

This is How a French Billionaire Retires

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● Vincent Bollore makes \$50 billion worth of deals

By Carol Matlack and Alexandre Boksenbaum-Granier



▲ Vincent Bollore PHOTOGRAPHER: MARLENE AWAAD/BLOOMBERG

French billionaire Vincent Bollore plans to retire on Feb. 17, 2022, the 200th anniversary of his family-held Bollore Group. Before handing his far-flung empire to his children, the 65-year-old corporate raider has set himself one more task: creating a media giant close to home.

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He's hitting obstacles on all fronts. Politicians, regulators, minority shareholders and would-be targets are resisting his attempts to use Vivendi SA to swallow leading broadcast, communications and video-game companies in Italy and France. Since he started building his controlling stake in Vivendi, Bollore has bought and sold 42.6 billion euros (\$50.6 billion) in corporate assets—and it's not clear what he's gotten for it.

In addition to the pushback, Vivendi, which Bollore controls through a 21 percent minority stake, has been roiled by conflict at its units as he slashes costs, sheds assets and splashes out on acquisitions. Net cash has sunk from 8 billion euros in September 2015 to barely 500 million in June.

Some investors are concerned about his endgame.

“Vincent Bollore seems to be managing Vivendi more for his family and inheritance interests than for the benefit of all Vivendi shareholders,” said Denis Branche of Paris-based Phitrust, which holds Vivendi shares. The Bollore Group should “clarify its strategy for Vivendi, which remains very unclear.”

The turmoil hasn’t damaged Vivendi shares. Since the company announced five years ago this week that Bollore was joining the board, the stock has returned an average of 13 percent a year, outpacing returns for other big European media companies. Vivendi’s Universal Music unit, which accounts for about half its revenue, is booming.

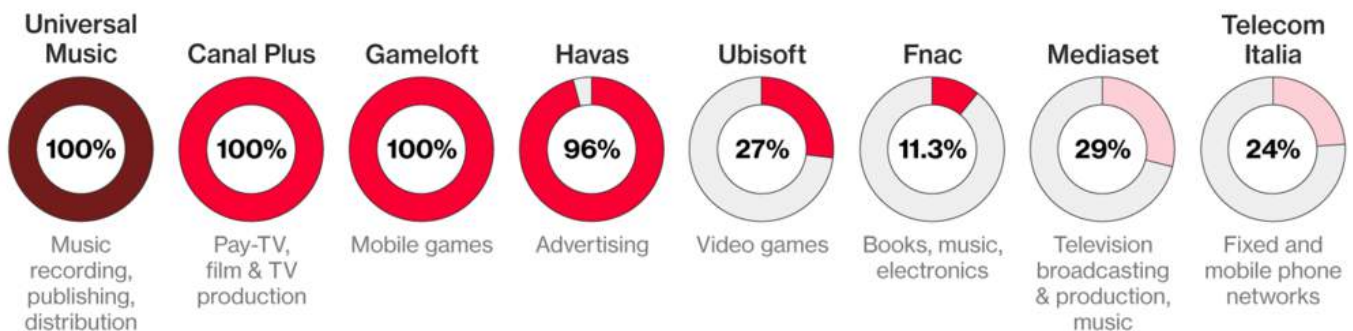
Still, Paris-based Vivendi is warring with the Italian government and the family of former Prime Minister Silvio Berlusconi over stakes Vivendi has acquired in former phone monopoly Telecom Italia SpA and in Berlusconi broadcast group Mediaset SpA. At home in France, Vivendi’s advances toward Ubisoft Entertainment SA, the world’s No. 3 independent game publisher, have met with opposition from the family that controls the company.

Bollore’s Media Empire

Billionaire has controlling 20.6% stake in Vivendi

● U.S. ● French ● Italian

Vivendi’s holdings*



*Not comprehensive

Source: Bloomberg data, company reports

Bloomberg

Bollore seems to relish controversy. “I’m here to take the blows, to attract the lightning bolts,” he told a French Senate commission that summoned him last year to explain his stewardship of Vivendi’s French media business.

