

Fund battling for Telecom Italia control gets fresh support

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More than half of Telecom Italia's capital is held by funds from outside Italy, including French group Vivendi, which holds a 24 percent stake

An activist fund battling for control of Telecom Italia against Vivendi on Monday won support from an influential advisor, the second to back its

efforts to curb the French group's power.

ISS, a so-called proxy advisor, said it backed efforts by activist fund Elliott to shake up the board of Telecom Italia (TIM), one day after another advisor, Glass Lewis, did the same.

Proxy advisors play a critical consulting role for investors needing to decide on major proposed changes in a company they own shares in.

Vivendi is the largest shareholder in Telecom Italia (TIM) with a 24 percent stake and has de-facto control of the company thanks to its stranglehold on board and executive positions.

Activist fund Elliott, which on Monday revealed it had a nine percent stake in TIM, says that the current board is working in the interests of Vivendi and needs to be shaken up.

Last month Elliott called for six board members to resign at TIM's April 24 [shareholders meeting](#), offering its own list of "independent" replacements.

That led to eight members of the TIM board announcing their resignations and another shareholders meeting being called for May 4 to elect a new board.

Elliott wants that meeting cancelled, saying it will be redundant if a new board is elected in two weeks' time.

ISS denounced "recurring regulatory problems" and "ever present conflicts of interest", and backed the six directors proposed by Elliott.

"At this point, Vivendi appears to be more of a liability than an asset for TIM ... and Vivendi's influence has not brought about stability," ISS said

in a report.

"The names proposed by Elliott are independent Italian candidates with significant board and CEO experience in the media, telecommunications and public sectors."

'Deeply troubling'

Glass Lewis said on Sunday that "Elliott's proposals provide the opportunity to functionally evict those directors clearly serving Vivendi's interests and replace them with new, independent candidates bringing experience and expertise plainly germane to Telecom Italia's operational scope and strategy".

More than half of TIM's capital is held by funds from outside Italy, who often rely on firms like Glass Lewis and ISS for advice.

Sometimes called a "vulture" fund, Elliott has regularly invested in companies in difficulty or whose shares it considers undervalued, and often engages in showdowns with those companies' management.

On Monday Elliott launched a website (www.transformingTIM.com) in which it outlined its proposals for TIM and insisted that it didn't want to control the company.

It blasted the company's performance since "Vivendi nominees" joined the board in December 2015, saying that it has "dramatically underperformed its peers and broader indices".

It has previously criticised the 35 percent drop in the value of TIM's share price since that point.

"Poor stewardship under the Vivendi-controlled Board has resulted in

deeply troubling corporate governance issues, a valuation discount and no clear strategic path forward," it wrote.

"Elliott believes a board composed of truly independent directors is the most efficient and effective way to improve governance and performance at TIM."

However Elliott has backed the three-year business plan put forward by current CEO Amo Genish, who is close to the owner of Vivendi, French billionaire Vincent Bollore.

On Thursday Vivendi announced its list of 10 candidates for the board, led by Israeli Genish.

Vivendi CEO Arnaud de Puyfontaine is the group's candidate for chairman and one of three board candidates who Elliott want dismissed.

Last month TIM published worse than expected 2017 results, with the group's net profit down 38 percent to 1.1 billion euros despite a 4.2 percent increase in turnover to 19.8 billion euros.

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