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Ukraine's richest man buys telecoms and 3G monopoly for \$1bn

By Roman Olearchyk in Kiev

Rinat Akhmetov, Ukraine's richest man, is buying his country's fixed-line telecom monopoly and its only 3G mobile internet license for an estimated \$1bn.

The acquisition of Ukrtelecom from EPIC, an Austrian investment group, raises fresh concerns about how much of the nation's wealth is being concentrated in one man's hands.

"This acquisition is troubling in the sense that it underpins how too much of Ukraine's assets are falling into too few hands, limiting competition," said Alexander Valchyshen, head of research at Kiev-based investment bank Investment Capital Ukraine.

Mr Akhmetov, whose net worth was valued by Forbes this year at nearly \$15.5bn, has consolidated control over about half of Ukraine's steel, ore, coal and thermoelectricity sectors during the past decade, through state privatisation programmes and secondary market acquisitions.

The 100 companies in his SCM group posted more than \$1.75bn in pre-tax profit last year on revenues of \$23.47bn.

Referring to the growing dominance of Mr Akhmetov and a handful other influential oligarchs over Ukraine's economy, Mr Valchyshen added: "Instead of investing into R&D... Ukraine's top businessmen remain stuck in shuffling" around old Soviet industrial assets "from state-ownership into the private hands at hefty discounts".

Pointing to the country's deep economic challenges, Mr Valchyshen added: "This has led to no visible gain in productivity at the macro level."

Countering such concerns, SCM Group said that its Ukrtelecom acquisition "will not limit competition in Ukraine's telecom market", adding that last year the group "invested \$2.2bn in upgrading Ukraine's industrial infrastructure, improving efficiency and competitiveness to help our business compete in global markets and deliver better services and products for Ukrainians".

Some analysts say SCM's acquisition could reboot efforts to bring nationwide high-speed mobile internet to Ukraine's 45m citizens for the first time.

The two companies did not disclose the price paid for Ukrtelecom, which has a 70 per cent share of Ukraine's fixed-line market. But analysts and people familiar with the company estimate it to be about \$1.3bn – the amount that the Austrian company paid for a 93 per cent stake in the company during a 2011 privatisation.

Ukrtelecom posted its first sizeable profit in five years in 2012, with more than \$45m in net profit and some \$1bn in revenues, according to people familiar with EPIC.

However, the Ukraine-listed company's value and market share has deteriorated in the past decade as it fell behind European peers and domestic competitors in introducing new telecoms technologies.

In consolidating control over Ukrtelecom, Mr Akhmetov's SCM Group is hoping to become a dominant player on this fast-growing telecom sector. Along with Turkey's Turkcell, Mr Akhmetov's SCM Group co-owns the nation's third largest mobile operator, which operates under the "Life:)" brand. Its two bigger competitors are Kyivstar, co-owned by Norway's Telenor and Russia's Alfa Group, and the local subsidiary of Russia's MTS.

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