

Orange

Good Q4, supportive guidance & Spanish M&A decision ahead – reiterate Buy

Reiterate Rating: BUY | PO: 13.50 EUR | Price: 10.75 EUR

Results and outlook confirm an attractive story

As we discussed in our report, [Ticking all boxes – double-upgrade to Buy](#), we continue to see Orange as an attractive story to play multiple, positive thematic drivers for EU telcos (better competition/cash flow growth post capex peak/consolidation/infrastructure ownership) at an undemanding valuation. 2023 results confirmed this outlook, with cash flow beats, supportive guidance, an increased focus on 'actual' FCF and the Spanish deal decision coming soon (regulatory decision expected 22 February). We reiterate our Buy rating (with our PO raised to €13.5 from €13.0).

Q4 trends above consensus, 2024 guidance supportive

Q4 results were positive, with another improvement in group EBITDAaL trends to +2.0% (+0.9% above consensus), which together with declining eCapex (-3.3% below) drove double-digit OpFCF growth, with a +7.5% beat to consensus. For the important French segment, the H2 EBITDAaL decline indeed halved, while the outlook for stable trends in 2024 was slightly ahead. Elsewhere, Africa & Middle East remains the growth engine (H2 EBITDAaL +13% yoy) and commentary around Enterprise consistent (EBITDAaL decline halving in 2024). Importantly, management provided cash flow guidance including/ excluding Spain for 2024: at >=€3.8bn/>=€3.3bn, respectively, both were slightly above consensus.

Call focus on French trends and Spanish M&A

Focus of the call was on (1) France, with Orange's focus on value in 2023 (price hikes, shorter promotions and 'more for more'), still benefitting in 2024 as Orange now aims for stable EBITDAaL in 2024 (some help from energy); (2) Spanish M&A, with management expecting a closing by the end of 1Q24 and flagging that its mobile wholesale offer to Digi (part of the remedies) was priced in line with the market. For the new Orange-Masmovil joint venture, prudence on leverage (versus early dividend payments) will be a priority.

Slightly higher cash flow forecasts, PO to €13.5

We raise our 2024/25 EBITDAaL and OpFCF forecasts by c1%, driving up organic cash flow estimates (in line with guidance for 2024/ahead for 2025). Hence, our PO goes up to €13.5 from €13.0. Orange trades on 5x 2024E EV/EBITDA, 12x EV/OpFCF and a 9% EFCF yield.

Estimates (Dec) (EUR)	2022A	2023A	2024E	2025E	2026E
EPS (Adjusted Diluted)	0.80	0.92	1.26	1.45	1.61
EPS Change (YoY)	-46.1%	14.9%	37.7%	15.1%	10.8%
Dividend / Share	0.70	0.72	0.75	0.77	0.79
ADR EPS (Adjusted Diluted - US\$)	0.84	0.99	1.36	1.56	1.73
ADR Dividend / Share (US\$)	0.74	0.78	0.81	0.83	0.85
Valuation (Dec)					
P/E	13.5x	11.7x	8.52x	7.40x	6.68x
Dividend Yield	6.51%	6.70%	6.97%	7.16%	7.35%
EV / EBITDA*	5.72x	5.68x	5.51x	5.33x	5.19x
Free Cash Flow Yield*	6.24%	8.76%	10.3%	11.6%	13.5%

* For full definitions of *IQmethod*SM measures, see page 9.

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Refer to important disclosures on page 10 to 13. Analyst Certification on page 8. Price Objective Basis/Risk on page 8.

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Timestamp: 16 February 2024 12:30AM EST

16 February 2024

Equity

Key Changes

(EUR)	Previous	Current
Price Obj.	13.00	13.50
2024E Rev (m)	45,213.0	45,130.8
2025E Rev (m)	45,625.0	45,576.4
2026E Rev (m)	45,963.8	45,879.4
2024E EPS	1.30	1.26
2026E EPS	1.59	1.61

