Value Creation At Vivendi

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Vivendi

EXECUTIVE SUMMARY

Executive Summary

- Vivendi is undervalued relative to its intrinsic value of approximately €25.00-€27.50[1] per share and should pursue the following pathways to close the discount to its sum of the parts valuation
  - A clear policy to return €9 billion of capital to shareholders in 2015 via special dividend
  - Distribution of Vivendi's interests in Activision and Telefonica Brasil (Vivo) to its shareholders
  - A consistent annual dividend policy. PSAM recommends Vivendi pay out 50% of free cash flow in the form of dividends
  - A spin-off of Universal Music Group (UMG), a business with far different opportunities and challenges than Canal+
  - Establish a best practices corporate governance philosophy

- Excess cash on Vivendi's balance sheet is distorting the potential returns of "Core Vivendi." PSAM estimates investors could realize upside up to 38% on their ownership of Core Vivendi following the distribution of excess cash and investments. This gain would be further magnified for investors who choose to reinvest their distribution in Vivendi shares (See page 8)

1. The low end of the valuation range provided assumes UMG is valued at peer multiples on 2016 operating metrics and does not fully reflect the long term potential of the growth in streaming. The high end assumes UMG is valued on 2018 operating metrics, which more fully reflect the streaming growth opportunity

Executive Summary

- Vivendi's share price has lagged peers and failed to outperform over the past year[1] despite successful disposals of SFR and GVT at higher than expected valuations and growth in the music streaming market
  - Vivendi's current capital return plan is disappointing to investors
  - Vivendi's plans for capital allocation and acquisitions are poorly communicated
  - Investors assign a valuation discount to Vivendi's €18 billion stockpile of excess cash and investments and will continue to do so until appropriate action is taken to distribute Vivendi's cash hoard
  - Vivendi has effectively become a Special Purpose Acquisition Company (SPAC). SPACs trade at a discount to their asset value due to uncertainty over future acquisitions

- PSAM's capital allocation strategy leaves Vivendi with sufficient resources to expand its scope of operations by approximately 40%

- Strategic acquirers paying a control premium for either UMG, Canal+ or both could be a source of additional upside

1. 14% return in Vivendi's stock price over the past year including a special dividend of €0.50 vs. 15.0% return for the CAC Index and 31% return for the STOXX Europe 600 Media Index.

Research Analysts Agree With PSAM

- "…we see limited catalysts on the upside given the lack of visibility around M&A. As a result we expect the stock to be range-bound from here"

  — UBS, March 3, 2015

- "VIV argues that 'Rome wasn't built in a day' but shareholders have little sense of what is being built, and no incentives to wait and see. We downgrade to Underweight"

  — Jefferies, March 3, 2015

- "We think the key issue for investors contemplating Vivendi is therefore assessing what the company can do with the cash. We believe this lack of clarity on Vivendi's use of cash partially justifies the discount the stock trades at"

  — Barclays, March 2, 2015

- "Regardless of Bolloré's track record, many current investors may not want to wait several years to see the investments pay off. Vivendi may well prove a great investment for our children and grandchildren, but many of us need returns to work out sooner than that"

  — Bernstein, December 15, 2014

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Sum Of The Parts Valuation Summary

€ millions except per share data
EUR/USD exchange rate of 1.08
EUR/BRL exchange rate of 3.50

			UMG Valued Only On Near Term Prospects Streaming Potential Not Fully Reflected		UMG Valuation Reflects Future Streaming Potential			Valuation Reflects Strategic Value of Canal + and UMG		
	Method	**2016E OpFCF[1]**	**Multiple**	**Enterprise Value**	**2018E OpFCF[1]**	**Multiple**	**Enterprise Value**	**2018E OpFCF[1]**	**Multiple**	**Enterprise Value**
UMG	EV/ OpFCF	816	11.0x	8,977	1,356	9.1x [2]	12,329	1,356	10.7x [3]	14,571
Canal+	EV/ OpFCF	715	12.0x	8,583		12.0x	8,583		14.0x	10,013
5% Stake in Spotify				323			323			323
Stake in Activision				898			898			898
Stake in Telecom Italia				1,224			1,224			1,224
Stake in Vivo				1,759			1,759			1,759
Total Assets				**21,765**			**25,117**			**28,789**
Central overhead[4]				(770)			(770)	Assumes Overhead and NOLs Are Eliminated		
Pension net of tax deduction				(373)			(373)			(373)
Tax credit (€3.4b of NOLs)	50% of value			650			650			
Total Enterprise Value				**21,272**			**24,624**			**28,416**
Plus: Pro forma net cash (pre dividends)				12,374			12,374			12,374
Equity value				**33,645**	Potential Value Creation From UMG Spin Off		**36,998**	Potential Value Creation From Sale of Canal+ and UMG		**40,790**
Fully Diluted Shares Outstanding (millions)				1,356			1,356			1,356
Total Value Per Share				**€ 24.82**			**€ 27.29**			**€ 30.09**
Current Price				€ 22.16			€ 22.16			€ 22.16
Upside as % of Current Vivendi Price				*12.0%*			*23.2%*			*35.8%*
Less: Distribution of €9.0B in Cash, €2.7B in Activision and Vivo[5]				(€ 8.60)			(€ 8.60)			(€ 8.60)
Value Per Share Pro Forma For Distribution				**€ 16.22**			**€ 18.69**			**€ 21.49**
Current Implied Trading Value of Core Vivendi Assets				€ 13.56			€ 13.56			€ 13.56
Upside as % of Core Vivendi Post Asset Distribution				***19.7%***			***37.9%***			***58.5%***

1. Operating Free Cash Flow = EBITDA less CapEx.
2. Multiple of 11.0x is discounted 2 years at a rate of 10% to reflect present value of UMG valuation, which is derived based on 2018 operating free cash flow.
3. Multiple of 13.0x is discounted 2 years at a rate of 10% to reflect present value of UMG valuation, which is derived based on 2018 operating free cash flow.
4. €110 million at 7.0x EV/EBITDA multiple.
5. Interests in Vivo subject to a maximum 180 day lock up from closing date of the transaction.

