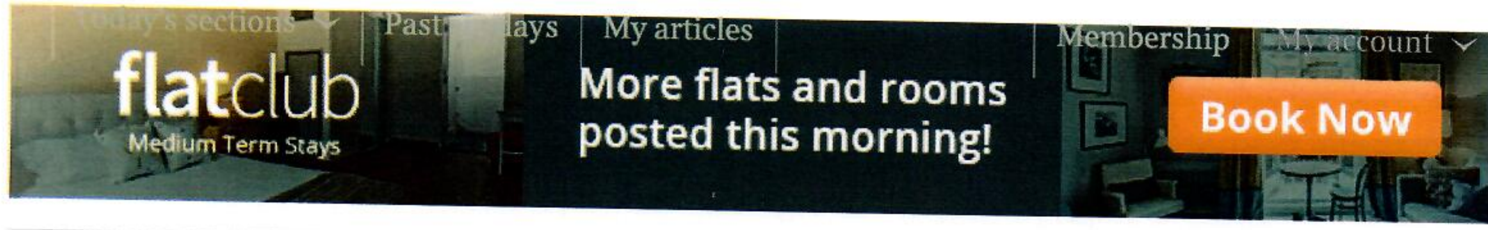
Search

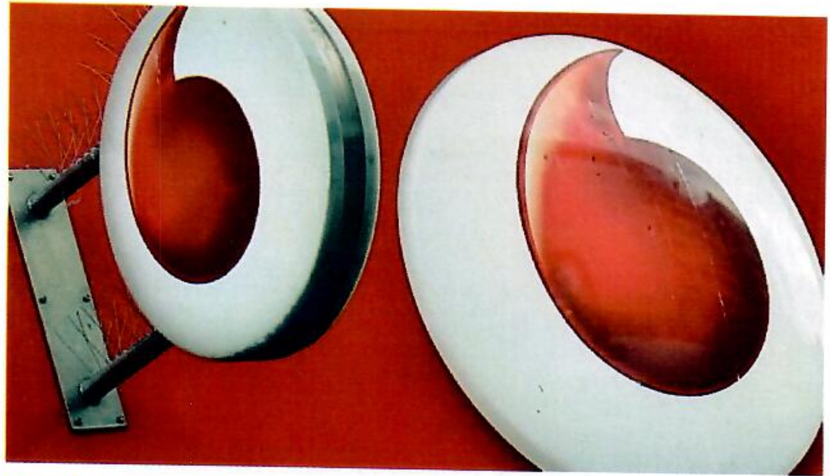


MARKET REPORT

Telecoms consolidation thrives (Down Under)

Nic Fildes

June 10 2016, 12:01am, The Times



Vodafone will own 51 per cent of the combined company in New Zealand
REUTERS

Share f G+ Save

From giving women the right to vote to climbing Everest, New Zealanders love to set the tone for the rest of the world by getting there first. Now a deal in the land of the long white cloud has set tongues wagging that it could be setting another precedent in other

parts of the world.

The £1.7 billion merger of **Vodafone's** New Zealand division and the local Sky operation — no longer part of Sky in Europe or News Corp, having been sold off in 2013 — plays perfectly into the narrative of telecoms consolidation that is taking place more than 11,000 miles away.

Vodafone will own 51 per cent of the combined company. It is unclear which brand will win out with both being well-known names, and so a compromise such as "Skodaphone" is presumably off the table.

New Zealand has long punched above its weight in Vodafone's thinking. A decade ago it appointed Tim Miles, managing director of its Kiwi network to run its lynchpin UK business, but speculation has grown in recent years that an Antipodean exit may be on the cards, with TPG, an Aussie rival, tipped as a buyer.

The Sky deal, which creates one of New Zealand's largest listed companies, puts paid to that notion and has only increased speculation that a deal with Virgin Media or Sky in Britain is on the cards as more of Vodafone's units around the world get a media

tinge.

