

Sprint shares climb on T-Mobile merger financing rumors

20 January 2014, by Steve Rosen And Mark Davis

Shares in Sprint Corp. rose, then fell Friday after a report that the company has received proposals from at least two banks on how it could finance a takeover of T-Mobile US Inc.

The Wall Street Journal, citing unnamed sources, said the bank financing envisions about \$50 billion for the deal. That would involve paying about \$31 billion for T-Mobile stock and providing possible financing of about \$20 billion to cover T-Mobile's debt, as some [bondholders](#) would cash in once the [company](#) changes ownership.

A Sprint spokeswoman declined to comment.

A combination of Overland Park, Kan.-based Sprint, the nation's third-largest telecommunications company, and T-Mobile, ranked No. 4, would create a stronger competitor to leaders Verizon Wireless and AT&T. The two smaller companies have been the subject of merger rumors for several years, with nothing happening publicly, but the speculation has mounted again recently.

The Journal story said there is no timetable for making a bid, but both sides are eager to reach a decision by mid-2015, which is around the time of a major government auction of wireless airwaves. It could take 12 to 18 months to win regulatory approval for a deal, the story said.

Sprint's majority owner is Tokyo-based SoftBank Corp., while T-Mobile is owned principally by Deutsche Telekom AG.

According to the Journal, Sprint, T-Mobile and their two large owners are struggling on the best way to structure the merger. One idea that's been discussed has been having T-Mobile acquire Sprint.

In another report, Deutsche Telekom shifted its 67 percent ownership in T-Mobile to a Dutch

subsidiary from a German one, said analyst Jennifer Fritzsche with Wells Fargo Securities.

She noted that the move has tax benefits but could have more meaning given the report of Sprint's financing activity.

"Either way, based on this move by DT (Deutsche Telekom) and headlines we are seeing this morning, there seems to be a lot of smoke to a likely coming fire," Fritzsche said in a note to clients.

Some analysts have raised doubts about a Sprint combination with T-Mobile gaining regulatory approval in Washington. Fritzsche said she doubted Sprint would make a move if the "calculated risk" of rejection exceeded 50 percent.

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