

16th June 2016

TMT

**Iliad**

Price EUR177.55

**Signs addendum to roaming agreement with Orange; ARCEP reaction expected**

**Fair Value EUR212 (+19%)**

**NEUTRAL**

Bloomberg	ILD FP
Reuters	ILD.PA
12-month High / Low (EUR)	236.3 / 175.5
Market Cap (EURm)	10,424
Avg. 6m daily volume (000)	110.1

#### ANALYSIS

- Yesterday, Iliad and Orange signed an addendum to their 2G/3G roaming agreement which runs until the end of 2020. The addendum provides for Free Mobile to gradually (from January 17<sup>th</sup>) stop using the Orange network for national roaming services in France.
- Orange said Free will gradually decrease the speed available for its customers transiting on the Orange network. The speed will reach 2G+ ("Edge") quality by 2020. Financial terms were not disclosed.
- Although expected, this addendum is good news for Iliad, as a roaming agreement is crucial for its activity. The terms of the agreement maintain strong pressure on Iliad's 3G roll out, their network currently covers 85% of the population. But Iliad seems to favour coverage promise over quality promise.
- The main question remaining is whether ARCEP will accept the contract. We believe it should, although the extinction is not planned by geography, but by speed.

#### VALUATION

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

#### NEXT CATALYSTS

- ARCEP's reaction to the contract expected by July 15<sup>th</sup>
- Iliad H1 results in late August 2016.

	1 M	3 M	6 M	31/12/15
Absolute perf.	-7.5%	-24.1%	-17.2%	-19.3%
Telecom	-7.8%	-10.6%	-13.7%	-14.8%
DJ Stoxx 600	-3.3%	-5.1%	-10.0%	-11.5%

  

	2015	2016e	2017e	2018e
P/E	31.8x	30.0x	23.2x	18.0x
Div yield (%)	0.2%	0.2%	0.2%	0.2%

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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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