

Cell C tie-up 'not a solution for Telkom'

Telkom, which reported a 79% drop to 37.2c in its headline earnings per share for the six months ended September, has not ruled out a partnership that will assist its struggling mobile business, 8ta, but does not see a merger as the ultimate solution for its problems.



There has been some speculation regarding a possible tie-up between the two firms.

Telkom's chief executive Nombulelo "Pinky" Moholi said there had been interaction about how the two companies could co-operate, but no formal offer had been made, nor were discussions taking place. The board was not looking at any proposals. However, she said there was merit in infrastructure sharing to increase efficiency.

The company reported a marginal decline in operating revenue of 1.5% to R16.1bn.

Voice usage revenue decreased 10.2% to R4.4bn as more consumers switched to mobile services. Data revenue increased 3% to R5.2bn. Data is a key focus area for Telkom.

Headline earnings from continuing operations declined 80.6%, to 37.2c from 191.7c in the prior reporting period, largely due to the provision for a penalty by the Competition Tribunal.

Chief financial officer Jacques Schindehütte said while no discussions were taking place, Cell C could offer Telkom access to its spectrum and the two could work closely to create a favourable mobile interconnection regime. This could help Telkom break even in a shorter time and reduce infrastructure costs.

"I personally have my reservations about whether a merger would take us out of our misery. I am perhaps naively hoping that a closer relationship with government will bring us to a sustainable solution for our mobile offering rather than a potential merger with Cell C," Schindehütte said.

Telkom's 8ta has about 1.4m active mobile subscribers, with blended average revenue per user of R68.62. Mobile revenue increased 198.3% to R898m.

The mobile business reduced its loss before interest, tax, depreciation and amortisation to R587m from R1.07bn in the previous year.

Moholi said the overall performance of Telkom reflected the challenging environment for fixed-line operators.

"We are confident that we can overcome the difficulties we face," she added.

Source: *Business Day* via I-Net Bridge

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