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Stock Data

Price (Common / ADR)	10.75 EUR / 11.61 USD
Price Objective	13.50 EUR / 14.53 USD
Date Established	16-Feb-2024 / 16-Feb-2024
Investment Opinion	A-1-7 / A-1-7
52-Week Range	9.91 EUR-11.87 EUR
Market Value (mn)	28,606 EUR
Shares Outstanding (mn)	2,660.1 / 2,660.1
Average Daily Value (mn)	49.59 USD
Free Float	77.0%
BofA Ticker / Exchange	FNCTF / ENP
BofA Ticker / Exchange	ORAN / NYS
Bloomberg / Reuters	ORA FP / ORAN.PA
ROE (2024E)	10.6%
Net Dbt to Eqty (Dec-2023A)	86.5%
ESGMeter TM	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

c: circa

EBITDAaL: EBITDA after leases

EFCF: equity free cash flow

k: thousand

OpFCF: operating free cash flow

PO: price objective

iQprofileSM Orange

Key Income Statement Data (Dec)	2022A	2023A	2024E	2025E	2026E
(EUR Millions)					
Sales	43,480	44,132	45,131	45,576	45,879
EBITDA Adjusted	12,963	13,035	13,459	13,912	14,282
Depreciation & Amortization	(7,035)	(7,312)	(7,601)	(7,485)	(7,335)
EBIT Adjusted	5,928	5,723	5,858	6,426	6,947
Net Interest & Other Income	(920)	(1,206)	(997)	(889)	(827)
Tax Expense / Benefit	(1,265)	(871)	(1,316)	(1,459)	(1,605)
Net Income (Adjusted)	2,145	2,440	3,360	3,869	4,286
Average Fully Diluted Shares Outstanding	2,687	2,661	2,661	2,661	2,661

Key Cash Flow Statement Data					
Net Income (Reported)	2,145	2,440	3,360	3,869	4,286
Depreciation & Amortization	7,035	7,312	7,601	7,485	7,335
Change in Working Capital	(284)	319	0	0	0
Deferred Taxation Charge	0	0	0	0	0
Other CFO	1,498	373	(209)	(379)	(363)
Cash Flow from Operations	10,394	10,444	10,752	10,975	11,258
Capital Expenditure	(7,335)	(6,783)	(6,926)	(6,814)	(6,629)
(Acquisition) / Disposal of Investments	(104)	(1,959)	25.0	25.0	0
Other CFI	(981)	(521)	(373)	(499)	(373)
Cash Flow from Investing	(8,420)	(9,263)	(7,274)	(7,289)	(7,003)
Share Issue / (Repurchase)	NA	NA	NA	NA	NA
Cost of Dividends Paid	(2,165)	(2,230)	(2,321)	(2,419)	(2,487)
Increase (decrease) debt	1,288	(646)	815	926	1,426
Other CFF	(2,105)	36.2	(1,137)	(1,258)	(1,758)
Cash Flow from Financing	(2,982)	(2,840)	(2,643)	(2,750)	(2,819)
Total Cash Flow (CFO + CFI + CFF)	(1,008)	(1,659)	835	936	1,436
FX and other changes to cash	(1,609)	1,272	(20.0)	(10.0)	(10.0)
Change in Cash	(2,617)	(387)	815	926	1,426
Change in Net Debt	3,905	(259)	0	0	0
Net Debt	30,628	30,368	30,368	30,368	30,368

Key Balance Sheet Data					
Property, Plant & Equipment	31,640	33,193	33,193	33,193	33,193
Goodwill	23,113	23,775	23,775	23,775	23,775
Other Intangibles	14,946	15,098	15,098	15,098	15,098
Other Non-Current Assets	13,148	12,744	12,744	12,744	12,744
Trade Receivables	6,305	6,013	6,013	6,013	6,013
Cash & Equivalents	6,004	5,618	6,433	7,359	8,785
Other Current Assets	14,494	13,611	13,611	13,611	13,611
Total Assets	109,650	110,052	110,867	111,793	113,219
Long-Term Debt	31,930	30,535	31,350	32,276	33,703
Other Non-Current Liabilities	13,541	13,892	13,892	13,892	13,892
Short-Term Debt	4,702	5,451	5,451	5,451	5,451
Other Current Liabilities	24,521	25,076	25,076	25,076	25,076
Total Liabilities	74,694	74,953	75,769	76,694	78,121
Total Equity	34,956	35,098	35,098	35,098	35,098
Total Equity & Liabilities	109,650	110,052	110,867	111,793	113,219

