

SFR takeover battle: Martin Bouygues settles his scores

Martin Bouygues: “There had to be some pretext for cutting us out”

INTERVIEW – The head of the Bouygues group gives us his side of the story about the six-week battle with Numericable for SFR. For him, Bouygues Telecom does not need to team up with Free.

Getting things up and running again is the new challenge facing the Bouygues group after the failure of its takeover bid for SFR. Martin Bouygues, who had taken personal charge of the campaign for SFR, learnt on Saturday, 5 April that Vivendi had finally opted for Numericable. And yet that same morning he had played his trump card by putting €15.5 billion in cash on the table. Martin Bouygues is very angry with Vivendi's senior management, who encouraged him to join the fray only to cut him out with a choice he considers to be unjustified.

Since then, questions have been swirling over the future of Bouygues Telecom. Can the company continue on its own in an ultracompetitive marketplace even though it only just breaks even? Should it team up with its rival Free, with which it had discussed the possible sale of its mobile network? Martin Bouygues seems determined to continue the telecoms adventure even if it means the parent company having to support its telecoms subsidiary financially. Standing on its own in a competitive environment with four operators, Bouygues Telecom will have to show agility by innovating at full tilt while significantly cutting its costs.

LE FIGARO. – After the failure of your takeover bid for SFR, do you get the impression you were used as a pacesetter for Numericable?

Martin Bouygues. – In our construction businesses we respond to calls for tender all over the world. I've seen plenty of tenders that have been complicated, skewed, bizarre even. But I never imagined such goings-on in an affair like this, least of all in Paris!

It was Jean-René Fourtou (*Chairman & CEO of Vivendi, ed.*) who convinced me in January to take an interest in the sale of SFR, assuring me that the deal was both worthwhile and feasible. I immediately got in touch with Bruno Lasserre, President of the French Competition Authority. He couldn't see any insurmountable obstacles but couldn't prejudge the outcome of a complex review process. I know he told Vivendi the same thing. Our two groups fired up their people and their advisers and set them to work. Jean-Yves Charlier and Olivier Roussat, the CEOs of SFR and Bouygues Telecom respectively, drew up a business plan together and looked at the consequences of a merger on jobs. They shared the same enthusiasm for the project.

For reasons which escape me, Jean-René Fourtou completely changed his attitude shortly before we tabled our first bid. From future partners, we suddenly became a nuisance. Everything was done to prevent Bouygues from presenting its offers and its arguments to the Supervisory Board. One anomaly followed another. Deutsche Bank had played a key role in the stock market flotation of Altice and Numericable, it was Vivendi's Supervisory Board's bank and one of the main lenders to Numericable in the SFR deal. I got no answer to my many requests for a hearing by the Supervisory Board, not even a

courtesy letter. Our rival was allowed to submit its bids after ours. No independent third party was appointed to advise the Board or the shareholders' meeting.

Could you have carried on raising the bidding for SFR?

The bidding was stopped after the second round. Exclusive negotiations were a way of cutting Bouygues out. The interest of Vivendi's shareholders demanded several rounds of bidding. The two candidates had more in reserve, as our bids showed. Just think: if I hadn't submitted those unsolicited bids, Vivendi's shareholders would never have seen the billions of euros that Numericable had to add! To say nothing of the final decision, which deprived the shareholders of our last bids. Our final bid was very substantially higher in cash terms but it was turned down!

I'm not accusing anyone of anything, I'm just saying what happened. Make of it what you will. For me, this whole sorry tale is distressing for the image of Paris as a place to do business.

Vivendi raised competition issues in order to reject your bid...

There was a wave of panic at Vivendi when we revealed the agreement to sell our network and some of our frequencies to Free. Stunned surprise when Bruno Lasserre said on 9 March that there was no magic number of operators on a market. The fact is that no competition authority has ever been confronted with remedies on such a scale. We had a dozen blue-chip investors lining up to join us in record time and giving firm commitments because they thought our project was the best and they had no worries about the transaction's feasibility. For them, like us, the risk of a competition authority veto was non-existent, and as you know the competition authority has never prohibited a concentration. There had to be some pretext for cutting us out and it is easy to exploit an authority that cannot give an official ruling until a deal has been referred to it.

What about the 4,000 to 5,000 jobs that would have been threatened by a merger between SFR and Bouygues Telecom?

That's wrong. Of course such an important issue was examined with the greatest care. Together, Jean-Yves Charlier and Olivier Roussat carried out the analysis with the help of a consultant, Bain, chosen by Vivendi. By mutual agreement, they came to the conclusion that ultimately some 1,400 "duplications" – a term I do not like – might remain. Keeping those employees on the payroll was not a problem for a company of that size with such growth potential. Apparently Jean-René Fourtou did not read the report, which just shows how much importance he attached to the jobs aspect of the transaction.

Do you think that the telecoms market in France can continue with four operators?

The introduction of a fourth operator was a political choice made by François Fillon's government. The terms of the fourth licence were an administrative choice made by Arcep, the French telecommunications regulator. The very great regulatory imbalance created by Arcep in the newcomer's favour profoundly destabilised the market. Tens of thousands of jobs in the industry have been destroyed over the last two years and the government has lost more than a billion euros a year in tax revenues, not to mention the write-down of its stake in Orange. Bouygues Telecom wrote to Arcep in July 2013 and February 2014 urging it to implement the very important roaming opinion issued by the competition authority in March 2013. No answer. Jean-Luc Silicani, Arcep's Chairman, ignores our letters.

I noted that Arnaud Montebourg had taken up the telecoms issue in order to try and find some solutions and that he was going to take a close look at regulatory problems in the sector.

What future is there for Bouygues Telecom? Have you no other option than to find an ally?

In a market with four operators, we know that we have to continue to reduce our costs and to innovate boldly. Our 4G services have been a great success and we have had more subscribers than we expected to our new €19.99 fixed internet offer. I can confirm that other, very aggressively priced innovations will be coming out in the fixed internet segment over the next few weeks.

Bouygues Telecom can stand alone because it has the backing of the Bouygues group, which can provide it with substantial resources in order to win the fierce battle ahead.

Bouygues is a robust, diversified group with little debt, a very sound financial structure and the ability to generate regular cash flows. It proved its competitiveness and innovation capacity in 2013. In January of this year, no-one was asking whether Bouygues Telecom needed an ally. The Bouygues group has 130,000 employees in 80 countries. I am proud to fly the French flag around the world and to be at the head of one of the world's leading construction, property and roadbuilding companies, with acknowledged expertise in the largest and most complex projects, whether tunnels, bridges or prestige buildings. As for Bouygues Telecom, it can meet the challenge!

Have you had discussions with Free or Telefónica?

I do not comment on rumours.

Interview by Elsa Bembaron, Bertille Bayart and Enguerand Renault.