



NewStreet
Research

Iliad

Q2 2024 results

29 August 2024

Iliad (Equal Weight)

Q2 24: Strong performance continues, but slower MSR growth in France and lower adds

29 August 2024

Summary: Iliad has posted yet another quarter of good results; Key SR trends are all slightly better, as is EBITDAaL inc and ex BTS. For those looking for a read across to SFR results later today, French MSR growth is a touch slower, as are both French fixed and mobile net adds, which could mean SFR has better KPIs but weaker SR trends in our view (albeit the back book changes from SFR could be a key offset).

Valuation: We think Iliad has one of, if not the strongest management teams in European Telecoms, but the bonds reflect this quality, with tight spreads (read about Iliad's low cost of borrow vs Drahi vs Malone [HERE](#)). As such, we see more upside elsewhere in the sector, despite admiring the quality of the business. The risk of further M&A is also quite high we think (Italy next if press reports are to be believed), which is a possible risk for lenders.

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Summary

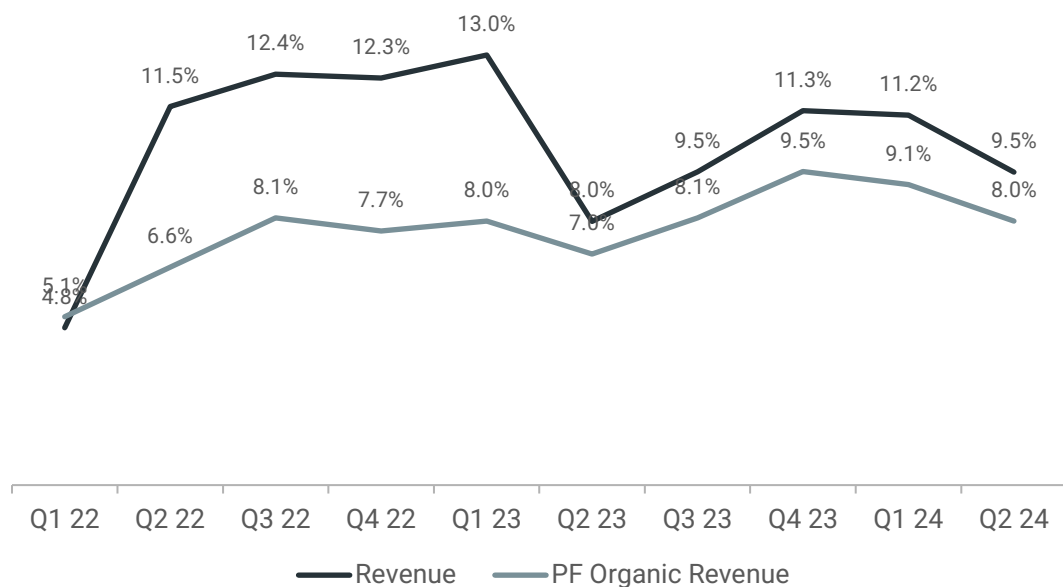
Group: Very good EBITDAaL trends

Revenue: Total reported group revenue growth was +9.5% y/y from +11.2% in Q1 24. **On an organic LFL basis, revenue growth was +8.0% y/y from +9.1% y/y in Q1 24.**

EBITDAaL: Clean reported EBITDAaL was +14.2% y/y from +12.1% y/y in Q1 24. **Adjusting for FX and M&A, EBITDAaL was +12.7% y/y from +9.6% y/y.** This includes BTS payments – we show underlying trends on the following slide.

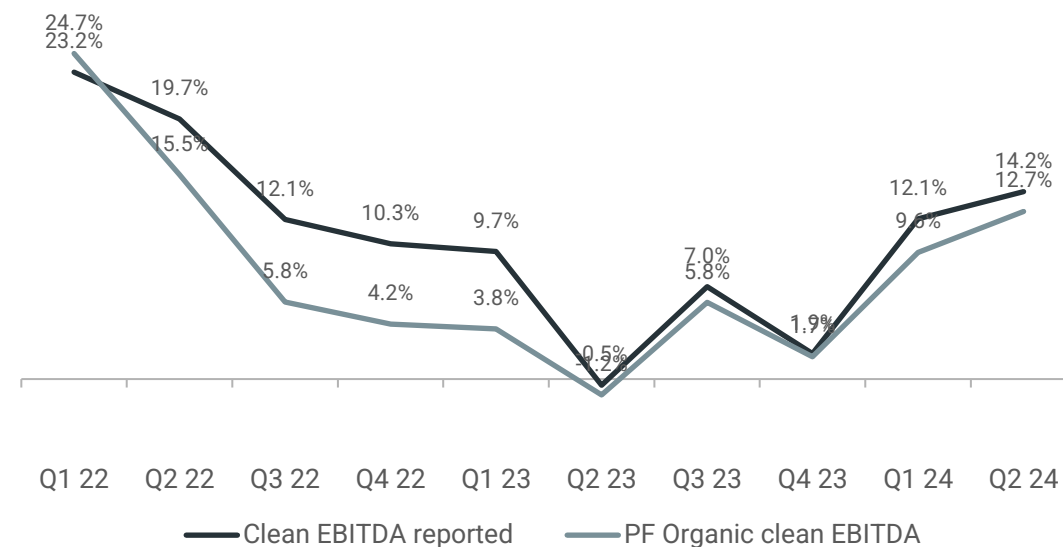
Revenue

y/y



EBITDAaL

y/y



Underlying EBITDAaL: c+13.3% y/y from c+12.0% in Q1 24

Underlying EBITDAaL growth: Iliad has BTS* programs running in France, Italy and Poland. BTS is not disclosed on a country level or separately, but Iliad do give Group “Net income from partnerships” which is mainly BTS. If one strips this out of EBITDA, then we can see underlying EBITDA growth rates.

- **On this basis, underlying Group EBITDAaL growth was +13.3% y/y from +12.0% y/y in Q1 24.**

*Bear in mind that from January 1st 2023, not all the gain on BTS sale is accounted in EBITDAaL. The minimum number of sites to be transferred was defined in the agreement signed with Cellnex in 2019 for France and Italy, and once the minimum is passed, the BTS gain in EBITDA is accounted 60% in P&L and the rest is in the FCF statement.

