

# CAPITAL MARKETS DAY BOUYGUES TELECOM

6 OCTOBER 2015



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# Business model and financial objectives

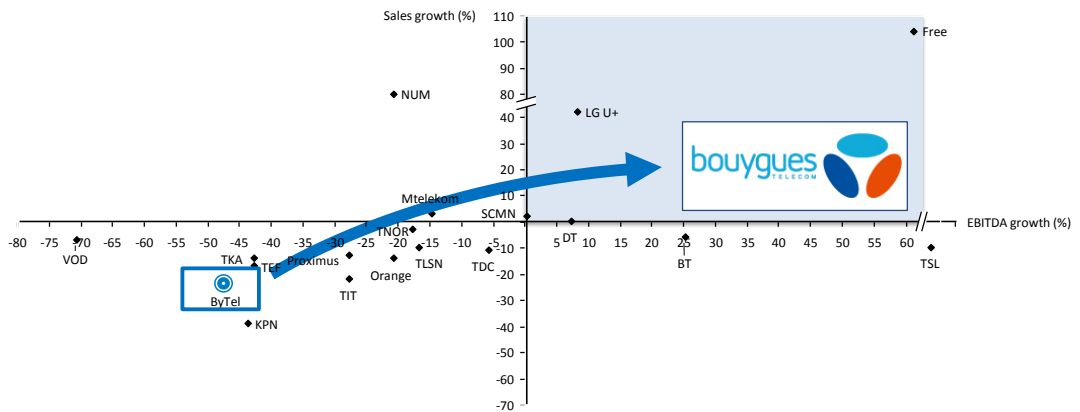
Eric Haentjens  
EVP Finance, HR & Strategy



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## Bouygues Telecom's trajectory leads to the most enviable quadrant of both sales and EBITDA growth

Sales and EBITDA growth of selected telecom operators<sup>a</sup>  
(2014 vs 2010)



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(a) Source: Worldscope; annual reports



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## AGENDA

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**Targeting above 10% sales from network growth in 2017 vs 2014**

**Pursuing cost savings... reaching 25% EBITDA margin in 2017 and targeting 35% longer term**

**Developing a future proof business model**



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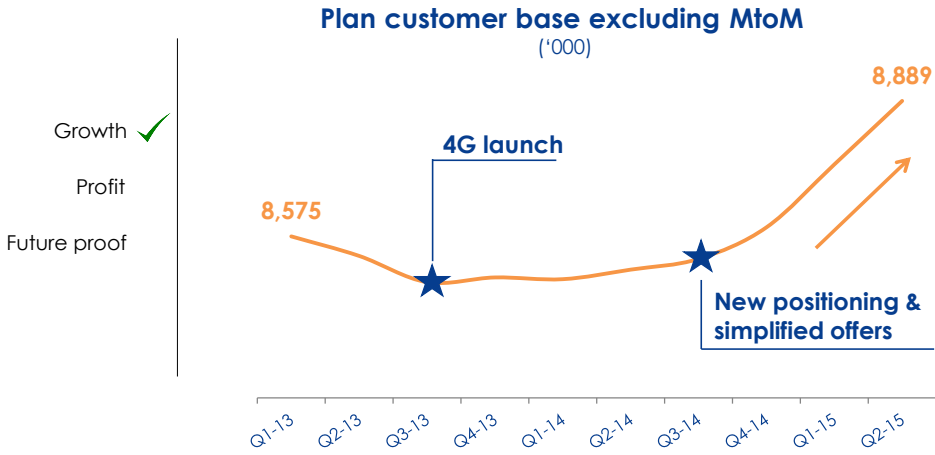
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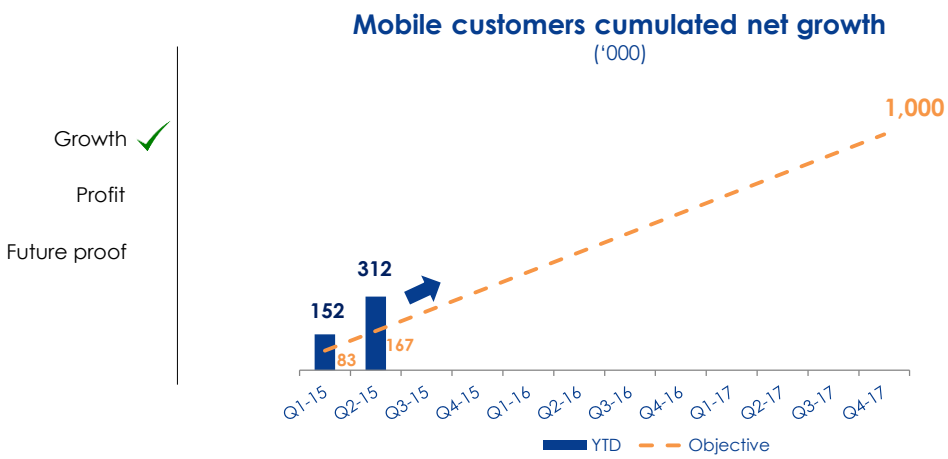
## Growing mobile value customer base



