

# US hedge fund wrests Telecom Italia control from Vivendi

May 4 2018, by Colleen Barry



From left, Telecom's Roberto Capone, Tim CEO Amos Genish, Tim Vice President Franco Bernabè and Tim's Notary Carlo Marchetti sit prior to the start of the Tim's shareholders meeting, in Rozzano, near Milan, Italy, Friday, May 4, 2018. Telecom Italia shareholders are to decide whether the activist hedge fund Elliott Management has the power to revamp the board against the controlling stakeholder, French entertainment group Vivendi. (AP Photo/Antonio Calanni)

French media group Vivendi lost de facto control of Telecom Italia on Friday when a U.S. activist hedge fund won a majority of seats on the former state monopoly's board in a dramatic shareholders' showdown

that also raised questions about the government's role.

Cheers went up among small stakeholders when Elliott Advisors' narrow 49.8 percent victory over Vivendi's 47.2 percent was announced. Elliott claims 10 seats, which it says it will fill with a cadre of well-known Italian businessmen, to Vivendi's five.

Despite losing the vote, Vivendi said they will fight any moves to separate the network infrastructure from Telecom Italia's services, as Elliott had previously advocated.

"We are here for the long-term and we are still the biggest shareholder. And we will be very sure there is no dismantling of the group. We will be very vigilant about that," said Vivendi spokesman Simon Gillham.

The stage for the shareholders' battle was set when Elliott revealed its stake, currently at around 9 percent, earlier this year, and said it wanted to shake up the board to increase shareholder value. Telecom Italia has lost a third of its value since Vivendi became the controlling shareholder in 2015.

Elliott expressed full support for CEO Amos Genish, who was brought in by Vivendi, but called the vote that marginalized the controlling shareholder a "positive step forward for corporate governance at Telecom Italia."



Tim Vice President Franco Bernabè', right, talks with Tim CEO Amos Genish prior to the start of the shareholders meeting, in Rozzano, near Milan, Italy, Friday, May 4, 2018. Telecom Italia shareholders are to decide whether the activist hedge fund Elliott Management has the power to revamp the board against the controlling stakeholder, French entertainment group Vivendi. (AP Photo/Antonio Calanni)

Telecom Italia's shares rose 1 percent percent to 1.15 euros after the vote.

Despite earlier calling for a breakup of Telecom Italia, Elliott said Friday that it was aligned with Genish's plans, which call for keeping the company together.

The first indication of the board's strategy and Genish's future with the company could come Monday, during the board's first meeting.

The Italian government has been drawn into the long-running fray, activating the rarely invoked "golden power" to protect strategic assets. It took a 5 percent stake earlier this year, giving it a board seat.

Vivendi said that the vote of the government's investment arm, known as CPD, appeared to be the determining one but stopped short of calling it government interference.



A view of the Tim's shareholders meeting, in Rozzano, near Milan, Italy, Friday, May 4, 2018. Telecom Italia shareholders are to decide whether the activist hedge fund Elliott Management has the power to revamp the board against the controlling stakeholder, French entertainment group Vivendi. (AP Photo/Antonio Calanni)

"It is not a market driven victory because it is CPD, which is a government owned agency, which tilted the vote in the favor of an American hedge fund instead of an industrial long-term shareholder, so that's surprising," Gillham said.

The Italian government last year moved to protect Telecom Italia amid concerns over the French company's control of Telecom Italia's Sparkle undersea cable division and Telsy, which provides encrypted communications technology to the Italian military and government. The government decree requires a board member who is Italian and holds a security clearance to handle matters significant to national security.

Elliott's earlier proposal to separate Telecom Italia from the network infrastructure could allow an independent company controlled only by Italian investors, which the Italian government would favor. Vivendi, which controls just under the 25 percent threshold that would trigger a takeover, is reluctant to spin off the network, which is the money-generator at the heavily indebted company.

Vivendi took a controlling stake of Telecom Italia with the aim of taking over also Silvio Berlusconi's Mediaset to create a big media holding. That Mediaset deal has fallen in dispute, and analyst Carlo Carnevale Maffe said Vivendi's major error was not courting officials with their strategy.

"They penetrated at nighttime, and they occupied. This is perfectly legal and perfectly justified," said Maffe, a management professor at Milan's Bocconi University. "But if you want to buy a major telco and the biggest private media company, you need to knock on the door and at least ask permission."

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