

Leading Russian Mobile Operator and Internet Company Consider Merger

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Vedomosti

Two of Russia's largest Internet and communications companies are considering a merger, and the deal could lead to greater connectivity between your cell phone and your social media accounts.

On Nov. 16, Russian media [told](#) the Vedomosti newspaper.

Megafon's management likely also hopes that the deal will reinvigorate the company in the long run, according to Konstantin Belova, a senior analyst at the Uralsib Kapital investment company

“The profit growth rates for mobile operators have long been in the single digits,” he said. But, so far, “it's difficult to imagine the synergy of these two structures. There are just too few details about this possible sale at the moment.”

Even if the purchase would benefit Megafon, the deal may face challenges.

Both companies are controlled by oligarch Alisher Usmanov; his USM Group holding company owns a 56.32 percent share of Megafon and a 63.8 percent share of Mail.Ru Group through its subsidiary NMT. Indeed, Megafon is angling to buy out Usmanov's shares, an unidentified source in the company told Vedomosti.

Usmanov appears ready to sell, but minority shareholders could pose a problem.

Because the two companies are so closely connected, USM Holdings will have to agree on the deal with one other shareholder, the Swedish-Finnish telecom Telia Company, which owns at 25.17 percent stake in Megafon. This process takes time.

Additionally, when one subsidiary purchases another, the parent company does not have the right to vote on the sale, Vedomosti reported. This means that the minority shareholders will make the final decision. Reaching a compromise with them will not be easy.

Negotiations on the potential sale are currently “at an advanced stage,” a source close to Usmanov told Vedomosti. It remains unclear when the purchase could take place.

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