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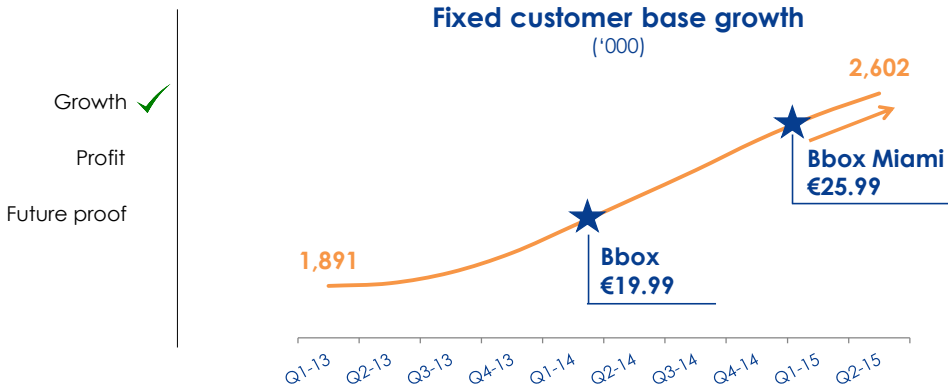
## Confident with 2017 target to add 1 million mobile customers



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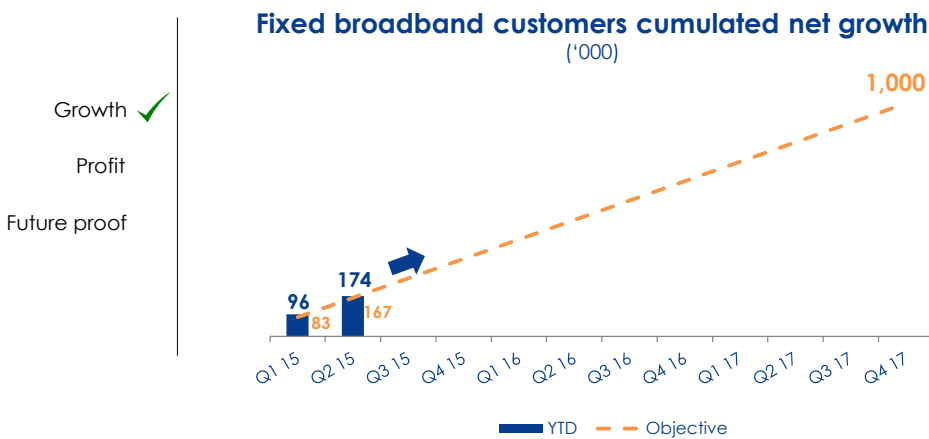
## N°1 in net growth on the fixed broadband market for 7 quarters in a row



