

Bloomberg	ILD FP
Reuters	ILD.PA
12-month High / Low (EUR)	236.3 / 168.4
Market Cap (EUR)	10,425
Ev (BG Estimates) (EUR)	11,984
Avg. 6m daily volume (000)	105.1
3y EPS CAGR	20.5%

This morning, Iliad published H1 2016 results, in line with expectations, still delivering high growth, with free cash flow improving. Q2 revenues reached EUR1.151bn, up 6.1% yoy and H1 EBITDA reached EUR809m, up 11.5% yoy, both in line with the consensus. Weaker mobile net adds were offset by growing mobile ARPU, whereas fixed ARPU again suffered from high promotional levels. Elements of guidance are confirmed. We maintain our FV of EUR212 and our Buy recommendation.

## ANALYSIS

- **Q2 revenues came out at EUR1.151bn** (vs. consensus: EUR1,149bn), **up 6.1% yoy** vs +6.6% in Q1. **Fixed sales reached EUR664m** (vs. consensus: EUR666m), **up 2.9% yoy** vs +3.9% in Q1. **Mobile sales reached EUR490m** (vs. consensus: EUR486m), **up 10.7% yoy** vs +10.4% in Q1. Mobile services revenues rose 13.2% yoy, vs +14% in Q1 and +11.4% in Q4 2015.
- **H1 EBITDA reached EUR809m** (vs cons EUR806m), **up 11.5% yoy**, at a margin of 35.2% up 160 bps vs H1 2015. Current operating profit reached **EUR360m**, vs cons EUR362m, and net profit reached **EUR190m**, vs the cons figure of EUR193m. CAPEX reached EUR622m, vs cons at EUR628m, up 1.5% vs 2014. **FCF (excl. frequencies) reached EUR46.1m, vs EUR-67.2m in H1 2015.**
- **Mobile Net adds reached 180k** in Q2, vs 215k in Q1 and 400k in Q2 2015. Our estimate for mobile services ARPU is **up +1.3% yoy** vs -0.3% in Q1. Commercial performance is **below consensus** expectations at 231k. but Free is still ahead of its competitors on the semester, and **ARPU is on a positive trend**, which is very positive. Q2 confirms that 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 45k** in Q2, in line with consensus, vs 78k in Q1 and 46k in Q2 2015. Broadband ARPU was EUR33.9 in Q2, **down -1.7% yoy** vs -0.9% in Q1. ARPU was a little **disappointing**, Free needs a **high promotional level** to sustain high positive net adds. We expect the launch of the Freebox v7 before the end of the year to help on this item.
- **As a reminder**, Orange SFR and Bouygues posted mobile postpaid net adds of resp. +152k, -245k and +171k. Orange, SFR and Bouygues posted fixed net adds of resp. +93k, -57k and +51k.

## VALUATION

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

## NEXT CATALYSTS

- Q3 revenues in November 2016.

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	1 M	3 M	6 M	31/12/15
Absolute perf.	2.1%	-10.4%	-21.5%	-19.3%
Telecom	-0.7%	-9.7%	-8.0%	-13.8%
DJ Stoxx 600	0.8%	-1.5%	3.2%	-5.8%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	4,414	4,671	4,931	5,159
% change		5.8%	5.6%	4.6%
EBITDA	1,490	1,668	1,886	2,094
EBIT	0.0	0.0	0.0	0.0
% change				
Net income	335.0	358.3	456.7	587.2
% change		6.9%	27.4%	28.6%

	2015	2016e	2017e	2018e
Operating margin	15.1	15.3	18.0	20.9
Net margin	7.6	7.7	9.3	11.4
ROE	12.7	12.1	13.4	14.8
ROCE	9.8	9.5	10.9	12.8
Gearing	45.2	52.4	43.2	27.9

(EUR)	2015	2016e	2017e	2018e
EPS	5.58	5.95	7.59	9.76
% change	-	6.7%	27.5%	28.6%
P/E	31.8x	29.8x	23.4x	18.2x
FCF yield (%)	NM	NM	1.0%	3.6%
Dividends (EUR)	0.38	0.38	0.38	0.38
Div yield (%)	0.2%	0.2%	0.2%	0.2%
EV/Sales	2.6x	2.6x	2.4x	2.2x
EV/EBITDA	7.8x	7.2x	6.3x	5.5x
EV/EBIT	NS	NS	NS	NS



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