Note: We do not give Vivendi credit for Vivendi Village in our valuation. Vivendi current price as of market close on March 20, 2015

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Upside to Investors Post Distribution

- Distributing cash and equity stakes to investors magnifies potential upside on remaining Core Vivendi
- Investors may choose to reinvest cash and equity stakes into additional Vivendi shares and receive an incremental benefit from the revaluation of Core Vivendi
- Not only does distribution of cash and equity stakes provide investors with optionality, but it also allows them to increase their vote representation if they choose to reinvest the distribution in Vivendi stock

	Valuation of Core Vivendi Post Distribution		
	Future Potential of Streaming Not Fully Reflected	Reflects Future Potential Of Music Streaming	Reflects Strategic Value Of Canal+ and UMG
Current Vivendi Price	€ 22.16	€ 22.16	€ 22.16
Less: Distribution of €9 Billion of Excess Cash	(€ 6.64)	(€ 6.64)	(€ 6.64)
Less: Distribution of Activision and Telefonica Brasil (Vivo) Stakes[1]	(€ 1.96)	(€ 1.96)	(€ 1.96)
Core Vivendi	**€ 13.56**	**€ 13.56**	**€ 13.56**
PSAM Valuation of Core Vivendi[2]	€ 16.22	€ 18.69	€ 21.49
Gain Per Share For Investors Holding Core Vivendi Post Distribution	€ 2.66	€ 5.14	€ 7.94
Upside For Investors Holding Core Vivendi Post Distribution	*19.7%*	*37.9%*	*58.5%*
Upside as a % of Current Vivendi Share Price	*12.0%*	*23.2%*	*35.8%*
Cash and Equity Proceeds Distributed to Shareholders and Reinested in Core Vivendi[3]	€ 8.60	€ 8.60	€ 8.60
Incremental Core Vivendi Shares Purchased with Distribution Proceeds (m)	0.6	0.6	0.6
Return on Proceeds Reinvested (Equal to return on Core Vivendi)	*19.7%*	*37.9%*	*58.5%*
Incremental Gain Per Share to Investors Who Reinvest Proceeds	€ 1.69	€ 3.26	€ 5.03
Total Gain for Investors Who Reinvest Proceeds	€ 4.36	€ 8.40	€ 12.97
Total Upside as a % of Current Vivendi Share Price	*19.7%*	*37.9%*	*58.5%*

1. Interests in Vivo subject to a maximum 180 day lock up from closing date of the transaction.
2. See detailed Sum of the Parts valuation on prior page.
3. Distributions shown pretax. Net proceeds to investors may vary depending on individual investors' tax and withholding.

Note: Vivendi current price as of market close on March 20, 2015

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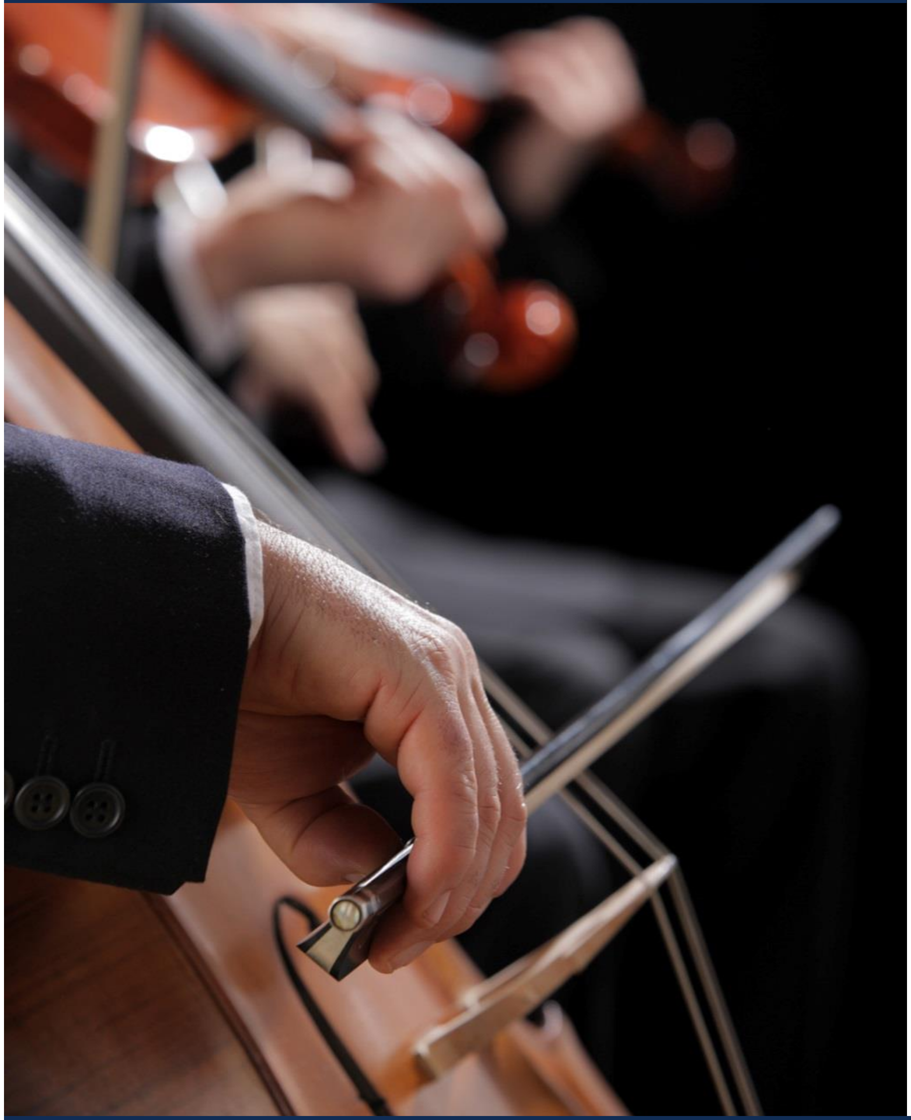


Vivendi

Situation Overview

Transformation of Vivendi

- Vivendi has successfully transformed itself from an over-leveraged telecom and media holding company to a cash-rich company focused on media

- Vivendi has generated ~€36 billion of gross proceeds from key asset sales over the past 2 years
  - Sale of majority of Activision for €6.2 billion announced in July 2013. Additional €622 million divested in May 2014
  - Sale of stake in Maroc Telecom for €4.1 billion announced in November 2013
  - SFR sold for a total of €17.4 billion announced in April 2014 and February 2015
    - Approximately 30% above sell side estimates prior to the beginning of the sale process
  - Sale of GVT for €7.45 billion announced in September 2014
    - Approximately 40% above sell side estimates prior to the beginning of the sale process

- Proceeds from asset sales over the past two years exceeded the entire enterprise value net of minority interests of Vivendi prior to its transformation in early 2012

