

# Softbank to buy 70 percent of Sprint for \$20 bln (Update)

October 15 2012, by Yuri Kageyama

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Softbank Corp. President Masayoshi Son, left, and Sprint Nextel Corp. Chief Executive Dan Hesse shake hands during their joint press conference in Tokyo Monday, Oct. 15, 2012. Tokyo-based mobile carrier Softbank has reached a deal with Sprint to acquire 70 percent of the U.S. wireless company for \$20.1 billion in the largest ever foreign acquisition by a Japanese company. (AP Photo/Koji Sasahara)

Softbank Corp. has reached a deal to buy 70 percent of U.S. mobile carrier Sprint Nextel Corp. for \$20.1 billion in the largest ever foreign acquisition by a Japanese company.

The agreement, announced Monday at a joint news conference in Tokyo by Softbank President Masayoshi Son and Sprint Chief Executive Dan Hesse, will bring together the third biggest mobile carriers of both Japan

and the U.S., underlining the growth ambitions of Softbank, which has made a series of acquisitions over the last couple of decades.

It also shows how the strong yen, which is usually seen as a negative for export-reliant Japan Inc., has boosted the overseas purchasing power of Japanese corporations as a stagnant domestic market pushes them to look abroad for growth. The Sprint buy pushes Japan's overseas acquisitions so far this year, including debt of the acquired companies, to over \$100 billion, nearly double the same period last year, according to deal tracking company Dealogic.

The deal was given a green light by the boards of both companies. It still needs approval from Sprint shareholders and U.S. regulators. Softbank said the transaction is expected to be completed by the middle of next year.

The combination of Softbank and Sprint will tie with AT&T for world's No. 3 mobile company by revenue after China Mobile and Verizon, according to Softbank.

Son said the investment made sense because the U.S. is the world's biggest market in smartphones, and it was still growing.

The news of the deal, which leaked late last week, had spooked investors worried about such a big investment and sent Softbank shares lower by about a third in recent sessions. Standard & Poor's had placed Softbank on "credit watch negative," meaning its credit rating could be downgraded. Shares of Sprint shot up in anticipation of the offer.



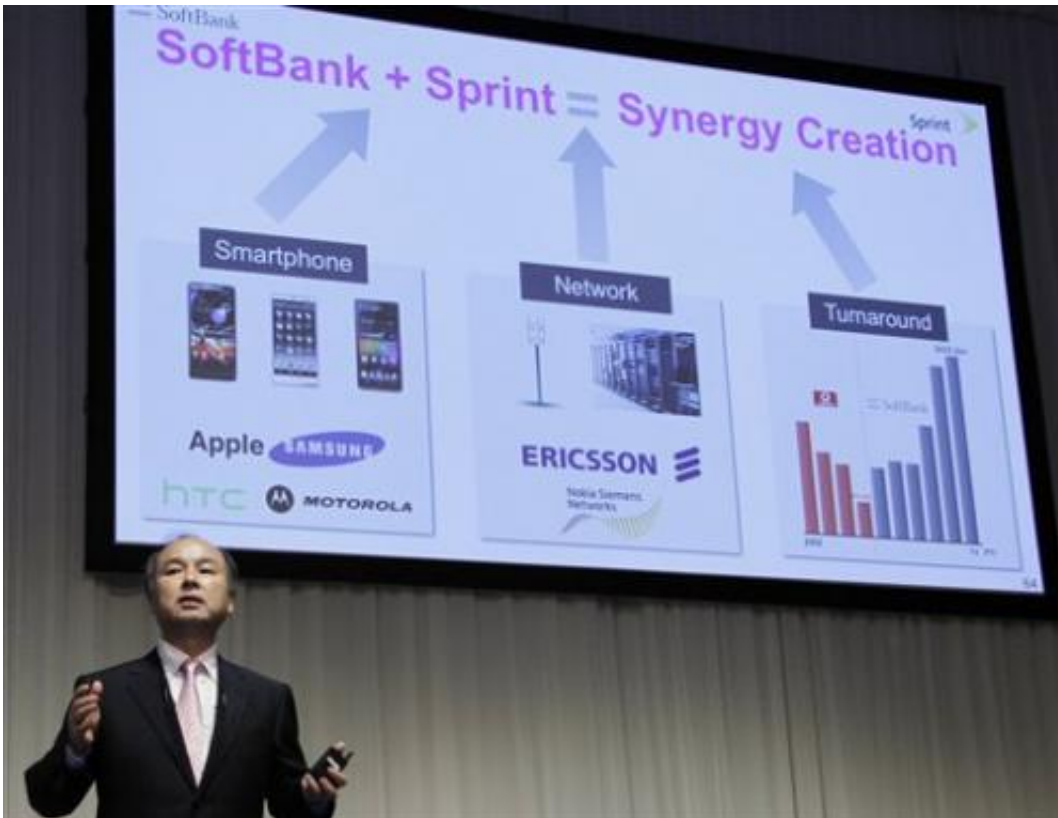
Photographers and TV camera crew gather around Softbank Corp. President Masayoshi Son, left, and Sprint Nextel Corp. Chief Executive Dan Hesse shaking hands during their joint press conference in Tokyo Monday, Oct. 15, 2012. Tokyo-based mobile carrier Softbank has reached a deal with Sprint to acquire 70 percent of the U.S. wireless company for \$20.1 billion in the largest ever foreign acquisition by a Japanese company. (AP Photo/Koji Sasahara)

