

Sprint seeks majority control of Clearwire (Update)

October 18 2012, by Peter Svensson

(AP)—Flush with the promise of cash from a Japanese investor, Sprint Nextel Corp. on Thursday said that it wants to buy out the founder of Clearwire Corp. to gain majority control of the wireless network operator.

Sprint said in a regulatory filing that it will pay wireless pioneer Craig McCaw and his holding company \$100 million for a stake in Clearwire, pushing Sprint's voting stake in the Bellevue, Washington, company from 48.15 percent to 50.45 percent.

Clearwire has the right to use a large chunk of the nation's airwaves, but lacks the money to renovate and expand its network. Sprint has been struggling financially too, and hasn't been in a position to invest in Clearwire. That changed with Monday's announcement that Japanese cellphone company Softbank Corp. will buy 70 percent of Sprint for \$20.1 billion.

Clearwire shares fell 23 cents, or 10.2 percent, to close at \$2.03 Thursday. They have already nearly doubled in price on speculation that the Softbank deal means Sprint will buy Clearwire outright.

Stifel Nicolaus analyst Christopher King said that while Clearwire shareholders may have preferred to have Sprint make an offer to buy all of the company, Thursday's proposal "does further inexorably tie the future of Clearwire to a more well-funded Sprint."

Sprint shares rose 5 cents to close at \$5.78.

Sprint spokesman Scott Sloat said that Clearwire's other major investors, cable companies Comcast and Bright House Networks, as well as chipmaker Intel have the option of buying some of McCaw's shares. If they exercise that right in full, Sprint still get a majority of Clearwire, at 50.02 percent.

Sprint and Clearwire have had a hot-and-cold relationship. Sprint rolled part of its own operations into Clearwire in 2008, gaining a stake of just over 50 percent. But Clearwire's weak financials threatened to drag Sprint down with it, and Sprint reduced its stake to less than 50 percent.

Overland Park, Kansas-based Sprint is also Clearwire's largest customer, buying wholesale access to its network and reselling it as "Sprint 4G." But Sprint is also building its own 4G network, and has previously shown little interest in supporting Clearwire for the long term.

The analyst King noted that Softbank has a 4G network in Japan that uses the same technology and range of frequencies that Clearwire's planned new network does. That sets the stage for joint development of the technology.

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