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Onexim Mulls Buying Stake in Svyaznoy

By Irina Filatova

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Svyaznoy has over 3,000 cell phone stores nationwide that could be used by Onexim's banking business. **Sergei Porter**

Billionaire Mikhail Prokhorov's Onexim Group is considering buying a 50 percent stake in cell phone retailer Svyaznoy in a deal that would allow Onexim to significantly expand its banking business, giving it a network of bank branches second only in number to Sberbank.

Prokhorov is already in talks with Svyaznoy owner Maxim Nogotkov, who has been looking for a strategic investor for his company for two years, Kommersant reported Friday.

A preliminary agreement has been reached whereby Nogotkov will retain the second half of his company and will oversee development of its retail business, a source close to the businessmen said.

The deal will involve Svyaznoy's two major businesses: its nationwide chain of cell phone stores and Svyaznoy Bank. Besides these, the company also owns online retailer Enter and the jewelry chain Pandora.

The deal, if closed, will enable Onexim Group to provide banking services using more than 3,000 cell phone stores that Svyaznoy operates across Russia. This expansion would give Onexim's banking business the second largest number of outlets after Sberbank.

Sberbank has more than 18,000 offices in Russia, currently followed by Vostochny Express Bank with about 2,000 offices. Onexim Group's financial business includes retail bank Renaissance Credit, investment bank Renaissance Capital and the insurance company Soglasiye.

In May, Nogotkov asked businessman Leonard Blavatnik to buy a 30 percent stake in Svyaznoy's businesses, Vedomosti reported at the time. Nogotkov expected to raise nearly $200 million from the deal through an additional share issue.

It remains unclear whether the deal with Onexim will be closed since no specific agreement has been reached, a person familiar with the issue said on conditions of anonymity.

Onexim's spokesman, Andrei Belyak, declined to comment on the potential deal Friday.

"Svyaznoy is holding talks with potential investors intermittently," the company's spokeswoman, Maria Zaika, said in e-mailed comments. She declined to provide the names of potential investors before a deal is finalized.

Zaika added, however, that Svyaznoy still intends to raise as much as $200 million to increase Svyaznoy Bank's capital. "This is critical to ensure planned growth rates," she said, adding that the company's retail business does not require additional cash injections, since it's performance is sustainable.

Timur Nigmatullin, an analyst with Investcafe, said it was very likely that Svyaznoy will sell about 25 percent of its retail business in the near future, since it is keen to expand its banking services. However, no sale is likely this year, he added.

The big three mobile operators — MTS, VimpelCom and MegaFon — plan to cut the commission earned by retailers for attracting new subscribers from the current 650 rubles to 250 rubles per sale later this year. Investors are unlikely to risk their cash until it becomes clear how the move will affect the retailers' revenues, Nigmatullin said.

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