

VimpelCom Looks East With NTC Buy

By [The Moscow Times](#)

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KT phones booths lining a Seoul street. The company is selling its shares in cellular provider NTC to VimpelCom. **Jo Yong-Hak**

SEOUL, South Korea — Mobile operator VimpelCom is buying New Telephone Company from owners including South Korea's KT Corporation in a \$420 million deal that will see it move into eastern Russia.

KT, South Korea's top fixed-line and No. 2 mobile phone company, said Friday — alongside news of a jump in quarterly profit — that it was to sell its 79.96 percent stake in New Telephone Company (NTC) for \$346 million.

KT said the acquisition would help VimpelCom, Russia's No. 3 mobile phone operator, secure a subscriber base in eastern Russia, where New Telephone is focused.

"KT concluded that it would be better for a nationwide operator to acquire and grow ... NTC," KT said.

Separately, VimpelCom said it planned to close the acquisition of a total of 90 percent within four weeks, including shares held by Summit Telecom Global Management, a unit of Japanese group Sumitomo.

It also plans to acquire the remaining 10 percent through a mandatory buyout offer, VimpelCom said, adding that the whole deal was based on a \$420 million valuation of NTC, not taking into account its debt.

"Given that VimpelCom lacks a presence in Russia's Far East, NTC is a good fit, in our view. The purchase price is quite high, but is reflective of a premium for control," said Ivan Kim, a telecoms analyst at Renaissance Capital in Moscow.

KT bought then loss-making NTC for \$22 million in 1997 and turned the Russian unit around in four years, it said. NTC posted \$25 million in net profit and \$110 million in sales last year and has 1.5 million subscribers.

"I was doubtful of the NTC sale because NTC was making good money. But KT is expected to use the proceeds to invest in expansion in overseas markets such as Africa," said Kim Hoi-jae, an analyst at Daeshin Securities.

NTC has been one of the few successful overseas acquisitions by South Korean mobile carriers, which have tried to expand abroad as the domestic market nears saturation.

KT said it would continue to look for overseas investments, including acquisitions and alliances, especially in emerging markets such as Africa and South and Central America.

Mobile TeleSystems, Russia's top mobile company, also said in February it had bid for KT's stake in NTC.

KT, South Korea's major seller of Apple's iPhone, reported a 62 percent jump in operating profit for the first quarter, helped by solid gains in smartphone subscribers.

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