

Rostelecom Inks Deal to Buy Norilsk Telecom

By [The Moscow Times](#)

August 23, 2012

The  Moscow Times

Rostelecom has signed a memorandum of intent to buy Norilsk Telecom from investment bank CIT Finance, two unidentified consultants said.

The report was confirmed by sources close to Rostelecom and CIT Finance. Spokespeople for Rostelecom, Norilsk Nickel and CIT Finance declined to comment.

Rostelecom has carried out a due diligence study of the company and is prepared to pay 1.8 billion rubles (\$57 million), one of the consultants said. The other consultant estimated the deal at 2 billion rubles.

The price is quite high for a company with an annual revenue of about 1 billion rubles, said Yuly Matevosov, a senior analyst at Alfa Bank.

Norilsk Telecom chief executive Mikhail Khaustov said the company's current profit margin

was higher than in the period when mining giant Norilsk Nickel was its major customer. In 2006, Norilsk Telecom's EBITDA margin amounted to 23.8 percent.

The funds raised as a result of the sale will be used to repay CIT Finance's 46 billion ruble debt to Russian Railways, sources close to Rostelecom and CIT Finance said. The investment bank has faced debt problems since 2008, when it incurred losses due to deals with Rostelecom stock during the financial crisis. It was subsequently bailed out by state lender VEB and the Deposit Insurance Agency.

The deal has not yet been considered by Rostelecom's board of directors, said Sergei Azatyan, a member of the board and managing director of Marshall Group. He added that his group supported Rostelecom's expansion in "promising" markets.

Norilsk Telecom was set up in 2004 as a subsidiary of Norilsk Nickel and was sold to its top executives and CIT Finance in 2008 for \$51 million.

CIT Finance subsequently acquired full control of the telecommunications company and started talks on selling it to Svyazinvest for \$70 million. The investment bank also negotiated a possible sale of Norilsk Telecom to VimpelCom, Transtelecom and Comstar UTS. The price that CIT Finance proposed was too high, though Norilsk Telecom has a lucrative pay television business with above-average subscription fees and an interesting broadband Internet network, an executive of one of the potential buyers said.

Norilsk Telecom is based in the city of Norilsk in the Krasnoyarsk region.

As of January, Norilsk Telecom had 62,200 fixed-line telephone subscribers, about 12,000 Internet subscribers and over 15,200 cable television users.

In 2010, the most recent year that data is available, the operator's consolidated revenue amounted to 1.52 billion rubles.

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