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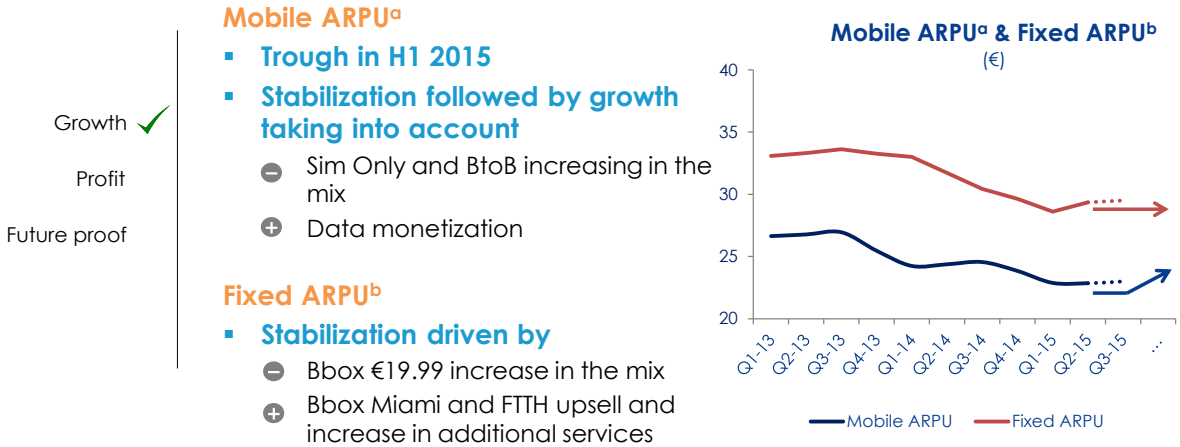
## Confident with 2017 target to add 1 million fixed customers



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## 2015-2017: reversing ARPU trends



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(a) Quarterly ARPU, adjusted on a monthly basis, excluding Machine to Machine SIM cards and free SIM cards  
 (b) Quarterly ARPU adjusted on a monthly basis, excluding BtoB



## Continued momentum in MVNO and Machine to Machine

- Growth ✓

Profit

Future proof

- **MVNO**
    - Bouygues Telecom MNO of the 2 most important 'ethnic' MVNOs (Lebara and Lycamobile)
    - New opportunity finalized with CM-CIC's MVNOs (including 'NRJ Mobile') with incremental sales starting 2016
  - **Machine to Machine**
    - Installed base x2 in past 3 years
    - First phase before a broader development of IoT<sup>a</sup> business including LoRa opportunity

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(a) Internet of Things



## Ready to deliver sustainable volume and value growth after 2017

	Mobile	Fixed	Other opportunities
Growth ✓	<ul style="list-style-type: none"> <li>▪ <b>Customer base ↗↗</b> <ul style="list-style-type: none"> <li>- Reinforced customer loyalty</li> <li>- Strengthened brand image</li> <li>- Extended network coverage and 4G++</li> </ul> </li> <li>▪ <b>ARPU ↗</b> <ul style="list-style-type: none"> <li>- Data services and traffic monetization</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Customer base ↗↗</b> <ul style="list-style-type: none"> <li>- Market challenger</li> <li>- Extended own network footprint</li> <li>- FTTH new opportunity</li> </ul> </li> <li>▪ <b>ARPU ↗</b> <ul style="list-style-type: none"> <li>- Upselling</li> <li>- Pricing policy</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>BtoB acceleration</b> <ul style="list-style-type: none"> <li>- Opportunity on fixed and hosted services</li> </ul> </li> <li>▪ <b>MtoM and IoT</b></li> </ul>
Profit			
Future proof			

