

Sector View

Telecom services

ARCEP puts additional pressure on network sharing agreements.

	1 M	3 M	6 M	31/12/15
Telecom	-0.2%	4.3%	-10.2%	-6.5%
DJ Stoxx 600	-1.2%	7.5%	-8.4%	-5.9%

*Stoxx Sector Indices

Companies covered

ALTICE	BUY	EUR16,3
ILIAD	NEUTRAL	EUR212
NUMERICABLE SFR	NEUTRAL	EUR28,4

ARCEP is finalising its analysis of existing network sharing agreements. Nothing new with regards to the published guidelines, but concerned parties are required to submit the resulting contractual amendments they plan to implement by 15th June. Pressure is high, this is a moment of truth for Iliad.

ANALYSIS

- As a reminder, with regards to the agreement between Free and Orange: for **3G services**, ARCEP believes agreements should be terminated between the **end of 2018 and the end of 2020**. For **2G services** the termination could come into effect between the **beginning of 2020 and the end of 2022**. With regards to SFR and Bouygues Telecom **4G sharing agreement**, ARCEP is calling for an end **between the end of 2016 and the end of 2018**. There is no news with regards to the guidelines, and we still believe these **should be compatible with the operators' network roll-out plans**. As already mentioned, the organisation of a progressive **region-by-region termination process** might put **strong constraints** on Free.
- ARCEP is now asking the operators to submit the **contractual amendments** they plan to implement in order to comply with the guidelines **by 15th June**. This deadline **places sharp pressure** on the operators, and ARCEP seems **very determined to exercise its new-found authority**. This is a **moment of truth for Iliad** in particular, who has to **manage its transition** into a fully fledged mobile infrastructure operator.

VALUATION

- No change in our fair values and recommendation on the sector.

NEXT CATALYSTS

- Iliad Q2 results by the end of August, NC-SFR Q2 results on 9th August.

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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