

## New telco lists on AltX

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[ 12 March 2007 ] - Listing this morning on the JSE's Alternative Exchange (AltX), TeleMasters says it has a firm future based on sustainable business offerings, processes and customer mindset.

This is despite its revenue predominantly coming from least-cost routing (LCR) – an offering many consider to be losing a foothold in the market.

TeleMasters, established nine years ago, placed 42 million of its 500 million privately-held shares on the market at a value of 50c. The company's first trade on the bourse saw 15 000 shares trading at R1.62.

### Opening doors

TeleMasters CEO and 85%-shareholder Mario Pretorius says the listing takes the company to a new level of business.

"We are now looking at the next step: we are growing at an annual rate of 30% and believe this listing will enable us to gain access to additional funds, as well as provide customers and employees with the confidence that comes with dealing with a listed company that meets transparency requirements," he says.

TeleMasters' revenue is based predominantly on cellular LCR solutions, which enable companies to reduce their monthly telephony costs by routing calls to the same network being dialled and avoiding interconnection costs.

The company's full-year revenue for the year ended 30 September 2006 was up almost 50%, at R124 million, on its previous year's results. It expects this to grow to R130 million for its 2007 financial year and R137 million in 2008. Operating profit – which climbed 118%, to R8.7 million in 2006 – is expected to come in lower this year at R7.2 million, increasing to R7.7 million in 2008.

### Talking BEE

Pretorius says the listing will also help the company engage in a black economic empowerment (BEE) partnership.

"We are looking for a marriage, where both parties are committed to the relationship – we are not interested in companies that are just interested in picking up shares at discounted prices and dumping them a week later," he explains.

"We are looking for the right person or company for the business – one who will benefit the business as much as we benefit the shareholder. That means we have to have a true value offering and visa versa. We have had a few enquiries – which is great – but we won't jump at the first offer."

### Changing markets

As for threats to its LCR business, Pretorius says there is still opportunity for growth even if newer solutions like voice over IP receive greater fanfare.

Another risk facing the company is the ongoing calls for the Independent Communications Authority of SA to address the high interconnection fees between communication network operators Telkom, Vodacom, MTN and Cell C. However, Pretorius is unmoved by this threat.

"If anything, reducing interconnect costs is going to facilitate the entry of new solutions to the market and that works for everyone. Even though our revenue lies prevalently in LCR, our business success lies in our long-term relationships with our customers.

"If LCR is the main revenue contributor at the moment, that is only because it is the solution that best meets our customers' needs. We are technology and solution neutral – we just want to get the best solutions for our clients and their needs."

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