

Telecom Italia CEO Exits With \$29 Million After Vivendi Clash

By Daniele Lepido, Tommaso Ebhardt and Alexandre Boksenbaum Granier (Bloomberg)

Telecom Italia SpA Chief Executive Officer Flavio Cattaneo will leave the company after agreeing to a 25 million-euro (\$29.1 million) severance package, paving the way for top shareholder Vivendi SA to install a fourth CEO at the phone carrier in less than four years. Cattaneo, 54, leaves after 16 months with one of the richest golden parachutes ever granted in Italy. He'll get 22.9 million euros owed because of his contract, including a "special award," as well as a 2.1 million-euro noncompetition fee when he leaves on July 28, the Milan-based company said Monday. Telecom Italia's auditors expressed a negative opinion of the mutual termination agreement, which was approved by the board. Discord with Vivendi mounted after the French media company took formal control of Telecom Italia's board in May and installed its own CEO as chairman in June. Bloomberg News reported on July 8 that Cattaneo was negotiating an exit. The friction had become a distraction for Italy's former phone monopoly, which faces competition from a resurgent Vodafone Group Plc and a looming incursion from Iliad SA. The Italian carrier must also patch up its relationship with the Italian government, after the CEO clashed with regulators over a rural fiber plan. Vivendi was already being investigated for its power over Telecom Italia and its influence in media. Telecom Italia rose 3.8 percent to 84.4 euro cents in Milan on Monday, giving the company a market value of 16.9 billion euros. Vivendi owns about 24 percent of Telecom Italia. Paris-based Vivendi is now set to place its chief convergence officer, Amos Genish, in a senior role in Milan, giving it direct control over the carrier as it seeks to build a European media and telecom powerhouse. The company will discuss succession on July 27, when the board meets to approve second-quarter earnings. Genish is expected to be named general manager of Telecom Italia, people familiar with the matter said. Deputy Chairman Giuseppe Recchi will have more duties managing relationships with the government and regulators. The two, who will work with Chairman Arnaud de Puyfontaine, are set to start in their expanded roles Aug. 1, the people said. For Gadfly's take on Vivendi's Italian adventures click here Genish will attempt to take the company from a turnaround mode to an expansion phase. Cattaneo improved earnings and reduced debt with an aggressive cost-cutting strategy which created tension inside the company and with Italian regulators. Vivendi wants Genish to boost investment in ultra-broadband networks, focusing on service quality, and to scout for new deals with content providers, the people said. Vivendi, run by billionaire Vincent Bolloré, wants to act quickly to be in a strong position when Iliad enters Italy by early 2018. The low-cost carrier, founded by billionaire Xavier Niel, shook up the French mobile-phone industry with its market entry in 2012, stealing customers from larger rivals such as SFR, an investment of Vivendi at the time. Telecom Italia reached its targets ahead of plan under Cattaneo, which "opens the way to a new phase," the company said Sunday. The CEO's resignation isn't linked to any clash with the Italian government, the company said.

Rich Package

His contract called for Cattaneo to get as much as 50 million euros in shares and cash if he were to leave the company while it was on track to beat its 2018 financial targets. The employment agreement, approved by Telecom Italia's board last year over a warning from its auditors, provided for a special award of up to 40 million euros, in addition to severance of about 10 million euros. "That generous incentive package the board had approved for Cattaneo was biased toward achievement of short-term goals and so his early exit is a natural consequence," said Giuliano Noci, professor of strategy and marketing at Milan Polytechnic. He said the telecom sector is facing a historical transformation and Telecom Italia should be pursuing a digital strategy. "Those short-term incentives take the company in the opposite direction."

Few Italian CEOs have been given as much to go away, especially after such a short period of time. Cesare Romiti received the equivalent of 105.3 million euros after stepping down as CEO of carmaker Fiat in 1998 after 24 years, according to daily *Corriere della Sera*, which published a survey of compensation payments by

Milan's Bocconi University. Alessandro Profumo received 40.4 million euros when he left UniCredit SpA in 2010 after more than four years as CEO. Cattaneo joined in March 2016 with Vivendi's support and a mission to revive the former Italian phone monopoly. The media-industry veteran oversaw cost-cutting and wrung more revenue from domestic broadband investments. Still, he clashed with Vivendi managers over strategy and the stock has declined about 12 percent during his tenure.