The collapse of the Three-O_2 deal has triggered talk of "a rapid round of deal-making", with all eyes on Vodafone as kingmaker and Sky, Virgin Media owner Liberty Global, O_2, Three and TalkTalk all seen as chess pieces. Vodafone shares lost 11½p, or nearly 5 per cent, to 219¾p, although the fall was attributed to the company going ex dividend.

The mobile company's share weakness captured the mood of the wider market as inflation data from China cast a gloomy light. There was little to brighten the mood over the course of the session, which left the FTSE 100 index of leading shares drifting 1 per cent lower, off 69.63 points to 6,231.89.

Joshua Mahony, an IG Index markets analyst, said that the market was retreating from the 6,300 level and that the downward trend could "create a bearish head-and-shoulders pattern". The term refers to a chart formation

defined by three peaks in trading, the largest in the middle, before a sell-off.

Miners, banks and builders all lost ground but there was better news in the media sector, which has been fertile when it comes to listings of late, with Ascential and now **Time Out** going public. The latter, best known for its magazines that tell you what to see and do in various cities around the world, has raised £90 million, as it intended. The value of the business, which was close to collapse only a few years ago, will be £195 million at debut, which was within the range but below the top valuation of £225 million that had been explored in the run-up to the float. The stock will start trading on Tuesday at 150p.

The biggest mover was **Cloudtag**, the UK tech start-up that has developed a heart rate and activity monitor to compete with Jawbone and Fitbit. Its shares got pulses racing, with a 28 per cent rise — 1¼p to 5¾p. The wearables company was buoyed by a new fundraising that was pitched at a big premium to the shares as the company moves closer to getting its devices on to high street shelves.

Antofagasta in a deeper hole

Punters still in Antofagasta, the Chilean copper miner, have had little to applaud in recent years and yesterday they were given another reason to sell.

Shares in the company, which have slumped from north of £12 five years ago, before the rout in metals prices triggered by the slowdown in China, were the biggest fallers on the FTSE 100 when a broker queried the strength of the dividend.

Canaccord Genuity, downgrading Antofagasta to "hold" from "buy" and cutting its target price to 475p from 550p, warned that the gradual changes in the Chilean tax regime through to 2018 was putting pressure on the group's shareholder payout and net margin.

"On our forecasts of a lower net margin going forward, we think only about 2 per cent dividend yield is likely through 2018," Canaccord told clients.

"We do not see the potential for Antofagasta to return to a plus-3 per cent dividend yield until after 2018."

Shares in the miner shed 28¼p, or 6.3 per cent, to close at 423¼p. They are down about 10 per

cent this year, underperforming the FTSE 100.

Wall Street report

Shares retreated after three days of gains as oil prices fell and investors turned their attention to safer assets, such as bonds. The Dow Jones industrial average, which had closed above 18,000 on Wednesday, shed 19.86 points to finish on 17,985.19.

Share Save

Comments are subject to our community guidelines, which can be viewed here.

0 comments

+ Follow Post comment

Newest | Oldest | Most Recommended

livefyre

BACK TO TOP

GET IN TOUCH

Contact us Help

MORE FROM THE TIMES AND THE SUNDAY TIMES

The Times e-paper The Sunday Times Times Currency The Sunday Times

The Times Editorial Complaints
The Sunday Times Editorial Complaints
Place an announcement
Classified advertising
Display advertising
The Times corrections
The Sunday Times corrections

Encounters Dating
Sunday Times Driving
Parent Power

e-paper
Handpicked Collection
Times Membership

Services
Red Box
The Times Archive
The Sunday Times Rich List

Wine Club
Times Print Gallery
Times Crossword Club
Insider City Guides
Good University Guide

© Times Newspapers Limited 2016.
Registered in England No. 894646. Registered office: 1 London Bridge Street, SE1 9GF.

Privacy & cookie policy Syndication Terms and conditions