€m	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24	Q2 24
EBITDA										
France	493	598	578	618	498	612	626	656	573	662
Italy	40	47	60	64	64	53	72	58	71	76
Poland	181	218	206	200	221	194	205	185	233	244
Group	714	863	844	882	783	859	903	899	878	981
UPC contribution to Group EBITDA growth										
Underlying EBITDA growth										
Net Income from partnerships										
Group	85	76	64	42	67	55	58	37	76	70
EBITDA ex partnerships										
Group	629	787	780	840	716	804	845	862	802	911
UPC acquisition delta										
UPC contribution to Group EBITDA growth										
Underlying EBITDA growth										
French one-offs impact to group growth										
Clean LFL										

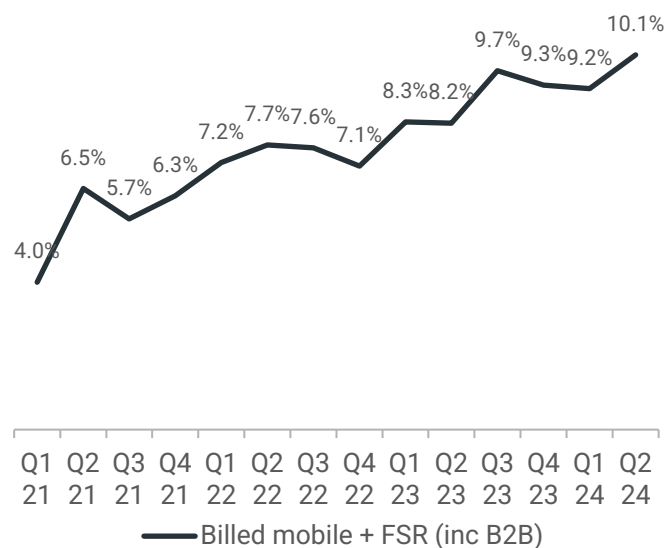
Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24	Q2 24
7.2%	7.0%	-1.0%	5.8%	1.0%	2.3%	8.3%	6.1%	15.1%	8.2%
-233.3%	30.6%	1400.0%	-8.6%	60.0%	12.8%	20.0%	-9.4%	10.9%	43.4%
20.4%	74.4%	24.8%	37.0%	22.1%	-11.0%	-0.5%	-7.5%	5.4%	25.8%
23.2%	19.7%	12.1%	10.3%	9.7%	-0.5%	7.0%	1.9%	12.1%	14.2%
0.0%	6.3%	6.0%	5.6%	6.9%					
23.2%	13.4%	6.1%	4.6%	2.8%	-0.5%	7.0%	1.9%	12.1%	14.2%
-27.4%	90.0%	128.6%	-40.8%	-21.2%	-27.6%	-9.4%	-11.9%	13.4%	27.3%
36.1%	15.6%	7.6%	15.2%	13.8%	2.2%	8.3%	2.6%	12.0%	13.3%
0	43	43	41	43					
0.0%	6.3%	6.0%	5.6%	6.9%					
36.1%	9.3%	1.6%	9.6%	7.0%	2.2%	8.3%	2.6%	12.0%	13.3%
		4.0%							
36.1%	9.3%	5.6%	9.6%	7.0%	2.2%	8.3%	2.6%	12.0%	13.3%

Key revenue growth summary: Good all round

- **France:** Billed mobile + FSR was +10.1% y/y from +9.2% y/y in Q1 24 - this includes B2B, which is not disclosed separately anymore;
- **Italy:** Billed user revenue was +13.7% y/y from +14.6% y/y in Q1 24;
- **Poland:** PF Billed mobile + FSR +7.9% y/y from +6.9% y/y in Q1 24.

