

16th May 2016

TMT

Iliad

Price EUR192.00

Q1 results: re-accelerating growth

Fair Value EUR212 (+10%)

NEUTRAL

Bloomberg	ILD FP
Reuters	ILD.PA
12-month High / Low (EUR)	236.3 / 175.5
Market Cap (EURm)	11,272
Ev (BG Estimates) (EURm)	12,829
Avg. 6m daily volume (000)	113.7
3y EPS CAGR	21.0%

This morning, Iliad published robust Q1 2016 results, above expectations. Growth is accelerating, revenues reached EUR1.145bn, up 6.6% yoy, 1% above consensus. Commercial performance was better than expected on fixed, with ARPU almost stabilised. Mobile ARPU is also on a positive trend, with good service revenue growth at 14%, but net adds are below expectations in a smaller market. We think the stock should react positively, and maintain our FV of EUR212 and Neutral recommendation.

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.4%	-8.6%	-4.3%	-12.7%
Telecom	-0.4%	5.4%	-11.2%	-7.6%
DJ Stoxx 600	-2.4%	7.1%	-9.4%	-8.5%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	4,414	4,680	4,955	5,199
% change		6.0%	5.9%	4.9%
EBITDA	1,490	1,666	1,892	2,108
EBIT	0.0	0.0	0.0	0.0
% change		NM	NM	NM
Net income	335.0	356.8	460.7	595.2
% change		6.5%	29.1%	29.2%

	2015	2016e	2017e	2018e
Operating margin	15.1	15.2	18.0	21.0
Net margin	7.6	7.6	9.3	11.4
ROE	12.7	12.0	13.5	15.0
ROCE	9.8	9.4	11.0	13.0
Gearing	45.2	52.4	43.0	27.4

(EUR)	2015	2016e	2017e	2018e
EPS	5.58	5.93	7.65	9.89
% change	-	6.3%	29.1%	29.2%
P/E	34.4x	32.4x	25.1x	19.4x
FCF yield (%)	NM	NM	1.0%	3.4%
Dividends (EUR)	0.38	0.38	0.38	0.38
Div yield (%)	0.2%	0.2%	0.2%	0.2%
EV/Sales	2.8x	2.7x	2.6x	2.4x
EV/EBITDA	8.4x	7.7x	6.7x	5.9x
EV/EBIT	NS	NS	NS	NS

ANALYSIS

- **Q1 revenues came out at EUR1.145bn** (vs. consensus: EUR1,136bn), **up 6.6% yoy** vs +4.6% in Q4 2015. **Fixed sales reached EUR664.6m** (vs. consensus: EUR659.6m), **up 3.9% yoy** vs +2.8% in Q4 2015. **Mobile sales reached EUR483.6m** (vs. consensus: EUR478.9m), **up 10.4% yoy** vs +7.3% in Q4 2015. Mobile services revenues are up 14% yoy, vs +11.4% in Q4.
- **Mobile Net adds reached 215k** in Q1, vs 420k in Q1 2015. Our estimate for mobile services ARPU is EU12.4 in Q1, down -0.3% yoy vs -4.7% in Q4 2015. Commercial performance is below consensus expectations at 297k, but the market was lower than expected, Free is still way ahead of its competitors, and ARPU is on the way to stabilisation. We might be seeing the early signs of a transition from a volume-based business model, to a more value-based one.
- **Broadband net adds reached 78k** in Q1, vs 77k in Q1 2015. Broadband ARPU was EUR34.4 in Q1, down -0.9% yoy vs -1.7% in Q4 2015. These results are very good, as they combine both high commercial performance and good ARPU.
- **As a reminder**, Orange SFR and Bouygues posted mobile postpaid net adds of resp. +41k, -79k and +151k. Orange, SFR and Bouygues posted fixed net adds of resp. +96k, -61k and +71k.
- Following the FY 2015 results, we have **confirmation that fixed ARPU is being stabilised** and price war effects are now almost fully impacted. We also see **reassuring results on the mobile ARPU** side, stabilising after the fall in Q4.

VALUATION

- We reiterate our Neutral rating on Iliad, with FV of EUR212.

NEXT CATALYSTS

- Q2 results at the end of August.

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Analyst :
 Thomas Coudry
 33(0) 1 70 36 57 04
 tcoudry@bryangarnier.com

Sector Team :
 Richard-Maxime Beaudoux
 Gregory Ramirez
 Dorian Terral

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London	Paris	New York	Munich	New Delhi
Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	Widenmayerstrasse 29	The Imperial Hotel Janpath
15 St. Botolph Street	75008 Paris	New York, NY 10022	80538 Munich	New Delhi 110 001
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Germany	Tel +91 11 4132 6062
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	+49 89 2422 62 11	+91 98 1111 5119
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member		Fax +91 11 2621 9062
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Financial Conduct Authority (FCA)	Autorité de Contrôle prudentiel et de			rue de Grenus 7
	resolution (ACPR)			CP 2113
				Genève 1, CH 1211
				Tel +4122 731 3263
				Fax+4122731 3243
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