

Exclusive: CVC eyes Orange Switzerland bid

Private equity group CVC is considering a bid for Orange Switzerland despite resistance from seller France Telecom to let it into the auction for Switzerland's third-largest mobile phone company, four people familiar with the situation said.

Detailed sales information will be sent to interested parties very shortly, people said, initiating a sales process that could yield about 1.5 billion euros (\$2.04 billion) for France Telecom.

Egyptian billionaire Naguib Sawiris is also among parties weighing a possible offer, people close to the tycoon said. A number of private equity firms are also likely to bid, other people said.

One person said first-round bids would probably be due in late September or early October.

Much of the interest in the company is based on a bet that the buyer could eventually merge it with Sunrise, Switzerland's second mobile company behind Swisscom, and benefit from large synergies.

However, Sunrise owner CVC is unlikely to get access to Orange Switzerland financial data and company management, the people said.

France Telecom is concerned CVC's presence in the auction would deter other potential bidders and that any tie-up between Orange Switzerland and Sunrise would again hit regulatory hurdles, according to these sources.

An attempt by France Telecom to merge the two businesses failed in 2010 after competition regulators ruled a reduction to two players from three would be bad for consumers.

Sunrise was then sold to CVC for \$3.3 billion a year ago, a coup for the firm's head of telecoms, media and technology, Lorne Somerville.

A former senior banker at UBS and head of Swisscom's international business, Somerville avoided a public auction by negotiating a deal with seller TDC and its private equity owners.

OTHER SUITORS

CVC has had conversations with other potential bidders about buying or merging with Orange at a later date, some of the people said.

They believe regulators may look more favorably on a private equity-backed merger, or that the parties could offer some remedies to get a deal approved.

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"There are massive synergies. It's hugely logical for CVC to want to do this, the question 'is what's the best way of getting it done'," said one of the people familiar with the situation.

Advent International, Apax, Bain, Cinven, EQT and Providence are among private equity firms expected to be interested in the business, the people added.

CVC could even bid for Orange without full access to the books, they said.

But the buyout firms will face competition from at least one telecoms tycoon and a small number of strategic bidders.

For Naguib Sawiris, pursuit of Orange Switzerland would mean building his telecom empire again after selling most of it to Russia's Vimpelcom for \$6 billion this year.

Any Sawiris bid would likely be made through Orascom Telecom Media and Technology, an entity demerged from the assets that were bought by Vimpelcom.

Swiss cable operator Cablecom owned by Liberty Global could also look at the business, one of the people said.

CVC was unavailable for comment. France Telecom declined to comment.

(\$1 = 0.735 Euros)

(Reporting by Simon Meads, Victoria Howley and Leila Abboud; Editing by Steve Slater and David Hulmes)

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