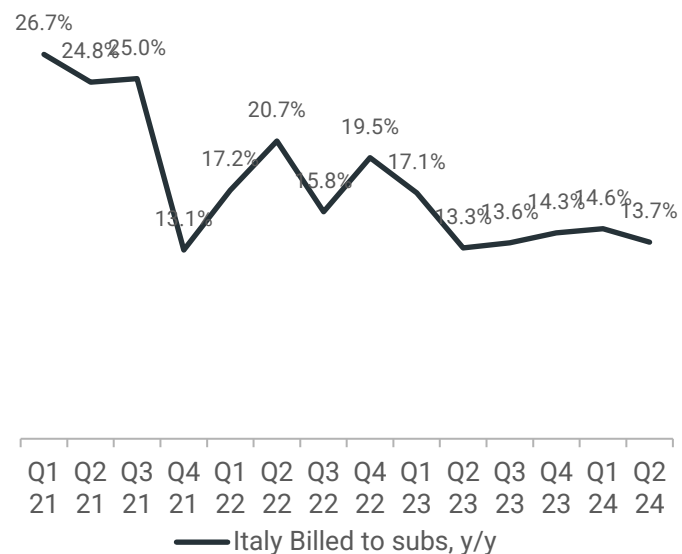
France

y/y



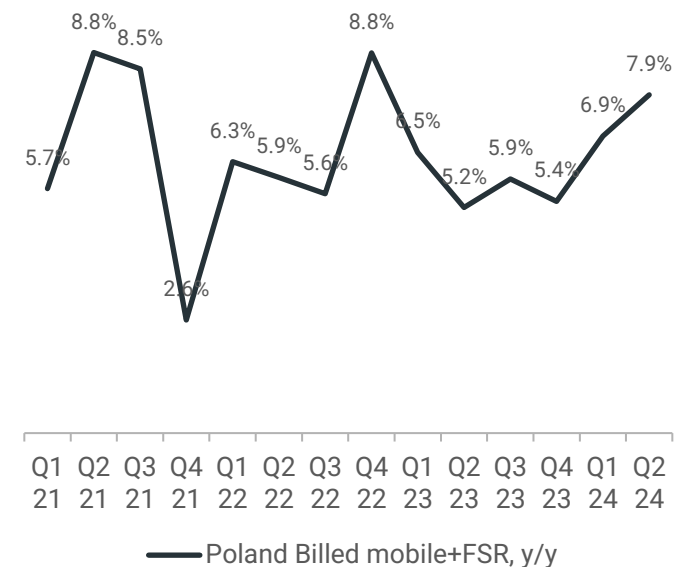
Italy

y/y



Poland

y/y



FCF/Net debt: Dividend payment leads to higher Net debt

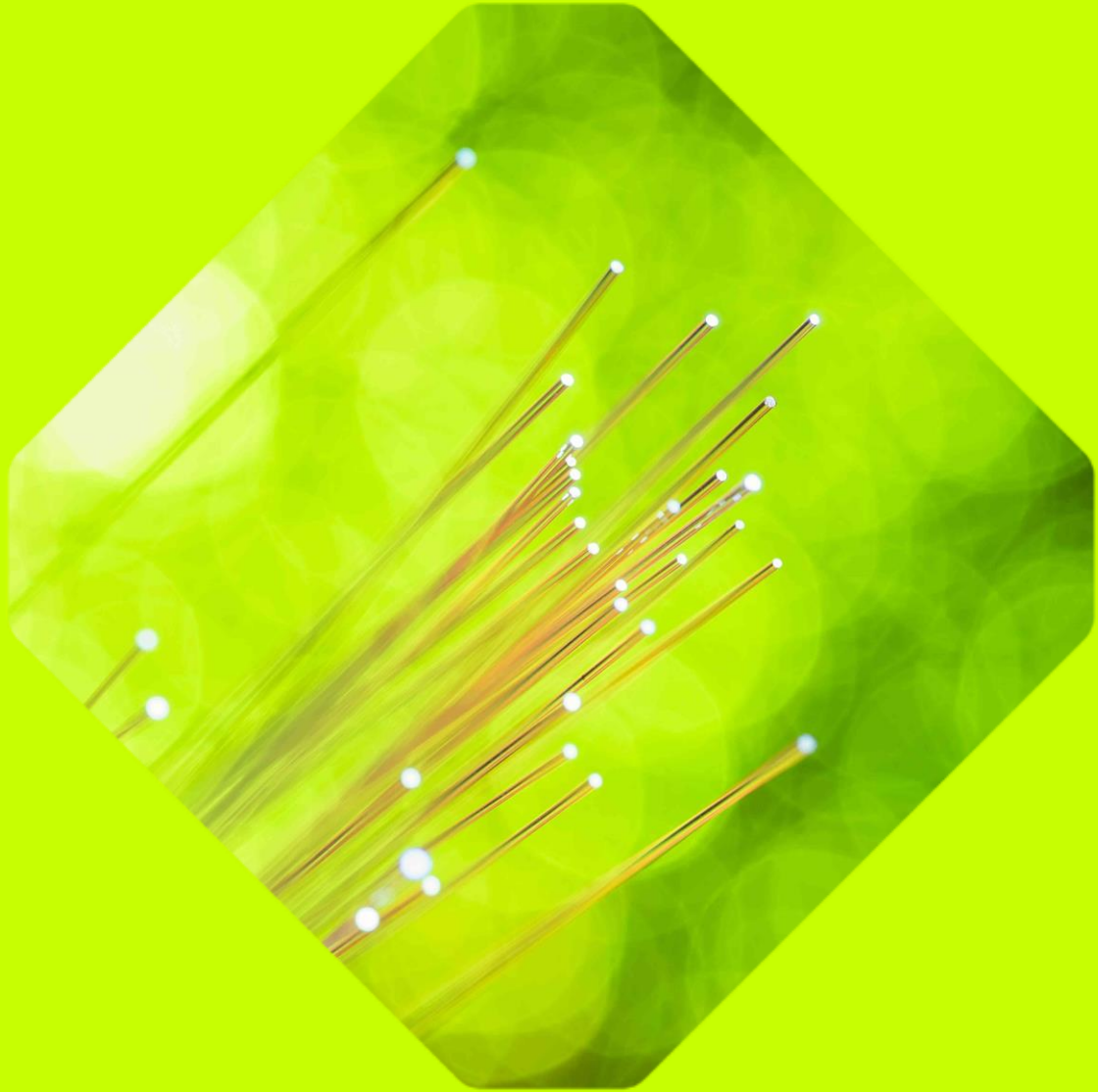
We don't as yet have the presentation, and so some numbers are estimated; but in terms of FCF and net debt, notable items this quarter include:

Core FCF (pre spectrum/ Other/ M&A/ dividends): We estimate to be +€335m vs +€271m in Q2 23, up y/y thanks to better OpFCF and NWC, with flat interest payments (c25% floating)).

Change in net debt: €-42m driven by the FCF offset by dividend payments.

Target leverage: The target is for below 3x for the Group and below 4x for Holding. Group is below range at 2.8x, which means more dividends and/or M&A going forward we think.

Iliad Group, €m	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24	Q2 24
France OpFCF	56	269	149	417	295	309
Italy OpFCF	5	-10	0	9	-9	32
Poland OpFCF	169	113	152	99	173	171
Group OpFCF	230	372	301	525	459	512
NWC	47	-201	145	176	-49	181
Interest	-62	-201	-37	-136	-92	-199
IFRS16 lease interest	-29	-33	-29	-27	-35	-40
Tax	-23	-332	-109	-130	-91	-119
FCF	163	-395	271	408	192	335
Spectrum	-38	-8	-87	-52	-115	-4
Other inc M&A	178	920	104	-20	-44	-266
FCF	303	517	288	336	33	65
Dividends to shareholders	0	-295	-176	-237	0	-178
FCF	303	222	112	99	33	-113
Change in net debt	201	142	130	99	33	-42
Implied other	102	80	-18	0	0	-71
Iliad Group						
Net debt	10,614	10,472	10,342	10,243	10,210	10,252
Change in net debt	201	142	130	99	33	-42
LTM EBITDAal	3,372	3,368	3,427	3,444	3,539	3,661
Leverage	3.1	3.1	3.0	3.0	2.9	2.8
Iliad Holding						
Net debt	14,284	13,959	13,817	13,412	13,668	
Change in net debt	279	325	142	405	-256	
LTM EBITDAal	3,369	3,365	3,424	3,438	3,533	
Leverage	4.2	4.1	4.0	3.9	3.9	