Bollore didn’t respond to repeated requests for comment by Bloomberg News.

After taking over his family’s financially ailing paper company in 1981, he built it into an \$11.1 billion conglomerate with holdings as diverse as African railroads and Asian rubber plantations. He has used cash flow from those operations to target a wide variety of companies, buying small stakes, pressing for management change, buying and selling assets—and often exiting with a profit. He’s one of France’s richest men, with a net worth of \$5.9 billion.

While he’s made some enemies—Bouygues SA Chief Executive Officer Martin Bouygues once called him a “thug”—Bollore is also a close friend of former President Nicolas Sarkozy, who was widely criticized for vacationing on Bollore’s yacht shortly after his 2007 election.



▲ Bollore PHOTOGRAPHER: MARLENE AWAAD/BLOOMBERG

At Vivendi, Bollore sold off French mobile-phone unit SFR Group SA as well as the company’s remaining stake in Activision Blizzard Inc. He told Vivendi shareholders in 2015 that the company needed to focus on its core holdings of Universal Music and French pay-TV business Canal Plus. Within months, though, Vivendi had snapped up another games company, Gameloft SE, and spent more than 5 billion euros to take stakes of nearly 24 percent in Telecom Italia and 29 percent in Mediaset. This year, Vivendi spent 3.9 billion euros to acquire 96 percent of Havas SA, the global No. 6 advertising group, including a 60 percent stake that had been held by Bollore Group.

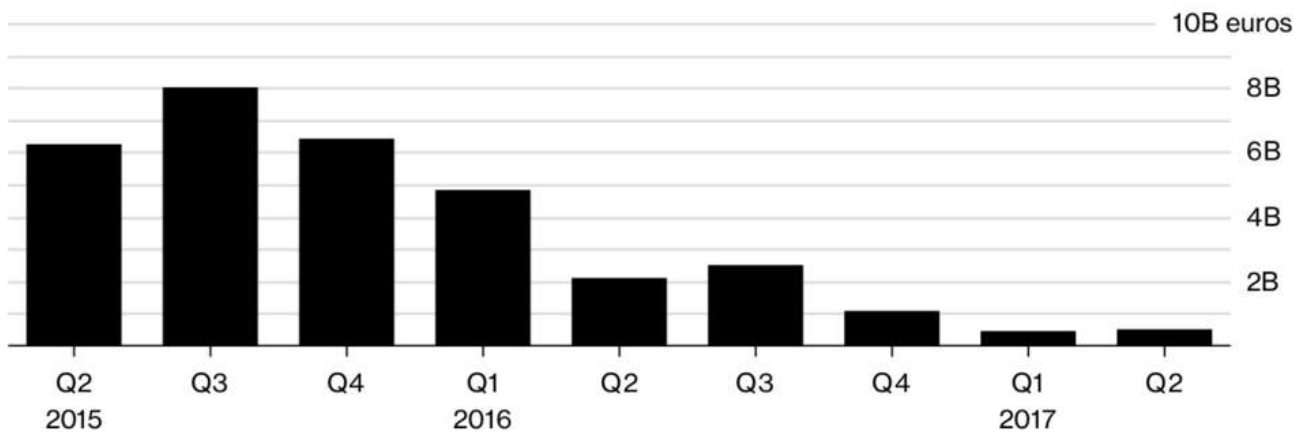
Bollore’s 37-year-old son Yannick, now the head of Havas, is set to eventually become Vivendi’s CEO—a trademark move by Bollore, who also has installed Vivendi executives at Telecom Italia, including Arnaud de Puyfontaine and Amos Genish.

Bollore’s rationale for these changes “is all a bit muddled,” said Tom Singlehurst, head of European media equity research at Citigroup in London. One thing seems clear, though, Singlehurst said: “He’s prepping Vivendi almost as a family company to be passed onto the next

generation.”

