

Actis and RBH buy Swiftnet from Telkom

By **THABISO MOCHIKO**

● Private equity firm Actis and black-owned investment firm Royal Bafokeng Holdings (RBH) have ambitious plans to turn Swiftnet into a “leading” tower company after the R6.75bn acquisition of the business from Telkom.

Swiftnet owns telecom masts and towers that are also leased to MTN and Vodacom.

On Friday, Telkom announced the sale as part of its long-awaited value-unlock programme, which may also see the group selling shares in other subsidiaries such as BCX to reduce debt at group level and focus on its infrastructure subsidiary, Openserve, and its consumer business.

David Cooke, a partner at Actis, said the firm’s “ambition [is] to create a leading independent [tower company]”.

Swiftnet has a unique tower footprint across the country and is well-positioned to meet the demands of mobile network operators as they seek to expand coverage in rural areas, he said.

“Providing the infrastructure to deliver universal telecommunications access across the country, including the rollout of 5G connectivity, presents great growth prospects. Our deep understanding of the region and our global network of towers expertise provide the basis to create a strong performing platform with scale-up opportunities.”

Albertinah Kekana, CEO of RBH, said the decision to acquire Swiftnet aligns “with our diversification strategy, [which aims] to expand our presence in the infrastructure sector”. RBH has investments in power, renewable energy, digital infrastructure, water and waste management.

The Swiftnet deal enables RBH to invest in a growing sector with favourable trends, such as increasing data demands and the transition to 5G, driving the need for tower densification, Kekana said. South Africa is expected to experience more demand for towers and tenants, driven by secular telecoms growth, rising data consumption and the rollout of 5G technology.

“Swiftnet has more growth opportunities ahead. There is strong potential for Swiftnet to increase the tenancy on its existing tower portfolio, as well as roll out new towers in both urban and rural areas. With the advent of 5G, there’s a surge in demand for greater levels of connectivity by consumers, driving a need for more mobile coverage through towers,” Kekana said.

As data usage increases, “densifying [Swiftnet’s] towers can accommodate more equipment, increasing revenue per site. Moreover, diversifying into services such as

small-cell deployment, fibreoptic connectivity and power solutions can further enhance [Swiftnet’s] appeal to [its] core mobile customers.”

Actis will hold 70% in the acquired company and RBH 30%. The investment in Swiftnet builds on Actis’s existing digital infrastructure portfolio locally, the firm having invested in fibre network operator Octotel in 2020.

Over the past two decades, Actis has deployed \$1.4bn (about R26bn) in investments across South Africa.

In January, Actis bought a macro tower portfolio in the western Balkans, comprising about 1,800 towers in Serbia, Montenegro and Bosnia and Herzegovina. Actis has committed more than \$1.5bn to the digital infrastructure sector globally, and it will continue to be an important part of Actis’s investment strategy.

Cooke said Actis’s expertise as a builder and operator in South Africa and its experience in digital infrastructure would help it to unlock economic growth and meet the demand for fast and reliable connectivity in both urban and rural areas.

In addition to its strong empowerment credentials and expertise in the telecoms sector through its investments in Vodacom and Liquid Telecoms, Kekana said RBH would also bring “an extensive network of industry connections and relationships which can open doors to new partnerships, opportunities and collaborations for Swiftnet”. She added: “Leveraging these connections can facilitate business development and expansion initiatives.”

In the six months to September, Swiftnet’s revenue fell marginally by 1.2% to R652m, and the company has 4,000 towers.

“This decision marks a pivotal moment in Telkom’s journey towards unlocking shareholder value and [keeping] our focus on core business operations,” said Serame Taukobong, Group CEO at Telkom. The bulk of the proceeds of the deal would pay debts, while the rest would be invested in pursuing growth opportunities, he said.

Taukobong said the deal was subject to regulatory approval

Philip Short, portfolio manager at Flagship Asset Management, said the price for Swiftnet was fair. However, it would have been helpful to know the detail on the lease-back terms, as Telkom will be paying to use the towers it is selling to the acquirer.

On the timing of the deal, Short said: “It has taken frustratingly long. One can only hope that they have been running the other value-unlock strategies simultaneously, otherwise it will be a very long time.”



David Cooke