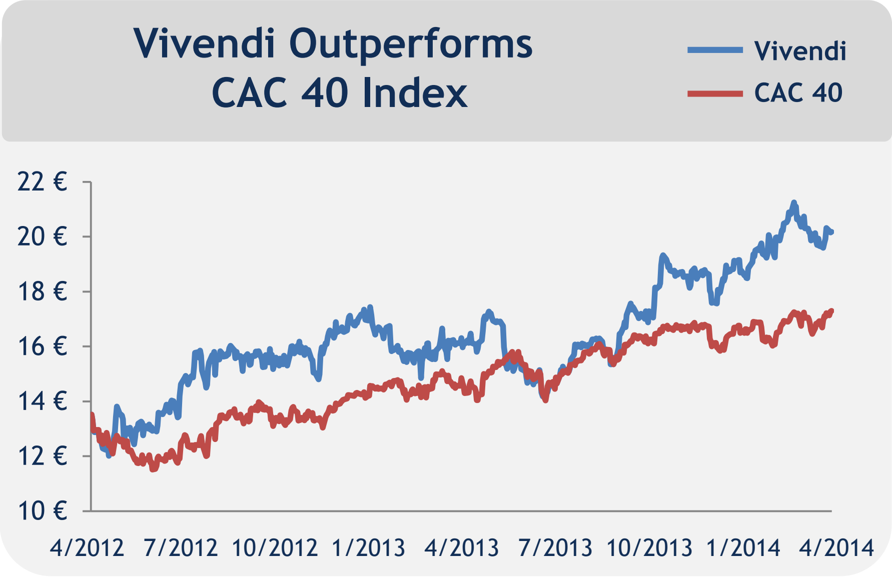
Overview of Vivendi Today[1]

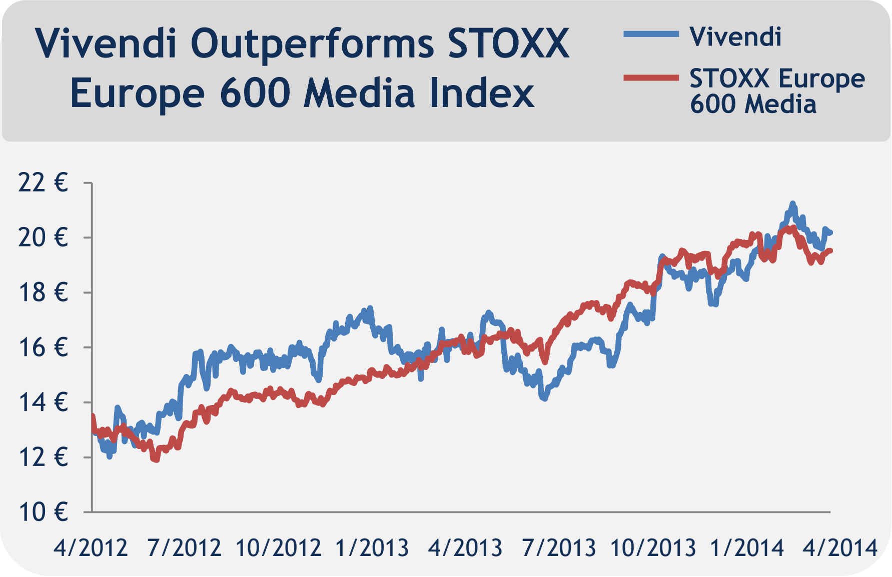
- Universal Music Group (UMG)
  - World's largest record label in the $15 billion recorded music industry, with almost 40% of the global recorded music market and 25% of the music publishing market
- Canal+
  - Pay TV and content business operating in France and emerging markets such as Poland, Vietnam and Africa
- Vivendi Village
  - Consists of early stage start up companies Vivendi Ticketing, Watchever and Wengo
- Key Ownership Stakes in Media Assets
  - Approximately 6% stake in Activision
  - 5% stake in Spotify
- Key Ownership Stakes in Telco Assets
  - Approximately 6% stake in Telecom Italia
  - Approximately 7%-8% stake in Telefonica Brasil (Vivo)
- Gross cash of €14.7 billion pro forma for SFR/NUM, GVT and TVN proceeds

1. Following upcoming close of GVT transaction.

Expectations Set, Not Met... (April 2012 to April 2014)

- From April 2012 to April 2014, the market has rewarded Vivendi with 49% stock appreciation, an annualized return of 22% plus dividends, compared to a 13% annualized return for the CAC 40 Index and a 20% annualized return for the STOXX Euro 600 Media Index
- Investors became confident that capital from asset sales would be returned. We believe that this confidence was the main driver of share performance
- The early sales, Maroc and Activision, were successful but by no means exceeded expectations





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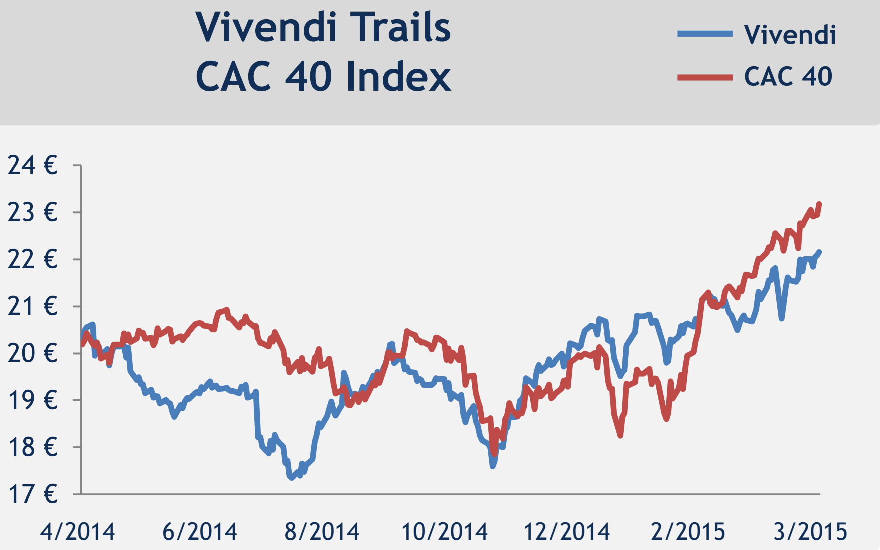
Vivendi Unable to Outperform

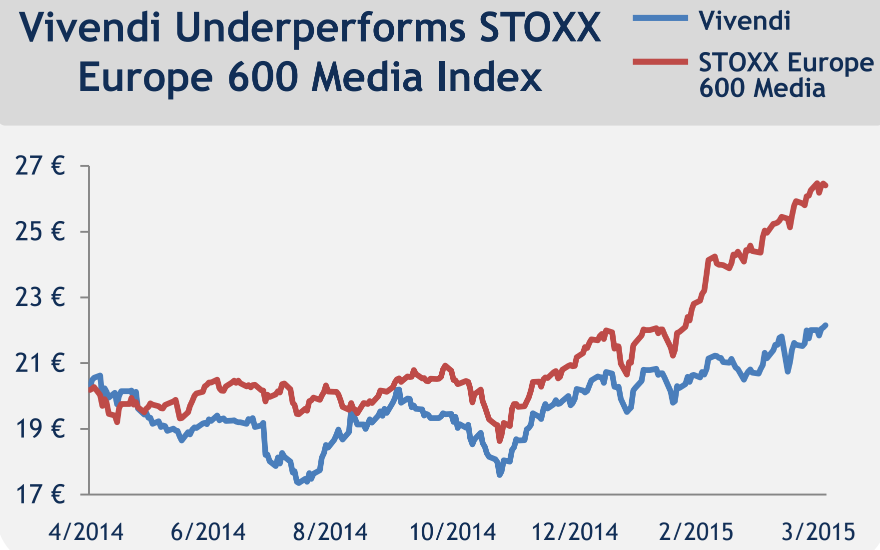
(April 2014 to March 2015)