Business Performance*					
Return On Capital Employed	4.72%	5.17%	5.11%	5.59%	5.96%
Return On Equity	6.69%	7.67%	10.6%	12.2%	13.5%
Operating Margin	11.0%	11.3%	13.6%	14.8%	15.8%
Free Cash Flow (MM)	1,785	2,506	2,941	3,320	3,848

Quality of Earnings*					
Cash Realization Ratio	4.85x	4.28x	3.20x	2.84x	2.63x
Asset Replacement Ratio	1.04x	0.93x	0.91x	0.91x	0.90x
Tax Rate	32.6%	23.2%	25.5%	25.0%	25.0%
Net Debt/Equity	87.6%	86.5%	86.5%	86.5%	86.5%
Interest Cover	6.44x	4.75x	5.87x	7.23x	8.40x

* For full definitions of iQmethodSM measures, see page 9.

Company Sector

Telecom Services-Wireline

Company Description

Orange is the incumbent provider of telecom services in France and also owns a broad portfolio of international telecoms assets in both Europe and Africa, the largest of which are in Spain and Poland. The Paris-listed Group also operates a large corporate / IT services business and a tower infrastructure unit.

Investment Rationale

We rate Orange Buy. We like the French incumbent's position in the fiber-to-the-home (FTTH) roll-out curve and see better competitive trends at home/growth from abroad combined with lower capex as drivers of strong FCF generation. With a growing (and well-covered) dividend in the future, we believe that Orange can re-rate towards the high-quality names in the sector. Meanwhile, consolidation in Spain and having one of the last 100%-owned tower assets both provide upside potential.

Stock Data

Shares / ADR	1.00
Price to Book Value	0.9x

Key Changes

(US\$)	Previous	Current
Price Obj.	14.15	14.53
2024E EPS	1.40	1.36
2025E EPS	1.55	1.56
2026E EPS	1.70	1.73
2024E DPS	0.80	0.81

4Q23 review – positive trends

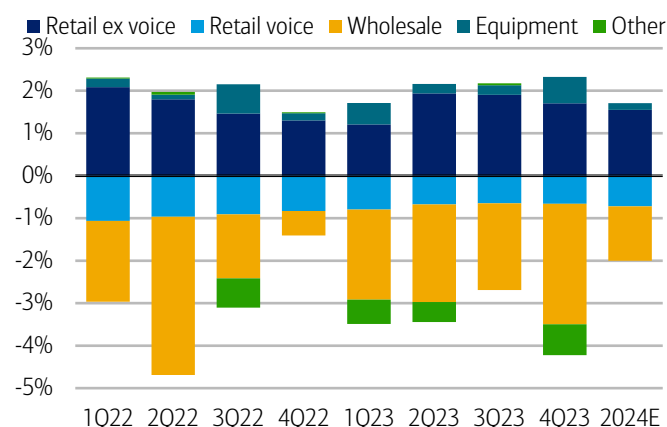
Orange reported a good set of results, in our view: Group revenues grew by +1.6% yoy (+1.8% in Q2) and were +0.4% ahead of company-compiled consensus. EBITDAaL for the group achieved growth of +2.0% (gradually increasing versus +1.4% in Q3) and was +0.9% ahead. Meanwhile, lower-than-expected eCapex (-3.3% below consensus) drove a +7.5% beat in OpFCF.

In the domestic French segment, revenue trends deteriorated to -1.9% after -0.5% in Q3. However, this was mainly driven by a stronger decline in wholesale and 'other' revenues. The growth in the important retail services segment (excluding fixed voice) remained firmly positive at +3.1% versus +3.3% in Q3 and well within the guidance range of +2-4%. Operationally, we note sequentially stronger postpaid net adds in France (+99k), whereas broadband remains an outflow (-30k) – both trends should largely continue in 2024, in our view. Crucially, growth in service revenues is driven by Orange's value initiatives within an overall better French market environment, which allowed for growth to accelerate to +5% for convergent and mobile ARPU ('average revenues per user'), with only broadband slightly slower at +3%.

Looking ahead, we expect French revenue trends to be slightly negative in 2024 at -0.3% (versus -1.4% in 2023): For retail services excluding voice, we expect growth of +2.6% (versus +3.0% in 2023), while wholesale trends should remain negative but sequentially better (helped by price hikes in unbundling/civil engineering from 2Q24).

