Is Ghana selling AirtelTigo for a song to former British Commando?

Last November, Ghana's Ministry of Communications & Digitalisation announced with flourish that it has "facilitated" a "joint venture" between state-owned AT (formerly, AirtelTigo) and "Hannam Investments", which will result in a transformation of the Ghanaian telecom operator into a world-class operator.

Image Source: Ghanaian Ministry of Communications & Digitalisation

The Ministry was at pains to educate Ghanaians about what a big catch Ian Hannam, the Founder of Hannam Investments, is. The press release informed readers that:

> "During Ian Hannam's career at JP Morgan, he worked on over 300 transactions in 40 countries. Many of those were transformational and led to Ian Hannam being recognised as the leading banker in a particular sector at a particular time."

The hype was unnecessary. Ian Hannam's story needs no garnishing. A former reservist in the UK army, he is widely reputed to have been trained by the deadly UK special forces unit, the SAS. His official biography does indeed confirm a background in the 21 SAS Regiment. Upon entering the investment banking space, he quickly earned his stripes as a tough-as-nails, take no prisoners, swashbuckling dealmaker across multiple sectors. He has been called a buccaneer (pirate), the "King of Metals", and an "unguided missile". Feisty, charismatic, and tenacious, Hannam is said to love operating in challenging business environments like those of Afghanistan, Kurdistan, and Nigeria.

It is a feature of the daredevil instinct that it has been known to occasionally drive overachievers over the limits of conventional propriety. Not too surprising then that having climbed to the very apogee of City (of London) significance in his mid-50s, by driving mega-deals like the BHP merger and Xstrata listing, Hannam slipped and found himself entangled in an insider trading scandal involving oil fields in Uganda and powerful politicians in Iraqi Kurdistan. He was fined by UK financial regulators in 2012, and his dogged efforts at appeal came to nought.

Now 63, and forced to step down from his lofty JP Morgan perch, Hannam could have slunk off to an early retirement of yachting, golfing and sneak-parachuting into the Andes with former SAS buddies. But he wasn't done. He set up a private office called Elgin Partners in 2012, and went to work as a private investor. (It is not known if he named "Elgin" after the famous 19th Century, ex-soldier, Scottish diplomat who pulled off that massive heist of Athenian marble treasures for eventual sale to the British Museum.) Hannam's Elgin Partners bought a boutique advisory firm, Strand Partners, and renamed it "Hannam & Partners". Voila, a colourfully named niche investment bank!

Under the Hannam brand, he quickly tapped networks from his banking days and cut a deal for a copper fabrication plant with a former JP Morgan client, Kazakhmys. Thus began a new phase in the life of our former banking wizard.

In this new guise, he has tried to shepherd Turkish conglomerates around the complex regulatory landscape of UK dealmaking, smoothed the way for Indonesia bargain hunters, and utilised connections to private defence contractors like the dreaded Blackwater to make a move on Venezuela's sanctions-battered gold industry, without triggering American ire. This approach of mixing high-powered political, military, and business-strategic levers to unlock highly risky business opportunities has become his hallmark.