- However, over the past year, Vivendi's stock has just barely kept up with the CAC 40 Index and severely lagged the Euro Stoxx 600 Media Index[1]
- The expanding gap occurred despite the successful disposals of SFR and GVT at higher than expected valuations and increasing recognition of the potential of music streaming[2]
- PSAM believes this is due to growing investor concern about the Vivendi SPAC[3] — i.e., a discount on the cash and liquid assets
  - Management has not articulated clear capital allocation and investment strategies
  - Management either cites private companies like Bertelsmann as examples or uses vague colloquialisms — "Rome was not built in a day"

Vivendi Trails CAC 40 Index



Vivendi Underperforms STOXX Europe 600 Media Index



1. 14% return in Vivendi's stock price over the past year including a special dividend of €0.50 vs. 15.0% return for the CAC Index and 31% return for the STOXX Europe 600 Media Index.
2. See Appendix page 32 for additional detail on Vivendi valuation gap.
3. SPAC = Special Purpose Acquisition Company.

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Vivendi's Current Approach to Capital Return is Inadequate

- Without a clear plan for capital return the market will always assign a discount to Vivendi's €18 billion stockpile of excess cash and investments due to fears that Vivendi will make an unwise acquisition
  - Investors expect to earn at least the 7.6-8.6% ROE achieved by the member companies of the SX5E
  - Cash earns less than 0.5%
  - If investors believe that Vivendi's cash will not be deployed or returned for two years then at least a 15% discount in market value will occur ((8% Avg. ROE SX5E – 0.5%) x 2)
- The market discount on the cash will expand well past 15% if investors think that Vivendi is going to pursue an acquisition strategy that is designed for a private company
- Investors own Vivendi as a public company and have a right to expect capital allocation consistent with the highest standards of public company governance
  - Vivendi has given investors vague guidance on what it will do with the rest of its cash and the timing of its actions, leaving investors and analysts to speculate on rumors
  - Though Vivendi seeks to engage in M&A, on its 4th quarter earnings call Vivendi acknowledged that trading multiples of potential targets are "quite high"
  - Vivendi promises to return additional capital if it does not find attractive M&A opportunities, but does not specify when. This makes it very difficult for investors with specific time horizons to own Vivendi's stock
- Vivendi's recent promise to return €3 billion in special dividends is not only a low amount compared to its excess cash holdings, but it is also unnecessarily drawn out over two years

Vivendi's Current Share Repurchase Strategy is Ineffective at Best and Misleading at Worst

- Vivendi's buyback at a maximum purchase price of €20.00 per share is ineffective since Vivendi is trading above this price, even after adjusting for the special dividend
- Vivendi missed the chance to repurchase shares when they were trading at a discounted price below €18.00 in October. At the time, Vivendi was just two months away from receiving the proceeds from the sale of SFR and had arranged for the sale of GVT

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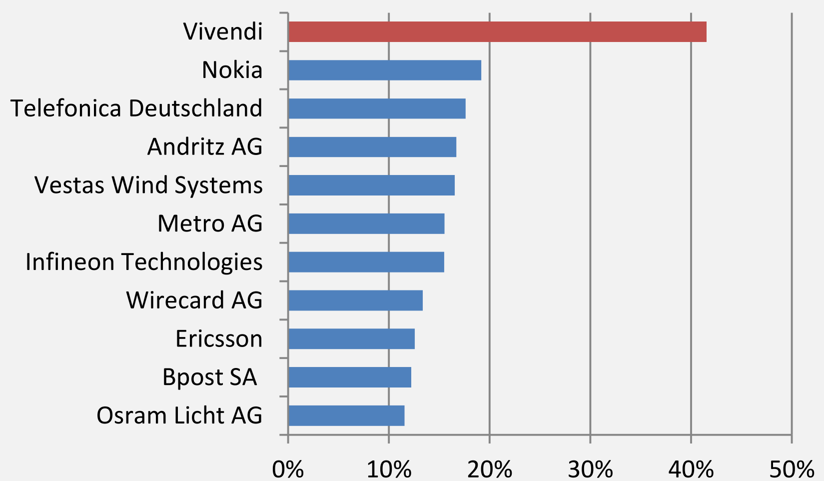
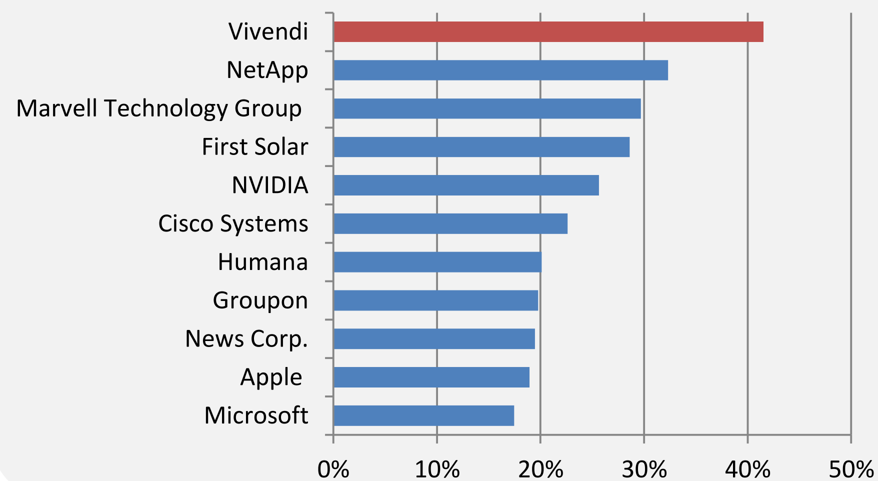
Vivendi's Cash Hoard Stands Out!

- PSAM ranked large cap[1] US and European companies according to net cash as a percentage of market cap. The top 10 are featured in the charts below in comparison to Vivendi
- With 41% of its market cap in net cash[2] Vivendi is a clear outlier
  - In addition to net cash shown below, approximately 13% of Vivendi's market cap will be held as equity interests in Activision, Telefonica Brasil (Vivo) and Telecom Italia

Net Cash as a % of Market Cap *(Europe)*



Net Cash as a % of Market Cap *(United States)*



Source: Wolfe Research
1. Market cap greater than $5 billion.
2. Vivendi net cash includes proceeds from the sales of SFR/NUM, GVT and TVN.

