

8th June 2016

TMT

Iliad

Price EUR192.50

Aiming to create a new mobile operator in Italy

Fair Value EUR212 (+10%)

NEUTRAL

Bloomberg	ILD FP
Reuters	ILD.PA
12-month High / Low (EUR)	236.3 / 175.5
Market Cap (EURm)	11,301
Avg. 6m daily volume (000)	110.2

ANALYSIS

- According to Bloomberg, VimpelCom (Wind) and Hutchison (Tre), who are seeking to win regulatory approval for a planned merger of their Italian wireless carriers, have received preliminary bids for some of their assets from **Fastweb, Iliad and Digicel**. Assets would include **frequencies and 5,000 towers**.
- We believe some **innovative pricing opportunities** exist for Iliad in a market where mobile subscription offers, unlimited calls and 3P services are not developed much. Nevertheless, Iliad would need to address the question of **4G, where heavy investment is needed** as Tre and Wind are lagging behind, and also the **potential threat from convergent offers** stemming from Telecom Italia.
- Also, the **Italian telecoms landscape is very different from the one in France in 2012**. The market already went through a price war in 2013, there are already **four mobile operators** and one of them is **losing money** (Tre's EBITDA – CAPEX was -EUR170m in 2015).
- The commission is **expected to provide feedback** to Hutchison and VimpelCom on the bids in a few days, but should not choose a bidder.

VALUATION

- We stick to our Fair Value of EUR212 with a Neutral recommendation.

NEXT CATALYSTS

- Decision from the EC on the Wind/Three merger expected by 18th August.

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