared with -0.1% in Q4. **Restated EBITDA reached EUR2.569bn** (vs cons EUR2.572bn), **down 1.6% yoy, but up 0.3% excluding employee shareholding transactions**, compared with +1.4% in Q4.
- In France, **mobile commercial performance was lower than in Q1 2015**, and **ARPU remained under pressure**, with **postpaid net adds relying on low cost Sosh offers**. Mobile postpaid net adds reached **41k in Q1**, vs 179k in Q4, and **164k in Q1 2015**. Sosh net adds reached **84k in Q1**, vs 121k in Q4, and 152k in Q1 2015. Postpaid ARPU was EUR26.2 in Q1, down -4.4% yoy vs -5.4% in Q4.
- In France, **fixed performance was better than in Q1 2015, especially in fibre**, and **ARPU is on the way to stabilisation**. Broadband net adds reached **96k in Q1**, vs 121k in Q4, and **67k in Q1 2015**. FTTH net adds reached **115k in Q1**, vs 133k in Q4, and **75k in Q1 2015**. Broadband ARPU was EUR33 in Q1, down **-0.6% yoy vs -0.9% in Q4**.
- Q1 might have been disturbed by the merger talks surrounding Orange. The situation seems to be improving on the fixed side, and we are waiting to see the effects of Bouygues Telecom's price increases. Nevertheless, competition should remain tough on the mobile side, especially in the low end segment.

VALUATION

- We stick to our FV and recommendations on the sector: Altice: Buy with FV EUR16.3; NC-SFR: Neutral with FV EUR28.4; Iliad: Neutral with FV EUR212.

NEXT CATALYSTS

- Altice Q1 results on 10th May, Iliad Q1 results on 17th May, Bouygues Telecom Q1 results on 13th May.

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Distribution of stock ratings

BUY ratings 72%

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