Exhibit 1: Orange France – Revenue drivers (%)

>3% growth in retail excluding voice offset by drag from legacy voice/wholesale

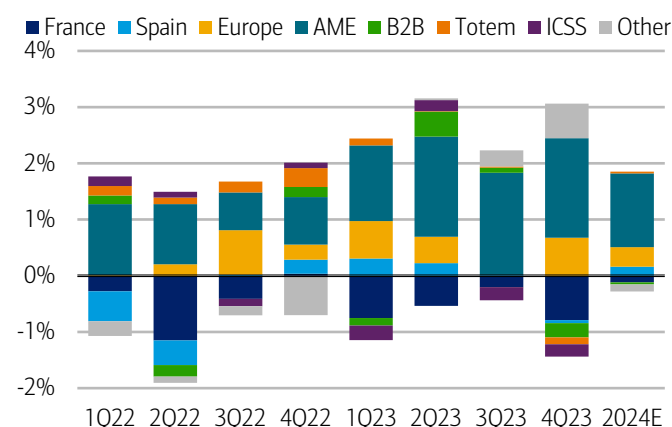


Source: BofA Global Research estimates, company reporting

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Exhibit 2: Orange Telecoms – Revenue drivers (%)

Group trends positive, boosted by double-digit growth in Africa & Middle East



Source: BofA Global Research estimates, company reporting; AME = Africa & Middle East; B2B = Business-to-Business

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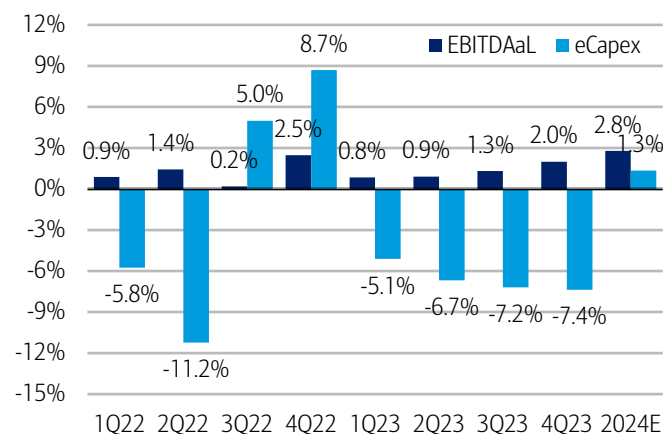
Looking at the wider telecom business, Orange reported revenue growth of +1.6%. Within the mix, growth in Belgium and Poland picked up, while Spain remained flattish (retail service growth down to +1.5%). Africa & Middle East continued to be the growth engine at +12% (in line with last quarter). Looking at 2024, we expect reported revenue growth of +2.3%, which is, however, amplified by currency fluctuation (e.g., Poland) and M&A (e.g., Voo in Belgium).

EBITDAaL growth for the telecom segment accelerated to +2.0% from +1.3% in Q3. This marks the fourth sequential improvement in trends throughout the year. Note: Orange only splits out segmental trends on a half-year basis: For H2, the improvement in underlying trends was mainly driven by France (-2.2% versus -5.1% in H1, confirming previous management commentary). Elsewhere, trends in Africa & Middle East stayed very strong at +13.2% (versus +12.0% in H1), while Europe stayed in mid-single-digit territory at +4.6% (Spain particularly strong), and the decline in Enterprise continued (although slightly better than H1, and management guides for a further improvement).

For 2024, we model reported EBITDAaL growth of +3.3%, which is again impacted by FX/M&A (underlying <3%). Importantly, we expect slight EBITDAaL growth in France following positive management commentary (+0.3%), some better trends in Enterprise (-8.1%) and continued strength in Africa & Middle East (+9.2%).

