

# OMANTEL'S “Audacious” Acquisition

IN 1864, A LARGE ROCK ON THE NORTHERN EDGE of Oman became one of the most critical points in the British Empire. A repeater station was built on it to boost signals through undersea cables linking Britain to its Eastern colonies, allowing colonial administrators and traders to send 200 messages a day by Morse code.

The spot is now known as Telegraph Island. In the digital age, sub-sea cables are more vital than ever, enabling Oman to capitalize on its unique geographical location between Asia, Europe and Africa.

The country’s heritage as a crossroads for trade, people and communication is not lost on the CEO of Omantel, who has projected his company onto the international stage with what he calls an “audacious” transaction – the biggest M&A deal in Oman’s history.

Omantel’s recent acquisition of a controlling stake in Kuwaiti telecoms firm Zain has boosted the company’s interests from one market of 4.5 million people to 10 markets, with a combined population of 175 million. The tie-up will also enable Omantel to leverage on its connectivity to 13 major submarine cable systems, through five separate landing stations in Oman.

“Oman has been a regional hub for trade and cultural exchange for decades,” Talal Al Mamari says. “As Omanis, we have a good understanding for others and an acceptance of different cultures – this is reflected in the way we do business. In this case, we were looking for a significant acquisition, a marriage if you like, and we needed the right partner.”

In 2015, Al Mamari, a graduate of Duquesne University, Pittsburgh, set out his vision for Omantel’s future; humbly called “Omantel 3.0.” The plan? To make Omantel a “leading digital service provider” – a business that could help drive Oman’s economic transformation agenda, which aims to reduce dependency on dwindling oil resources by boosting sectors such as petrochemicals, logistics, technology and tourism. A mountainous and desert nation with a gorgeous coastline, Oman has a stable government and an increasingly balanced economy.

**CEO TALAL AL MAMARI** tells Brunswick’s **WILL ANDERSON** how his company is expanding into a regional communication hub

With limited growth opportunities as a single market telco, Al Mamari began poring over a long list of prospective partners with CFO Martial Caratti, who drew on his earlier experience with the Orange/France Telecom merger. Ultimately, Al Mamari hoped to grow the company culturally and intellectually, as well as physically.

“We needed a truly complementary business to form an alliance – a forward-looking mobile telco that was already providing an integrated service, one that wasn’t in our market and would benefit from our sub-sea cable infrastructure,” Al Mamari said. “The list was full of potential partnerships but Zain Group – Kuwait’s leading mobile operator and the most digitally advanced service provider in the region – stood out as the right strategic fit.”

An alliance with Zain would propel Omantel into fast-growth markets such as Saudi Arabia, Iraq, Sudan, Morocco, Lebanon and Jordan. Al Mamari had high respect for Zain’s well-established brand and its management team, for the work they had done in modernizing their networks and providing a lucrative portfolio of services that monetize data.

“We started a long period of research to really get to know the business and to understand their

intentions,” Al Mamari said. “We needed to find a way in and saw an opportunity in Zain’s treasury shares, which we knew might be for sale back to the open market. Early conversations with Zain were really excellent and it was clear they wanted a strategic partner with energy, expertise and capital. The chemistry was right, so we went for it.”

The treasury shares represented a holding of just under 10 percent. After more discussions and a two-stage deal lasting six months, Omantel purchased a total of 22 percent in Zain Group, becoming its second-largest shareholder. The final stage of the transaction saw the appointment of five board members to Zain Group, giving Omantel majority control.

“We knew this was going to be an audacious transaction not least because of the auction process mandated by the Boursa Kuwait.” For sales of more than 5 percent of stock, a listed company in Kuwait must conduct a public auction – an extra step that could have derailed the proposal.

“This means, we had to announce our intentions, and then sit patiently for 10 days to see if we had won – it was excruciating at times as we were not allowed to talk about the deal in any way!”

While Oman is a growing center of international commerce, popular images often focus on its picturesque coastline and romantic history. Above, a dhow, a traditional wooden boat, is shown floating in the waters off of Telegraph Island in Oman. Located in the Strait of Hormuz, between the Arabian Gulf and the Gulf of Oman, Telegraph Island was a key communications link for the British Empire.

## TELEGRAPH ISLAND

For a handful of British soldiers in the mid-1800s, there was no station in the world worse than “around the bend,” a phrase that referred to Telegraph Island off the north coast of Oman. From 1864 to 1869, Jazirat al Maqlab, or Telegraph Island, was the site of a crucial communication link between India and Britain. Previous attempts by the Red

Sea and India Telegraph Company to connect India to London over land had failed, so a submarine cable route in the Arabian Gulf was chosen. For five years after the telegraphy was decommissioned, British soldiers continued to man the isolated outpost. The size of a football field, unbearably hot and barren, the island reportedly drove sane men mad.

Al Mamari confesses to a few sleepless nights. “As with any major transaction there are ‘points for negotiation,’ but in this case, the quality of both management teams really shone through. Yes, there was a moment when I thought the whole thing could have collapsed but when Bader Al Karafi, the Zain Group CEO, and I got together, we were able to remind everyone of the main objective.”

Al Mamari sees these strategic peaks as key moments along the storyline of the deal. While there are professional mechanisms and processes – “the science,” as Al Mamari calls it – there is also “the art” of a deal, the activity that requires attention to the human aspects.

“When you have 60 or so superb and experienced professionals working toward a common goal in a highly stressful environment, there are times when people can get too detailed and lost in process minutiae,” he said. “They forget what it’s all about.”

For Al Mamari, the importance of this deal was never lost.

“We’ve heard many discussions over the years around diversifying Omani business, but many plans were not realized for whatever reason,” he said. “Omanis are naturally down to earth people, accepted and welcomed wherever we go. We understand different perspectives and value other cultures, and in particular what they can bring for the benefit of our own nation. It is these characteristics that have made this a good deal, bringing renewed hope and confidence to Oman.”

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