Sprint has struggled in recent years to compete with Verizon and AT&T. The company has \$21 billion in long-term debt, and has launched a costly network restructuring and signed a long-term contract to buy \$15.5 billion worth of iPhones from Apple Inc. over four years.

But Son said Sprint has been recovering on its own lately and is now getting cash, thanks to his investment. Son has a record of buying struggling mobile companies and turning them around, including the Japan unit of Vodafone.

Under the agreement with Sprint, \$12.1 billion will go to Sprint shareholders and \$8 billion will be fresh capital, which will serve to strengthen Sprint's balance sheet and networks, Son said. Softbank is offering \$7.30 a share for the existing shares, about 27 percent above Friday's closing price of \$5.73.

Son has made no secret that he has been looking abroad for new growth as the Japanese mobile market has been stagnant for years. Softbank has been an exception in racking up strong profit despite such stagnation, largely on the popularity of the iPhone.



Softbank Corp. President Masayoshi Son speaks during a joint press conference with Sprint Nextel Corp. Chief Executive Dan Hesse in Tokyo Monday, Oct. 15, 2012. Tokyo-based mobile carrier Softbank has reached a deal with Sprint to acquire 70 percent of the U.S. wireless company for \$20.1 billion in the largest ever foreign acquisition by a Japanese company. (AP Photo/Koji Sasahara)

Softbank was the first carrier to offer the iPhone in Japan. The iPhone has been such a hit in Japan it has shaped Softbank's brand image and helped it lure customers away from its two bigger rivals. Son said earlier this year that he is determined Softbank will overtake NTT DoCoMo, the longtime No. 1, and a former government monopoly.

Son said the advent of smartphones means that the U.S. and Japanese markets have much in common, and the two companies could benefit and learn from each other. They can also work together on faster speed "4G" mobile networks called LTE. Softbank recently bought smaller Japanese rival eAccess, largely to gain LTE networks.

By joining forces, Sprint and Softbank will become one of the top world smartphone providers, gaining greater bargaining power with the manufacturers of the gadgets and network equipment suppliers.

"This is a transformative transaction for Sprint that creates immediate value for our stockholders, while providing an opportunity to participate in the future growth of a stronger, better capitalized Sprint going forward," Hesse said.

Son, a graduate of the University of California, Berkeley, said he was only 16 when he ventured alone to the U.S.

"I am happy to be able to tell you today of my big comeback to the U.S.," he said. "This is going to be an even bigger challenge."

Before Monday's deal, the biggest overseas acquisition by a Japanese company was Japan Tobacco Inc.'s purchase of Gallaher Group of Great Britain in 2007 for about \$19 billion.

But the strength of the yen, with the dollar plunging to 78 yen from about 85 yen two years ago, is encouraging Japanese companies to go shopping.

Son, an unusually risk-taking and innovative executive in a corporate culture that tends to favor a staid conservative approach, acknowledged the big question is whether his overseas foray will succeed.

"I am confident," he said.

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Citation: Softbank to buy 70 percent of Sprint for \$20 bln (Update) (2012, October 15) retrieved 19 June 2024 from <https://phys.org/news/2012-10-softbank-percent-sprint-bln.html>

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