Cash Evaporates

More deals mean dwindling liquidity



Sources: Bloomberg, Vivendi

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▲ BLOOMBERG, VIVENDI

Bollore himself has drawn parallels between Vivendi and his Bollore Group, telling the Senate commission last year that he wanted Vivendi to become “an integrated industrial group.” His family’s business has “always used the same methods: try to build in a very clear strategic direction, with competent people who work together,” he told the panel, adding, “That’s exactly what’s being done today” at Vivendi.

Vivendi’s Italian gambit has landed it in a political and legal morass, however. Italy’s communications regulator ruled in April that control of both Mediaset and Telecom Italia would violate media-sector ownership regulations and has ordered Vivendi to divest one of them. Vivendi’s headquarters in Paris were searched on Oct. 5 as part of an Italian investigation into alleged market manipulation of its purchase of Mediaset shares. The Italian government also contends that Vivendi failed to notify authorities of its effective control over Telecom Italia.

As a result, Telecom Italia could be fined some 300 million euros. Economic Development Minister Carlo Calenda has said the government might exercise its so-called golden veto powers over Telecom Italia assets that are deemed strategic.

Bollore underestimated Italy’s willingness to defend itself against a perceived foreign predator, said Carlo Alberto Carnevale Maffe, a professor of business strategy at Bocconi University in Milan. “Now he’s been drawn into a standoff that basically concerns the relationship between Italy and France. Bollore’s tactics, in short, have created opportunity for government interference in the market.”

Vivendi’s relations with Mediaset, now headed by Silvio Berlusconi’s son, Pier Silvio, also have soured. Last year, the companies agreed to a share swap to help shore up Vivendi’s struggling pay-TV business, but the deal broke down, prompting finger-pointing and lawsuits. Bollore further infuriated the Berlusconis by building a stake in Mediaset without telling them. Mediaset filed a complaint with the French stock market regulator; Vivendi has sued Mediaset for defamation.

Bollore faces other challenges in France, where Canal Plus, which he chairs himself, is denting the company’s bottom line as other competitors eat into viewership. He initially pledged to spend 2 billion euros to turn around the pay-TV unit, which also includes the news channel CNews. Instead, he embarked on deep cost-cutting, prompting an exodus of staff at the channel, then called iTele. Canal Plus’ French subscribers are down to 5 million at the end of June, from 6.1 million in December 2014.

“He made many promises and kept none of them,” said Laurent d’Auria, a representative of the pay-TV unit’s biggest labor union, +Libres. “No business can operate if trust between employees and managers is broken.”

Bollore has been stymied in his efforts toward Ubisoft, the maker of such popular titles as Assassin’s Creed and Prince of Persia. Ubisoft is run by the same family that founded Gameloft, which Vivendi grabbed in a hostile takeover last year. Ubisoft has fought back fiercely, denying Vivendi a board seat even as Vivendi has built a 26 percent stake, becoming its largest shareholder. Vivendi may decide what to do about Ubisoft by early December, according to people familiar with the matter. One possibility: a hostile bid.

“A video-game company cannot grow within a media conglomerate,” Ubisoft CEO Yves Guillemot said in an interview last month before the annual meeting. “In our industry, independence is needed to take risks, to be innovative.”

Vivendi’s tieup with Havas also has raised eyebrows. “Combining a company that buys advertisements for clients from media outlets with a company that owns some of these very same outlets” is unlikely to create value, analysts at Proxinvest, a Paris-based corporate governance advisory group, wrote in a recent note to clients. Vivendi contends that Havas can help increase the value of its content. For example, the ad agency could develop marketing campaigns for Universal Music offerings.

With the notoriously interventionist French government staying out of the France-Italy flap, the only solution to the Mediaset dispute may be for Bollore and Silvio Berlusconi, two aging lions of European media, to meet, said Maffe, the professor. Vivendi is said to be making a settlement offer on that front. No godfather is likely to help Bollore resolve his problems with the Italian government, though, not to mention his woes in France.

--with assistance from Daniele Lepido and Samuel Dodge