Country analysis

France SR: Another good quarter; mobile slower, fixed better

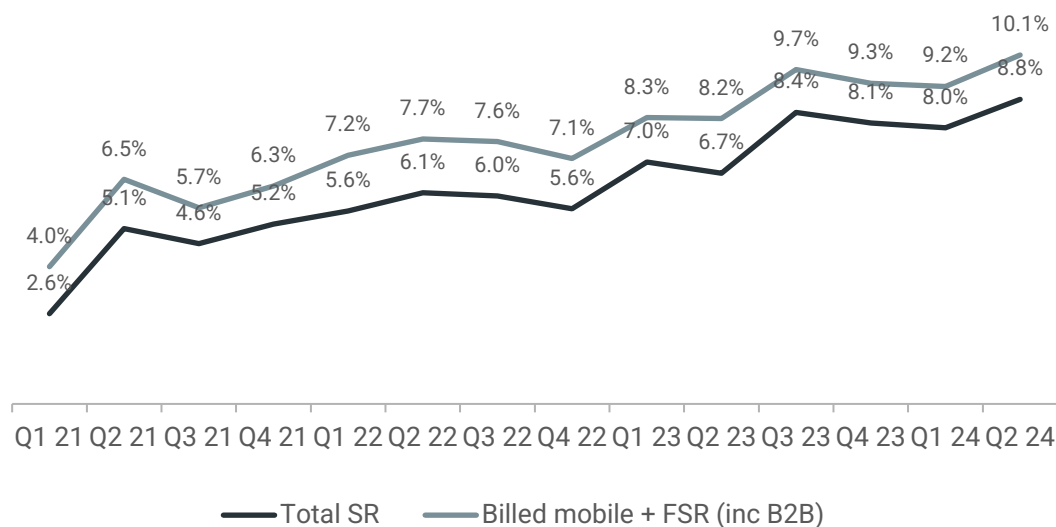
Iliad has stopped splitting out B2B and B2C. **Total SR (includes Mobile Other) is +8.8% y/y from +8.0% in Q1 24.** Within that:

Billed MSR+FSR (inc B2B) is +10.1% y/y from +9.2% in Q1 24. Within that:

- **Fixed inc B2B (B2B not disclosed separately anymore):** is +11.3% y/y from +9.0% y/y in Q1 24.
- **Billed Mobile:** is +8.2% y/y from +9.4% y/y in Q1 24 – a slowdown caused by the French pricing dynamics, possibly?

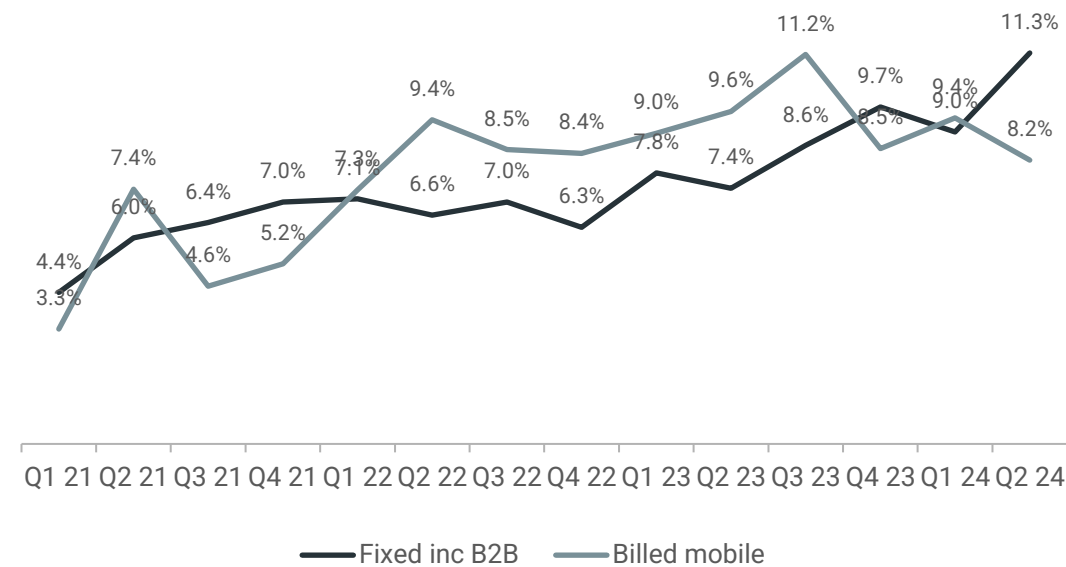
Key SR trends for France

y/y



Key SR trends for France

y/y



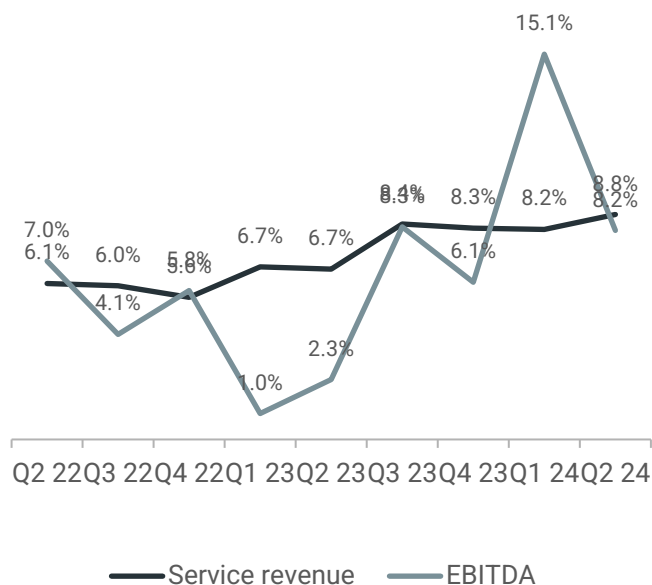
France profitability: EBITDAaL and OpFCF growth good again

EBITDAaL: EBITDAaL growth is +8.2% y/y from +15.1% y/y in Q1 24. EBITDAaL growth had been suppressed by growing costs, but exploded in Q1 and is now back to in-line with SR growth: a SR drop-through to EBITDAaL of 40% from 66% in Q1 and 24% in 2023. Q1 drop-through was flattered by an energy delta and BTS, with an underlying EBITDAAL growth of c10% y/y we estimate. EBITDAaL growth around SR growth is pretty good given how fast SR growth is.

