

# Egypt's Sawiris, VimpelCom Said to Discuss Merger

By [Jacqueline Simmons](#)

August 22, 2010



Sawiris

CAIRO — Egyptian billionaire Naguib Sawiris is in talks to merge the bulk of his telecoms assets with VimpelCom Ltd. in a transaction that could create a company valued at more than \$25 billion, two people familiar with the matter said Friday.

Sawiris would become a significant minority investor in the new company, which would include his Weather Investments' 51 percent stake in Egypt's Orascom Telecom Holding and Italian mobile operator Wind Telecomunicazioni, the sources said. They declined to be identified because the talks are private.

While negotiations are progressing, the structure of a deal has not been decided and an agreement may not be reached, these people said.

"The acquisitions will lead to a significant increase in VimpelCom's debt and will trigger a

review by ratings agencies, but not necessarily at downgrade," Chris Weafer, chief strategist at UralSib, said by phone in London. "A lot will depend on price paid for the assets, and the impact on cash flows and the balance sheet."

The debt for VimpelCom Ltd. and its subsidiaries would increase to 2.5 times earnings before interest, taxes, depreciation and amortization following the acquisition, said Maxim Raskosnov, a banking analyst at Renaissance Capital. This compares with the current level of 1.5 times EBITDA.

Wind Italy had net debt of 8.29 billion euros (\$10.5 billion) as of June 30, and Orascom Telecom had debt of \$4.61 billion at that date.

The transaction would create an entity with a combined total mobile subscriber base of more than 200 million customers and would give VimpelCom, Russia's second-largest mobile-phone operator, access to markets in Africa and the Middle East.

It is Sawiris' second attempt this year to sell Orascom assets, after talks with South Africa's MTN Group collapsed in June.

VimpelCom, with headquarters in Amsterdam and listed in New York, was formed by billionaire Mikhail Fridman's Alfa Group and Norway's Telenor to consolidate holdings in Russian and Ukrainian mobile-phone operators. VimpelCom is 39.6 percent owned by Telenor, while Alfa's Altimov unit controls 39.2 percent and minority shareholders own 21.2 percent, according to VimpelCom's web site.

Telenor spokesman Dag Melgaard and VimpelCom spokeswoman Yelena Prokhorova on Friday declined to comment. A spokeswoman for Wind said the division was not in talks.

Sawiris and spokespeople for Weather and Orascom Telecom could not immediately be reached for comment outside of business hours.

VimpelCom and Weather are discussing issues including the structure of a combined entity and corporate governance, and there remains a chance that no deal will be reached, said one of the people.

VimpelCom has a market value of about \$19 billion. Pierre Merveille, a senior credit analyst at Spread Research, said the value of Weather's combined holdings is close to \$6 billion, consisting of \$2.4 billion for Orascom and \$3.6 billion for Wind, excluding debt.

"One of the attractions of the deal would be the ability to reduce financing costs of Mr. Sawiris' assets by using VimpelCom's balance sheet and 'creditability,'" Dalibor Vavruska, an analyst at ING, wrote in a note last week.

Sawiris is restructuring debt and selling assets. VimpelCom posted a \$412 million profit in the first quarter.

VimpelCom chief executive Alexander Izosimov said Feb. 18 that the company had a structure that is "very adaptable and open for mergers" and may "actually create quite a sizeable player."

MTN, Africa's largest mobile-phone operator, ended talks to buy some of Orascom's assets in June after the Algerian government objected to the sale of Cairo-based Orascom's unit in that country. The government ordered the division to pay \$596 million in back taxes last year.

Orascom, the biggest mobile-phone operator in the Middle East, said in April that it paid the disputed amount, pending an appeal.

The Algerian government has said it is interested in buying the unit, known as Djezzy.

Original url:

<https://www.themoscowtimes.com/2010/08/22/egypts-sawiris-vimpelcom-said-to-discuss-merger-a80>