



ILIAD

| Technology
| Telecom

BUY

Fair Value EUR145(+52%)
Share price EUR95.00
EPS 3Y Cagr 5.8%

Improvement on the French side, offset by Italy's cost structure

Notable improvement in France revenues from services

Iliad's total France revenues growth accelerated this quarter, to +2.1%, driven notably by an improvement in service revenues, vs +1% in Q1. Iliad's Q2 service revenues for France came in at EUR1.167bn (1% above the consensus), up 2.2% yoy vs down 0.4% in Q1. As a result, service revenues in France are up 0.7% over H1. In particular, fixed services revenues are down 0.5%, vs -2.5% in Q1, while mobile services billed to the customers are up 8.8%, vs up 5.1% in Q1, 3.6% above the consensus. Mobile Net adds reached -77k in Q2, below the -39k consensus, but in line with our estimations, vs -50k in Q1 and -200k in Q2 2018, while arpu invoiced to customers was up a very high 12% yoy over the semester, vs +5.8% yoy in Q1 on our estimates, which is a positive sign that the value-driven strategy is making up for lower volumes. Broadband net adds were still negative, at -15k in Q2, in line with expectations, vs -16k in Q1 and -28k in Q2 2018. Broadband ARPU is now down 0.9% yoy in Q2, vs -1.2% in Q1, and a more favourable basis is expected later in 2019. Fibre net adds reached a record +172k (vs +150k in Q1, and 139k expected by the consensus) which should help drive fixed EBITDA growth, and customer loyalty. H1 EBITDA from France stood at EUR910m, 1% above consensus, up 1.8% yoy vs +1.2% in H2 2018.

All guidance has been confirmed. As highlighted in our latest note, we believe the consensus is definitely too conservative for France in H2 19 and 2020.

Commercial acceleration in Italy, but poor EBITDA

As far as Italy is concerned, Iliad recruited 532k new customers over the quarter, vs 442k expected by the consensus, and vs 472k in Q1. Q2 revenues ended up 2.6% above expectations, at EUR96m, vs EUR81m in Q1. H1 EBITDA came out at EUR-108m, vs the consensus at EUR-53m and our expectations at EUR-65m, impacted by variable costs and mobile sites rental.

New partnership on FTTH to help on balance sheet, maybe EBITDA

Iliad announced this morning that it has entered into exclusive talks with InfraVia to set up a partnership aimed at accelerating FTTH rollouts outside very densely populated areas of France (around 26 million lines). As part of the operation, Iliad has set up a special entity to actively manage fiber lines. This entity will acquire and operate the Group's co-financed FTTH tranches in the areas concerned: Free will transfer its existing co-financing agreements to the entity along with around one million existing co-financed sockets. The Group will sell 51% of the entity to InfraVia based on an enterprise value of around EUR600 million. We believe the deal is positive as it allows to deconsolidate FTTH capex from Iliad's balance sheet. Two questions remain at that time: first does a build to suit agreement exist between the company and Iliad, which could bring significant additional EBITDA to Iliad, as in the Altice case? Second, is the 2020 EBITDA-CAPEX guidance for France dependant on this deal being reached, or will it come on top?

Market Data

Bloomberg / Reuters	ILD FP/ILD.PA
Market Cap.	EUR5,617m
E.V.	EUR9,968m
Free Float	38.9%
Avg. Daily volume (6m)	187.8
12m high / low	EUR129.0 / EUR84.4
Ytd Perf.	-22.5%

EURM	12/18	12/19e	12/20e	12/21e
Sales	4,891	5,290	5,500	5,663
% Change		8.1%	4.0%	2.9%
EBITDA	1,755	1,789	1,993	2,154
% Change		1.9%	11.4%	8.1%
EBIT	690.0	545.4	683.9	745.4
% Change		-21.0%	25.4%	9.0%
Net Income	-330.0	270.4	351.6	387.5
% Change		NS	30.0%	10.2%
ROE	0.09	0.07	0.08	0.09

	12/18	12/19e	12/20e	12/21e
EV/Sales	2.0x	2.0x	2.0x	1.9x
EV/EBITDA	5.7x	5.9x	5.4x	5.1x
EV/EBIT	14.4x	19.4x	15.9x	14.7x
EPS	5.37	4.41	5.76	6.36
% change		-17.8%	30.6%	10.3%
P/E	17.7x	21.5x	16.5x	14.9x
Div Yield	0.7%	0.9%	0.9%	0.9%

Next Catalyst :

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[2018-5-15, Q1 2018 results](#)

Last FV Change:

[2019-8-30, Upside potential... after H1](#)

Last Reports:

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Thomas Coudry

33(0) 1 70 36 57 04

tcoudry@bryangarnier.com

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BRYAN, GARNIER & CO

London Bryan, Garnier & Co Ltd Beaufort House 15 St. Botolph Street London EC3A 7BB United Kingdom +44 207 332 2500	Paris Bryan, Garnier & Co Ltd 26 Avenue des Champs- Elysées 75008 Paris France +33 1 56 68 75 20	Munich Bryan, Garnier & Co. GmbH Widenmayerstrasse 29 80538 Munich Germany +49 89 2422 62 11	Zurich Bryan, Garnier & Co Theaterstrasse 4 8001 Zurich Switzerland +41 44 991 3300	New York Bryan Garnier Securities 750 Lexington Avenue 16th floor New York, NY 10022 United States +1 212 337 7000
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