

12th December 2016

TMT

Orange

Price EUR13.50

Vivendi says it is not part of Canal+/Orange talks

Fair Value EUR17,1 (+27%)

BUY

Bloomberg	ORA FP
Reuters	ORAN.PA
12-month High / Low (EUR)	16.4 / 13.1
Market Cap (EURm)	35,911
Avg. 6m daily volume (000)	6 400

ANALYSIS

- On Saturday, Vivendi denied it was discussing a **cross-ownership deal** with telecoms operator Orange. "If talks are taking place, it's **between Orange and Canal Plus**," a Vivendi spokesman said. He added that potential cross-ownership deals between Orange, Vivendi and Telecom Italia, were not on the agenda, insisting that any potential talks between the two groups were focused on its pay-TV unit Canal Plus.
- We believe that talks between Canal+ and Orange make sense. But as stated in our note on Friday, we think **Canal+ needs Orange more than Orange needs Canal+**. Indeed, from Canal+' side, in defensive mode, a capitalistic alliance with a major player such as Orange could help the company fight against the growing threat from Altice's aggressive media/telco convergence strategy and its large investment capacity. That said, we would appreciate Stephane Richard **clarifying his position regarding the telecom/media convergence** paradigm.
- On the other hand we believe a capitalistic deal between Orange and Vivendi would raise **personal** and **political** issues. Besides, the rational for Orange to take a stake in Telecom Italia, in which Vivendi holds a 24 percent stake, would remain **limited** in our view. Especially at a time when Iliad is about to enter the Italian market.

VALUATION

- We stick to our Fair Value of EUR17, with a Buy recommendation.

NEXT CATALYSTS

- Full year 2016 results expected end of February 2017.

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