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Vimpelcom Shareholders Vote for Wind

By The Moscow Times

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AMSTERDAM - VimpelCom claimed victory in a long-running battle for control of Wind Telecom as most of its shareholders voted for a deal that will involve it taking on $20 billion of debt and diversifying into new markets.

The more than $6 billion cash-and-shares bid for control of emerging markets specialist Orascom Telecom and Italian group Wind was backed by 53.3 percent of VimpelCom's voting shares, the mobile phone group said Thursday.

Chief executive Alexander Izosimov told reporters that he expected the deal to be completed in the first half, subject to regulatory approvals and financing.

"The combined group will have a significantly diversified revenue base, substantially larger scale of operations and potential synergies estimated to be $2.5 billion on a net present value basis," he said in an earlier statement.

The deal had been opposed by Norway's Telenor, which has a 36 percent voting stake and had

fought a battle with fellow major VimpelCom shareholder Alfa Group to have it blocked.

Telenor shares rose more than 2 percent as news broke that it had lost the vote at a specially convened meeting in Amsterdam, with analysts saying the company would benefit from a resolution to the conflict.

"It is a relief that it is over," said Tore Toenseth, analyst at Argo Securities. "The shareholder conflict is settled, the transaction will be completed and now it is back to basics with the focus returning to operations. That is what is needed for both VimpelCom and Telenor shares to start climbing again."

Telenor, which had claimed that the deal made no strategic or financial sense, said it remained committed to VimpelCom but would pursue arbitration proceedings in an effort to avoid dilution of its stake as a result of the deal.

"Even though we believe VimpelCom would have been better off without this deal, we will now continue to work in the best interests of VimpelCom and its shareholders, as well as to help ensure that management eventually delivers positive results from both the existing and the newly acquired operations," Telenor spokesman Dag Melgaard said.

Analysts said the news should also have a positive affect on VimpelCom shares as it ends a period of uncertainty.

Konstantin Chernyshev, an analyst at UralSib, said although the deal is likely to be dilutive for minority shareholders in the long run and the heavy debt load may hamper future growth, the U.S.-listed shares were still a "buy."

"VimpelCom is fundamentally undervalued, even accounting for the negative effect of the deal," he said.

Telenor and Alfa's voting stakes will fall to 25 percent and 31 percent from 36 percent and 44.7 percent respectively, following an issue of 326 million common shares and 305 million preferred shares to Wind Telecom's owner, Egyptian tycoon Naguib Sawiris.

Telenor, concerned about dilution of its voting power in VimpelCom, has been pursuing an arbitration case to secure its rights to maintain its full stake in the third-largest Russian mobile operator by subscribers.

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