

Partner search by Time dotCom down to 2 suitors

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By MALCOLM ROSARIO

TIME dotCom Bhd's search for a strategic partner is believed to have been narrowed down to between Singapore Telecommunications Ltd (SingTel) and Japan's NTT DoCoMo Inc.

On offer is Khazanah Nasional's 30 per cent stake in Time dotCom which is estimated to be worth about RM2 billion, a price tag that will in all likelihood rule out a local buyer, said a senior executive of a local mobile telephony company.

"Other speculated suitors for the Time dotCom stake include Hutchison Whampoa Ltd, Telekom Malaysia Bhd, Maxis Communications Bhd and Celcom (M) Sdn Bhd.

"But the acquirer is expected to be a foreign entity as local players just cannot afford to make that kind of investment at this point in time," he told Business Times.

Hutchison Whampoa has repeatedly denied speculation that it is interested, which leaves only SingTel and NTT DoCoMo, he said, adding that the Japanese company was said to have got a consultancy firm to conduct a due diligence on the local telecommunications environment several months ago.

Speculation on the matter was revitalised last week when Time dotCom chief executive Bob Fox admitted being involved in high-level talks with a potential strategic partner.

"We had a few discussions at a high level, but ultimately shareholders will have to decide. The strategic partner issue is a shareholders' issue," Fox said last Friday.

Observers believe that he was referring to SingTel, especially with Singapore Senior Minister Lee Kuan Yew being in town last week to

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meet Prime Minister Datuk Seri Dr Mahathir Mohamad as well as public and private sector representatives.

The two governments have managed to resolve all outstanding bilateral issues including the Tanjong Pagar railway station dispute and a long-term water supply deal.

SingTel has been known to be keen to penetrate the Malaysian market but its efforts so far have led to a dead-end. Last year, it signed a nonbinding memorandum of understanding with Time Engineering Bhd to acquire 14.48 per cent of the company and 20 per cent of Time-dotCom for RM3 billion.

It was called off at the last minute.

"While SingTel is also believed to be trying to close a deal with Maxis, I think the Singapore telco remains the frontrunner for a strategic stake in Time dotCom," an industry source said.

"Maxis has a nimble mobile operation and sizeable market capitalisation, and a three-way partnership is a possibility," he said.

According to a sectoral analyst, "SingTel still considers Malaysia as a very crucial market in the pursuit of its international ambitions".

At a presentation in Singapore for analysts in May, SingTel clearly included Malaysia in its plans to become

the leading telco in the Asia Pacific region, he said.

"From the looks of it, the sector is in for a major consolidation soon... and as far as changes in shareholding is concerned, I think Time dotCom and Celcom are the main candidates.

"DiGi.com already has a major foreign partner in Telenor, while Telekom is too big to be taken over," another analyst said.

Time dotCom on the other hand has not yet really tapped the potential of its cellular operations, which currently consists of only about 550,000 subscribers.

But its main draw is its 5,200km-long fibre optic backbone network which

spans the length of the North-South Expressway, as well as the West and East coast of the peninsula.

"Its fibre optic core is currently 30 per cent utilised at most, and is not churning out as much money as it should," the analyst said.

Time dotCom has itself said the group is well-positioned to capitalise on various segments of the Malaysian telecommunications market that are at present under-served.

In addition, with the mobile penetration rate in the country standing at 18-24 per cent, compared with 55-60 per cent in Singapore, Time dotCom sees a lot of room for further growth.