PROJECT
SAINT MALO
BOUYGUES
TELECOM
THURSDAY 5 MARCH 2020
TEACHING
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WHAT IS SAINT MALO PROJECT?

- Roll-out of **national optical fiber infrastructure** (FTTA\(^a\) and FTTO\(^b\))

- Aiming to satisfy the growth in data usage on networks
  - Connect Bouygues Telecom’s network equipment (mobile antennas, central offices)
  - Market very-high-speed fixed broadband offers to businesses

- Partnership with Cellnex\(^c\) to roll-out and market infrastructure and manage operations through a JV
  - Project of around €1bn over seven years
  - Bouygues Telecom to be a minority shareholder in the JV (49%)
  - Long-term service contract between Bouygues Telecom and the JV

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(a) Fiber-To-The-Antenna
(b) Fiber-To-The-Office: a dedicated fiber loop serving all types of non-residential premises that is rolled out on a case-by-case basis as contracts are signed with private businesses or public-sector bodies
(c) Subject to authorization from antitrust authorities
SATISFY THE GROWTH IN DATA USAGE ON NETWORKS

- **BTOB, A STRATEGIC BUSINESS SEGMENT DEMANDING VERY-HIGH-SPEED FIXED BROADBAND OFFERS**

- **CONTINUED GROWTH IN CUSTOMER DATA USAGE IN A GROWING MOBILE MARKET**

\[\text{Postpaid Mobile Customers (million of customers)}\]

\[
\begin{array}{cccc}
2013 & 2015 & 2017 & 2019 \\
8.5 & 9.2 & 10.3 & 11.5 \\
\end{array}
\]

\[\text{Data Traffic per Customer (Gb/month)}\]

\[
\begin{array}{cccc}
2013 & 2015 & 2017 & 2019 \\
0.4 & 1.4 & 5.9 & 10.7 \\
2025 \quad a & & & \\
65 & & & \\
\end{array}
\]

(a) Source: Ericsson
HOW TO COPE WITH TRAFFIC GROWTH?

HAVE MORE FREQUENCIES
Participation in 3.5 GHz auction process

ADD MORE SITES
From 21,000 mobile sites in 2019 to 28,000 in 2023

INCREASE CAPACITY IN BACKBONE AND BACKHAUL NETWORK
Metropolitan Offices and inside cities backhaul network already built in the very dense area
ROLL-OUT OF NATIONWIDE OPTICAL FIBER INFRASTRUCTURE (FTTA AND FTTO)

- Backhauling of mobile sites and central offices: capacity multiplied between 10 to 100
- Expand FTTO and develop wholesale

![Diagram of fibre network](image)
3 STRUCTURAL ELEMENTS

- Up to 90 Metropolitan Offices
- Inside city backhaul network
- Inter-city lines
SAINT MALO, THE MOST EFFICIENT SOLUTION

Options

OPTION A

- Build our own Metropolitan Offices and inside cities backhaul network
  - Few capex (25% to 30% of Saint Malo cost)

- Rent inter-city lines
  - High opex in the long term
  - No FTTO offers outside cities

OPTION B - SAINT MALO

- Build a complete and shared infrastructure
  - No short term impact on FCF
  - Lower opex in the long term vs option A

- Possibility to take over the infrastructure after 20 years

- More revenue from BtoB and wholesale (FTTO)
SAINT MALO FINANCIAL STRUCTURE

- **FINANCIAL SCHEME ALLOWING BOUYGUES TELECOM TO**
  - Keep 49% of Saint Malo JV to **take profit of value creation**
  - **Limit** the injection of capital

![Diagram of financial structure]

- **Financing**
  - Bouygues Telecom: €30m Equity
  - Cellnex: €31m Equity
  - Shareholder loan
  - Debt (banks)

- **Operations**
  - 30 years master service agreement
  - 70% of capacity reserved
  - Bouygues Telecom: €1bn construction costs over 7 years
  - 30% of capacity
  - Other operators

- Equity
  - Bouygues Telecom: 49%
  - Cellnex: 51%
  - Debts (banks)

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**Highlight**: Bouygues Telecom keeps 49% of Saint Malo JV to take profit of value creation and limit the injection of capital. The financing scheme includes equity contributions from Bouygues Telecom and Cellnex, with a 30-year master service agreement reserving 70% of capacity. Bouygues Telecom also contributes €1bn for construction costs over 7 years.
SAINT MALO KEY POINTS

