

Orange

Price EUR13.43

Possible EUR1.9bn rebate from French tax authorities**Fair Value EUR17.1 (+27%)****BUY**

Bloomberg	ORA FP
Reuters	ORAN.PA
12-month High / Low (EUR)	16.4 / 13.1
Market Cap (EURm)	35,711
Avg. 6m daily volume (000)	6 264

	1 M	3 M	6 M	31/12/15
Absolute perf.	-2.7%	-1.3%	-12.7%	-13.3%
Telecom	-2.5%	-9.6%	-14.6%	-21.3%
DJ Stoxx 600	4.8%	-1.4%	0.6%	-5.8%

	2015	2016e	2017e	2018e
P/E	13.7x	14.0x	12.9x	12.7x
Div yield (%)	4.4%	4.5%	5.2%	6.0%

ANALYSIS

- Orange just **won an appeal** at the Council of State (*Conseil d'Etat*) on a **EUR1.9bn euro tax dispute** with French authorities.
- After Orange integrated Cogecom, ex France Telecom's holding, in 2005, it booked EUR11.5bn depreciation losses which it offset against profits in subsequent years. The French tax authorities then said Orange must pay EUR1.9bn in back taxes, which the company disputed in court. In a first ruling in 2013, Orange was ordered to pay the tax in full, which it did that year. Orange appealed against the 2013 ruling at the Versailles appeals court but lost again in February 2016. The company then lodged another appeal with the Council of State.
- The case will now be **sent back to the Versailles court** with a request for it to reconsider it, but the **outcome is still uncertain** at this stage. "We are happy with the Council of State's decision. The case continues," an Orange spokesman said. The EUR1.9bn possible tax refund represents about **70%** of net earnings expected by the consensus this year, and **5%** of the group's current market cap.

VALUATION

- At this point we do not price in potential positive tax impact, we stick to our FV of EUR17 with a Buy recommendation.

NEXT CATALYSTS

- Orange 2016 full year results expected end of February 2017.

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BUY ratings 72%

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