

Interview with Martin Bouygues

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In an interview with French daily *Le Figaro*, the Chairman and CEO of the Bouygues group attributes the failure of the merger of its telecoms subsidiary with Orange to the complexity of the deal – but also to the demands of one of the protagonists.

**"There were four of us at the negotiating table
but only three of us wanted a result"**

This Monday Bouygues' share price could well suffer a backlash from the collapse of negotiations with Orange announced on Friday evening. The prospect leaves Martin Bouygues, Chairman & CEO of the Bouygues group, unmoved. He remains convinced that Bouygues Telecom is capable of holding its own in a market with four operators and explains why consolidation did not come about.

***Le Figaro* – Why, after three months of negotiations with Orange, did you finally refuse to sell Bouygues Telecom?**

Martin Bouygues – Quite simply because the conditions for a deal were not met. I had set out my stall from the start. My first and most important concern was to keep the jobs and status of Bouygues Telecom's employees. My second point was that I believe in the future of the telecoms industry so I wanted the Bouygues group to continue to be a player in the sector and to find its place as an Orange shareholder. Thirdly, I asked that the amount of the transaction should be close to what Patrick Drahi offered us a year ago, and lastly that Bouygues should not be the only party to assume the execution risk. I explained all those conditions very clearly at the outset. There could have been no possible misunderstanding. So no-one should be surprised now by the fact that we decided to put an end to the discussions.

Yet you were the one at the origin of this fresh attempt at consolidation. So who is responsible for its failure?

I know people say I was the one to take the lead on these negotiations. It's a rather simplistic view but I don't mind putting up with it because that is not the crux of the matter. The problem we came up against lay in the complexity of the discussion. If two parties already find it difficult to negotiate, it is much, much harder when four are involved. We did try, though, and in passing I must salute the vast amount of work done by Stéphane Richard and his people. But although there were four of us at the negotiating table, only three of us wanted a result. One of the protagonists plainly hoped to get as much as possible while paying as little as possible and retaining the option of walking away.

Do you mean Xavier Niel, the head of Iliad?

People can make up their own minds about that.

You said that you wanted the Bouygues group to find its place as a shareholder of Orange. Yet Emmanuel Macron, the Economy minister, wanted to limit your role to that of a very minority shareholder.

I wanted Bouygues to be a significant, albeit minority shareholder of Orange, able to participate fully in the company's strategic decisions. We would have been useful and loyal. APE, the French state investment agency, came up with demands which I found curious to say the least. APE's plan reduced our role to that of a minority shareholder with very few rights while asking us to pay the price of a majority shareholding. That being said, that is not the point on which the negotiations ultimately stalled. If we had managed to reach an agreement between the four operators, I imagine we would have ended up by finding a solution to the problem.

APE had a political mandate from the government, and especially Emmanuel Macron, to make those demands. Did the government really want the deal to go through?

Again, because there was no agreement, we did not reach the end of our discussions with the government. At a political level, those negotiations could have been successful.

You obtained guarantees on employment and financial conditions but not on execution risk?

An agreement on the deal would have been followed by a 12- to 18-month period of review by the French competition authority and Arcep, the telecoms regulator. Plainly, if one of the three buyers had refused their demands, making our agreements null and void, Bouygues Telecom would have been in deep trouble. Despite all the remedies we came up with, we were not able to finalise a comprehensive agreement that would guarantee us against that risk. I believe it would have been possible if everyone had wanted it.

You wanted the negotiation. Is it a sign that Bouygues Telecom is too weak to stand on its own?

There was a rationale for consolidating the French market. But as it has not happened, we will keep going in a market with four operators. It will be very competitive. Let us not fool ourselves: that market structure implies that operators will be less able to invest in mobile and fixed networks. Consumers will lose out because the French market will lag behind.

As far as Bouygues Telecom is concerned, I am not worried. The company is perfectly viable in a four-player market. We were the first to have rationalised and have done so extensively. We have one of the lowest cost structures on the market and one of the best mobile networks. The first quarter will bring evidence of our growth in both the fixed and the mobile segments. With the strength and cash flow of the Bouygues group behind us, we have the necessary resources to continue Bouygues Telecom's development.

Did your negotiating partners get it wrong and think that you would agree to more concessions because you had no option other than to sell?

I have always said that this deal was not a matter of life and death for Bouygues Telecom. Some people thought I was bluffing and had my back to the wall. It was stupid and even puerile to think any such thing. Personally, the standalone strategy suits me very well. I am very attached to Bouygues Telecom and to all its employees.

Could TF1 have been part of the deal?

That was never on the table. Things were complicated enough already!

Will the price war flare up again?

Not necessarily. You would have to be naive to believe that the French market can operate in the long run with the world's lowest prices for mobile and fixed services whilst having the highest levels of investment. It would be logical for prices to start rising again at some point.

How is the mood among your employees?

The Group's employees were very worried. So they are relieved at the decision and motivated to continue the adventure with Bouygues Telecom. I would also like to point out that our customers have kept faith with us all through a rather choppy period. I see it as an encouragement to continue.

Did the operation herald a tidying-up of the Bouygues group in anticipation of your succession?

I will shortly turn 64 and have been running the Bouygues group since 1989. I assume my responsibilities and my age. I have clearly said that I need to organise a handover during the next two to four years. I do not want to go one round too many.

Are your children ready to take over?

My father did not put that pressure on me and I will never do so with my children or their cousin. If they are interested in taking on managerial responsibilities in the Bouygues group, all well and good. But it is not a decision I will take. That is for my successor and the Board of Directors.

Interview by Bertille Bayart, Elsa Bembaron and Enguerand Renault.

Find the article (in French) on *Le Figaro's* website: <http://premium.lefigaro.fr/secteur/high-tech/2016/04/03/32001-20160403ARTFIG00176-martin-bouygues-pourquoi-je-n-ai-pas-vendu-bouygues-telecom-a-orange.php>