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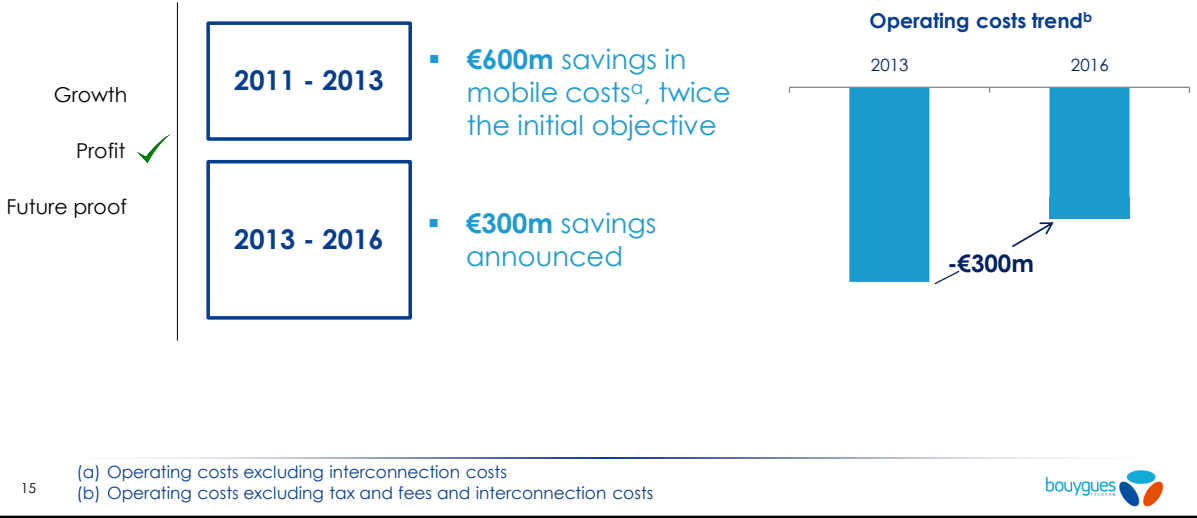
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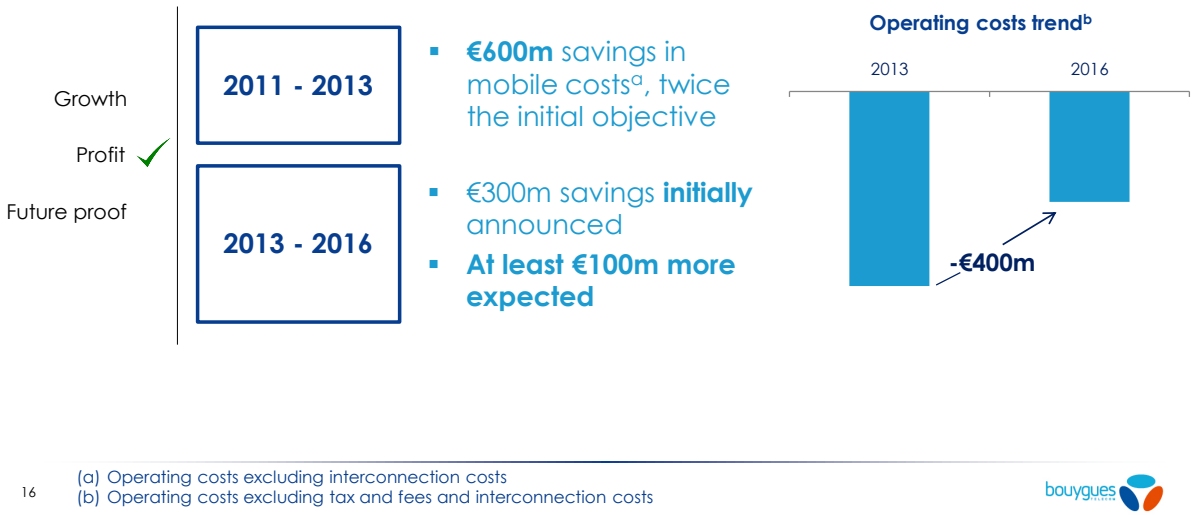
Developing a future proof business model



## Delivering and outstripping savings targets (1/2)



## Delivering and outstripping savings targets (2/2)





# Transforming the organization to regain agility and cost efficiency

Growth Profit ✓ Future proof	<b>Simplification of brands and offering</b>	<b>2015 achievements</b>											
	<b>Strategic refocus on own distribution network and increased digitalization</b>	One brand: Bouygues Telecom											
		From > 1,000 mobile plans to 14											
<b>SG&amp;A optimization</b>	<ul style="list-style-type: none"> <li>End of indirect distribution (Auchan, Carrefour, Tel&amp;Com, Extenso, The Phone House)</li> <li>550 Bouygues Telecom stores o/w ~120 revamped (end-2015)</li> <li>Simplified websites</li> </ul>												
	<table border="1"> <thead> <tr> <th></th> <th>2011</th> <th>2015</th> </tr> </thead> <tbody> <tr> <td>Total headcount</td> <td>9,900</td> <td>7,500</td> </tr> <tr> <td>Back office</td> <td>5,000</td> <td>3,000</td> </tr> <tr> <td>Front line</td> <td>4,900</td> <td>4,500</td> </tr> </tbody> </table>			2011	2015	Total headcount	9,900	7,500	Back office	5,000	3,000	Front line	4,900
	2011	2015											
Total headcount	9,900	7,500											
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# Achieving savings while preserving customer relation

