

State may sell Vodacom stake to fund Eskom

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Crushing financial pressure on Eskom has compelled the government to consider selling its R26bn stake in Vodacom and to assess its other listed holdings, such as Telkom to raise the cash that Eskom needs.



Finance Minister Nhlanhla Nene may encourage the state to sell several stakes in private companies, including Vodacom and Telkom to provide the funding that is urgently needed by Eskom for its build programme. Image: GCS

A Bloomberg report this cited four people who confirmed the state had retained bankers to advise on the disposal of its 13.9% stake in Vodacom, which is 65% held by London-listed Vodafone. The willingness to sell this stake has reinforced speculation that the state is also looking to cash out of its politically sensitive 39% holding in Telkom, which was worth about R10bn.

Finance Minister Nhlanhla Nene who is visiting the UK, last month he said the government would use state assets to raise the money that is needed to shore up Eskom's balance sheet. Eskom has been battling to avoid having its rating cut to junk status by Standard & Poor's.

Last month an inter-ministerial team announced a bailout package for Eskom of close to the R225bn funding gap that the state-owned company still needs. The package included an undisclosed equity injection, support for higher tariffs and R50bn in debt. Eskom will raise the debt against existing government guarantees.

Non-core assets may go

Other investments that may be disposed include some companies within the Industrial Development Corporation (IDC). According to the IDC's 2014 annual report these holdings include Sasol, Foskor and Scaw Metals. Estimates are that the state would raise up to R100bn by selling stakes in different private companies.

Telkom has declined to comment on whether the state had been in talks about selling its 39% stake while Vodafone said in an e-mail it was not its policy to comment on market speculation.

The Treasury has not denied that it is considering selling its stakes in Vodacom, Telkom or other companies. Spokeswoman Phumza Macanda said the government held interests in "many sectors of the economy" and from time to time made decisions to increase and decrease these holdings.

"When government takes such decisions it would have to handle information on them with extreme care, bearing in mind that some of the entities are listed and any decision involving them is market sensitive and is governed by strict laws," Macanda said.

State running out of options

Head of Research at Afena Capital Khulekani Dlamini said Vodacom would be likely to sell at a discount and the news would create an overhang in the share price.

Analysts claim the government has run out of monetary and fiscal policy options to raise money and is, instead, looking to sell interests in non-core assets to raise funds.

"They are taking money out of a good asset and putting it into one that could destroy value, because they are desperate,"



Eskom's Medupi power station that is gobbling money as its being built. Image: [Kentz](#)

claimed Pan African Investment and Research Services Chief Economist Iraj Abedian.

"It's a start, because things are going to get tighter and as their options become fewer and fewer. Anything that is considered to be a non-core asset will be an option," he said.

Source: BDPro via I-Net Bridge

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