

Standard Bank and Vumatel accelerate delivery of high-speed fibre to South African suburbs

Standard Bank and Vumatel have signed a significant finance deal on 19 April 2016, which will provide Vumatel with the financial resources required to speed-up the delivery of broadband internet services and expand into new markets within South Africa.

The deal, likely to be one of the largest debt capital raising-based deals of its kind in the fibre-to-household industry to date - is the latest chapter in the Vumatel success story.

“Since its launch less than 18 months ago, Vumatel, as a supplier of high-speed fibre connectivity to homes, has become one of the leading providers of broadband connectivity to South African suburbs,” says Andrew Somerville, Head: Business Development, Commercial Banking at Standard Bank.

The agreement with Vumatel sees Standard Bank becoming the lead financier of the company’s bid to exponentially expand its business base. The deal was structured through Standard Bank’s business acquisition team, which concentrates on debt focused financing for top-line commercial clients.

Niel Schoeman, CEO for Vumatel says: “It is important that South Africa keeps pace with the rest of the world. We need to ensure that we invest in long term sustainable infrastructure that can support the growth in demand for high speed connectivity. That is why we plan to invest R3 billion over the next two years in fibre optic networks to service the residential sector. We look forward to our partnership with Standard Bank and Vantage Capital, who provides mezzanine financing, to create the networks that will contribute to national growth.”

“The fact that an agreement with Vumatel was reached a mere 18 months after the launch of the company is a tribute to the entrepreneurial stature of the three principals. Vumatel has a management team that have a proven entrepreneurial record and it is their outstanding business records that created the impetus for Standard Bank to become involved with the project. This is a transaction about creating South Africa as a better and globally competitive country for its citizens,” Mr Somerville notes.

The package, with an agreed draw-down facility, will facilitate the exponential growth of Vumatel which launched their first, and to date, best-known project in Parkhurst, Johannesburg. Since then,

Vumatel has embarked on rolling out fibre broadband to many other Gauteng suburbs. Further targeted growth is already taking place in Cape Town.

“In a world where content and technology are converging, high speed internet access is becoming increasingly important. An added benefit of the Vumatel operations is that they will roll out free, uncapped, open access fibre optic infrastructure to every school they pass during the infrastructure roll out phase,” said Somerville. This approach is aligned with the bank’s desire that social investment should always be an integral part of business operations.

Niel Schoeman, CEO of Vumatel, says changing technology, a workforce increasingly working from home, demand for gaming and downloading games, movies and information from the Internet was driving demand for uncapped access to fibre in homes. He adds: “This can only be serviced by investing in infrastructure. It is the type of project that really benefits the South African economy. It is not simply the opportunities that arise from high speed connectivity that contributes to economic growth. Servicing the demand through the expansion of networks is creating work for thousands of people. It is good for everyone.”

Commenting on the formal signing of the agreement, Standard Bank Group Chief Executive, Ben Kruger mentions: “The information super-highway is a requirement for the development and growth of national economies. It is through our ability to assist pioneering companies like Vumatel that Standard Bank is part of a growing sector that will enhance communication and create opportunities for South Africans. This is essential if we are to be part of an increasingly information-driven world.”