Vivendi

Path to Value Creation

Excess Cash At Vivendi

- Vivendi will have approximately €14.7 billion of gross cash after receiving proceeds for NUM, GVT and TVN and €18 billion of excess cash and marketable securities
- Excess cash and marketable securities less debt is equal to over 50% of Vivendi's equity market capitalization

€ in millions

Vivendi Balance Sheet	Cash	Debt	Net Debt (Cash)
Balance Sheet (12/30/14)	€ 6,845	€ 2,347	(€ 4,498)
Net Proceeds From NUM Sale	€ 3,801		(€ 3,801)
Net Proceeds From Sale of GVT	€ 3,800		(€ 3,800)
Proceeds From Sale of TVN	€ 275		(€ 275)
Pro Forma Balance Sheet Position	€ 14,721	€ 2,347	(€ 12,374)

Excess Cash At Vivendi	**€ 14,000**

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PSAM's Proposed Approach to Capital Return

- PSAM proposes that Vivendi immediately engage in a clear policy to return €9 billion of capital to shareholders via special dividend in place of its current plan to return €3 billion over the next 2 years
  - Vivendi should also distribute its interests in Activision and Telefonica Brasil (Vivo) to shareholders or sell these stakes and return the proceeds
  - We are not proposing the distribution of Telecom Italia due to the size of Vivendi's stake and its ability to nominate Directors to the Telecom Italia Board
- A €9 billion capital return would still leave Vivendi with €5 billion of liquidity to pursue strategic M&A
  - €5 billion of excess capital is sufficient to grow Vivendi's scope of operations by approximately 40%, especially when taking into account incremental funds that Vivendi can borrow against acquired cash flows
- Following the capital return, Vivendi should establish a consistent dividend policy. PSAM recommends Vivendi pay out 50% of free cash flow, consistent with Vivendi's historical policy

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UMG Needs to be Spun Out To Unlock Value

- Long term revenue, EBIT and profit margin opportunities from the growth of streaming and subscription are obscured as long as UMG remains inside Vivendi
  - UMG is the most strategic business in the music industry with almost 40% of the global recorded music market and 25% of the music publishing market
  - UMG is currently in the process of renegotiating its streaming rights agreements
- UMG would benefit from operating and structural advantages as an independent company
  - Options and restricted share units directly tied to UMG performance can be used to attract executives that have social media and wireless communications experience
  - Acquisitions of small venture companies would make a more notable impact to a standalone UMG
- Independent UMG will become an attractive strategic acquisition target for companies with digital streaming platforms since royalties and performance rights capture 50%-70% of digital streaming revenues
  - With UMG as a part of Vivendi, management's attitude towards value maximization from a potential sale is unclear: "The disposal of our music business will be over my dead body"
    — CEO Arnaud de Puyfontaine, March 17, 2015

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Streaming is Transforming the Music Industry

- The massive growth of the installed base of smartphones is the catalyst for the transformation of music into a streaming business model
- LTE 4G smartphones are the first wireless technology that can support large numbers of wireless subscribers simultaneously listening to their own unique playlists
  - Streaming services distributed over 4G wireless networks are a highly visible source of growth
  - PSAM believes that streaming will lift industry revenues by more than 80% from 2014 through 2020 (see forecast on page 25). We expect the music industry can reach 15% annual revenue growth before the end of the decade
  - Apple will launch a revitalized Beats to an estimated installed base of 320 million iPhones
  - Google is currently revising its business models for Google Play and YouTube to create streaming services for the estimated 1.6 billion installed base of Android phones
  - Spotify is raising capital to accelerate its growth strategy
  - Google, Apple and independent services such as Spotify cannot be viable streaming businesses without a rights agreement with UMG
- Streaming revenue comes at a high incremental margin for UMG. UMG is currently in the process of realigning its cost base as it continues to transition away from physical and download distribution models
  - PSAM estimates UMG's EBITDA has the potential to double from current levels by the end of the decade, a CAGR of 15%

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Market Misperception of the Music Industry

- Pandora trades at 20.0x 2016 EBITDA. Analysts assign 9.5x to UMG
  - However, 50-70% of digital revenue goes to the content owners
    - 50%-70% of revenue is paid to content owners by Netflix and cable companies
- The market systematically undervalues the subscription revenue opportunity
  - SIRI has over 27 million subscribers despite a format limited to cars and trucks and no on-demand content
- Lions Gate trades at 14.0x EBITDA
  - In a digital distribution world, film and TV production are similar to music
  - Music catalogs and movie/TV libraries have always been similar
- MGM Studios trades at 20.0x EBITDA[1] despite having limited new content creation

1. Based on Trailing Twelve Month EBITDA.

Streaming and Subscription Forecast

- Key Assumptions:
  - Streaming services only reach 8% of the installed base of LTE smartphones
  - 60% of the target age 12-34 demographic of smartphone owners in developed markets subscribe to streaming services, consistent with the majority of music format penetration levels
  - Total installed base of smartphones to double from 2.5 billion in 2014 to 5.0 billion by 2020
  - The percentage of smartphones with LTE capabilities will rise from 30% in 2014 to 60-70% by 2020

- We believe our assumptions are conservative
  - Our forecast is based only on the total population of the top 20 music markets in 2014 and excludes emerging markets
  - Our forecast assumes that less than 10% of LTE smartphone owners older than 35 subscribe to a music service

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Streaming and Subscription Forecast

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Estimated Smartphone Installed Base (Units, m)	826	1,299	1,884	2,487	3,031	3,549	4,004	4,394	4,737	5,032
Estimated LTE Installed Base (Units, m)	10	101	362	713	1,166	1,672	2,112	2,542	2,976	3,412
LTE as % of the Installed Base	*1%*	*8%*	*19%*	*29%*	*38%*	*47%*	*53%*	*58%*	*63%*	*68%*
Paid Streaming Subscribers at Year End (m)	13	20	28	45	68	98	135	177	225	277
% Change		*54%*	*40%*	*61%*	*52%*	*44%*	*37%*	*32%*	*27%*	*23%*
as a % of LTE Installed Base		20%	8%	6%	6%	6%	6%	7%	8%	8%
Average Paid Streaming Subscribers (m)	11	17	24	37	57	83	116	156	201	251
Monthly Revenue per Average Subscriber ($)	3.69	3.70	3.87	4.07	4.27	4.48	4.71	4.94	5.19	5.45
% Change		*0%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*
Paid Streaming Revenue ($m)	**465**	**732**	**1,116**	**1,782**	**2,901**	**4,477**	**6,580**	**9,261**	**12,544**	**16,421**
% Change		*57%*	*52%*	*60%*	*63%*	*54%*	*47%*	*41%*	*35%*	*31%*

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Music Industry Revenue Forecast