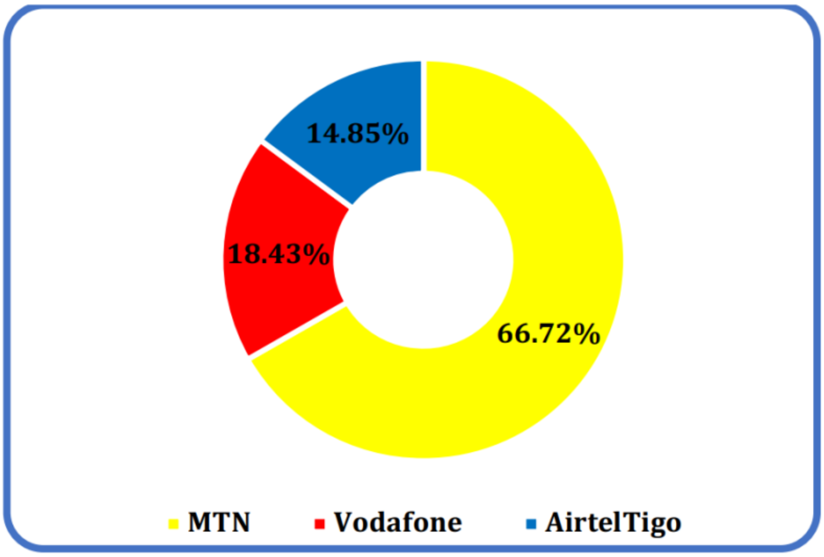
For example, he pursued Afghanistan's vast copper and other mineral deposits for more than a decade, evolving his geopolitical technique as the country's checkered fate unfolded. During the Trump era, he finally hit the jackpot. The US president was desperate to commercialise Afghanistan's untapped, trillion-dollar, minerals bonanza, partly to offset some of the large amounts of money America had expended during its military occupation. Leveraging links to General David Petraeus and expensive strategy consulting from Cherie Blair's own boutique advisory firm, Hannam eventually succeeded between 2018 and 2020 in securing Afghan government mining permits. All was set for a great extractive feast. Then he run out of money.

So, what is a storied City (of London) grandee, former British commando, distressed asset turnaround specialist, and shrewd warzone treasure hunter doing with a struggling Ghanaian telecom company? It isn't too difficult to guess: he is looking to make a killing.

Despite his reputation for competitive ferocity, the South London – born dealmaker is also very good at turning on the charm when useful. He has been known, for instance, to lavish Tory grandees like David Davis with expensive skiing trips to Austria when he needs to replenish his political arsenal. Getting the famously standoffish head honcho of the Ghanaian Ministry of Communications eating out of his hand is a clear testament to this chummier side of his personality.

If the reported asset valuation underlying the AirtelTigo/AT – Hannam joint venture of ~$176 million is accurate (and the numbers have been reported by credible sources), and Hannam has indeed cut a deal with the Ghanaian government for an 85% controlling stake in the joint venture in exchange for $150 million of turnaround investments (no reason to doubt the reports), then the deal bears all the marks of the signature Hannam style. And it would be a deservingly juicy steal indeed. But to explain why, we need to recap AT's history briefly.

Struggling to survive in a market heavily dominated by telecom behemoth, MTN, Ghana's third and fourth-ranked telecom companies, Airtel and Tigo (Millicom), merged in 2017. At that time, the combined entity had more than 10 million subscribers, overtaking the country's number two operator, Vodafone. Unfortunately, despite the touted synergy play, and the government's efforts to rein in MTN using antitrust instruments, AirtelTigo, the merged entity, continued to bleed subscribers, burn through shareholder loans, pile debt, and make losses. It now ranks well below Vodafone.



Market shares as at Q2 2023.

Source: National Communications Authority, Ghana

So, in 2020, Millicom, already retreating from the whole of Africa, wanted out of Ghana. Airtel's global boss, Sunnil Mittal, whose personal fortune had been invested alongside India-based Bharti Airtel in the acquisition of the Zain assets that were rebranded into Airtel Africa, was keen on fully taking over AirtelTigo (as he had done in Rwanda, when he took over Millicom's Tigo assets in 2017). Consequently, Airtel moved aggressively to engage the Ghanaian government in 2020. The Ministry of Communications, however, had a Web of partners managing various technology assets, like the so-called Common Platform, who were loathed to allow an Airtel – Milicom offshore deal to dictate the fate of the Ghanaian AirtelTigo asset. They craved being in the thick of things. So, the Ministry demurred. In the end, Airtel and Millicom wrote off the value of equity invested in AirtelTigo over the years, impaired shareholder loans, and allowed the government to acquire the company for $1. Upon the acquisition, the entity was rebranded to AT.

The government side then had a long-drawn out negotiation with the two multinational telecom giants about the non-shareholder related liabilities of AirtelTigo, such as various local loans. In the end, the Government assumed a portion of these liabilities, and the multinationals finally walked away in 2021. To date, the Ministry has never published a detailed account of the transaction. It has also so far refused to make AirtelTigo/AT's audited statements public. What is widely known however is that those liabilities have continued to grow.

