



Country FR	Market capitalization (bn) EUR 31,5	Perf. since reco. (%)
Sector Telecommunications	Free float 70,3%	Orange SA -24,0
Factset ORA-FR	Closing price EUR 11,28	Sector -8,1
ISIN FR0000133308	ESG Risk score* 17,4 Low risk	

Profile

Formerly France Telecom, Orange (its brand name since 2012) is the incumbent and dominant telecommunications operator on the French market. Internationally, the Group operates in more than 30 countries. It provides mobile and fixed-line telecommunications services, data transmission services (Internet, TV), content and payment services (Orange Bank, launched in Europe in 2017, following the success of this model in Africa) for residential and business customers. Outside France, Orange operates in the United Kingdom, Poland, Spain, Belgium and emerging markets (Africa). The French State holds a 23% stake in the company.

Strengths/opportunities

- ⊕ A strong FTTH and 4G network; a recognized brand.
- ⊕ Financial support from the State; strong balance sheet.
- ⊕ Opportunities with 5G; convergence strategy; financial services; M&A in Africa and the Middle East.

Weaknesses/threats

- ⊖ Competition from smaller players; disintermediation.
- ⊖ Limited flexibility on the cost side; regulatory risk.
- ⊖ Competition from Internet players (Over-The-Top). Competition from other operators in the absence of consolidation.

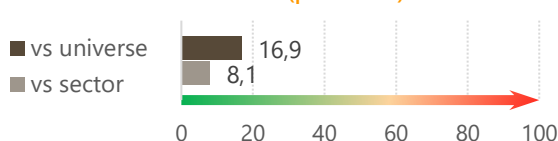
Investment case

- ⊕ In the current environment, Orange managed to deal with the COVID-19 pandemic. The telecom market environment in France remains extremely rational (no price war between operators at present). The first quarter has shown resiliency and Orange reiterated its 2022 outlook with a stable Ebitdaal and an organic FCF superior to 2.3 billion.
- ⊕ Internationally, in the other markets of the Group, the health crisis in Poland was well managed. Africa and the Middle East did not escape it but were affected to a lesser extent. Orange Spain suffered a further deterioration in the first quarter of 2022 (strong competition from Masmovil). Business-to-business (corporate market) activities are more vulnerable.
- ⊕ Orange is expected to benefit from an increase in structural demand for connectivity and digitalisation (which would also strengthen its Orange Bank financial services business, as well as Orange Money in Africa), supported by increased consumer loyalty and more favourable regulations.
- ⊕ For 2022, Orange is cautious and expects a slight growth in EBITDA (+1%). In the longer term, it maintains its 2023 level of free cash flow (EUR 3.5 billion - EUR 4 billion), which seems quite credible to us. Finally, we should know more in the second half of the year about the EUR 1 billion cost cutting plan. Rate increases could also reassure investors about the Group's fundamentals.

Valuation

Particularly attractive since it is below its peers. Its EV/EBITDA ratio is approximately 6x (vs. ~6.1x on average for the European telecom sector). Orange is returning to a dividend of EUR 0.7 (dividend yield: ~7%) in 2021.

ESG risk vs. universe & sector (percentile)*



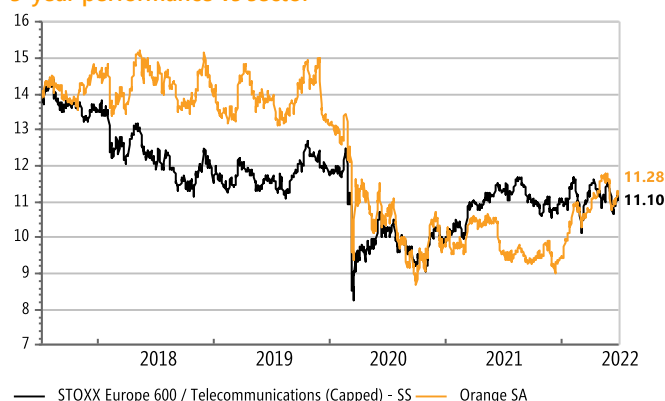
EUR	12/2021	2022e	2023e
Sales revenue (mio)	42 522	43 390	43 499
Sales growth	0,6%	2,0%	0,2%
EBIT adjusted (mio)	3 668	5 724	5 990
% of sales	8,6%	13,2%	13,8%
Net income (mio)	8	2 975	3 183
Net income growth	-99,8%	37093,0%	7,0%
FCF/Sales	5,8%	7,4%	10,3%
Net debt/Ebitda	3,3x	2,0x	1,9x
Dividend yield	6,2%	6,3%	6,6%
PE	3137,7x	9,7x	9,1x
P/BV	0,9x	0,9x	0,9x

Factset estimates

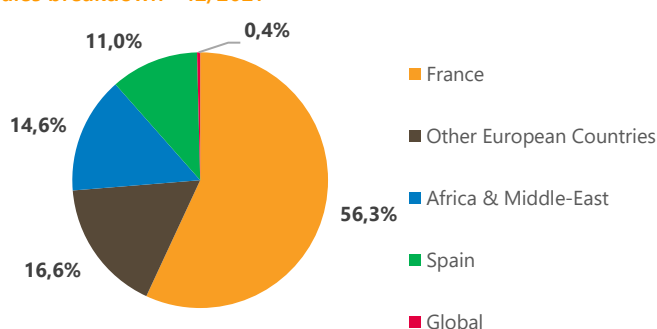
ESG - risks and key points

- ⊕ Rated "Low Risk". Orange must, however, focus its ESG efforts on several points.
- ⊕ Business ethics, particularly in connection with its expansion in many African countries.
- ⊕ Data security and confidentiality, issues related to data transfers and financial services (France, Africa).
- ⊕ HR issues, after the wave of employee suicides between 2008 and 2014.

5-year performance vs sector



Sales breakdown - 12/2021



Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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