

MOSCOW, Dec 23 (Bloomberg) Alisher Usmanov and his partners are set to pocket \$740 million from moving a stake in internet company Mail.ru Group Ltd. to MegaFon PJSC, as the Russian billionaire consolidates his technology holdings into the wireless carrier.

MegaFon is buying 33.4 million shares, equal to an almost 64 percent voting stake in the web company, from Usmanov's USM Holdings, according to a statement Friday. The price is \$640 million on completion plus \$100 million after one year, which MegaFon said implies a premium of about 24 percent on Thursday's closing price.

"The main driver behind this deal has been the billionaire's desire to cash in his investment in Mail.ru," said Alex Kazbegi, an analyst at Moscow-based Renaissance Capital. "Still, there might be some business synergies for MegaFon."

Revenue growth at MegaFon, controlled by Usmanov and co-owned by Sweden's Telia AB, has stalled amid a two-year recession and increasing competition in Russia. The combination allows MegaFon to add content such as social networks and online games in a bid to boost sales, and the two companies will also jointly develop new services.

Shares of Mail.ru advanced 0.1 percent to \$17.86 at 8:41 a.m. in London. MegaFon declined 2.6 percent to \$9.06.

"The price looks reasonable as it includes a premium for control," Renaissance Capital's Kazbegi said. The stock acquired is equal to an equity stake of about 15 percent, and it includes vote-heavy A shares.

The deal helps Usmanov monetize his investments in Mail.ru and consolidate his major Russian

technology assets under one roof, in MegaFon. Phone carriers all over the world are seeking to expand in content. Verizon Communications Inc. is working on deal to buy Yahoo! Inc. for about \$4.8 billion, and AT&T Inc. is acquiring Time Warner Inc. for about \$85 billion.

MegaFon expects to complete the purchase in the first quarter of 2017 and said the deal won't hurt its ability to pay dividends.

The carrier plans to keep Mail.ru as a listed company. Other Mail.ru shareholders include South Africa's Naspers Ltd. and China's Tencent Holdings Ltd.

The transaction is recommended by a MegaFon board committee that doesn't include USM representatives. Shareholders will get to vote on the deal at a Jan. 20 extraordinary meeting. USM owned 56.3 percent of MegaFon as of the end of last year, according to the carrier's website.

Morgan Stanley is the financial adviser to MegaFon, and Cleary Gottlieb Steen & Hamilton is providing legal assistance. Bank of America Merrill Lynch is the financial adviser to the board committee, with White & Case as the legal adviser.