

Sector View

Telecom services

	1 M	3 M	6 M	31/12/15
Telecom	-4.6%	-7.0%	-14.1%	-20.0%
DJ Stoxx 600	-1.0%	0.2%	0.9%	-6.8%

*Stoxx Sector Indices

Companies covered

Company	Recommendation	Target Price
ALTICE	BUY	EUR19
Last Price	EUR15,85	Market Cap. EUR17,345m
BOUYGUES	BUY	EUR35
Last Price	EUR32,4	Market Cap. EUR11,248m
ILIAD	BUY	EUR212
Last Price	EUR179,8	Market Cap. EUR10,560m
ORANGE	BUY	EUR17,1
Last Price	EUR13,815	Market Cap. EUR36,749m
SFR Group	NEUTRAL	EUR29,7
Last Price	EUR23,17	Market Cap. EUR10,154m



Cdiscount launching an MVNO on the French market.

Casino Group's e-commerce site Cdiscount is launching an MVNO offer, competing with Iliad in a EUR2 offer. Despite its strong asset in the online distribution of mobile handsets, we believe Cdiscount is facing many challenges, and its impact should not be major on the traditional players in a very competitive market.

ANALYSIS

- **Casino Group's e-commerce site Cdiscount is about to launch its own mobile telephony offer, through an MVNO agreement with E1 Telecom.** Cdiscount is to launch a EUR2 monthly offer with 3h20min of voice, 200Mb of data and 200 sms. For the same price, Free is offering 2h of voice, 50mb of data and unlimited SMS. Other operators do not have EUR2 offers. Cdiscount customers will have the possibility to pay an additional EUR7 for unlimited sms, and an additional EUR7 for 5Gb of data.
- Distribution will be exclusively **online** at first, Cdiscount is counting on its **1 million annual mobile handset sales** to cross sell the telephony offer. Assuming Cdiscount manages to convert **10%** of its mobile handset sales into telephony offers, this would represent only about **5%** of the total net adds of the four main operators in the last twelve months. Although Iliad appears as the main target, because of Cdiscount's pricing and distribution model, we believe web-only offers such as Red or Sosh might also be hit, as they are more expensive.
- **The challenge will not be easy for CDiscount:** firstly, the French market is very **competitive**, with MVNOs struggling to take a significant market share, capped at 11%, La Poste Mobile being the largest thanks to its extensive physical distribution network. Secondly, **fixed/mobile convergence** is now key in terms of recruitment and customer loyalty; despite its aggressive pricing, this will be a headwind for Cdiscount. Thirdly, not offering **unlimited SMS** below EUR5, which is now a standard on the market, could be a drawback for the young, although OTT services such as Whatsapp can take over, thanks to the 200Mb of data available.

VALUATION

- Although slightly negative, we do not believe the impact of CDiscount should be major for traditional players.
- We stick to our current fair values and recommendations on the sector.

NEXT CATALYSTS

- Full year 2016 results in February and March 2017.

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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