

Martin Bouygues outlines his plans and commitments concerning SFR

In an exclusive interview, the Chairman and CEO of the Bouygues group talks about his bid for SFR, intended to save Bouygues Telecom.

“I am not here to reap the benefits just for myself, I am here to share the pain and distress of my employees when things go badly.” As a price war batters the telecoms industry, Martin Bouygues has no intention of selling the business he founded 25 years ago. That is why the Bouygues group has submitted a preliminary bid for SFR to Vivendi. It is willing to pay €10.5 billion to marry Bouygues Telecom with SFR, valued at €14.5 billion, and even at €19 billion after synergies. The cable operator Numericable, headed by Patrick Drahi, is also in the mix with an €11-billion cash offer. The bidders promise Vivendi that it will keep a stake in the new entity. The target will end up with quite a lot of debt in either case but SFR, which has suffered from indecision on the part of its majority shareholder, Vivendi, will be able to spread its wings. If the Bouygues option wins out, Free can expect to gain frequencies and a network. Orange, which has published better-than-expected annual results, would benefit from a return to a market with only three mobile operators.

Interview // Martin Bouygues, Chairman and CEO of Bouygues

LES ECHOS. – Why embark on an operation like this?

Martin Bouygues. I am an industrialist, a builder. I have always been motivated by the idea of building real things with the people around me. That is clearly the case with construction. But it's also true in the media business with TF1, which we have turned into a privately-owned TV channel that sets an example in Europe. And it's also true in telecoms, a business we have been in for 25 years. The arrival of Free completely destabilised the sector. I am in favour of competition. It is a good thing except when it is distorted and when it destroys a market and jobs. We are not very far from finding ourselves in that position. My ambition is to create a major digital communications group in France. Our plan is good for jobs, for regional development and for consumers. And it creates value for the shareholders of Vivendi and Bouygues.

How does a transaction which would have been impossible a year ago now seem to be on the cards?

The market has continued to deteriorate profoundly over the last year. Jobs have been hit and attitudes have changed, both in France and in Europe as a whole.

Have you ever considered pulling out of the business?

No, because, as I said, I am an industrialist. There are 9,000 people working for Bouygues Telecom. I have a duty of loyalty towards them. I am not here to reap the benefits just for myself, I am here to share the pain and distress of my employees when things go badly. When a situation becomes difficult it is my job to find solutions, and I believe I can do that.

When did you decide to make a bid?

Three or four weeks ago, when Vivendi confirmed its intention of selling the business. And because today we are convinced that the Competition Authority, which will have to rule on the deal, can both allow it to go ahead and, as a result, recreate normal, infrastructure-based competition on the French market. While imposing conditions, of course. We understand that.

By diluting your stake in the new company to 49%, aren't you throwing in the towel?

No, not at all. We will be the core shareholder of the new company.

A merger with Iliad was also theoretically possible. Did you consider it?

Yes it was, and no we didn't. We already have a partnership with the people at SFR. We have got to know each other and share a common vision of how we go about our business. And I would like to make SFR's employees shareholders of Bouygues, if that is what they want. Our employees own a quarter of our capital. No other company in the CAC 40 can say the same.

Will the Bouygues Telecom brand continue?

It's not the most important thing as far as I'm concerned. We will choose among the brands that are estimated to be the strongest. Efficiency and customer service are the most important things.

Isn't there a contradiction between announcing lots of cost benefits while promising no redundancies?

No. The investments we intend to make give us an opportunity to revitalise employment and bring all or some of certain activities, like call centres, back in-house. As far as stores are concerned, we will have more customers to deal with. We will need more salespeople to handle all our current and future customers. Staff costs are not a critical factor. We want to reorganise the company without making people redundant, as I have already said. I am giving clear commitments: there will be no

redundancies, compulsory or voluntary. If necessary, we will redeploy some staff to other parts of the Group, especially in support functions. I give my word.

Isn't there a risk that the merger will lead to higher prices?

No. The French market is one of the most competitive in Europe. The Competition Authority will make sure it stays that way. Presumably it will ask for concessions that will enable Free and the MVNOs to continue to ensure competition on the market. Which we will be doing too.

Will the deal allow you to invest less than you do now?

On the contrary: the aim is to generate a high level of synergies so that we can invest in 4G and optical fibre. We believe, as does the government, that FTTH (Fibre To The Home) is the very-high-speed broadband technology to be promoted, since it offers much better performance than cable. We are committed to investing €400 million a year in the technology, twice as much as before. That unprecedented amount, together with what Orange has already agreed to spend, will enable France to achieve the ambitious targets set by the President of the Republic in the very-high-speed broadband plan (*plan France Très haut débit*).

The European Commission is due to take a decision on a reduction from four operators in Germany to three. Could that undermine your plans?

No. The French Competition Authority is the regulator for our deal. It doesn't have the same characteristics as the German one, which in any case hasn't been completed yet. But one thing is clear: several countries, from Austria to Ireland, have opted to go from four mobile operators back to three or are thinking of doing so. The trend towards consolidation is Europe-wide.

Your relations with Vincent Bolloré, Vivendi's largest shareholder, have been stormy in the past. Could they have an effect on the outcome of the deal?

Our differences with Vincent Bolloré were resolved long ago. Our project is attractive in both business and financial terms. For it to go through, we have to work hand in hand with Vivendi.

Interview by Solveig Godeluck, David Barroux, Alexandre Counis and Romain Gueugneau.