

O2's first firm step forward as Telefonica

January 24 2006

On the day that O2 officially became part of Spanish carrier Telefonica, the British wireless provider is proving that it was a good buy, if its latest progress report provides any indication of its future potential.

On Monday, the company reported that it added about 1.75 million new subscribers in the three months ended Dec. 31, bringing its total number of customers to 27.4 million, which marked an 18 percent increase from the same quarter a year ago.

Germany was one of O2's most rapidly growing markets, adding 823,000 new customers, which was a 32 percent rise from the previous year and increased the overall number of German subscribers to 9.77 million. That makes it the second-biggest German wireless carrier after Deutsche Telekom's T-Mobile.

That alone should bode well for Telefonica, which pressed ahead with the takeover bid for the British carrier in an attempt to bolster its wireless footing in Western Europe.

Meanwhile, O2's British market penetration continued to increase as well, as 274,000 new subscribers were added, marking a 13 percent increase from a year ago. All in all, the company posted its best quarter yet in terms of market growth.

"As we approach completion of the acquisition of O2 by Telefonica, all our businesses are performing well, and we look forward to maintaining momentum as part of Telefonica," said Peter Erskine, O2's chief

executive.

Telefonica will be taking over the reins of O2, which was formerly the mobile arm of British telecommunications giant BT until November 2001, at the end of this month, having agreed in October to pay \$3.55 per share for O2, or for about \$31.5 billion in total, making it the biggest all-cash takeover deal in Europe. While the Spanish carrier dominates the southern European market and has a considerable hold in Latin America, it has been relatively weak in Western Europe.

"The combination with O2 is a logical step for Telefonica in pursuing its strategic goal of providing its shareholders with both growth and cash returns ... (the deal) will provide enhanced scale by entering two of Europe's largest markets, Germany and (Britain), with critical mass," Telefonica stated.

Nevertheless, analysts have cautioned that the telecommunications sector was the worst-performing industry in Europe last year in terms of share price amid heightened competition and ever-changing technologies that is making it more difficult for companies to stay ahead of the game.

Indeed, even O2's Erskine acknowledged the difficulties in making profit in cutting-edge technology such as third-generation wireless communications.

"3G does not become material in revenue terms for a while yet and not until we see compelling 3G variants of the more popular handsets," he said.

Copyright 2006 by United Press International

Citation: O2's first firm step forward as Telefonica (2006, January 24) retrieved 25 April 2024 from <https://phys.org/news/2006-01-o2-firm-telefonica.html>

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.