

# Telkom's offer for BCX presented to shareholders

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Business Connexion (BCX) sent its shareholders a firm offer from Telkom to buy out the group at R6.60 per share, valuing the information technology group at about R2.7bn.



Peter Takaendesa says Business Connexion's likely to accept the R2.7bn cash offer it has received from Telkom. Image: [YouTube](#)

Analysts believe the deal will win BCX shareholder approval when they vote on 11 August. Telkom pitched its offer for BCX in May at a 20% premium to the company's share price.

Payment will be in cash rather than Telkom shares, meaning BCX shareholders are not exposed to any future business risks. While a good deal for BCX shareholders, the question remains whether Telkom's shareholders will see a return from this investment given the phone utility's disastrous past acquisitions.

But analysts said the transaction looked fair to both shareholders of BCX and Telkom.

Peter Takaendesa, an Equity Analyst at Mergence Investment Managers, said the transaction would be marginally dilute Telkom's earnings per share in the short-term

but there was potential for significant value to be unlocked if management executed the buyout well.

In a bid to boost its fortunes and revenue, Telkom launched a second bid for BCX in May. The R2.7bn bid was the second in eight years by government-controlled Telkom to buy BCX.

In 2006, it offered R2.4bn to take over the company. The first attempt was opposed by anti-trust authorities, which argued that the tie-up would lead to unfair pricing of telecommunications tariffs.

## Telkom better understands local market

Farai Mapfinya, Head of Equities and Portfolio Manager at JM Busha Asset Managers, said he did not think Telkom's poor reputation would weigh on this deal. "Most, if not all, major mistakes by Telkom in the past have been in geographies in which they had no experience and, compounding that, taking bets on technologies we believe they did not understand.

"Business Connexion is a local company that we think Telkom understands it better than those of their previous forays outside of South Africa."

"Telkom is going through a turnaround phase that had proceeded fairly well to date," Mapfinya said. "We think that gives shareholders a bit more comfort as to what Telkom's new management is trying to achieve with this turnaround strategy," he added.

Takaendesa agreed that Telkom had failed to extract value from most of its acquisitions over the past decade. "These included big losses on the MultiLinks Nigeria acquisition and in the recently exited iWayAfrica ISP business," he said.

Some of the transactions were strategically sound, but execution was a major failure. "We believe this unfavourable reputation on acquisitions is unlikely to weigh in on this proposed transaction primarily because Telkom is now under a well-



Analyst Farai Mapfinya says Telkom's previous attempts at buying businesses largely collapsed because Telkom didn't understand the market or business it was buying. Image: [Google+](#)

respected board and management team, as reflected in the strong share price recovery," Takaendesa said.

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