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VimpelCom, Sawiris Form Cellular Giant

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VimpelCom and Egyptian billionaire Naguib Sawiris agreed to merge their phone assets, creating the world's fifth-largest mobile phone company by subscribers, the companies said Monday.

VimpelCom will own Sawiris' Weather Investments' 51.7 percent stake in Egypt's Orascom Telecom and all of Italian mobile operator Wind. Weather shareholders will get 20 percent of new VimpelCom shares valued at $4.72 billion at current prices and $1.8 billion in cash.

The deal would create an entity with a combined mobile subscriber base of more than 174 million customers and give VimpelCom, which has operations in many of the former Soviet republics, access to markets in Africa and the Middle East.

"The next growth in telecoms will come from emerging markets," VimpelCom chief executive Alexander Izosimov said Monday. "The consolidation is just beginning."

Looking at 2009 results, the companies would have had total revenue of $21.5 billion and earnings before interest, taxes, depreciation and amortization of $9.5 billion.

The new company will have operations in 20 countries and post-transaction net debt up to $24 billion, VimpelCom said in a joint statement. VimpelCom shareholders will vote on the transaction by year-end, and the company expects to complete the deal in the first quarter.

VimpelCom shares rose in New York. Orascom shares did not trade on Monday.

Weather investments including Orascom's operations in Egypt and North Korea won't be part of the VimpelCom transaction.

The deal is Sawiris' second attempt this year to sell assets of Orascom, the largest publicly traded mobile phone company in the Middle East. Talks with South Africa's MTN failed in June. The Algerian government blocked the sale of Orascom's local unit in the country, saying it would make an offer for the operations.

Orascom is entangled in a tax dispute in Algeria, which will be dealt with "in due course," Izosimov said. He and President Dmitry Medvedev will be in Algeria this week.

Orascom in September said its Algerian unit, Djezzy, received an initial tax reassessment for $230 million for 2008 and 2009, and it will take legal steps to dispute the figure.

VimpelCom, with a listing in New York, was formed from the consolidation of Mikhail Fridman's Alfa and Norway's Telenor holdings in Russia, and Ukrainian mobile phone operator Kyivstar.

After the deal, Telenor will hold 31.7 percent of VimpelCom, Alfa's Altimo unit will control 31.4 percent and minority shareholders will represent 17 percent. Weather will get two of 11 board seats, while Telenor and Altimo will each continue to designate three members. There will be three independent board members.

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