

Liquid Telecom to acquire Neotel for \$430 million

Liquid Telecom has revealed that it has entered into an agreement to acquire South African communications network operator, Neotel. The shareholders of Neotel - Tata Communications of India and minority shareholders led by Nexus Connexion (Nexus) - have agreed for Liquid Telecom to acquire Neotel for R6.55bn (\$430 million at current rate of exchange.)



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Liquid Telecom is partnering with Royal Bafokeng Holdings (RBH), a South African investment group, which has committed to take a 30% equity stake in Neotel.

The transaction, which is subject to regulatory approvals, is transformative and will create the largest pan-African broadband network. Through a single access point, businesses across Africa will be able to access 40,000kms of cross-border, metro and access fibre networks. These currently span 12 countries from South Africa to Kenya, with further expansion planned.

Commenting on the transaction, Nic Rudnick, Liquid Telecom CEO, said: “We are excited about this transaction. Leveraging the strengths of Liquid Telecom, RBH and Neotel, we will offer an unprecedented fibre network with a unique set of services and international connectivity for telecom operators and enterprises across sub-Saharan Africa. For the first time, African companies will be able to connect with each other in a cost effective and reliable way, all on a single fibre network. We will also be increasing investments into Neotel to cater for rapidly accelerating mobile and enterprise traffic, enabling us to launch exciting new products and services.”

Albertinah Kekana, Royal Bafokeng Holdings CEO, said: “This transaction is part of our diversification strategy and its focus on infrastructure is in line with our objective to invest in high growth sectors. As a long term investor, we are pleased to be partnering with Liquid Telecom who has a very credible track record in rolling out fibre in challenging and diverse markets. This deal represents our long-term investment approach and our commitment to the African growth story.”

Speaking on behalf of Tata Communications, Neotel’s majority shareholder, Vinod Kumar, MD and CEO, said: “Liquid Telecom is the right partner for the next phase of Neotel’s evolution. Convergence of technologies and services will be the key driver of growth across the globe and this transaction will encourage inclusion and support the growth aspirations of the African continent. We believe that Liquid Telecom will deliver on the vision of a well-connected Africa, which will augur well for the South African telecom industry and Neotel’s customers.”

Nexus, Neotel’s minority shareholder, also welcomed the transaction. Speaking on behalf of Nexus, Kennedy Memani, said: “We welcome this transaction with Liquid Telecom and RBH. It will see the sale of Neotel to new shareholders who have the vision, expertise and funding to continue to grow the company and to allow it to reach its full potential in South Africa and across the African Continent. We are confident that customers and employees will benefit from the transaction and from the resulting stability and business expansion.”

The transaction is subject to approval by South African regulatory authorities and is expected to be completed later this year.

Liquid Telecom was advised by The Standard Bank of South Africa Limited (lead advisor, mandated lead arranger and global coordinator) and UBS.

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