

Belgacom IPO Signals New Era in Belgian Telecom

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Belgacom's initial public offering (IPO) will make the company more commercially minded and will benefit customers. But Belgacom won't get much of the cash — minority shareholders (all telecom operators) will benefit most.

NEWS ANALYSIS

Event

On 2 October 2003, the Belgian government announced it had reached agreement with Belgacom (the incumbent telecom operator) and minority shareholders on an IPO of shares. Minority shareholders can sell their stakes sometime in 2004, but the government will still own 50 percent plus one share of Belgacom.

Analysis

Bankers valued Belgacom at 10 billion euros (\$11.6 billion), but the IPO won't generate much cash for Belgacom. The money will go mainly to SBC Communications (the second-largest U.S. local carrier), TDC (the Danish telecom operator) and Singapore Telecommunications — they own 17.5 percent, 16.5 percent and 12.5 percent of Belgacom, respectively. However, Belgacom will keep its strong balance sheet and will be virtually debt free. With a dominant market share, it will be well positioned to channel cash into new domestic broadband offerings and deliver reasonable returns to shareholders.

Belgacom's revenue from traditional fixed-line voice and legacy data services will continue to decline, but mobile and higher-capacity IP and broadband services will compensate. The company has decided to invest progressively in new service areas with prospects for long-term revenue. Gartner expects this multimedia strategy to continue. Customers should look out for very-high-speed services resulting from the Broadway project to install 10 Mbps or higher fiber up to the street cabinet.

Belgacom could extend its international reach and revenue with suitable partners in the converged media and telecom sector if it can build on its CEO's television experience in RTL. In addition, we believe Belgacom will also extend international capabilities through wholesale and IP services in Europe, with links to the United States, to exploit opportunities in the consolidation of the European market. Belgacom could also be an ideal partner in a merger of middle-ranking European operators although it is too small to become a leading player in European telecom consolidation. Belgacom doesn't have a business need for a full partnership in the short-term. Hence the company will likely focus on alliances for content provision through 2006.

By remaining the majority shareholder, the government protects Belgian telecom activity. But by allowing the IPO to proceed it gives private management a renewed stimulus. Customers should get broader services while competition with cable will keep prices acceptable.

Analytical Sources: Lisa Uden and Jean-Claude Delcroix, Gartner Research

Recommended Reading and Related Research

- "Europe's Top 10 Fixed Line Operators Need New Revenue" — To survive the stresses from market, regulatory and financial forces, incumbent operators must radically overhaul their strategies and business plans. **By Lisa Uden and Alex Winogradoff**
- "Fixed Public Data Services: Western Europe, 2001-2007" — We forecast that fixed retail and wholesale data services revenue in Belgium will grow by compound annual rates of 10.1 percent and 8.3 percent, respectively, from 2002 to 2007. **By Katja Ruud, Lisa Uden, Susan Richardson, Jean-Claude Delcroix and Terry Wright**

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