Operating costs excluding interconnection costs and tax and fees

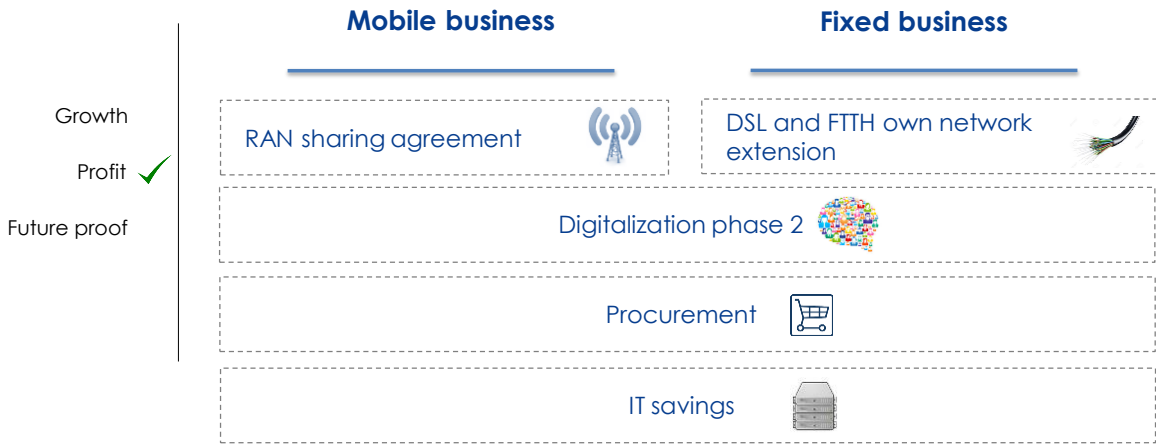
Category	2011	2016/2017
1 (Customer service)	~15%	~15%
2 (Technical operations)	~25%	~15%
3 (Structure costs)	~15%	~5%
4 (Marketing costs)	~45%	~5%
<b>Total</b>	<b>100%</b>	<b>~40%</b>

- 4 Marketing costs: ~ -60%
  - Refocusing on own distribution channels
  - Handset instalments plans
- 3 Structure costs: ~ -40%
  - Headcount reduction
- 2 Technical operations: ~ -35% excluding rental & energy costs
  - Headcount reduction
  - IT costs
  - Purchasing
- 1 Customer service
  - Flat, despite growth in customer base

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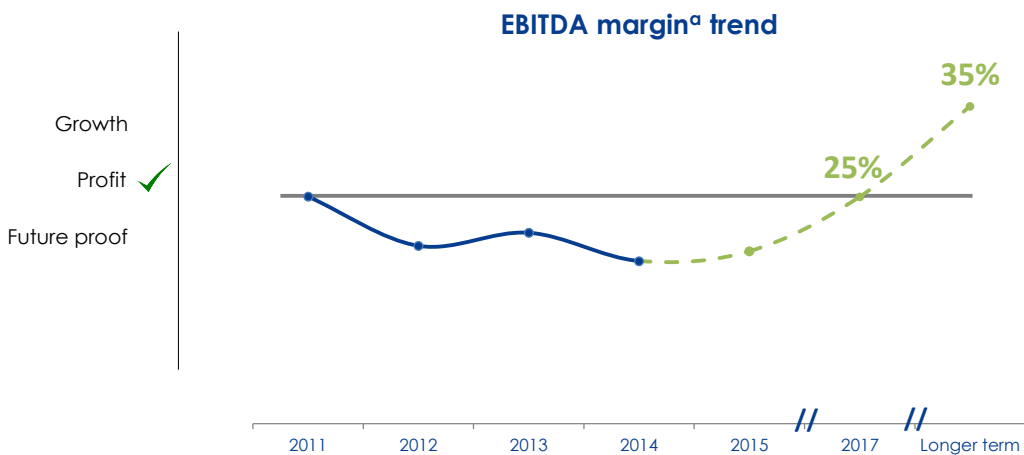
## Targeting additional opex optimization opportunities from 2017 onwards



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## Towards 35% EBITDA margin



