

Fridman Considers Legal Action in Tele2 Deal

By [The Moscow Times](#)

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Billionaire Mikhail Fridman's A1 investment group said it may take legal action to defend its right to buy Tele2's Russian unit, which the Nordic telecom agreed to sell to state-controlled bank VTB.

Tele2's \$3.5 billion deal to sell the unit to VTB was followed by a \$3.6 billion to \$4 billion cash offer from Fridman's A1 partnership. VTB has said its deal was legally binding.

A1 says it also made a "significantly higher" bid than the one agreed with VTB during meetings with Tele2 management last year.

A1 said possible legal action could claim lost opportunities and a failure to execute fiduciary duties. Respondents are potentially Tele2's board, management and financial advisers Morgan Stanley, it said Friday.

"Our lawyers are working on considering filing a legal case," Dmitry Vozianov, managing director at A1, said.

Vozianov said that for Tele2 to accept the bid from VTB meant a difference of "half a billion for minority shareholders."

"Minority shareholders have a different action. They will have an action for the loss incurred," Vozianov said. "We are in talks with them, but it is confidential."

Morgan Stanley did not respond to a message left on their press service phone line in London. Tele2 was not immediately available for comment.

Rival Offer

Tele2's Russian unit also attracted a second offer, from mobile company VimpelCom Ltd, which has Fridman as a shareholder, and rival MTS. MTS and VimpelCom are offering to buy the asset for \$4 billion to \$4.25 billion, including \$1.15 billion of net debt, they said late Thursday, claiming their bid was at a premium of up to 30 percent over the agreed deal with VTB.

"We would like to express our strong interest in providing an alternative offer to the shareholders of Tele2 AB, and we think this is a distinctly more attractive proposal," the companies said in a joint statement citing their chief executive officers.

State-controlled bank VTB agreed Wednesday to buy Tele2 Russia in a deal that puts an enterprise value, or equity plus debt, on the business of \$3.5 billion.

A1 said Thursday that it topped VTB's offer with an all-cash bid of \$3.6 billion to \$4 billion and said it was also considering an offer for the whole of the parent, Nordic telecom group.

A1's challenge boosted Tele2 shares and raised the prospect of a rare Russian takeover fight, pitting Fridman, flushed with billions from the sale of oil company TNK-BP Holding, against the country's No. 2 bank.

Tele2 declined to comment on the MTS and VimpelCom offer.

"We have sold the Russian entity. We did so last night. I won't make any further comment," Tele2 spokeswoman Pernilla Oldmark said.

The Tele2 unit is Russia's fourth-biggest mobile operator after MTS, MegaFon and VimpelCom, with about 23 million subscribers last year. Some analysts speculated these operators or state-controlled Rostelecom could end up as shareholders.

"We concluded this deal, it is legally binding, it is done," Yury Soloviyev, VTB's first deputy president and chairman of the management board, said Thursday.

The bank is open to bringing in strategic partners or financial backers, he added. Soloviyev said VTB had not been officially approached by any of the industry players inside or outside of Russia, but would consider any proposals on merit. He wants to keep it as a whole business rather than breaking it up.

"We will spend some time thinking about strategic development and potential shareholders who would come and give us value," Soloviyev said. "These could be financial, strategic, Russians or outside investors."

Running The Figures

A1 did not say how much it might be prepared to pay for all of Tele2, which had a stock market value of \$7.5 billion at Wednesday's close.

"A price for the entirety of Tele2 is in the works. We are running the figures on a possible offer for the entire business," the spokesman said.

Stockholm-listed Tele2 said it was committed to the sale of its Russian business to VTB. The deal values Tele2 Russia's equity at \$2.4 billion and includes the assumption of net debt of \$1.2 billion.

Swedish firm Investment Kinnevik AB, which has a 47.9 percent voting interest in Tele2, said it was "completely behind" the sale to VTB. It was not immediately available for comment on the statement from MTS and VimpelCom.

Some analysts, however, said the sale to VTB looked cheap. Andy Parnis at UBS said he was surprised at the low multiple paid, even with Tele2's lack of a data license.

Tele2's Russian business has been in play since it lost out in a licensing auction for next-generation 4G services.

The sale values Tele2's Russian business in line with MTS and VimpelCom, which trade at multiples of 4.7 and 4.3 times forecast 2013 earnings, even though it has superior growth prospects.

Tele2 investor relations head Lars Torstensson said analysts had put an average value of about 24 billion Swedish crowns (\$3.7 billion) on Tele2's Russian unit, just above the sale price of 23 billion.

"We do believe this is a very fair price," Soloviyev said. "The price we are paying is in line with the public market."

Barclays analyst JP Davids said the VTB deal was attractive because no regulatory issues are anticipated, whereas A1 is part of Fridman's group, which owns a stake in rival VimpelCom.

Fridman recently closed a deal alongside three other entrepreneurs to sell their one-half stake in TNK-BP, Russia's third-largest oil company, to state oil major Rosneft for \$28 billion.

His Alfa Group, of which A1 is a part, received \$14 billion and has said it planned to reinvest the proceeds in telecommunications and oil projects.

Fridman, worth \$16.5 billion according to Forbes, also made \$5 billion last year from the sale of his stake in MegaFon.

Tele2 is being advised by Morgan Stanley. VTB is advised by its investment bank arm VTB

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