

Huge leaps on news of rival acquisition

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SHARES in AltX-listed Huge Group rose more than 7% yesterday to temporarily touch 350c after it announced the R80m acquisition of CentraCell, a rival in the niche least-cost-routing telephony market.

Huge is built around one operating subsidiary, TelePassport, and says the CentraCell deal will be the first of several acquisitions. The company will pay with R58,5m in cash and by issuing 6,7-million new shares at 320c each.

Least cost routing directs corporate calls over the cheapest available network. The players earn commission from the cellular operators for each call routed over their networks. TelePassport earned a commission of 19%, but taking over CentraCell should make it big enough to negotiate a

payback closer to 26%, said financial director James Herbst.

The acquisition also increases its customer base 40% to 7 000 and will boost its annual revenue from R300m to R500m.

CentraCell is owned by brothers Julian and Alexander Morelis, and Julian will join the board as sales and marketing director. Restraint of trade agreements would see Julian paid R7m in cash and Alexander paid R2,1m.

Herbst said the immediate strategy was to bed down this deal, but the company was already talking to several other potential takeover targets. It would like to offer voice, data and video services, but had to reach a certain size before it could diversify into all those areas.

The first goal was to become a top player in providing telephony management services. When the group listed this month its shares rose from R2,50 to R3.