20 (a) EBITDA margin calculated on sales from network



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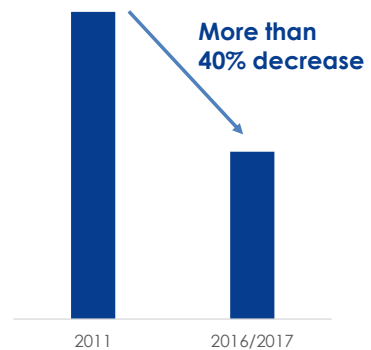


## Entering a virtuous growth model

Growth  
Profit  
Future proof ✓

- **Strong productivity** gains leading to **more than 40% reduction** of operating costs per customer...
- ...and **securing profitable growth** going forward

Operating costs<sup>a</sup> per customer  
(€/customer/month)



## Smart capex management

- |   |  |
|---|--|
| <p>Growth</p> <p>Profit</p> <p>Future proof ✓</p> | <ul style="list-style-type: none"> <li>▪ <b>Mobile network: already optimized, capex and opex hardly sensitive to installed base and traffic growth</b> <ul style="list-style-type: none"> <li>- Network already renewed in high density areas</li> <li>- RAN sharing with NC-SFR in low density areas</li> <li>- Foreseen capacity and speed upgrades (4G+, etc.) compatible with usual capex run rate</li> </ul> </li> <li>▪ <b>FTTH network: investing according to our ambitions</b> <ul style="list-style-type: none"> <li>- Horizontal fibre shared with NC-SFR and Orange in very dense areas (ZTD)</li> <li>- FTTH capex in less dense areas: gradual co-investment steps / rental</li> </ul> </li> <li>▪ <b>Average run rate capex for the coming years: ~ €750m</b></li> </ul> |
|---|--|

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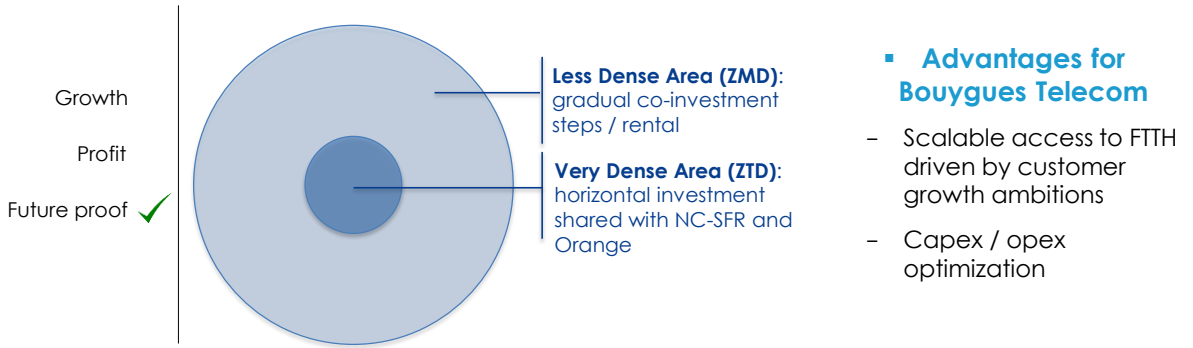
## Network sharing to optimize capex/opex and coverage, whilst keeping differentiation

- |   |  |
|---|--|
| <p>Growth</p> <p>Profit</p> <p>Future proof ✓</p> | <ul style="list-style-type: none"> <li>▪ <b>Advantages for both parties</b> <ul style="list-style-type: none"> <li>- First class mobile coverage</li> <li>- Network capex and opex savings</li> </ul> </li> <li>▪ <b>~ €100m capex/opex savings from 2018 onwards</b></li> <li>▪ <b>Bouygues Telecom's differentiation</b> <ul style="list-style-type: none"> <li>- More spectrum per user</li> <li>- Better quality in urban areas</li> <li>- Leadership in 4G device equipment rate, installed base penetration and mobile internet traffic</li> </ul> </li> </ul> |
|---|--|

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## Access to national FTTH coverage whilst ensuring a scalable investment model



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## Conclusion: a strong improvement in sales and profitability and a future proof business model

	Mobile	Fixed
Growth	✓	✓
Profit	✓	✓
Future proof	✓	✓

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