

Billionaire Fridman targets US and Europe in \$16bn telecoms spree

Russian investor lines up heavyweight advisory team to challenge traditional operators



Mikhail Fridman
Daniel Thomas, Telecoms Correspondent APRIL 5, 2015

Russian billionaire Mikhail Fridman is drawing up plans for a \$16bn investment spree in telecoms and technology businesses in Europe and the US boosted by the appointment of a heavyweight advisory board of industry entrepreneurs.

The focus on telecoms and technology comes just weeks after Mr Fridman was embroiled in an acrimonious spat with the British government over the acquisition of a dozen North Sea fields by his oil and gas group, L1Energy, a [similar venture](#) chaired by Lord Browne, former chief executive of BP.

London-based LetterOne Technology (L1Technology) has been set up as a private equity-style group by Mr Fridman and his Russian partners to invest a \$16bn fund.

The board, which will include Lastminute.com co-founder Brent Hoberman and Irish telecoms entrepreneur Denis O'Brien, has been brought together to aid acquisitions in the technology sector to augment an already substantial portfolio of telecoms businesses. It will also include Osama Bedier, a former Google payments executive, former Skype executive Russ Shaw and Sir Julian Horn-Smith, one of the founding management team at Vodafone.

L1Technology is seeking to disrupt the traditional telecoms industry using new technology to transform business practices. Chief executive Alexey Reznikovich said he believed that the "old fashioned" telecoms industry needed a root-and-branch overhaul to make money for investors. He said the group had no debt on its balance sheet, which meant that leverage could be used to increase available funds to \$25bn.

Mr Reznikovich, who oversaw the board appointments, said the company was aiming to acquire businesses in areas ranging from traditional telecoms groups that needed help or new capital, to internet companies such as those making apps and streaming services that could be used by its global mobile operations.

L1Energy ran into opposition last month from the UK government, which argued that future sanctions against Russia could lead to the shut down of the company's North Sea assets, acquired as part of a strategy to build an international energy business, threatening supplies vital to the UK economy. It is now looking to sell the gasfields.

Telecoms assets could also potentially be politically sensitive as providers of key national communications, as was seen by the thwarted attempt two years ago by Carlos Slim's America Movil to take control of KPN, the Dutch telecoms incumbent.

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Alexey Reznikovich, chief executive of LetterOne Technology

L1Technology will act as a holding company for the 48 per cent stake in VimpelCom, [the telecoms group](#) held by Mr Fridman and his Russian partners. The group will also control their 13 per cent share in [Turkcell, the Turkish telecoms company](#), which is being fought over with Mehmet Emin Karamehmet, one of Turkey's best-known businessmen. The stakes are valued at about \$14bn.

"We are not looking for the next Google," Mr Reznikovich said, pointing to the opportunity to invest in [markets open to consolidation](#) as regulatory

concerns about mergers in the sector ease.

"New acquisitions will benefit from our significant expertise, and will gain access to our existing customer base, which numbers over 200m across existing networks," said Mr Reznikovich.

European telecoms businesses risked "dying" unless they changed a sluggish incumbent mindset, he said, adding that few were using their "deep knowledge of their customer base", for example, to launch additional services in banking and digital content distribution.

Mr Hoberman in particular is considered one of the best-connected tech investors in Europe from his position as co-founder of ProFounders Capital, a leading venture group, and co-founder of Founders Forum. He is also close to the UK government.

The acquisition strategy will be played out alongside plans by Mr Reznikovich to push for an overhaul of the operations at VimpelCom, which has businesses across the world including in Russia, Algeria, Pakistan, Bangladesh and Italy.

Two-thirds of the company's cost base could be cut even as it sought new revenues from digital services, he added.

Additional reporting by Murad Ahmed

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