Capex/OpFCF: Capex is down y/y (23% capex/sales from 24% in Q1 23), meaning that OpFCF is up c+15%.

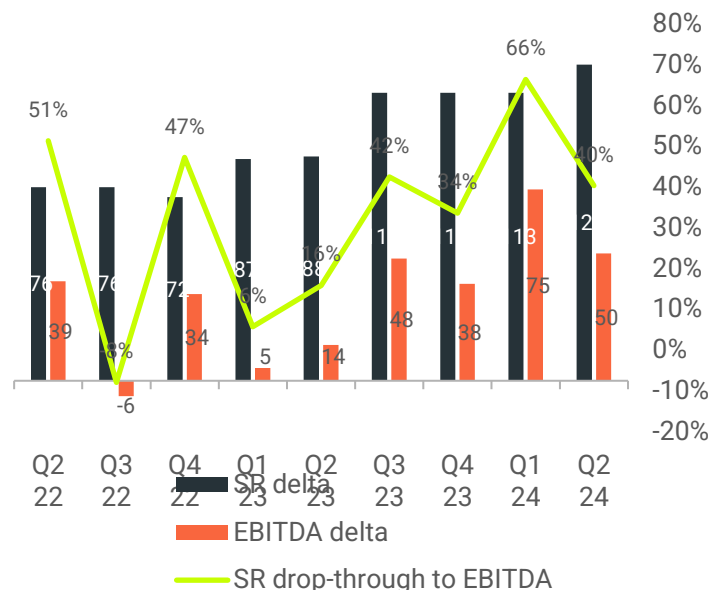
SR and EBITDA

y/y



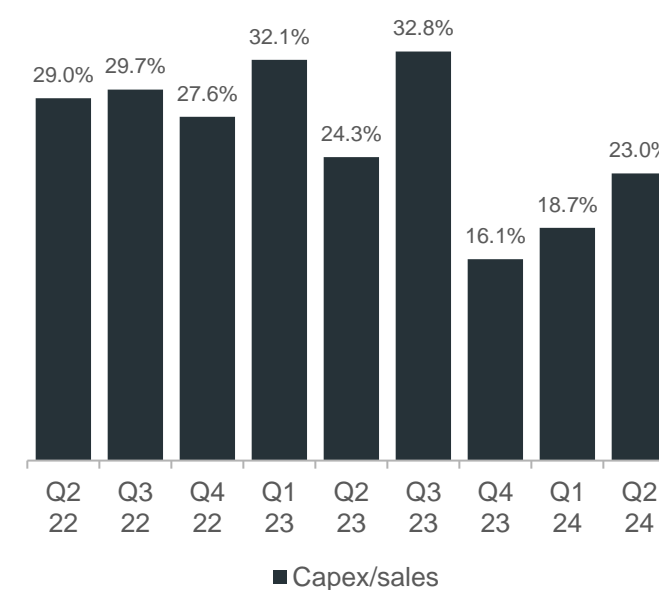
SR and EBITDA deltas

€m and %



Capex/sales

€m



France KPIs: Another good quarter all round, but lower in mobile

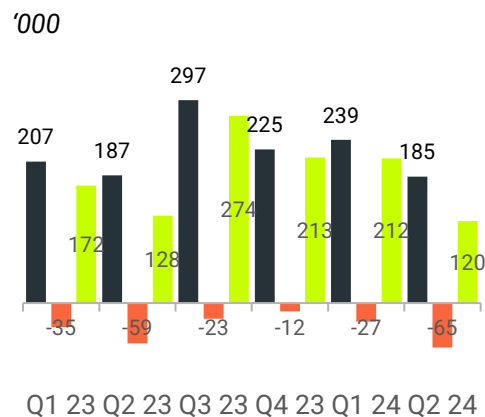
Fixed: French broadband net adds were +40k from +85k in Q1 24 – slower but back to a “normal” level post new box bump..

- ARPU (NSR calculated ex B2B) was +5.7% y/y vs +4.1% y/y in Q1 24 (supported by the new box we think).
- FTTH net adds remain good at +189k from +232k in Q1 24.

Mobile: French mobile net adds were solid but lower at +185k 4G net adds vs +239k in Q1 24, and +120k total vs +212k in Q1 24 – the new Flex offers (Iliad’s entry into the “subsidy” market) continuing to support net adds;

- ARPU (NSR calculated) was lower at +2.4% y/y from +3.6% y/y in Q1 24. The French price cuts impacting both adds and ARPU possibly?

