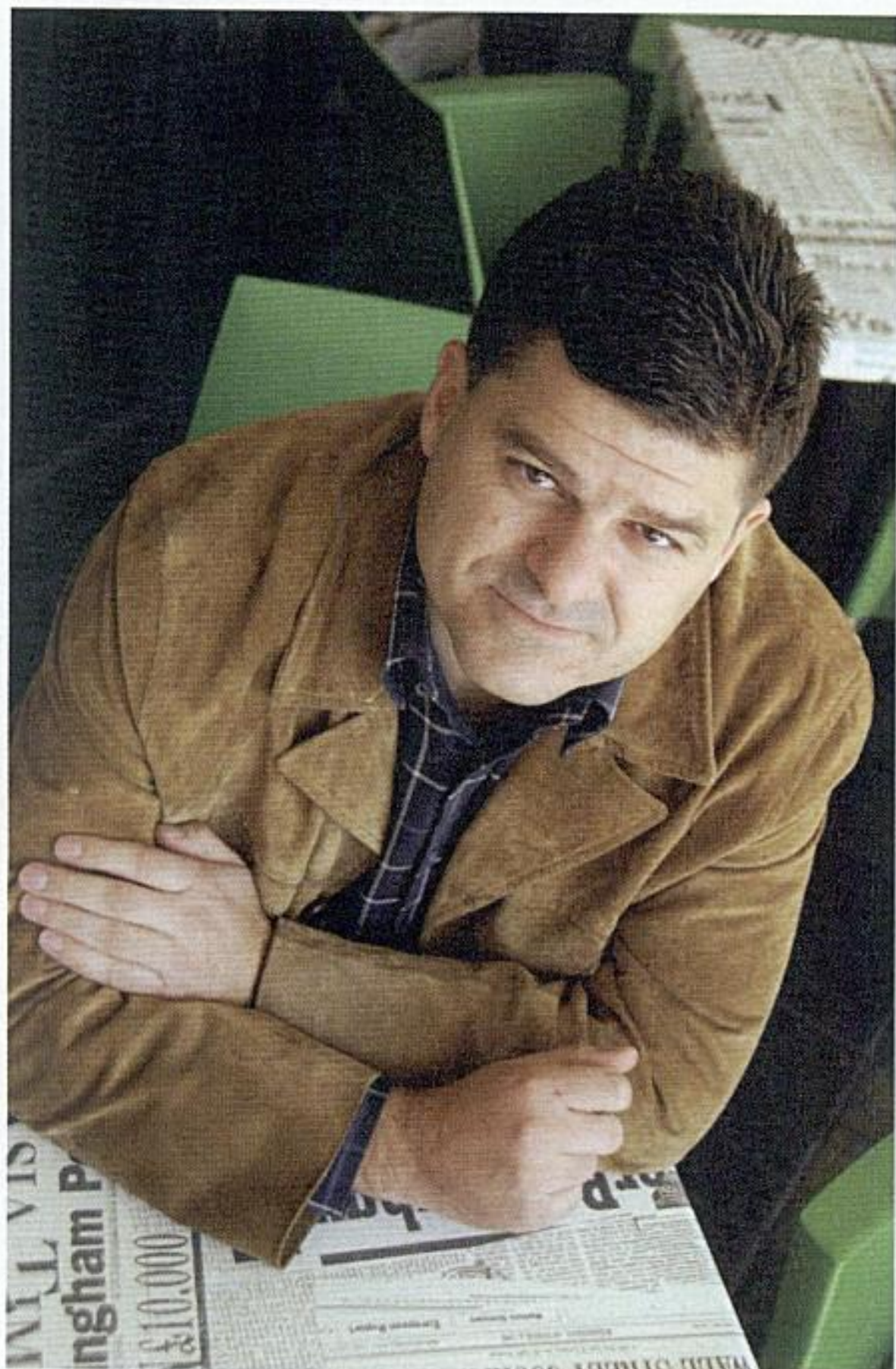


It's James versus Doug

Former colleagues go head to head



Finds better strategic fit for himself.

James Herbst

WHEN A COMPANY parts ways with its financial director less than a year after listing, that might raise a red flag for investors. And so it was that James Herbst's – "with immediate effect" – departure from DataPro (now known as VoxTelecom) in September 2005 came a little out of the blue.

CEO Doug Reed told me (I was working for another publication at the time) that his former financial director had aspirations of going off to list other companies. And so it seemed likely that Herbst would pop up elsewhere at some stage. It recently emerged that Herbst had found a new partner in least cost routing (LCR) business Telepassport, which will shortly reverse list into Cenmag. Telepassport competes with VoxTelecom's Orion business, which it bought earlier this

year in an enterprise-transforming transaction. So Herbst is effectively going up against his old company.

LCR involves directing a corporate or individual's voice traffic over the cheapest path possible from the available tariffs on the various networks at a given time.

Although the parting with the then DataPro had been amicable, Reed conceded that there had been some bad blood among some of the board members, given the timing of Herbst's departure.

However, Herbst disagrees with his former boss's assessment of his aspirations. He says he never wanted to go off and list lots of companies but just needed to find the one with the same strategic intentions as his own. In other words, there was a disagreement over strategy.

Herbst says he did have a natural ability to put deals together but wasn't a "serial" entrepreneur. "This time round I've got the right partners."

Herbst had disagreed with the strategy of positioning DataPro as an alternate telco, because he believed that was too risky for

a smaller company. His concern was that being an operator thrusts a company into the provision of infrastructure without a sizeable balance sheet as a cushion against any unforeseen circumstances or bad choices.

After all, imagine if Vodacom and MTN had been wrong concerning GSM as the pervasive standard for mobile networks? The cellular industry would now be a very different place.

Herbst concedes that DataPro has proven to be very successful. The company that he originally helped to list – also via a reverse listing into the Casey shell, which traded at 70c after the listing was announced – had risen to 330c/share at the time of writing.

Herbst says he and the founders of Telepassport have similar goals: to grow the

company by acquisition into a major managed telecoms company.

Although some believe greater competition can negate the business model of LCR providers, Herbst says the more operators the greater the number of routing opportunities that clients can choose from. However, that will also make it more complex for clients to optimally manage their own telecoms requirements.

Herbst says the market opportunity in telecoms is significant in the context of deregulation and he's been working on some exciting potential deals over the past year. That wouldn't exclude other listed companies from its radar screen and says it wouldn't stop it from talking to DataPro somewhere down the line should their strategic aims converge.

The JSE, however, threw a spanner in Telepassport's plans by suspending Cenmag's shares from trading after the acquisition announcement.

Herbst says he'd concluded a number of transactions in the run-up to the listing that didn't follow the natural course of time and had merely to be clarified with the JSE. Telepassport opened in 1993, making it SA's oldest LCR business.

Wholesale LCR players include Nashua Mobile, Autopage Cellular and Orion. However, Telepassport sees niche managed services provider CentraCell as its biggest direct competitor.

Herbst says the LCR market is changing. Whereas in its early years it might have been enough to help a client save customers' money, that was becoming a commodity – as a retailer you have to do more for the customer than simply facilitate savings, he says.

Cenmag is selling its existing business back to its original owners and buying Telepassport for R126m. Shares are being placed with a variety of mid-tier institutions and some hedge funds – mainly those that bought into DataPro and are clearly counting on Herbst to take them on a similar ride the second time around.