Exhibit 3: Orange Telecoms – organic EBITDAaL & eCapex growth (%)

Underlying EBITDAaL growth improving, eCapex lower

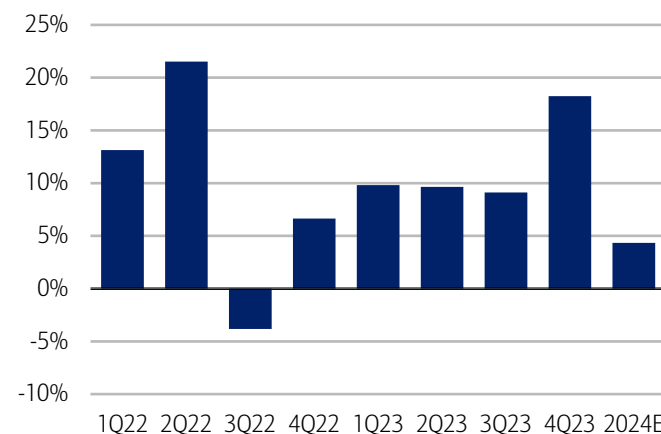


Source: BofA Global Research estimates, company reporting; *4Q22 EBITDAaL adjusted for impact from employee shareholding programme

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Exhibit 4: Orange Telecom – organic OpFCF growth (%)

Double-digit OpFCF growth in 2023 was driven by both, EBITDAaL & eCapex



Source: BofA Global Research estimates, company reporting

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The decline in eCapex continued in Q4, confirming the trend we have seen throughout 2023: In Q4, eCapex fell by -7.4%, combining that with the accelerating EBITDAaL growth allowed for +18% underlying OpFCF growth in the telecom segment (after close to +10% in Q1-Q3). Looking at 2024, we expect reported OpFCF growth to be in the mid-single-digit area, with positive EBITDAaL growth and a slight increase in absolute eCapex (but eCapex/sales coming down).

2024 and 2025 guidance supportive

As part of the full-year results, Orange management confirmed all its 2025 guidance elements. On top of that, the company now provided annual guidance for 2024/25 including and excluding the Spanish business. This is crucial, as the deadline for regulatory review by the European Commission is approaching soon (22 February), and management expects a closing of the transaction by the end of 1Q24.

Exhibit 5: Orange – 2024/25 guidance (current perimeter, €bn)

2024 cash flow guidance implies some upside potential to consensus, 2025 targets confirmed

2024				2025			
	Guidance	BofA	Cons		Guidance	BofA	Cons
EBITDAaL	Low-single digit growth	3.3%	2.1%	EBITDAaL	Low-single digit growth	3.4%	2.6%
eCapex	Disciplined	2.0%	0.1%	eCapex	Disciplined	-1.8%	-1.2%
OCF (telco)	>= EUR3.8bn	3.83	3.71	OCF (telco)	EUR 4bn	4.16	4.03
Net debt/EBITDAaL	Around 2x (medium-term)	1.9x	2.0x	Net debt/EBITDAaL	Around 2x (medium-term)	1.8x	1.8x
Dividend	EUR 0.75	0.75	0.75	Dividend	EUR 0.75 floor	0.77	0.78

Source: BofA Global Research estimates, company presentation, consensus from company

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Focus is clearly on the organic cash flow guidance for the telecom business (EBITDAaL/eCapex trends are not quantified and appear in line with consensus).

- Including Spain/pre current perimeter, 2024 guidance of >=€3.8bn was at least €0.1bn ahead of consensus, while confirmed that 2025 guidance remained in line.
- Excluding Spain and with the relevant adjustment for higher interest income (after Orange receives €4.2bn in proceeds), guidance appears still slightly ahead of

consensus for 2024 but more in line or slightly conservative for 2025. As part of the conference call, management clarified that no dividends from the new Orange-Masmovil joint venture were included in 2024/25 guidance.

Exhibit 6: Orange – 2024/25 guidance (excluding Spain, €bn)

Excluding Spain, guidance is broadly in line with consensus

	Guidance	2024		Guidance	2025	
		BofA	Cons		BofA	Cons
EBITDAaL	Low-single digit growth	3.2%	2.1%	Low-single digit growth	3.3%	2.6%
eCapex	Disciplined	2.5%	0.0%	Disciplined	-1.9%	-1.2%
OCF (telco)	>= EUR3.3bn	3.34	3.27	EUR 3.5bn	3.65	3.59
Net debt/EBITDAaL	Around 2x (medium-term)	1.8x	1.8x	Around 2x (medium-term)	1.7x	1.7x
Dividend	EUR 0.75	0.75	0.75	EUR 0.75 floor	0.77	0.78
Cash interest assumption*		0.07	0.07		0.09	0.09
Cash proceeds assumption*		4.2	4.2		4.2	4.2

