
MTS Eyes Armenia's K-Telecom

Moscow Times Reuters - 22/8/2007

The country's top cellular operator, Mobile TeleSystems, is in talks to buy Armenia's leading mobile network provider, K-Telecom, a source familiar with the situation said Tuesday.

"The talks are under way, but they are far from being concluded," the source said.

Services conglomerate Sistema, which holds a controlling stake in MTS, confirmed that MTS was interested in mobile assets in the former Soviet states.

"We are currently in talks with several companies working on the ex-Soviet ground. K-Telecom is interesting to us as one of the options," Sistema spokesman Kirill Semenov said.

Vedomosti quoted sector analysts as saying the value of K-Telecom, which currently has over 1 million subscribers, could reach up to \$600 million.

"Although the deal is only modest in size [about 1.3 percent of MTS's existing subscriber base] and value, it makes every sense from a strategic standpoint," Deutsche UFG analysts wrote in a note.

The country's leading mobile providers are in fierce competition to expand into post-Soviet countries where fewer people own mobile phones and the markets still have a potential to grow.

Vedomosti said mobile penetration in Armenia, a country of 3.2 million people, is about 50 percent, while penetration in Russia already tops 110 percent.

"We believe the deal is positive for MTS, which has lagged behind VimpelCom in expanding its footprint in the CIS," Aton brokerage said in note.
