

Sector View

Telecom services

Bouygues Telecom Q1 results encouraging, but still some way to go

	1 M	3 M	6 M	31/12/15
Telecom	-0.3%	6.1%	-13.9%	-8.9%
DJ Stoxx 600	0.6%	10.3%	-11.6%	-8.5%

*Stoxx Sector Indices

Companies covered

Company	Recommendation	Value
ALTICE	BUY	EUR16,3
Last Price	EUR13,735	Market Cap. EUR15,030m
ILIAD	NEUTRAL	EUR212
Last Price	EUR194,55	Market Cap. EUR11,422m
NUMERICABLE SFR	NEUTRAL	EUR28,4
Last Price	EUR27,685	Market Cap. EUR12,133m



This morning Bouygues Telecom published encouraging Q1 2016 results. Revenues from the network rose 4.2% and EBITDA was up 23.7%. Commercial performances were good on the mobile side, whereas the fixed performance is still undergoing heavy promotional intensity. Price increases in fixed, as well as further cost cutting expected in 2016 should help Bouygues secure its recovery plan, Q1 current operating profit and free cash flow are still negative, partly explained by seasonality.

ANALYSIS

- **Q1 revenues came out at EUR1,131bn, up +6.4% yoy**, compared with +4.2% yoy in Q4 2015. Revenues from the network were **up 4.2% yoy**, compared with 0.9% in Q4. **Q1 EBITDA reached EUR146m, up 23.7% yoy**, i.e. a EBITDA margin of 15.0% vs 12.7% in Q1 2015 and 19.7% in FY 2015. **Current operating profit was still negative at -EUR33m** vs -EUR62m in 2015. Bouygues Telecom's **CAPEX reached EUR238m, up 15% yoy**, and **FCF was negative at -EUR78m**, vs -EUR91m in Q1 2015.
- As shown by the numbers, revenues and EBITDA were on a good trend, but **CAPEX was high and Free Cash Flow was still negative in Q1**. Seasonality should be better in Q2/Q3, and the **cost cutting plan will need to deliver more** in order to secure Bouygues Telecom's **recovery plan**.
- **Mobile net adds reached 240k in Q1**, of which **151k of contracts excluding M2M**, vs 177k in Q4, and 101k in Q1 2015. Mobile ARPU was **EUR22.4 in Q1, down -1.3% yoy** vs -4.2% in Q4, and down -1.8% vs Q4. **Broadband net adds reached 71k in Q1**, vs 92k in Q4, and 96k in Q1 2015. Cumulated net adds amounted to 431k since 2015, i.e. 43% of the company's objective of 1,000 net adds by 2017. Broadband ARPU was **EUR27.7 in Q1, down -3.1% yoy** vs -5.1% in Q4, and down -1.4% vs Q4.
- **In our opinion, Bouygues Telecom's mobile results are good**, with high commercial performances, although it appears ARPU is still under pressure. Things look **more contrasted on the broadband side**, where ARPU and commercial activity are still suffering from **heavy promotional activity** in the market.
- **As a reminder**, Orange and SFR posted mobile postpaid net adds of resp. +41k and -28k (BtoC only at SFR), with postpaid ARPU resp. down -4.4% YoY (annual rolling), and down -3.5% YoY. Orange and SFR posted fixed net adds of resp. +96k and -61k, with YoY fixed ARPU resp. down -0.6% (annual rolling) and up 4.3%.

VALUATION

- We stick to our fair values and recommendations for all companies covered in the sector.

NEXT CATALYSTS

- Bouygues 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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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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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
Authorised and regulated by the	Financial Conduct Authority (FCA) and the			Geneva
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
				Regulated by the FINMA

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