Source: BofA Global Research estimates, company presentation, consensus from company; *consensus adjusted for interest benefits & cash proceeds from Spain deal

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4Q23 conference call – key feedback

- France:** Focus was on value policy in 2023 (price hikes/shorter promotions/more for more), with benefits still in 2024. Generally, Orange sees a slower market and some pressure on purchasing power but is well positioned, and the latest free broadband offer is a good value signal. It aims for stable EBITDAaL in 2024, with lower wage inflation/€50m energy tailwind and service revenue growth. It confirmed capex trajectory/fibre roll-out plans.
- Orange-Masmovil merger:** There has been a small delay, with no impact on the outcome (expected closing by end-1Q24). The Digi roaming offer as part of the remedies was done 'at market prices'. Guidance excluding Spain was just without current Spain OCF but also includes interest income from cash proceeds that should offset higher underlying interest costs. No ORA-MAS dividend is assumed within the 2024/25 guide, with a focus on de-leveraging.
- Other segments:** It expects halving of Business EBITDAaL decline to -8% in 2024, stabilising in 2025. It expects Africa & Middle East to show continued good trends, with a high-single-digit trajectory in 2024.

Changes to estimates

Following Q4 results and updating for latest currency moves, we raise our 2024/25 EBITDAaL expectations by c1%, which drives +1% higher OpFCF forecasts too. Our organic cash flow estimates also go up and are in line with or slightly ahead of guidance. This drives an increase in our PO to €13.5/share from €13.0/share.

Exhibit 7: Orange – changes to estimates (EURm)

We raise our organic cash flow forecasts, PO increased to €13.5/share

BofA changes in estimates €m	BofA			Old			Δ Estimates		
	FY23A	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
France	17,730	17,678	17,375	17,794	17,788	17,499	(0%)	(1%)	(1%)
Europe	10,962	12,157	12,345	11,550	12,129	12,320	(5%)	0%	0%
- Spain	4,698	4,768	4,835	4,701	4,787	4,859	(0%)	(0%)	(0%)
AME	7,152	7,679	8,172	7,142	7,580	8,044	0%	1%	2%
Enterprise	7,927	7,910	7,978	7,998	8,027	8,070	(1%)	(1%)	(1%)
Totem	686	700	724	705	733	759	(3%)	(5%)	(5%)
Revenues	44,132	45,131	45,576	44,203	45,213	45,625	(0%)	(0%)	(0%)
France	6,364	6,385	6,408	6,360	6,344	6,360	0%	1%	1%
Europe	3,037	3,231	3,340	3,040	3,201	3,335	(0%)	1%	0%
- Spain	1,246	1,296	1,342	1,211	1,253	1,316	3%	3%	2%
AME	2,734	2,985	3,230	2,718	2,933	3,153	1%	2%	2%
Enterprise	679	624	621	678	623	617	0%	0%	1%

Exhibit 7: Orange – changes to estimates (EURm)

We raise our organic cash flow forecasts, PO increased to €13.5/share

BofA changes in estimates	BofA			Old			Δ Estimates		
Totem	372	382	398	383	400	421	(3%)	(5%)	(5%)
EBITDAaL, Telecoms	13,157	13,579	13,972	13,123	13,449	13,838	0%	1%	1%
Bank	-122	-120	-60	-120	-120	-40	2%	--	50%
EBITDAaL, Group	13,035	13,459	13,912	13,003	13,329	13,798	0%	1%	1%
France	3,039	2,984	2,854	3,075	3,015	2,866	(1%)	(1%)	(0%)
Europe	1,831	1,938	1,908	1,783	1,836	1,835	3%	6%	4%
- Spain	755	742	738	717	716	712	5%	4%	4%
AME	1,248	1,344	1,389	1,286	1,327	1,368	(3%)	1%	2%
Enterprise	296	301	311	320	321	323	(7%)	(6%)	(4%)
Totem	144	145	145	145	145	145	(1%)	--	--
eCapex, Telecoms	6,783	6,926	6,814	6,834	6,855	6,732	(1%)	1%	1%
Bank	33	28	15	40	35	10	(18%)	(20%)	50%
eCapex, Group	6,815	6,954	6,829	6,874	6,890	6,742	(1%)	1%	1%
OpFCF, Telecoms	6,374	6,654	7,157	6,289	6,594	7,106	1%	1%	1%
OpFCF, Group	6,220	6,506	7,082	6,129	6,439	7,056	1%	1%	0%
Organic Cash Flow Telco	3,661	3,827	4,161	3,549	3,668	4,132	3%	4%	1%
FCFE ex spectrum	2,506	2,941	3,320	2,689	2,782	3,322	(7%)	6%	(0%)