● A NATIONWIDE AND HIGH-CAPACITY OPTICAL FIBER INFRASTRUCTURE USED FOR
  ■ Backhauling mobile sites and central offices (capacity multiplied between 10 to 100)
  ■ Expanding FTTO and developing wholesale

● A PRAGMATIC FINANCIAL SCHEME
  ■ No short term impact on Free Cash Flow
  ■ Possibility to take over the infrastructure after 20 years

● AN OPPORTUNITY TO STRENGTHEN OUR COMPETITIVENESS TO ACCELERATE IN THE FIXED BTOB AND TO DEVELOP WHOLESALE BUSINESS
BOUYGUES TELECOM’S FLEXIBLE FTTH ACCESS STRATEGY

<table>
<thead>
<tr>
<th>Area</th>
<th>Total premises on the market</th>
<th>Horizontal infrastructure</th>
<th>Vertical infrastructure</th>
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</table>
| Very Dense Area               | 6.4m                        | - 50% with CityFast\(^b\): fixed annual opex  
- 50% with SFR or Orange: capex                                                                                   | - **Joint investment**: acquisition of vertical infrastructure (capex) + cost of maintenance/customer  
- **Or rental cost**/month/customer                                                                                     |
| Medium Dense Area AMII       | 13.2m                       | - Roll-out agreement with Orange and SFR: capex                                                                 | - **Joint investment** by tranche of 5% (capex) + cost of maintenance/customer           
- **Or rental cost**/month/customer                                                                                      |
| Public Initiative Network Area | 15.9m                      | - **Agreements with PIN operators**: rental cost/month/customer (possibility of investment like in the Medium Dense Area/AMII) |                                                                                         |

(a) As disclosed by Arcep in its public consultation of 5 October 2017  
(b) Operator owned by Axione and Mirova providing FTTH access services in the Very Dense Area
WHAT IS “ASTERIX PROJECT”? 

- **Objective:** speed up the roll-out of Bouygues Telecom’s FTTH in the Medium Dense Area while optimizing its cost

- Currently, Bouygues Telecom accesses Orange’s FTTH vertical network in the Medium Dense Area
  
  - via joint investments by 5% tranche of completed lines in one area
  
  - or through rental (€/customer/month)

- Bouygues Telecom is looking for a partner to start a JV to co-finance the roll-out of FTTH in the Medium Dense Area, to market infrastructure and to manage operations
  
  - Bouygues Telecom to be the minority shareholder in the JV

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(a) Fiber-To-The-Home – optical fiber from the central office (where the operator’s transmission equipment is installed) all the way to homes or business premises (Arcep definition)
OPTIMIZE BOUYGUES TELECOM’S FTTH COSTS IN MEDIUM DENSE AREA

COST TO RENT ONE FTTH PREMISE

Cost / premise

€13.2

Orange

« Asterix »

Year 0

Year 20

COST TO BUY ONE FTTH PREMISE

Cost / premise

€513

Orange

« Asterix »

Year 0

Year 20
ASTERIX FINANCIAL STRUCTURE

Financing

- Investor
  - 51%

- Bouygues Telecom
  - 49%
  - Small capital injection

- Debt (banks)

Operations

- Bouygues Telecom
  - Purchase of existing 5% tranches already bought by Bouygues Telecom ~€200M

- Orange
  - Purchase of additional tranches

- Bouygues Telecom
  - Rental agreement (rental cost< €13.20)

- Other operators
ASTERIX KEY POINTS

● SPEED UP THE ROLL-OUT OF BOUYGUES TELECOM’S FTTH IN THE MEDIUM DENSE AREA

● OPTIMIZE THE RENTAL COST OF THE PREMISES
  ■ A rental cost lower than €13.20/month/subscriber as the JV will buy 5% tranches and will be able to rent to other operators
  ■ No impact during the first three years
    > Savings on unit rental cost
    > Rental cost on the existing premises sold by Bouygues Telecom to Asterix JV
  ■ Positive impact expected after three years

● CALL OPTION TO TAKE CONTROL OF THE JV AFTER 20 YEARS

● SMART CAPEX AND OPEX MANAGEMENT WHILST KEEPING DIFFERENTIATION
### BOUYGUES TELECOM’S FLEXIBLE FTTH ACCESS STRATEGY

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