

MTN bumps up its loan facilities

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Major telecommunications company MTN has dramatically increased its borrowing ability, fuelling analysts' speculation that an acquisition may be on the cards.



Last year MTN's Chief Executive Sifiso Dabengwa said MTN intended to spend \$8bn on an acquisition but he would not say what the acquisition was. Image: MTN

MTN's total debt increased 40% to R46bn as at end-December, though that took its gearing to just 3%. Analysts said the increase in potential borrowing looks similar to an increase in 2008 when the operator was in talks with Indian telecommunications companies, and a similar objective could be looming.

The analysts said MTN was likely the most under-g geared telecommunications group in the world when compared with peers that have similar market capitalisation. In June MTN's total debt was 21% of total assets, the analysts said. MTN declined to confirm or deny any speculation on acquisitions.

In April last year Chief Executive Sifiso Dabengwa said MTN intended to spend \$8bn on an acquisition and was looking at expanding into the Middle East and South-east Asia.

Mergence Investment Managers' Peter Takaendesa said there was significant room for MTN to raise its gearing levels from the current position but it was not yet possible to meet the capital structures of its global peers.

Takaendesa said because of the volatile markets in which MTN operates, this makes it difficult to raise capital in those markets and restrictions on moving cash out of some of those countries further complicates group capital structure optimisation.

No acquisition for five years

He said MTN had not made a significant acquisition in the past five years and its appetite for transformational deals had been low since talks with Indian companies failed a few years ago.

"MTN has the balance sheet capacity to make a significant acquisition if the right opportunity comes up, and more so if sanctions on Iran lift to allow MTN to get its cash out of the country," he said.

The Head of Equities and Portfolio Manager at JM Busha Asset Managers, Farai Mapfinya, said MTN needs to introduce some form of gearing to enhance return on investment.

He further said: "MTN could also be borrowing because the cost of doing business through debt is lower than equity." The telecommunication companies that MTN is being compared with are Vodafone, Vodacom, Verizon, Bharti Airtel and America Movil.

Investor Relations Executive at MTN Nik Kershaw said: "The borrowing is nothing new, we have always borrowed money." He could not be drawn into revealing borrowing levels of MTN in the last financial year.



Mergence Investment Managers' Peter Takaendesa says MTN has plenty of room to increase its gearing and an acquisition may be on the cards for the company. Image: YouTube

"It's difficult to say how much we borrowed last year. We have access to short-term borrowing and long-term funding. So, from time to time, borrowing is something that you do," he said.

"We would never comment on that as it's all confidential. As business we evaluate opportunities all the time. We unfortunately can't comment on this because it is done confidentially," he added.

Source: BDPro via I-Net Bridge

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