Source: BofA Global Research estimates

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Price objective basis & risk

Orange (FNCTF / ORAN)

Our PO for Orange is €13.5 (US\$14.47 ADR), based on a sum-of-the-parts (SOTP) analysis, in which businesses are valued on a multiple or discounted cash flow (DCF) basis and Orange's Poland unit is marked to market. We note that for Spain we use a weighted valuation between a sector-implied multiple and the Orange-Masmovil target valuation. For Orange Bank, we incorporate the remaining FCF before an exit from 2025.

The SOTP is further adjusted for minorities, associates, hybrids, pension, provisions as well as the net present value (NPV) of spectrum payments and renewals. We also apply a 10% conglomerate discount in line with the rest of our coverage for complex incumbents.

Downside risks to our PO are (1) mobile and fixed pricing pressure, (2) failure to execute on cost cutting, (3) regulatory hurdles to in-market consolidation in Spain and (4) digressing to far from its core (European) communications business.

Upside risks to our PO are (1) market consolidation in Spain or France, (2) re-rating from a sustainably growing dividend profile, (3) improving competition in France and (4) optionality in Orange's mobile infra holdings.

Analyst Certification

I, Titus Krahn, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Special Disclosures

BofA Securities is currently acting as Financial advisor to Masmovil Ibercom SA in connection with its proposed 50-50 joint venture with Orange SA, which was announced on March 8, 2022.

EMEA - Telecoms Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	BT	BTGOF	BT/A LN	David Wright
	Cellnex	CLNXF	CLNX SQ	David Wright
	Cellnex	CLLNY	CLLNY US	David Wright
	Deutsche Telekom	DTEGY	DTEGY US	David Wright
	Deutsche Telekom	DTEGF	DTE GY	David Wright
	Freenet AG	FRTAF	FNTN GY	Titus Krahn
	Helios Towers plc	HTWSF	HTWS LN	David Wright
	Inwit	IFSUF	INW IM	David Wright
	Orange	FNCTF	ORA FP	Titus Krahn
	Orange	ORAN	ORAN US	Titus Krahn
	Tele2 AB	TLTZF	TEL2B SS	Titus Krahn
	Telefonica SA	TEFOF	TEF SQ	David Wright
	Telefonica SA	TEF	TEF US	David Wright
	United Internet AG	UDIRF	UTDI GY	Titus Krahn
	Vodafone Group	VOD	VOD US	David Wright
	Vodafone Group	VODPF	VOD LN	David Wright
NEUTRAL				
	1&1 AG	DRHKF	1U1 GY	Titus Krahn
	KPN	KKPNF	KPN NA	Titus Krahn
	Liberty Global	LBTYA	LBTYA US	David Wright
	Telecom Italia -RSP	TIAJF	TITR IM	David Wright
	Telecom Italia SPA	TIAY	TIAY US	David Wright

EMEA - Telecoms Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Telecom Italia SPA	TIAOF	TIT IM	David Wright
	Telenor	TELNF	TEL NO	Titus Krahn
	Telenor	TELNY	TELNY US	Titus Krahn
UNDERPERFORM				
	Bouygues	BOUYF	EN FP	Titus Krahn
	Elisa	ELMUF	ELISA FH	Titus Krahn
	Proximus	BGAOF	PROX BB	Titus Krahn
	Swisscom	SWZCF	SCMN SW	Titus Krahn
	Swisscom	SCMWY	SCMWY US	Titus Krahn
	Telia Company	TLSNF	TELIA SS	Titus Krahn
	Telia Company	TLSNY	TLSNY US	Titus Krahn
RSTR				
	Telefonica Deutschland	TELDF	O2D GY	David Wright