Mobile net adds

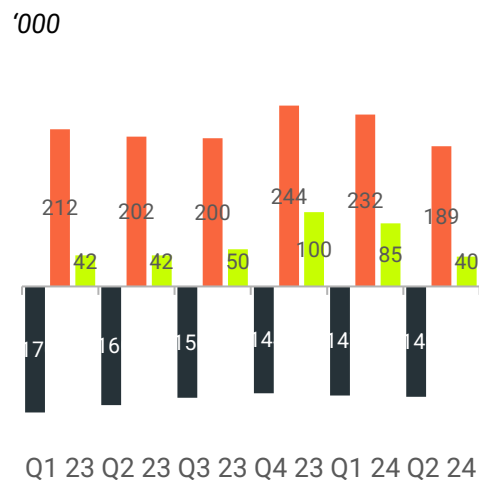


■ Subs with Free mobile 4G U/L plan net adds

■ Non 4G subs net adds

■ Total mobile net adds

Fixed net adds

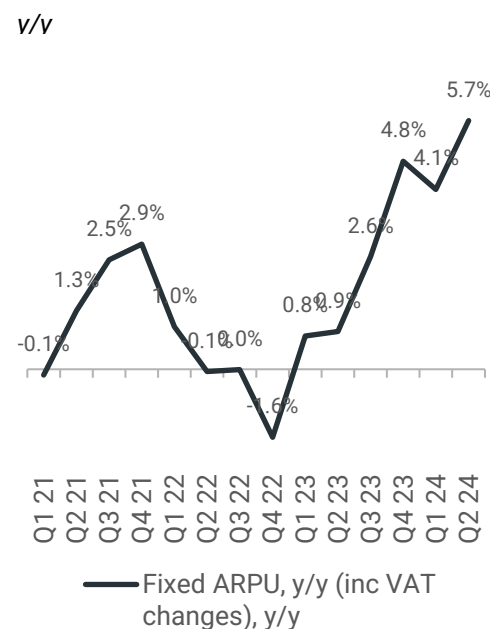


■ DSL net adds

■ FTTH net adds

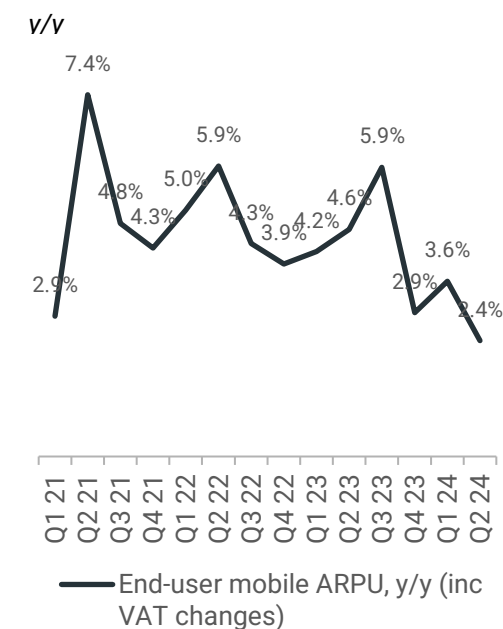
■ Total fixed net adds

Fixed ARPU



— Fixed ARPU, y/y (inc VAT changes), y/y

Mobile ARPU



— End-user mobile ARPU, y/y (inc VAT changes)

Italy: Billed mobile SR slightly slower but still good

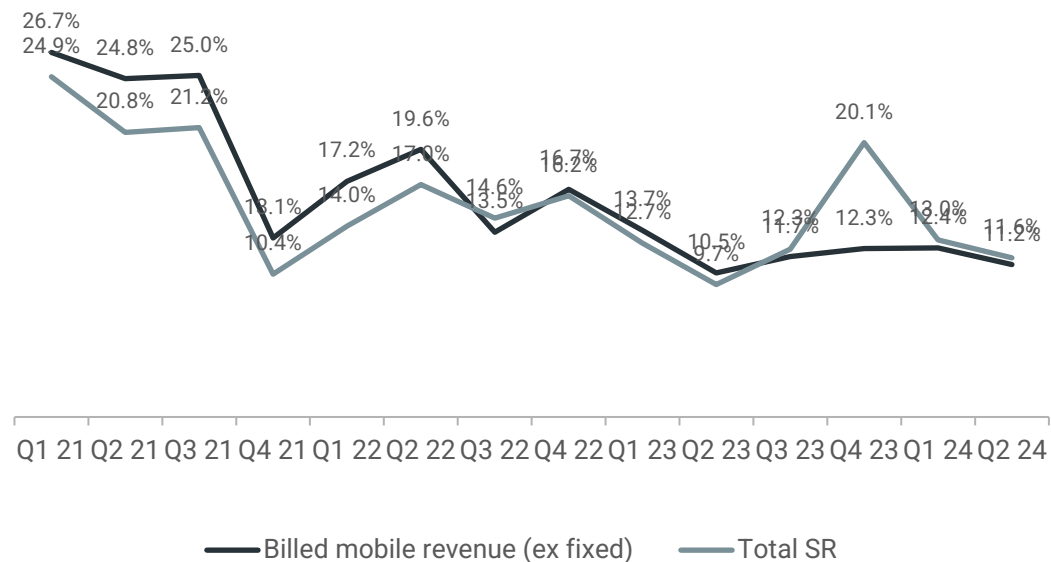
Total SR is +11.6% y/y from +13.0% y/y in Q1 24 – slower but still a sustained impressive level.

Billed mobile revenue: Iliad do not report fixed revenue separately, but assuming €16 of fixed ARPU, implied billed mobile revenue was +11.2% y/y from +12.4% y/y we estimate; fixed revenue was +88% y/y we estimate.

EBITDA: +€76m, +43% y/y from +11% y/y in Q1 24. Optically good, but movement in the BTS program, energy cost deltas and Iliad's 50% share in Zefiro's (JV with WindTre) operating costs all make LFL comparison difficult.

