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# Altice fraud arrests throw spotlight on Patrick Drahi's elusive right-hand man

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Telecoms tycoon Patrick Drahi has always turned to one man to tackle problems within his sprawling Altice empire: Armando Pereira.

The Portuguese executive has maintained a low profile after helping Drahi found the group two decades ago. But behind the scenes he was considered the Franco-Israeli billionaire's right-hand man, according to people familiar with their relationship.

“Whenever there was an issue in a country, he sent in Armando to deal with it,” said one person who has known the two men for years. “He was Patrick’s partner; nothing happened on the operational side without Armando.”

Now Pereira’s role at Altice has been thrust into the limelight after he was placed under house arrest in Portugal as prosecutors investigate corruption [allegations](#) against him.

Altice has briefed investors and rating agencies that it may have fallen victim to a long-running fraud that allegedly siphoned hundreds of millions of euros from its payments to suppliers.

Altice has not commented on Pereira but pointed to alleged

“harmful practices and misconduct of certain individuals and external entities”. It has suspended high-level executives and is conducting an internal investigation.

The imbroglio has come at a delicate time for the web of companies that [Drahi](#) pieced together through leveraged acquisitions, rattling bond investors who were concerned about the sustainability of Altice’s \$60bn debt pile.

The fact the scandal has centred on Altice’s procurement division has further damaged its reputation, given it hailed its expertise in managing supply chains as one of the central tenets of its “Altice Way” of overhauling telecoms companies.

Pereira’s status as Drahi’s most-trusted confidant could hurt Altice’s majority owner, who has taken on substantial personal debt backing investments that, outside of his core telecoms businesses, include Sotheby’s auction house.

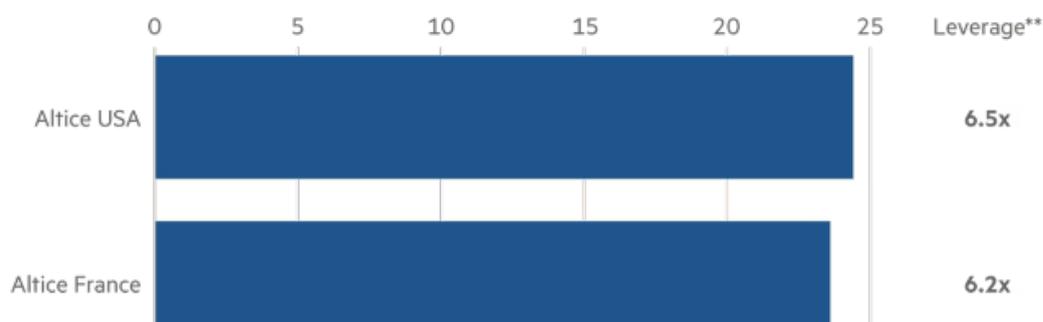
“They built their careers and fortunes together,” said another person who has long worked with the two men. “They are very close.”

Drahi will appear on Altice’s earnings calls next month to field bondholders’ questions. “It’s the first time in forever he’ll be on one of these calls,” said one credit fund manager. “The key question everyone will be asking is how much did Drahi know? And either answer is bad in different ways.”

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Altice’s global telecoms empire is built on a pile of debt

Net debt, Q1 2023 (€bn)





\* Israel, Portugal and Dominican Republic

\*\* Net debt to adjusted ebitda. Leverage subject to company's own adjustments

Source: company

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## Early triumphs

Drahi's first significant encounter with international bond investors almost a decade ago came at a moment of triumph.

In an era of ultra-low interest rates, Altice channelled the money flooding into junk bond markets to transform itself from an obscure French cable player into a major global telecoms group.

In 2014 Drahi pulled off his biggest score, raising \$16.7bn in the largest ever high-yield bond deal to finance a takeover of SFR, one of France's main telecoms providers.

Two people present at the deal's London investor meeting recall Drahi regaling a packed room with a story of his struggle obtaining a small loan from a regional bank for his first deal, before quipping that borrowing nearly \$17bn from the assembled bankers and fund managers was "easy" in comparison.

Hiring junk bond market stalwarts helped, with Drahi enlisting as top executives the likes of Morgan Stanley's former top telecoms banker Dexter Goei and Dennis Okhuijsen, previously treasurer of "cable cowboy" John Malone's Liberty Global.

Pereira, however, was always kept away from investors.

"We never got to meet Armando," said one longtime Altice bondholder. "But they always mentioned that they were sending in him and his Swat team to overhaul each new acquisition."

When Altice listed its shares in 2014, Pereira's name did not appear in the nearly 800-page prospectus. The document does not indicate he had a stake in Altice, although four people familiar with the group's corporate structure said he had at times held a large equity interest.