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

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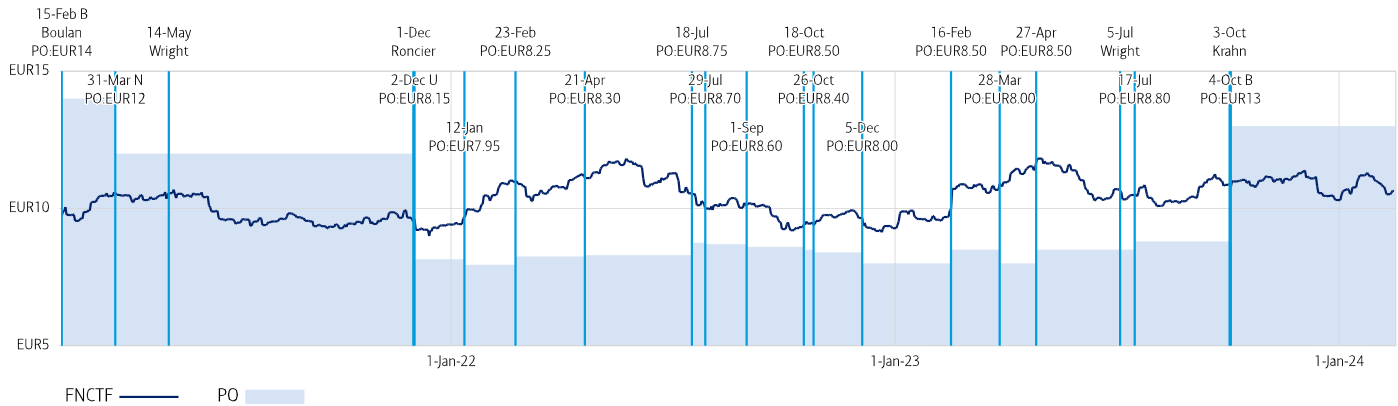
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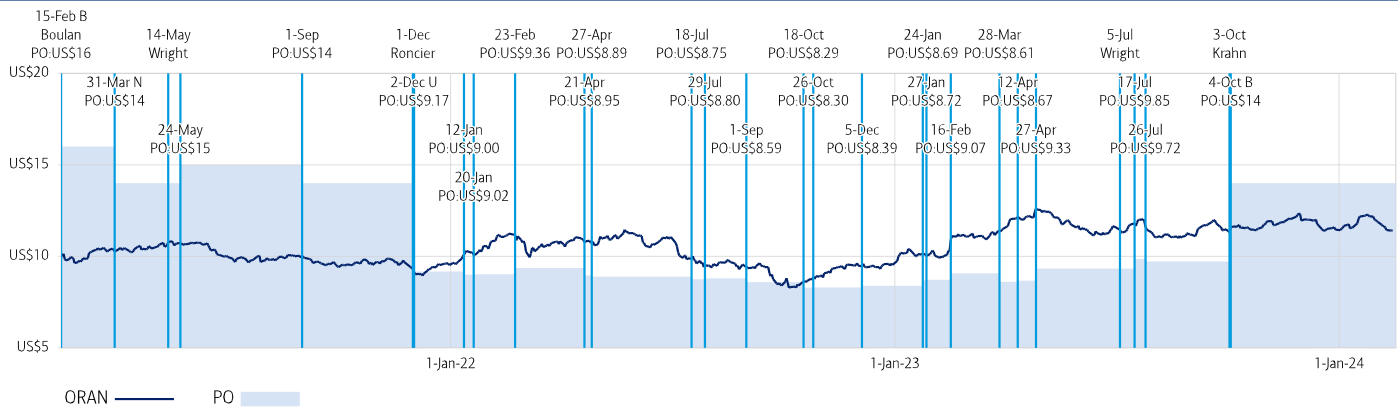
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Orange (FNCTF) Price Chart



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Orange (ORAN) Price Chart



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Equity Investment Rating Distribution: Telecommunications Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	57	51.82%	Buy	43	75.44%
Hold	27	24.55%	Hold	17	62.96%
Sell	26	23.64%	Sell	12	46.15%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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