$ in millions

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Recorded Music												
Physical	11,851	10,157	9,396	8,753	7,730	6,571	5,585	4,915	4,443	4,102	3,850	3,660
% Change	*-12%*	*-14%*	*-7%*	*-7%*	*-12%*	*-15%*	*-15%*	*-12%*	*-10%*	*-8%*	*-6%*	*-5%*
Downloads	3,081	3,406	3,824	3,997	3,934	3,344	2,842	2,501	2,261	2,088	1,959	1,863
% Change	*21%*	*11%*	*12%*	*5%*	*-2%*	*-15%*	*-15%*	*-12%*	*-10%*	*-8%*	*-6%*	*-5%*
Paid Streaming	264	322	465	732	1,116	1,782	2,901	4,477	6,580	9,261	12,544	16,421
% Change	*22%*	*22%*	*44%*	*57%*	*52%*	*60%*	*63%*	*54%*	*47%*	*41%*	*35%*	*31%*
Advertising Supported Streaming	176	184	258	394	470	616	769	923	1,070	1,206	1,329	1,438
% Change	*22%*	*5%*	*40%*	*53%*	*19%*	*31%*	*25%*	*20%*	*16%*	*13%*	*10%*	*8%*
Mobile	836	690	568	282	294	294	294	294	294	294	294	294
% Change	*-24%*	*-17%*	*-18%*	*-50%*	*4%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Other Digital	44	0	52	225	59	0	0	0	0	0	0	0
% Change	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*
Total Digital	4,402	4,602	5,168	5,630	5,872	6,035	6,807	8,194	10,205	12,849	16,126	20,016
% Change	*10%*	*5%*	*12%*	*9%*	*4%*	*3%*	*13%*	*20%*	*25%*	*26%*	*26%*	*24%*
Performance Rights	677	794	783	929	1,106	1,275	1,430	1,569	1,692	1,798	1,887	1,963
% Change	*13%*	*17%*	*-1%*	*19%*	*19%*	*15%*	*12%*	*10%*	*8%*	*6%*	*5%*	*4%*
Synchronization and Other Revenue	0	317	313	334	322	322	322	322	322	322	322	322
% Change			*-1%*	*7%*	*-4%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Total Revenue	**16,930**	**15,870**	**15,660**	**15,646**	**15,030**	**14,202**	**14,144**	**15,001**	**16,661**	**19,070**	**22,185**	**25,961**
% Change	*-7%*	*-6%*	*-1%*	*0%*	*-4%*	*-6%*	*0%*	*6%*	*11%*	*14%*	*16%*	*17%*

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Universal Music Group

€ in millions, except per share data	2013	2014	2015E	2016E	2017E	2018E
Physical Sales	1,665	1,417	1,204	1,060	958	885
YoY	*(5.2%)*	*(14.9%)*	*(15.0%)*	*(12.0%)*	*(9.6%)*	*(7.7%)*
Paid and Ad Supported Subscription and Streaming	450	605	927	1,363	1,931	2,642
YoY	*75.0%*	*34.5%*	*53.1%*	*47.1%*	*41.7%*	*36.8%*
Digital Downloads	1,255	1,031	876	771	697	643
YoY	*13.3%*	*(17.9%)*	*(15.0%)*	*(12.0%)*	*(9.6%)*	*(7.7%)*
License and others	622	635	635	635	635	635
YoY	*13.5%*	*2.1%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Recorded Music	3,992	3,688	3,642	3,829	4,221	4,805
YoY	*8.8%*	*(7.6%)*	*(1.2%)*	*5.1%*	*10.2%*	*13.8%*
Music Publishing	655	673	710	765	839	928
YoY	*(0.9%)*	*2.7%*	*5.4%*	*7.9%*	*9.6%*	*10.6%*
Artist services and merchandising	273	232	232	232	232	232
YoY	*10.5%*	*(15.0%)*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Eliminations	(34)	(36)	(36)	(36)	(36)	(36)
Estimated Currency Impact			384	384	384	384
Total Revenue	**€ 4,886**	**€ 4,557**	**€ 4,931**	**€ 5,174**	**€ 5,640**	**€ 6,313**
YoY Reported Growth	*7.5%*	*(6.7%)*	*8.2%*	*4.9%*	*9.0%*	*11.9%*
YoY Organic Growth	*(0.6%)*	*(3.8%)*	*(0.2%)*	*5.3%*	*9.7%*	*12.8%*
EBITDA	**714**	**688**	**760**	**868**	**1,086**	**1,420**
% Margin	*14.6%*	*15.1%*	*15.4%*	*16.8%*	*19.3%*	*22.5%*
Less: Capital Expenditure	(26)	(46)	(50)	(52)	(57)	(64)
Operating Free Cash Flow	**688**	**642**	**711**	**816**	**1,029**	**1,356**
Operating Free Cash Flow Multiple				*11.0x*		*11.0x*
Present Value of Multiple [1]						*9.1x*
Enterprise Value				8,977		12,329
Per Share of Vivendi				**€ 6.62**	→	**€ 9.10**
Implied EV/EBITDA Multiple				*10.3x*		*8.7x*

Spinning off UMG Will Unlock Approximately €2.50 of Value As Investors Appreciate the Subscription and Streaming Opportunity

1. Discounted two years at 10% to reflect present value of UMG valuation

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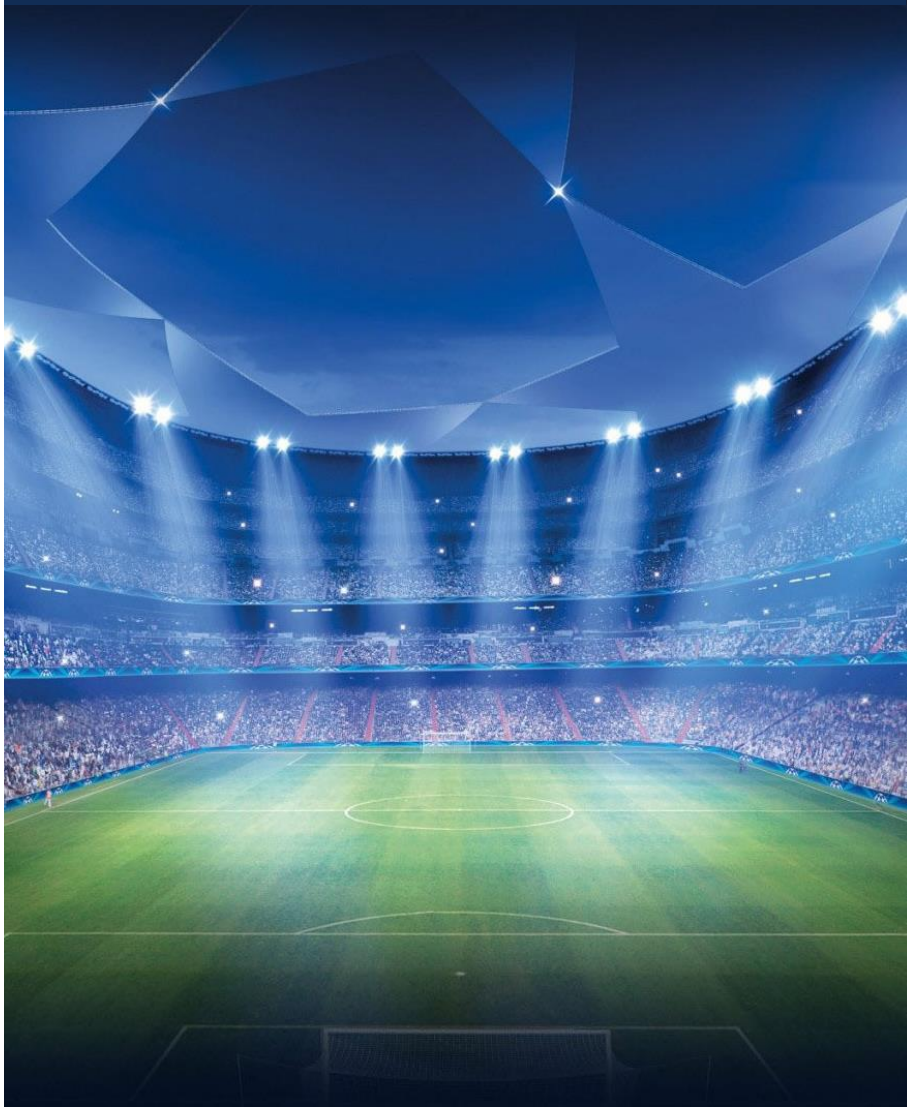
Canal+ is an Underappreciated Asset in the Consolidating EU Video Industry

