

Deutsche Telekom welcomes Blackstone stake

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It's no longer just the small telecommunications companies that are seeking partners with deep pockets.

On Monday German giant Deutsche Telekom announced that U.S. investment group Blackstone will be buying out 4.5 percent of its total shares for \$3.3 billion (2.69 euros) from Kreditanstalt fuer Wiederaufbau Bankengruppe. As a result of the transaction, the combined share of government and KfW holding in the carrier will be reduced to about 33 percent of overall shares, with KfW having 17.3 percent of total stock.

"We are very pleased to have gained in Blackstone a shareholder with demonstrated expertise in the telecommunications sector. This also implies a further broadening of the shareholder base of Deutsche Telekom," said Kai-Uwe Rick, chief executive of Deutsche Telekom.

For its part, Blackstone has committed itself to holding on to the company's shares for at least two years.

"This lock-up agreement in connection with the statement, that KfW is not to sell any Deutsche Telekom shares for at least one year and that the German Government and the KfW intend to remain the largest Deutsche Telekom shareholder, signals confidence in the company and clearly addresses the so-called stock overhang issue," said Karl-Gerhard Eick, chief financial officer of Deutsche Telekom.

Meanwhile, KfW said it welcomed the fact that Blackstone was to

become a significant shareholder in the company for the longer term, particularly given its expertise as a global telecommunications investor.

"Private equity groups are an integral part of today's institutional investor's landscape," KfW said.

Shareholders welcomed the latest development too, as the company's share price rose more than 4 percent in Monday's trade from the previous session to 14.25 euros. Certainly, having a major investor having a stake in the company has been a morale booster not just for Deutsche Telekom, but for the telecommunications industry at large, given that they have been one of the worst-performing stocks in Europe over the past year.

Indeed, having investment groups claim a stake in their business has been welcomed by many of Deutsche Telekom's rivals as well, most recently with news that Eircom may potentially be bought out by Australian investment group Babcock & Brown for \$2.86 billion.

There might be a further shake-up in shareholding at the German carrier, as the country's Finance Minister Peer Steinbrueck told reporters in Berlin Monday that there were other parties that were interested in buying shares, even though he declined to name them. Blackstone does not, however, have the option of increasing its stake in the company despite its enthusiasm for the investment.

"We believe (Deutsche Telekom) is an excellent company and our intention is to support the company and its management --particularly at the supervisory board level -- in executing a strategy of long-term value creation for all stakeholders in a collaborative environment. This transaction builds on our signature investment philosophy of working with major corporations and their stakeholders to help them successfully achieve their corporate goals. This transaction also builds on

Blackstone's strengths as a global leader in telecommunication and media investments," said Stephen Schwarzman, chairman and chief executive of the Blackstone Group.

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