

UK telco in \$37.5m Africa deal

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London - UK-based Gateway Communications, an ambitious pan-African satellite and telecoms company, has secured a \$37.5m purchase to beef up its multinational customer base and gain a foothold in booming Nigeria.

Gateway, whose core business offers satellite connections for mobile phone operators across the continent, said on Wednesday the deal for GS Telecom would boost its customer numbers in 37 African states.

Gateway is using satellite connections to combat Africa's greatest communications challenges: vast distances, poor and sparse infrastructure and a legacy of colonial networks that means calls from one African country to another are often routed via Europe.

The company is piggy-backing on surging demand for mobile phones in Africa, spurred by erratic and patchy landline alternatives and falling mobile tariffs and handset prices.

Currently only about one in five Africans own a mobile phone, while multinational customers have complained of crippling communications costs.

GS Telecom, which has a major presence in fast-growing Nigeria, brings multinational customers such as oil groups Total, Exxon Mobil, Coca-Cola and African mobile phone market leader MTN as well as access to local infrastructure and support capabilities.

Gateway, which said it would fund the deal partly through cash and partly from the \$100m it raised last year with a high-yield bond issue, already connects about 40 mobile phone networks across Africa through more than 400 satellite network links to around 140 earth stations.

The deal for GS Telecom follows Gateway's purchase last year of Link Africa, the former international carrier services unit of Kuwaiti-owned African mobile group Celtel, which was the first building block in creating the current company.

President Julian McIntyre told Reuters in a recent interview he was hoping to help build a \$1.0bn company in less than six years and would consider a market debut to raise further cash for further expansion.

"I believe our business will continue to grow very rapidly ... and we will look for the best kind of finance to support that growth - be that via the debt or equity markets," he said.

Combined 2006 proforma revenues for Gateway and GS Telecom were \$180m and EBITDA (earnings before interest, tax, depreciation and amortisation) was \$28.3bn, Gateway said.