- Video on-demand technology is eroding frameworks that allowed national governments to regulate content and broadcasting in Europe, paving the way for cross border Pay-TV and content deals
  - Liberty Global's acquisition of Virgin Media and BSkyB's acquisitions of Sky Deutschland and Sky Italia are two recent examples of EU Pay-TV consolidation
- Canal+, with its leading subscriber base, is well positioned to establish VOD and IPTV products that appeal more to French customers than the international content strategy championed by Netflix
- Canal+ is also a leader among Pay-TV companies in developing programming for international markets and is uniquely positioned to benefit from growth in markets such as Africa, Poland and Vietnam
- We estimate international Pay-TV will contribute high single digit revenue growth over the next several years
- Canal+ is an attractive acquisition target with robust offerings of both sports and local content
  - Local content has historically been a key component of most major media innovation
  - Scale is important when it comes to bidding for sports content, which has universal appeal

Vivendi's Corporate Governance Lacks Transparency

- PSAM believes Vivendi must have a transparent Supervisory Board to represent the best interests of shareholders with a sufficient number of independent voting Directors



Vivendi

APPENDIX

Value Creation From Capital Return

Numerous case studies exist that confirm the merits of a well defined capital return strategy and the use of excess capital for dividends and share buybacks

- Time Warner has outperformed the S&P 500 by 4 times since Jeff Bewkes became Chairman and CEO
  - Mr. Bewkes ended an aggressive M&A strategy with a decades long string of questionable acquisitions
  - Time Warner then spun off Time Warner Cable, AOL, and Time Inc. in order to become a focused film and TV content company
  - Time Warner has repurchased 45% of its shares and paid $7 billion in cumulative dividends since Mr. Bewkes became Chairman and CEO
- Yahoo has out performed the S&P 500 by 3 times since beginning its realization of value from its successful Alibaba investment and initiating a repurchase program for its own shares
  - Yahoo used $4.6 billion or about 40% of its cash and debt capacity to repurchase its shares in the first 12 months after selling half of its investment in Alibaba in September of 2012
  - From October 15 of 2012 to September 30 of 2013 it repurchased 4.5% outstanding shares or approximately 5% of the average daily trading volume. Its shares more than doubled from $15.68 on $33.17 in this period, which pre-dates the massive expansion in Alibaba in the second half of 2013 and 2014
  - Yahoo is now preparing to spin off its remaining interest in Alibaba to its shareholders

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Value Creation From Capital Return

- French listed companies also engage in share repurchases in order to return surplus cash to shareholders, as evidenced by Altsom's plan to return €3.5 - €4.0 billion
- Lagardère outperformed after selling assets and returning capital to shareholders through special dividends
  - Lagardère paid a special dividend of €9.00 after divesting its stakes in EADS May 2013 and €6.00 in May 2014
  - Lagardère's share price (including special dividends) has returned 97% since the announcement of the sale of Lagardere's EADS stake on November 13, 2012 compared to 81% for the STOXX Euro 600 Media Index and 48% for the CAC 40 Index

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Vivendi Unable to Outperform Despite Tremendous Value Creation

- Vivendi realized net proceeds from asset sales of ~€34.5 billion relative to ~€23 billion of equity value[1] that was being ascribed by the market to these businesses in April 2012

€ in millions, except per share amounts

	April 2, 2012	March 20, 2015
Valuation Gap		(5,458)
Enterprise Value of Remaining Assets Implied by Market	32,411	
Enterprise Value of UMG/Canal+ (2)	11,000	19,236
Total Enterprise Value	**€ 43,411**	**€ 13,778**
Less: Debt (3)	(16,469)	(2,347)
Plus: Cash (4)	776	14,721
Plus: Market Value of Activision Stake		898
Plus: Market Value of Telecom Italia		1,224
Plus: Market Value of Telefonica Brasil		1,759
Less: Activision Minority Interest	(4,280)	
Less: Maroc Telecom Minority Interest	(5,026)	
Less: Canal+ Minority Interest (5)	(1,020)	
Market Value	**€ 17,392**	**€ 30,033**
Fully Diluted Shares (m)	1,287 (6)	1,356
Price	**€ 13.51**	**€ 22.16**

Vivendi Value Creation (April 2012-March 2015)	
Activision	6,623
Maroc Telecom	4,138
SFR/NUM	16,967
GVT	6,783
Net Proceeds from Major Asset Sales	34,510
Less: Estimated Market Value of Assets in 2012 (1)	(€ 23,105)
Value Creation From Asset Sales	11,406
Net Proceeds From Sales of Beats and TVN	525
Net Expenditure for EMI Acquisition	(725)
Special Dividend (Dividends From Operations Excluded)	(670)
Bond Redemption Fees	(824)
Increase in Enterprise Valuation of UMG/Canal+	8,236
Total Value Creation at Vivendi	**€ 17,948**
Disconnect Between Value Crystallized by Vivendi Asset Sales And Increase In Market Value Due to Discount Placed On Cash	
Increase In Market Value	**€ 12,641**

1. Enterprise value of assets sold less minority interest as of April 2, 2012.
2. Based on PSAM valuations. 2015 reflects mid point of PSAM's UMG valuation range.
3. 2012 includes Liberty Class Action liability of €950 million.
4. 2012: Activision cash of €2.3b excluded; 2015: Shown pro forma for GVT, NUM and TVN net proceeds
5. Based on price paid to Lagardère.
6. 2011 ending share count + Scrip dividend.

