

Dutch selloff of KPN fans takeover fears

December 7 2005

Few industries have been directly affected by sweeping technological changes than the telecommunications sector, but it has also remained one of the most closely controlled by the public sector worldwide. European telecommunications groups are no exception, with many with their respective governments as a sizeable, if not the biggest, shareholder in the company.

In the case of the Netherlands, however, the government is actively reducing its shareholding in the country's biggest network provider, which has about 7.4 million domestic subscribers, in addition to about 17 million mobile subscribers in Belgium and Germany. The Dutch government announced Wednesday that it would halve its stake in KPN to 8 percent from 16 percent by selling off 105 million ordinary shares, or about \$1.65 billion's worth of stock, in the company to Dutch banking group ABN AMRO Rothschild.

Moreover, the government said it will relinquish its special share in KPN, thereby renouncing its special voting right that allows it to veto bids, which it had had since the company went public in 1994. In addition, the government made clear that it will sell off its remaining stakehold in the company by the end of this year. KPN is listed in the U.S., British, and German as well as Dutch stock markets.

"The Dutch state shall dispose of its special share in KPN as soon as possible and, in any event, no later than 31 December 2005," the Dutch Finance Ministry said in a statement.

KPN's shareholding structure sharply contrasts with Swisscom, the Swiss telecommunications giant, which has been in the media limelight in recent months as it attempted to buy out Irish rival Eircom.

Swisscom had publicly declared its intent to buy out the Irish group, but the move was put to an abrupt end by intervention from the Swiss government, which remains its single-biggest shareholder with 66 percent of total stocks. The Swiss government said it would block any effort by Swisscom to buy out any foreign telecommunications company, including Eircom.

Such government intervention, however, has created a divide between the company's board members and its principal shareholder. In fact, Swisscom stated earlier this week that while it will not be pursuing the Eircom deal for now, it argued that "in view of the limited opportunities for growth within Switzerland, the company has in recent years been examining the possibility of purchasing companies abroad subject to rigorous acquisition criteria, i.e., profitable telecoms market leaders in Europe, majority holdings with clear management control by Swisscom, and restrictions on size but with a sound, stable financial base."

Moreover, it remained critical of the government's decision to intervene in the Eircom deal, stating that "public controversy surrounding questions related to the Swiss government's majority shareholding in Swisscom, plans for acquisitions abroad, and the payout policy, has given rise to uncertainty among shareholders, customers, and employees."

As a result, some industry analysts anticipate the government will reduce its shareholding in the company down the line so that Swisscom can indeed pursue its plans to expand overseas in addition to strengthening its domestic market.

Yet on the other hand, there are concerns that by decreasing the Dutch government's shareholding in KPN to less than 10 percent, the company will become more vulnerable to leveraged buyouts and ultimately rid the country of a national carrier. Indeed, there is already speculation that Japanese telecommunications giant NTT DoCoMo may bid for the company.

Copyright 2005 by United Press International

Citation: Dutch selloff of KPN fans takeover fears (2005, December 7) retrieved 9 April 2024 from <https://phys.org/news/2005-12-dutch-selloff-kpn-fans-takeover.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--