

Technology



ORANGE (BUY, FV EUR17.5) | Orange reviewing network options in France

- Yesterday Bloomberg reported that Orange confirmed it is reviewing the potential to spin out, share and sell part of its tower portfolio, citing comments from CEO Stephane Richard at a conference panel discussion last week. This could take the form of creating an internal tower co, with possible stake sell, and increased network sharing.
- We point out Orange has already led several major network sharing operations in Poland, Spain and Belgium, but so far it had been reluctant to do so in France: high valuations of telecom infrastructure deals, French competitors all moving forward in this direction, and increasing coverage requirements could help Orange change its mindset here.
- We remind that passive infra deals should be clearly distinguished from active infra ones. Deals on passive infra can help crystallise some hidden value and deleverage, but they do not create value per se, unless they enable to host more operators on each tower, which is easier when the tower co is independent. We believe deals on active infra generate greater synergies, avoiding deduplication of networks, but they happen at the expense of sovereignty and differentiation, which is a major concern for Orange, as Orange's network superiority is one of the group's strongest assets.
- Orange's strategic review is clearly a catalyst here, but overall financial impact will much depend on the scope, nature, and structure of the operations involved.

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