As has become customary in Accra nowadays, **even the pretense of a competitive bidding process was dispensed with**, so it is anyone's guess why Hannam's offer found favour, whilst other expressions of interest, such as Airtel's, didn't. His reported planned investment of $150 million is destined for the cleaned up AT, stripped of the aforementioned historical baggage of AirtelTigo liabilities. The question that governance watchdogs and analysts have is: who will be left holding the can? Is it the Ghanaian taxpayer?

Second, and more egregiously, the valuation implied in the joint venture (JV) transaction would suggest that each AirtelTigo/AT subscriber is being valued at a paltry ~$26. That would be a scandalous number of historic proportions.

In 2006, when MTN entered Ghana through the regional Investcom/Areeba transaction and bought Scancom, the implied price-per-subscriber was a whopping $745. Notably, MTN was also required to pay $67.5 million to upgrade its licenses, which is not factored into the preceding valuation.

In 2008, Celtel will value its entry into Ghana at $160 million by way of a 75% acquisition of state-owned Westel. (By the way, Ghana's 25% stake held through the national oil company, GNPC, would be whittled down to zero by March 2017 due to failures to respond to capital calls.) The implied subscriber unit value would have been ~$53,000, but Westel was such a puny operator that the deal was understood, primarily, in terms of an operational license acquisition. (Note: Celtel was eventually acquired by Zain, which in turn was bought by Airtel.)

A more comparable deal would be the Vodafone entry into Ghana in 2009, during which the British giant acquired state-owned fixed wireless and mobile assets, customers, licenses and accompanying infrastructure. The implied subscriber value was ~$710 a pop.

IN 2010, Bharti Airtel, through its African vehicle, acquired Zain's subscribers in Ghana at an implied unit valuation of ~$267.

Granted that all these transactions occurred in those halcyon days of telecom glory in Africa when investors had red-hot fantasies about surging ARPUs (average revenue per user) and massive subscriber growth. Granted also that this was the era when the African consumer boom supposed to propel mobile internet usage, and shoot lip-smacking operating margins through the roof, was perceived by most analysts as just around the corner. And, yes, we can concede that the situation in the African telco space has turned out to be far less rosy. Nonetheless, there are much more recent transactions, including one in Ghana, that can provide a benchmark for the Hannam takeaway.

The Telecel acquisition of Vodafone Ghana's assets in 2022, for instance, impliedly priced subscribers at roughly $67 each. In 2019, the Axian acquisition of a majority stake in TogoCom, an operator in next door Togo, valued each subscriber at ~$100. Etisalat's recent investment to bump up its equity in Maroc Telecom into a controlling stake placed a price premium on each subscriber of ~$297.

Even Millicom's fire sale of its telecom assets in Africa to focus on Latin America never saw the kind of rock-bottom pricing witnessed in the reported sale of AT to Hannam. Furthermore, Millicom's sales were for pure cash consideration, whereas in the case of AT the government of Ghana (and by extension, Ghanaian taxpayers) is merely getting shares in an entity through which Hannam will control the investment of his $150 million cash injection for operational turnaround. Having invested in Revolut and, more recently, in Turkey's Colendi, he has negotiated hard to be at a vantage point where he can leverage AT's mobile money license for the ultimate fintech heist. Firms allied to the Ministry in the Kelni GVG and Common Platform endeavours who sought out Hannam in the first place are are arrayed around the deal, eyeing juicy product-alliances. Furthermore, accrued liabilities are being transferred out to be borne by the public.

There may yet be an avenue to subject the deal to additional scrutiny. Because Hannam Investments is domiciled overseas, the transaction, even if masked through a locally incorporated special purpose vehicle (SPV), would be subject to Parliamentary ratification under a Ghanaian law that requires the government to seek parliamentary approval for "major international business transactions".

Should the Ghanaian Parliament choose to exercise stringent oversight, as contemplated by the constitution, Hannam will need all his SAS tact to manoeuvre through the minefield of committee enquiries aiming to get to the bottom of this sweetheart deal. And, perhaps, thrice the dose of charm he has used so far in ministerial chambers.