Globe Talk: Calling up African deals

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There is renewed enthusiasm for the mobile-phone industry in developing countries following the announcement earlier this week that Africa's biggest mobile company will buy out a Dubai-based rival.

To be sure, the proliferation of cell phones in some of the world's poorest areas has been touted in recent years as one of the biggest success stories of spreading the advantages of technology across the globe by international aid agencies. While setting up landline phones can be costly and time-consuming, putting up a cell-phone tower and providing people with mobile handsets can be done at a fraction of the cost of the conventional telephone.

So perhaps it's no surprise that the proliferation of mobile phones has been as rapid as it has been, as the number of cell-phone subscribers in Africa increased by 72 percent in 2005 from the previous year to 117 million.

The surge in usage has also meant a boom for the telecommunications industry in developing countries too, and the latest deal between South Africa's MTN and Investcom of Dubai has heightened hopes for investors of new and expanded business opportunities in the two regions. Specifically, MTN will be buying out Investcom for $5.53 billion, while the Lebanese Mikati family, which owns 70.6 percent of Investcom's total shares, will be getting about 10 percent of MTN shares as well. One member of the family is Nagib Mikati, who was a former prime minister of Lebanon.

The deal will expand the customer base of MTN to 28.1 million, spanning across 21 countries, which will make it second only to Egypt's Orascom Telecom in terms of cornering the regional market. Through the buyout, MTN will be accessing subscribers in Syria, Yemen, Afghanistan, Sudan, Ghana, Benin, Congo, Liberia, and Guinea Bissau for the first time. In short, the deal is one of the 10 biggest M&A deals signed by a South African company over the past 15 years.

"This well-considered partnership entrenches our leadership in telecommunications in Africa and the Middle East," said MTN's head, Phuthuma Nhleko.

Industry analysts too were largely upbeat about the agreement, despite the hefty price tag.

"I do not think the price is that outrageous given the amount people are paying for African Assets and the potential synergies," said Sean Gardiner, an emerging-markets telecom analyst with Morgan Stanley.

Still, local companies are far from alone in wanting to cash in on the region's ever-growing telecommunications market. In Africa alone, British mobile giant Vodafone has made significant investments in trying to expand into the market, even though -- or perhaps because -- only about 10 percent of the people on the continent actually have mobile phones, compared to about 60 percent in many wealthier regions. But according to South African research group BMI-T, the total number of African mobile subscribers is expected to reach 196 million by 2010, up from the current 125 million. Nigeria is pegged to have some of the biggest growth rates, rising 18 percent from current levels by 2010.

Meanwhile, Kuwait's MTC bought out African carrier Celtel last March for $3.4 billion, while Norway's Telenor too started to increase its investment in South Africa.

One of the biggest attractions of the region is that precisely because landlines are so expensive, mobile phones are seen as the only real way of getting telecommunications lines out to the masses. So while the political and economic risks may be significant, the allure of Africa has been growing strong, and analysts broadly agree that the deal between MTN and Investcom will only further whet the appetite of rival carriers.