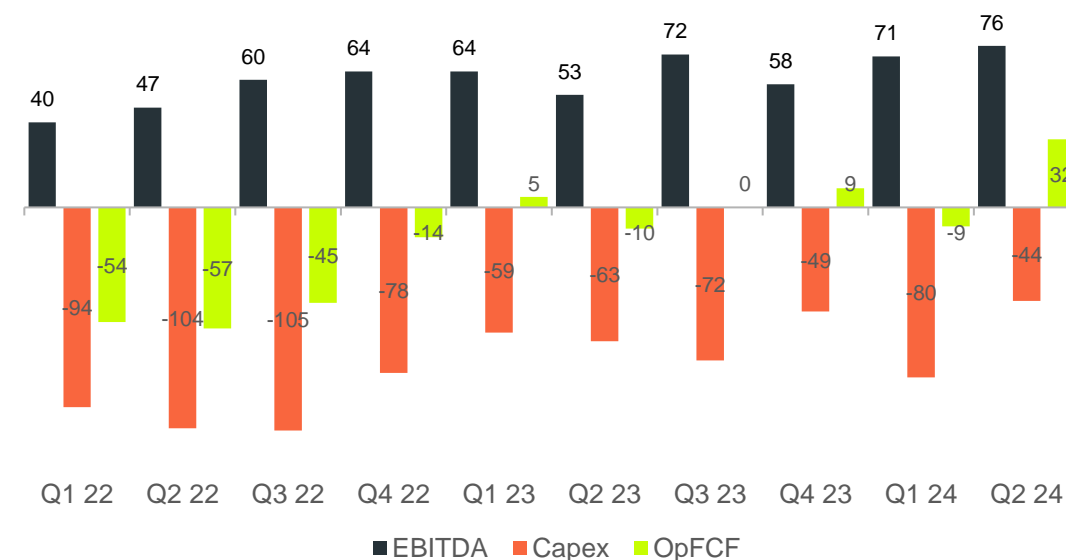
Italy Billed revenue

y/y



Italy EBITDA, Capex and OpFCF

€m



Italy KPIs: Good KPIs, weaker ARPU

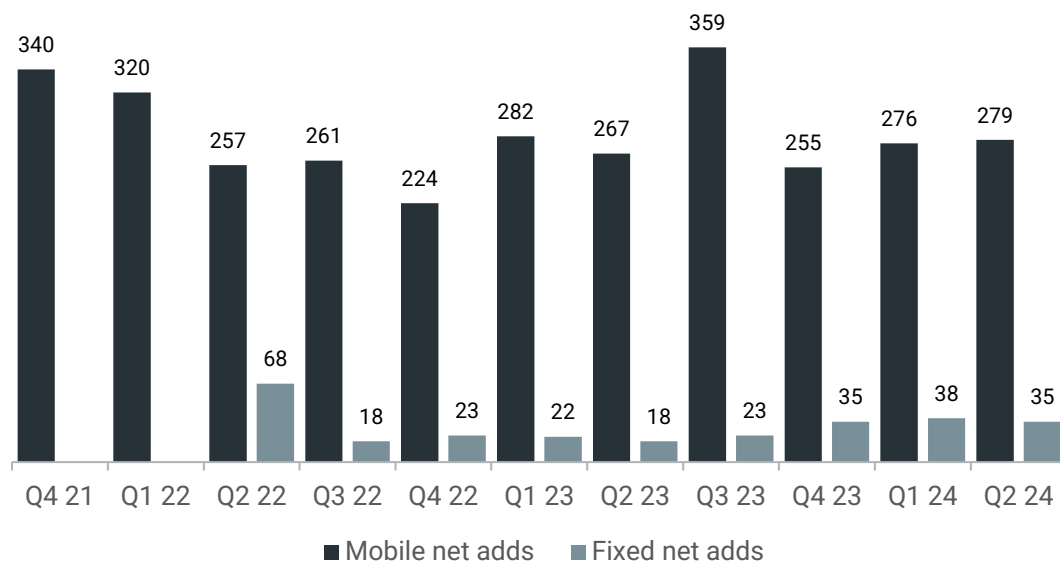
Italy mobile net adds are good at +279k from +276k in Q1 24;

Italy fixed net adds were +35k from +38k in Q1 24;

Billed user ARPU (NSR calculated – mobile only) is -0.4% y/y from +0.4% y/y in Q1 24.

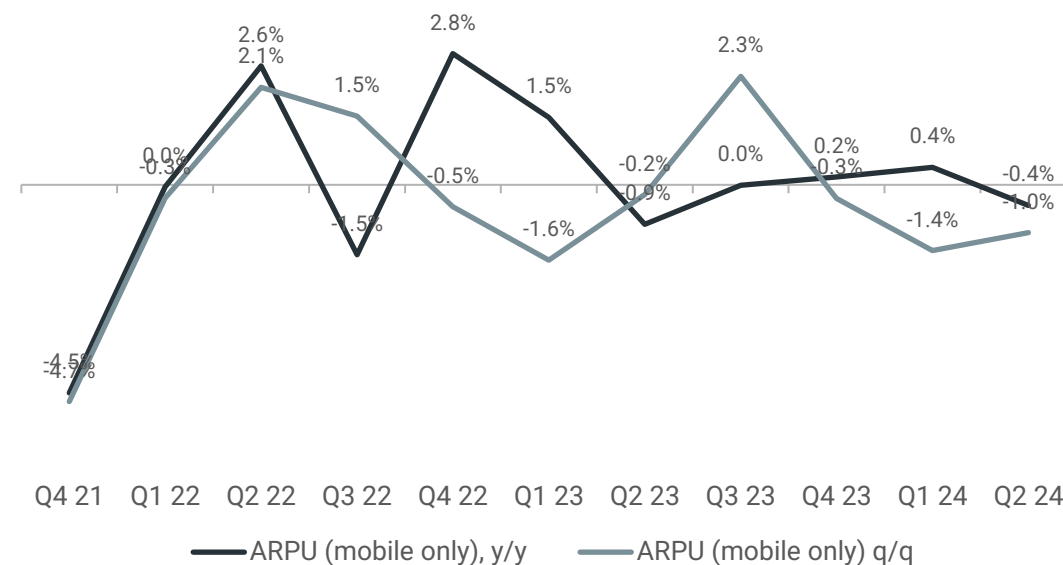
Net adds

'000



ARPU

y/y and q/q



Poland: Better LFL revenue and much better EBITDA trends

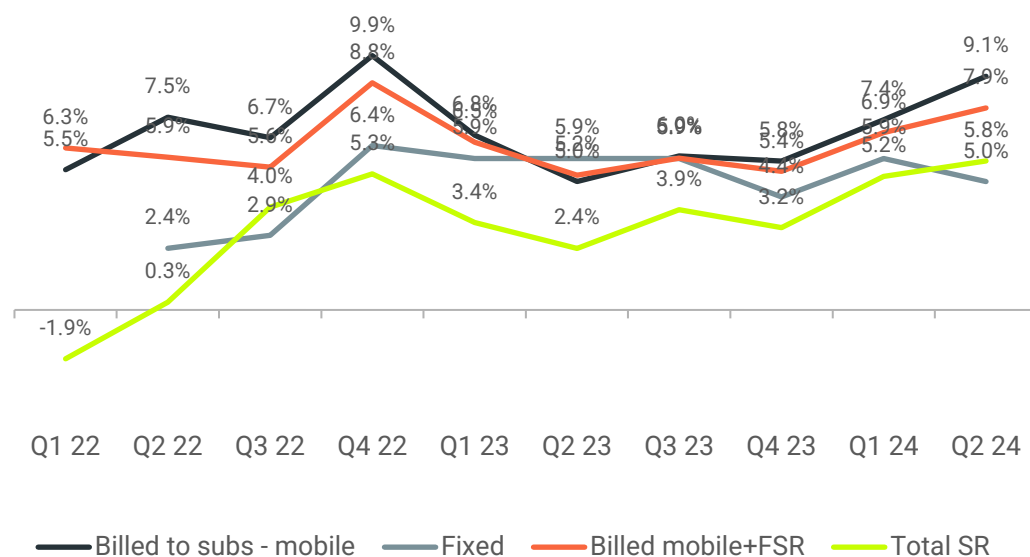
Service revenue is +5.8% y/y from +5.2% y/y in Q1 24; within that:

- Billed mobile (PF) is +9.1% y/y from +7.4% y/y in Q1 24;
- Fixed is +5.0% y/y from +5.9% y/y in Q1 24;
- Billed mobile and fixed (PF) is +7.9% y/y from +6.9% y/y in Q1 24;

Clean EBITDA (PF): We estimate that LFL clean EBITDA was +16.9% y/y from -2.5% y/y in Q1 24 (inc BTS – which is not given). EBITDA was weak because of the fibre JV (costs incurred, but pre revenue synergies), but this now appears to have annualized.

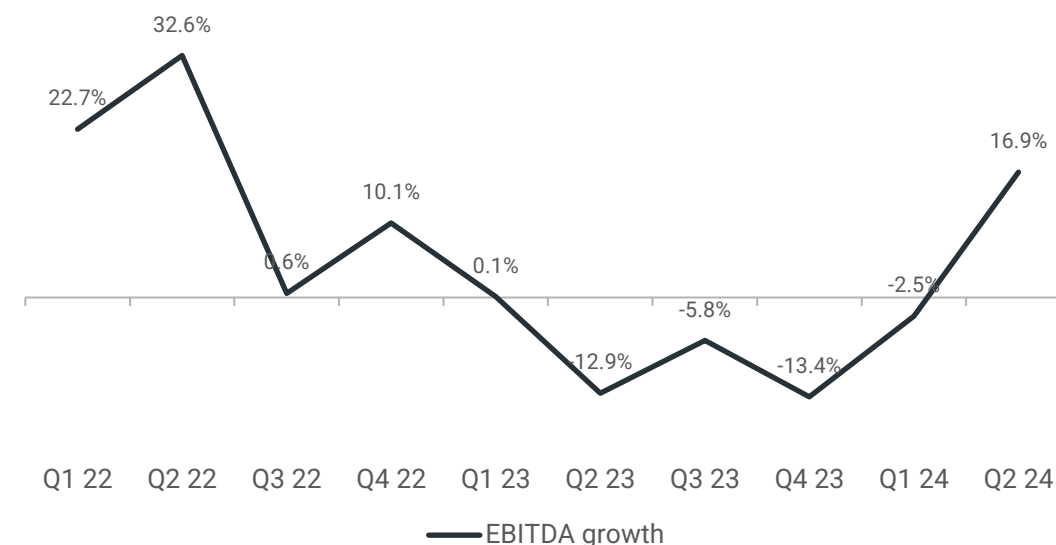
Key revenue trends (Pro Forma from Q2 22), PLN

y/y



EBITDA, PLN ex M&A from Q2 22

y/y



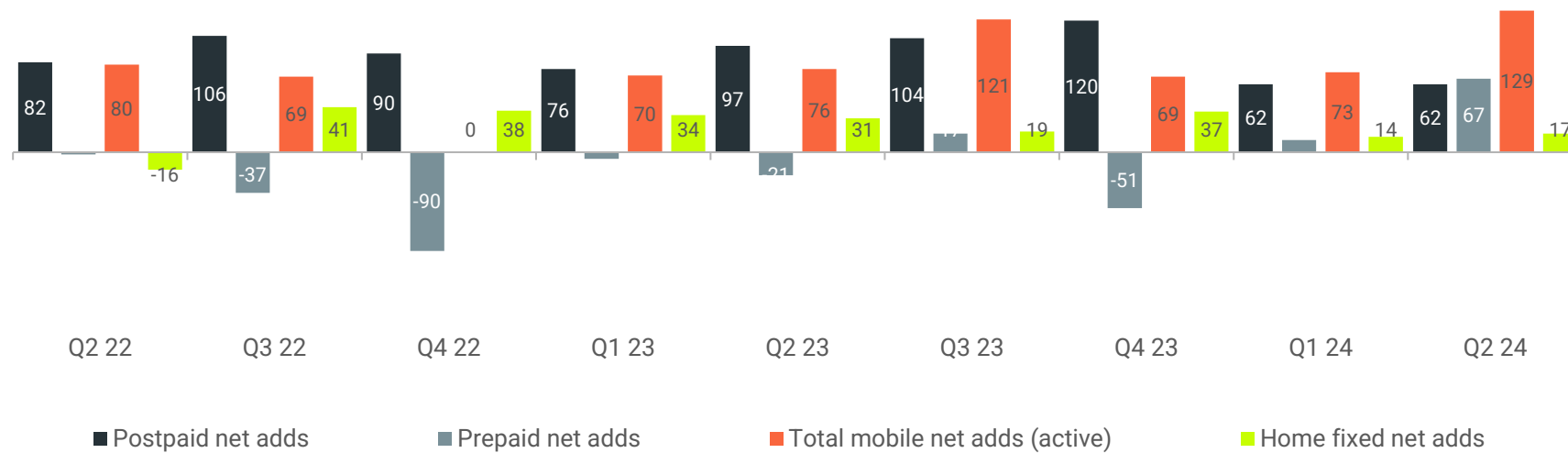
Poland KPIs: A solid quarter

Mobile: +62k postpaid net adds vs +62k in Q1 24.

Fixed: +17k fixed net adds vs +14k in Q1 24;

Poland KPIs (PF from Q2 22)

'000





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