

Sonae bid wobbles Portugal Telecom outlook

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Sonae's unsolicited bid for Portugal Telecom was seen in a somewhat dim light by financial analysts who feared the telco could be saddled with unwelcome debt.

Standard & Poor's announced in London Tuesday that it had placed a long-term A- rating on PT due to unanswered questions about Sonae's plans to finance the \$12.8 billion deal.

"There has been no communication regarding proposed financing for the bid, but a leveraged deal structure is likely, given that the market capitalization of PT is several times that of Sonae," S&P analyst Leonardo de Torre Zabala said in a release. "In addition, PT's senior secured eurobond debt documentation offers no investor protection in the event of a takeover."

That warning, however, didn't seem to dissuade investors who bid PT shares up sharply Tuesday.

Sonae is a conglomerate controlled by Portuguese financier Belmiro de Avezado that would become a dominant player in Portugal's wireless and landline sector if the deal goes through.

Portugal Telecom is a former state-owned utility. The government still holds shares in the company and can exercise influence on strategic matters.

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