

Yota Founders to Sell Stake in Garsdale

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Yota founders Sergei Adonyev and Albert Avdolyan plan to sell their 13.5 percent share in Garsdale Services, the company that owns Skartel and the Yota brand, in another development related to the Megafon-Yota merger, Vedomosti reported Tuesday.

The 13.5 percent of Garsdale belonging to the pair through equal shares in Telconet Capital, will be sold for about \$1.8 billion, a source close to Skartel told Vedomosti. However, it is not clear whether the amount includes the \$500 million company debt.

Garsdale fully owns Skartel with its brand Yota and 50 percent plus 100 shares of one of the country's largest mobile operators, Megafon.

For Adonyev and Avdolyan it is simply a convenient time to exit Garsdale, said Timur Nigmatullin, an analyst from Investcafe. It is likely that the deal directly relates to Megafon's decision to purchase Yota, he added.

It is likely that Megafon will buy Skartel from Garsdale, and the latter will use the funds to buy

out Adonyev and Avdolyan, Vedomosti reported.

Megafon is considering the purchase of Skartel, which has already been given a green light by the Federal Antimonopoly Service.

The possible acquisition of Skartel by Megafon is to a large degree related to the Communications and Press Ministry's call to repossess the previously awarded LTE frequencies from operators because of their failure to deploy the prescribed amount of LTE-based services by the end of this year, Nigmatullin said.

Under the terms of the tender, telecom operators had to start offering the services in no less than eight regions by the end of 2013.

Because the country's four largest mobile operators are unlikely to meet the target, the Communications and Press Ministry wants to take away the LTE frequencies and award them to a single, state-run operator for subleasing and management.

When put together, Megafon and Yota would have deployed LTE-based services in 81 cities of 29 regions. This rate of deployment is far ahead of what was required by the ministry. Without Yota, Megafon would risk losing the frequency because it only deployed the service in one city, Yekaterinburg.

It is obvious that the purpose of the deal is to mitigate the risk of the confiscation of LTE frequencies, Nigmatullin said.

Megafon's board of directors is scheduled to meet Wednesday to discuss acquisition of Skartel, whose market value is estimated at about \$1.5 billion, including debt.

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