

Portugal Telecom teams up with Helios

By Peter Wise in Lisbon, FT.com site

Published: Aug 13, 2007

Portugal Telecom is joining forces with a private equity company specialising in African investments with the aim of becoming a "relevant player " in some of the biggest telecommunications markets in sub-Saharan Africa.

Helios Investment Partners, which manages an African investment portfolio valued at more than \$450m, is paying \$171m for a 22 per cent stake in a new holding company being created to manage PT's African assets.

João Pedro Baptista, chairman of PT's international division, said the aim was to tap into the high growth potential of African markets such as Nigeria, Tanzania, Kenya, the Democratic Republic of Congo and South Africa.

PT believes Africa will remain the continent with the fastest-growing mobile phone market, with the number of new subscribers estimated to increase by 104m between 2006 and 2010, a growth rate of 11 per cent

The new holding company, which has not yet been named, will initially have more than \$1bn available to invest and is subsequently expected to be floated on the stock market through an initial public offering.

Mr Baptista said PT would be looking for growth opportunities through privatisations, new operating licences and partnerships with private-sector operators seeking to develop pan-African telecom businesses.

"We will be extremely disciplined about the investments we make, " he said. "Our priority is profitability not size. "

The goal is to expand the PT's African interests beyond their traditional focus on Angola, the fastest-growing national telecoms market in Africa, and other Portuguese-speaking countries including Mozambique and the Cape Verde islands.

PT also operates in Botswana, Kenya and Namibia, but its current African customer base does not exceed 3.4m.

The deal with Helios, the biggest independent private equity company operating in sub-Saharan Africa, values PT's assets in the region at \$1.225bn, above most previous valuations by analysts.

The new holding company will be launched with a debt of \$450m through a financing facility subscribed by PT. Other Africa partners are expected to acquire stakes, but PT will maintain a majority.

Mr Baptista said the agreement with Helios, founded in 2004 by Babatunde Soyoye and Temitope Lawani, would provide financial expertise and strong local knowledge.