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Canal +

€ in millions, except per share data

	2013	2014	2015	2016
Pay TV Mainland France	3,544	3,454	3,459	3,446
FTA TV Mainland France	172	196	223	255
Pay TV International	1,122	1,273	1,411	1,536
Studiocanal	473	533	560	574
Total Revenue	**5,311**	**5,456**	**5,653**	**5,810**
YoY Revenue Growth				
Pay TV Mainland France	*(1.0%)*	*(2.5%)*	*0.1%*	*(0.4%)*
FTA TV Mainland France	*168.8%*	*14.0%*	*14.0%*	*14.0%*
Pay TV International	*26.1%*	*13.5%*	*10.8%*	*8.9%*
Studiocanal	*1.5%*	*16.0%*	*5.0%*	*2.5%*
Total Revenue	*5.9%*	*2.7%*	*3.6%*	*2.8%*
EBITDA	905	841	870	918
% Margin	*17.0%*	*15.4%*	*15.4%*	*15.8%*
CapEx	(211)	(190)	(197)	(202)
Operating FCF	**694**	**651**	**673**	**715**
Operating FCF Multiple				12.0x
Enterprise Value				8,583
Per Share of Vivendi				**€ 6.33**
Implied EV/EBITDA				***9.4x***

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Comparable Trading Multiples

$ in US millions unless otherwise stated, except per share data

Name	Price	Market Value	Net Debt	Enterprise Value	LTM EBITDA Margin	Rev Growth		P/E		EV/EBITDA		P/FCF		EV/Operating FCF[1]	
						FY+1	FY+2	FY+1	FY+2	FY+1	FY+2	FY+1	FY+2	FY+1	FY+2
UMG															
Media Content															
CBS	63.35	31,502	6,718	38,220	22.7%	2.1%	5.5%	17.6x	14.6x	11.3x	10.3x	16.3x	15.5x	12.0x	11.0x
WALT DISNEY	108.43	184,284	15,094	199,378	28.5%	6.9%	7.0%	22.2x	19.6x	12.9x	11.8x	29.6x	21.7x	17.9x	14.5x
21ST CENTURY FOX	34.97	74,345	10,599	84,944	21.6%	(10.4%)	3.4%	20.7x	17.0x	12.8x	11.3x	20.3x	19.6x	14.0x	12.3x
VIACOM	69.76	28,306	12,810	41,116	30.7%	3.4%	3.5%	12.0x	10.7x	9.3x	8.9x	11.1x	10.2x	9.6x	9.2x
TIME WARNER	87.89	72,995	19,876	92,871	23.5%	3.7%	7.0%	18.9x	15.2x	11.7x	10.3x	21.1x	16.6x	12.6x	10.9x
DISCOVERY	32.45	21,749	7,535	29,284	38.3%	5.2%	6.2%	17.6x	14.9x	12.0x	11.1x	15.2x	13.6x	12.7x	11.7x
SCRIPPS NETWORKS	71.50	9,414	1,900	11,314	42.3%	4.1%	5.0%	16.5x	14.8x	9.8x	9.3x	12.9x	12.4x	10.3x	9.8x
LIONS GATE	33.66	4,707	693	5,400	10.5%	(5.9%)	9.8%	21.1x	17.9x	14.1x	12.8x	18.6x	14.1x	14.4x	13.0x
STARZ	34.34	3,491	1,157	4,649	28.3%	5.3%	2.1%	13.4x	12.3x	9.3x	9.3x	12.6x	11.7x	9.6x	9.5x
Average					**27.4%**	**1.6%**	**5.5%**	**17.8x**	**15.2x**	**11.5x**	**10.6x**	**17.5x**	**15.0x**	**12.6x**	**11.3x**
Videogame Content															
ACTIVISION BLIZZARD	23.42	16,931	(534)	16,397	34.7%	0.4%	9.4%	19.8x	16.1x	11.2x	9.2x	15.7x	14.0x	12.0x	9.8x
ELECTRONIC ARTS	57.28	17,759	(2,307)	15,452	25.0%	19.8%	5.9%	24.1x	21.8x	12.8x	12.2x	17.8x	17.4x	14.0x	13.3x
TAKE-TWO INTERACTIVE	25.68	2,167	(506)	1,660	8.4%	(27.4%)	(9.8%)	14.7x	19.1x	6.8x	7.5x	NM	15.2x	7.9x	8.3x
Average					**22.7%**	**(2.4%)**	**1.8%**	**19.5x**	**19.0x**	**10.3x**	**9.6x**	**16.8x**	**15.5x**	**11.3x**	**10.5x**
Content/Distribution															
NETFLIX	428.30	25,911	(708)	25,203	8.3%	22.7%	21.1%	100.2x	64.9x	44.0x	33.1x	NM	150.3x	51.6x	38.2x
PANDORA	16.34	3,417	(355)	3,062	(1.6%)	25.3%	24.4%	82.5x	34.3x	40.2x	20.6x	NM	31.2x	63.6x	26.4x
SIRIUS XM	3.98	22,214	4,354	26,568	33.1%	7.3%	6.6%	32.9x	26.0x	16.1x	14.7x	17.0x	15.4x	17.5x	15.8x
Average					**13.3%**	**18.5%**	**17.4%**	**71.9x**	**41.8x**	**33.4x**	**22.8x**	**NM**	**65.6x**	**44.2x**	**26.8x**
Canal +															
European PayTV															
SKY	£10.32	£17,740	£6,655	£24,395	19.7%	45.2%	8.8%	18.9x	16.1x	12.4x	10.6x	21.9x	16.6x	18.1x	14.9x
MEDIASET	€ 4.30	€ 5,075	€ 1,650	€ 6,724	39.6%	1.8%	5.6%	89.5x	41.7x	8.5x	7.4x	15.8x	20.9x	NM	NM
LIBERTY GLOBAL	52.37	45,572	46,009	91,581	42.4%	3.9%	2.1%	NM	NM	10.2x	9.7x	18.3x	18.3x	16.0x	14.9x
Average					**33.9%**	**17.0%**	**5.5%**	**54.2x**	**28.9x**	**10.3x**	**9.2x**	**18.7x**	**18.6x**	**17.0x**	**14.9x**
STOXX Europe 600 Media Companies															
LAGARDERE	€ 26.95	€ 3,534	€ 954	€ 4,488	6.8%	(2.2%)	1.6%	15.2x	13.7x	7.6x	7.3x	21.3x	17.7x	13.8x	12.9x
PEARSON	£14.92	£12,239	£1,679	£13,918	22.0%	6.0%	2.9%	19.3x	17.8x	14.8x	13.7x	20.5x	19.1x	18.1x	16.7x
HAVAS	€ 7.20	€ 3,005	€ 255	€ 3,260	15.2%	9.8%	3.8%	16.5x	15.5x	9.6x	9.1x	15.0x	14.2x	11.3x	10.8x

1. Operating Free Cash Flow = EBITDA less CapEx.
Stock Prices as of March 20, 2015

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