

VOX TELECOM

The long view

Vox Telecom is a buy. With all that has happened to the group over the past few months, the market seems to have lost sight of the fact that it's actually a strong company with good growth prospects.

Its revenue went from less than R100m in 2005 to R1,8bn in 2008, and it has 18 000 corporate clients and 160 000 ordinary users.

Ironically, getting caught out in the Dealstream saga — which led to Vox's share price falling from R2,20 to close to its record low of 45c — has made it a more attractive share, and at its current

price of 81c there is a lot of upside to it.

All this does not make it easier for CEO Douglas Reed, however. He saw his entire holding in the company he had led for 12 years wiped out.

He and executive chairman Tony van Marken have had the difficult job of placating investors and have done their best to hold on to staff, who had seen their share incentive scheme disappear with Dealstream's demise.

So far, their efforts have

worked. Shareholders have settled down and there has been no mass staff exodus.

The fallout from Dealstream might have knocked the share price, but it should be remembered that this is a company that has become a player in a market dominated by Telkom, Internet Solutions, Vodacom and MTN.

When Reed speaks of how Vox has found a foothold in a sector crowded by the big players, he starts talking in

Japanese-sounding business jargon — just-in-time and speed-to-market — to describe how the company does this.

Reed says using Japanese philosophies is one of the few ways it can compete against its bigger rivals, because this method gives it the flexibility and speed to hold its own.

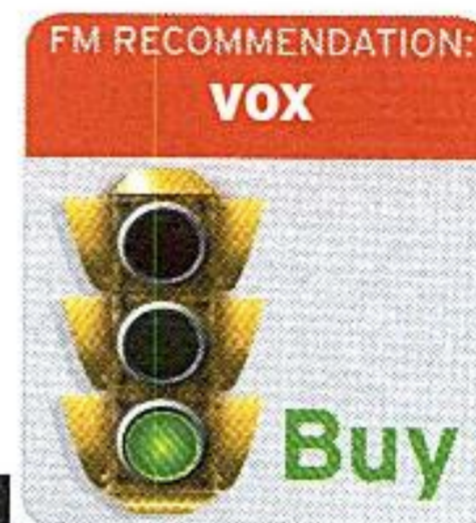
Japan revolutionised manufacturing in the 1970s by shortening lead times, being able to take smaller orders and eliminating waste, and Reed says it's time for the telecom sector to adopt the same practices.

He points out that technology is changing fast, and that the return on investment is too long for telecom companies to operate with the same model they have been using for decades.

Vox won't invest as much as the other companies have, or wait as long as they did, for a return on its investment.

Vox's approach might help keep it in the game, but the company's dealings with Dealstream have come at a price. Reed has come to terms with this blow. "I took it as a loss," he says — in the way one loses a relative or a close friend. There is a period of mourning, but then comes a point when it's time to move on. For him that time has come.

Larry Claasen



Tony van Marken Has had the difficult job of placating investors