Altice said Pereira is "not an Altice or any Altice affiliate's shareholder", declining to comment further. A person close to Pereira's legal defence said the executive "sees no point in revealing Altice's shareholder structure at this time, either currently or in the past", but confirmed that the 71-year-old's wealth stood at about €1.6bn.

In his autobiography *The Barefoot Billionaire*, Pereira recounted how he was born into abject poverty in northern Portugal before leaving for France as a teenager in search of a better life. By the 1980s, he had "found his calling" as a budding telecoms entrepreneur, making his first millions establishing a company that assisted with the buildout of cable networks across France.

Pereira met Drahi in the early 1990s, when the Portuguese immigrant's company became a subcontractor to the Morocco-born businessman's early cable ventures. When Drahi set up Altice a decade later in 2001, he named Pereira one of the group's three founders.

Pereira's operational knowhow complemented Drahi's flair for financial engineering. The self-taught Portuguese telecoms expert became known for employing hardball tactics to wring savings out of the group's suppliers at operating businesses spanning from Israel and the US to the Dominican Republic.

"His main skill is cost-cutting," paired with toughness, said the second person who has worked with Drahi and Pereira.

Pereira was "still quite involved" in Altice, according to one

person briefed by the group's management on their crisis, who said he had been working "one to two days a week in Paris".

Altice's centralised procurement for its European operations ran through a Portuguese unit established by Pereira, the person said, adding his son-in-law Yossi Benchetrit — who has been placed on leave by Altice — was in charge of procurement for its US unit.

Benchetrit did not respond to a LinkedIn message seeking comment. Altice USA's chair Alexandre Fonseca has also stepped back.

### **The UAE connection**

While Portuguese authorities have not fully detailed the allegations against Pereira, rating agency S&P this week wrote that it understood Altice's suppliers "may have been forced to work through intermediaries in a manner that ultimately benefited the implicated parties".

Senior executives have told staff and investors they were "stunned" by the allegations, said two people familiar with the matter.

Authorities are probing upwards of 60 companies allegedly linked to Pereira and another businessman, Hernâni Vaz Antunes, in jurisdictions including the United Arab Emirates, people briefed by the company said. Hundreds of millions of euros were allegedly siphoned from such companies, they added.

The Luxembourg business register shows Pereira and Antunes, who was also placed under house arrest, jointly established a company called Shar Holdings in 2014. Antunes listed his residence as the UAE.

There is no evidence Pereira is the ultimate beneficial owner of any other offshore companies under investigation, the person close to his legal defence said, noting that local teams handled Altice's procurement processes with no need for instructions from Pereira.

The businessmen's relationship has made headlines before. In 2015 Antunes's Dubai-based company Jana General Trading unsuccessfully sued Brazilian telecoms firm Oi, claiming he was due a €69mn fee from Altice's acquisition of Portugal Telecom. Pereira testified to the existence of a commission, although he did not comment on its amount, said the person close to his defence.

One of Altice's advisers recalled that some of the group's investors had asked questions about the unusual arrangement.

Antunes's lawyer declined to comment citing judicial secrecy.

### **'Near-death' experiences**

While Altice's internal investigation is in its early stages, the bond market has delivered its verdict on the damage to the group.

Prices on the \$60bn of debt across Altice's three main entities — Altice France, Altice International and Altice USA — have plunged to distressed levels. Unsecured bonds at its French unit are trading at little more than a third of face value.

Several bankers noted BNP Paribas had stepped up in recent years to become lender-of-choice for Drahi's riskiest deals, while US banks have trimmed their exposure. A loan of more than €1bn to one of Altice's European holding companies, which was provided by Goldman Sachs, JPMorgan and BNP, was repaid in 2021. BNP agreed a €700mn credit facility the

following year.

The French bank has also backed Drahi's personal vehicles, acting as the sole lender for his deals to take private Sotheby's in 2019 and Altice Europe in 2021.

Luxembourg filings show BNP also lent money to an aviation subsidiary Altice created in 2021, when the group agreed to purchase a Bombardier private jet for more than \$21mn.

BNP declined to comment.

Altice has pushed out the due dates across its debt stack, however, and does not face substantial maturities until 2027, according to bondholders.

The company has also severed linkages between its debt silos to reduce contagion following a market panic in 2017, several investors said. Drahi has removed shares in Altice Europe and Altice USA as collateral for a loan backing Sotheby's.

"Every few years Altice seems to have a near-death experience and every time Drahi manages to pull off a feat of financial engineering to keep the music going," said one bond investor. "Options are looking tighter and tighter but I wouldn't bet against him having another roll of the dice left in him."

*Reporting by Robert Smith, Sarah White, Arash Massoudi, Leila Abboud, Adrienne Klasa, Barney Jopson and Ivan Levingston.*