

Continental cablevision inc. fintelco joint venture

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Continental Cablevision Inc./Fintelco Joint Venture

Is entry into the Argentine market a good strategic move for Continental? Is Fintelco an appropriate venture partner?

Continental's move, which entails determining the entry environment and choosing a local partner, is opportunistic. The move is good as it enables Continental to diversify geographically. The company is able to explore a market that is less mature than the US market where legislative regulations limit the ability of a cable companies to raise subscription rates. Additionally, the strategic move provides an opportunity for further merging as more than 900 small operators control more than 50% of the market. Furthermore, extensive de-regulation process has established a regulatory framework under which Continental can thrive.

Moreover, Continental can explore the attractive subscriber statistics and the opportunity to enter other markets in Latin America. Finally, the recent positive economic momentum and the privatization of public companies provide a platform for Continental to grow and expand its market share.

However, every strategy has its own shortcomings. The high volatility of the exchange rate coupled with historic inflationary pressure may hamper Continental's entry into the Argentinian market. Additionally, the undeveloped local markets might hinder accessibility of affordable funds.

Fintelco is an appropriate venture partner as its strategic approach is similar to Continental's geographically clustering cable systems. Additionally, Fintelco's enjoys a strong competitive position as it controls 20% of the Argentinian market share.

What are the major opportunities and risks you see in the venture?

Opportunities

Fintelco would access developed financial markets, which would enable it to acquire 75% of other competitors in Rosario and increase its market share of the third largest city in Argentina to 85%. The venture would also enable Fintelco to access strategic, operational, and technical assistance from Continental, which operates in a mature advanced market. On the side of Continental, the venture provides an expansion potential and penetration into the international market. Furthermore, the venture presents an opportunity for Continental to distribute its programming.

Risks

The 50/50 partnership is likely to lead to a decision-making dilemma. In case of conflicts or any misunderstanding between the partners, it may be difficult to solve conflicts especially as one partner solely focuses on operations while the other focuses on financing. Additionally, there are significant currency risks especially that revenue generation is in ARS while debt servicing is in USD.