Vodafone buys chunk of Liberty's European assets for 18.4bn euros

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Vodafone will be the EU's top telecommunications firm by subsribers if its deal to buy assets from Liberty Global goes through

British telecoms giant Vodafone on Wednesday unveiled an 18.4-billion-euro deal to buy part of Liberty Global's operations that will make it Europe's largest cable and broadband operator.

The deal worth $21.9 billion will see Vodafone become the second biggest player in eurozone powerhouse Germany, while it will acquire operations also in the Czech Republic, Hungary and Romania from the US group.

Vodafone—already the world's second biggest mobile phone operator by subscribers after China Mobile—would become the leading next generation network owner in Europe with a reach of 110 million homes and businesses, it added in a statement.

Cost and capital expenditure synergies are expected to reach 535 million euros per year before integration costs, by the fifth year following completion.

"This transaction will create the first truly converged pan-European champion of competition," said Vodafone chief executive Vittorio Colao.

"We are committed to accelerating and deepening investment in next generation mobile and fixed networks, building on Vodafone's track record of ensuring that customers benefit from the choice of a strong and sustainable challenger to dominant incumbent operators."

'National challenger'

The acquisition of Unitymedia in Germany would create a "national challenger", Vodafone said, throwing the gauntlet down to dominant player Deutsche Telekom.

"The combination of Vodafone and Unitymedia's non-overlapping regional operations will establish a strong second national provider of digital infrastructure in the German market," it added.

The deal, which remains subject to regulatory approvals, is expected to close in mid-2019.

Liberty Global said in a separate statement that the deal would boost returns for its shareholders and allow it to prioritise growth elsewhere.

Chief executive Matt Fries added that the sale would inject competition into the European sector, helping to drive technology.

Colorado-based Liberty—which purchased Britain-based Virgin Media in 2013 for 17.2 billion euros—is controlled by US tycoon John Malone.

After the deal's completion, Liberty will maintain a European presence in Belgium, Britain, Ireland, Poland, Slovakia and Switzerland.

Liberty and Vodafone also operate a joint venture, Vodafone Ziggo, in the Netherlands.

Quad-play provider

"Liberty is offloading businesses in Germany and eastern Europe... in a move that will enable Vodafone to become the big quad-play provider in the region," said Markets.com analyst Neil Wilson, referring to bundles sold to customers comprising fixed and mobile phone services along with broadband Internet and pay-television.

"Deutsche Telekom shares dipped... as its hegemony looks to be threatened."

In Frankfurt, Deutsche Telekom stock slid 1.28 percent to stand at 14.32 euros in midday deals.

Vodafone's share price added 1.18 percent to 210 pence in London.

Accendo Markets analyst Mike van Dulken noted that Vodafone had been searching for a way to compensate for lost growth after its exit from the United States five years ago.

Vodafone "has long been looking for something to make up for exiting fast-growing US joint venture Verizon Wireless", van Dulken told AFP.

The British group sold US telecoms giant Verizon a 45-percent stake in their joint venture Verizon Wireless for $130.1 billion in 2013.

Wednesday's announcement is Vodafone's biggest purchase since 2000, when it bought Germany's Mannesmann for $180 billion in the world's biggest M&A deal.