

Vivendi chief moves to ease tensions as group tightens grip on Telecom Italia

The changes at Telecom Italia would mean it getting 'the benefit of what Vivendi stands for'

Shake-up of mobile business comes amid Italian ire over takeovers by French rivals

RACHEL SANDERSON — MILAN

Vivendi's boss has sought to justify the French media group's tightening grip on Telecom Italia, amid a popular and political outcry in Italy over French takeovers of Italian companies and the prospect of more competition from the entry of Xavier Niel's Free mobile operator.

"Vivendi is coming as a friend of Italy," said Arnaud de Puyfontaine, who last week added the role of Telecom Italia's interim chief executive to his existing brief as CEO at Vivendi. "I will do whatever it takes to be part of the reinforcement of the relationship between Italy and France, because it is incredibly important what is at stake."

His comments came with the executive, who has a reputation as a dealmaker, trying a new role as peacemaker. Italy has become critical terrain for Vivendi and its billionaire owner Vincent Bolloré.

As well as its control over Telecom Italia, Vivendi is in a legal wrangle with Mediaset, the Italian broadcaster where it is the second-largest shareholder behind billionaire founder and former prime minister Silvio Berlusconi. Bolloré Group is also the second-largest shareholder in Milan investment bank Mediobanca.

The shake-up last week at Telecom Italia saw the departure of Flavio Cattaneo, its second chief executive to depart in the two years since the media group became its largest shareholder.

It also included the arrival of Vivendi's chief convergence officer Amos Genish joining as head of operations, fanning irritation in Rome that Vivendi had staged a takeover without paying a

deal premium.

The changes at TI would mean the Italian company getting "the benefit of what Vivendi stands for", Mr de Puyfontaine told the Financial Times.

What that meant was an opportunity to create a solid base in southern Europe to "mirror a more structured competitive environment in northern Europe with the likes of Sky". It would also be able to compete better against big global players such as Disney, AT&T and Netflix, he said, adding: "There is an opportunity to create Latin culture to complement Anglo-Saxon type of content."

Mr de Puyfontaine has made a string of placatory statements in the past few days about Vivendi's incursion into Telecom Italia, where it owns 24 per cent of the shares. They have coincided with anger in Italy over the French president Emmanuel Macron nationalising the French shipbuilder STX last week to avoid it falling into Italian hands.

Italian and French finance ministers made little progress in a Rome meeting this week to try to iron out their differences over the deal for Italy's Fincantieri to acquire control of STX.

The nationalisation contrasts with a string of takeovers of Italian companies by French groups. French companies have announced at least \$42bn in Italian takeovers in the past five years, according to Bloomberg data.

Italian resentment provides an additional problem for Vivendi, which has so far failed to boost the value of its investment in Telecom Italia.

Revenue trends are better in Italy after Mr Cattaneo — who left with a €25m pay off — improved pricing. Ebitda margins went up by 3 percentage points in the past year, as the former chief executive also slashed costs, cutting about 6 per cent of its workforce.

But Telecom Italia shares are about 25 per cent lower than they were when Mr Bolloré's group became the biggest shareholder in June 2015.

Citi analyst Georgios Ierodiaconou said: "Disruption from Mr Cattaneo's departure may be limited, as he had already executed the bulk of the cost-cutting plan. But it should raise con-

cerns around the unpredictability with which strategic decisions are being made."

Mr de Puyfontaine said he was "hoping for the best, but expecting the worst", with the imminent arrival from France of mobile operator Free. The need for Telecom Italia to become "faster and more agile" in its pursuit of securing new distribution channels for its video and music products had increased. In a call with investors, he said he had asked TI to look at teaming up with Canal Plus in content deals.

A decade of decline has seen Telecom Italia shrink from being Europe's largest telecoms operator, with businesses in 28 countries, to a debt-saddled, laggard player with exposure in Italy and Brazil and a market capitalisation of €17bn compared with £30bn for the UK's BT.

Mr de Puyfontaine reiterated in the FT interview that a sale to France's Orange was "absolutely not on the agenda". And there were no plans to sell Telecom Italia's business in Brazil, where it is the second-largest operator.

The new chief has also said that he is open to discussing a carve out of Telecom Italia's network at home "out of respect" for the government and the "very sensitive" nature of the asset.

Iniziativa dell'ad di Vivendi per allentare le tensioni mentre il gruppo rafforza la presa su Telecom Italia





Conciliatory role: Vivendi chief Arnaud de Puyfontaine leaves the headquarters of Italian financial markets regulator Consob in December — Remo Casili / Reuters