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Foreign partners vie for stake in M-Cell

All eyes on MTN holding as state seeks ways to top up privatisation proceeds, writes THABO KOBOKOANE

PORTUGAL Telecom and a consortium of France Telecom and Orange are locked in a two-way race for 20% of Transnet's 24% stake in M-Cell, which wholly owns MTN.

This was confirmed by several high-placed individuals who spoke to Business Times but did not wish to be named.

They say government has decided to split the 24% Transnet stake in M-Cell into two: a portion of 20% will be offered to an international partner, while 4% will go to Transnet's pension fund.

Lesley Maasdorp, head of restructuring at the Department of Public Enterprises, says the sale of Transnet's stake in M-Cell is one option being considered as part of the state's privatisation programme for Transnet. "The disposal will be guided by the objective to maximise shareholder value as well as market conditions.

"If anyone comes up with a very attractive offer we will certainly consider it, but if not we will retain the holding," says Maasdorp.

The 20% stake is worth about R7-billion at current market prices. This evaluation is well below the evaluation placed on M-Cell in July when Johnnic Communications increased its stake in M-Cell. That transaction, which was settled at a price of R33 a share, would have valued the 20% stake in excess of R12-billion. It is unlikely that government will want to settle for anything less.

The fiscus has already netted R2.5-billion from the sale of 75-million shares held by Transnet in M-Cell to Johnnic Communications, a wholly owned subsidiary of Johnnic Holdings, owners of the Sunday Times.

As part of that transaction Transnet also swapped its direct interest in MTN for a 24% stake in M-Cell, a transaction which increased Johnnic's stake in M-Cell to 50.3%.

The proceeds from this transaction will be paid into the fiscus, says Maria Ramos, director-general of finance. This will

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go some way towards netting the projected R5-billion from privatisation foreseen in Finance Minister Trevor Manuel's February budget.

With four months to go before the government's financial year-end, time is running out for the state to come up with an additional R2.5-billion to make up the balance.

There were several other transactions this year, including the sale of 20% of Denel Aerospace to BAE Systems, but the revenue from that sale is probably very small.

The other option is the sale

of Sasria, but it seems highly unlikely it will be concluded before April next year.

That leaves the M-Cell option, but talks are at an early stage and unlikely to be concluded before the end of the current financial year.

Analysts say Johnnic could effectively use M-Cell to bid for the second fixed line operator when Telkom's exclusivity runs out since it will have an international partner.

Johnnic CE Paul Edwards says government has not indicated to the group what it plans to do with its M-Cell stake.

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