

Vodafone gets go-ahead for \$1.6 billion takeover of CWW

Paul Sandle, Reuters

(Reuters) - Mobile phone group Vodafone's 1.04 billion-pound (\$1.6 billion) agreed offer for Cable & Wireless Worldwide looked certain to succeed on Monday after the British fixed line network operator's biggest shareholder dropped its opposition.

Institutional investor Orbis said it would now support the 38 pence-a-share offer after CWW revealed that holders of 59 percent of its shares had already backed the takeover that will make Vodafone Britain's second largest telecoms operator behind BT.

The announcement appeared to seal the fate of a company that traces its history back to the 19th century, serves many British blue chip companies and government departments and which has cables spanning the globe.

Vodafone, already ranked as the world's biggest mobile company, has said CWW will strengthen its integrated corporate services business, both in Britain and internationally. CWW's 20,500 kilometers of optical fiber will also help take the strain of Vodafone having to satisfy the fast-growing appetite of smartphone users for mobile data services without having to rent fixed line capacity, as it does now, from the likes of BT.

Orbis had criticized Vodafone's offer, saying it undervalued the assets, but it gave up the fight ahead of a CWW shareholder meeting held on Monday to approve the takeover via a scheme of arrangement. The result was expected later on Monday afternoon, a CWW spokesman said.

The Bermuda-based fund manager, which holds 19 percent, said that it had taken a pragmatic decision that Vodafone would likely adjourn the meeting in order to obtain the necessary support of 75 percent of shareholders, even without Orbis's backing.

"This is not in the interests of any CWW stakeholder," Orbis said in a statement. "Accordingly, Orbis intends to vote in favor of the scheme at the meetings today."

The news sent shares in Cable & Wireless Worldwide up 8 percent to 37.8 pence. Vodafone shares were up 0.2 percent.

Analyst Nick Brown at Espirito Santo Investment Bank said Vodafone had successfully pitched its offer to win the backing of CWW's board and other shareholders. Once it has 75 percent backing Vodafone can take full control under the scheme of arrangement.

Vodafone gets go-ahead for \$1.6 billion takeover of CWW

Published on Electronic Component News (<http://www.ecnmag.com>)

"Vodafone has taken advantage of CWW's shares trading at quite a depressed multiple at the time they came in with their bid," he said.

"We believe that the value to Vodafone is around 50 pence if not north of that, depending on what they do with the company."

VODAFONE STRATEGY

The mobile operator swooped on CWW after investors lost faith in the communications company following its split from the Caribbean-focused Cable & Wireless Communications in March 2010.

CWW has had a tumultuous period since the demerger, and has issued a string of profit warnings as it was wrong footed by government cuts, increased competition and a faster than expected decline in voice traffic.

Its management has been held at least in part responsible by investors and analysts.

John Pluthero, the former Cable & Wireless executive who took more than 10 million pounds in bonuses from the group, was installed as chief executive a year ago, but he was in turn ousted when the company suspended dividends and issued 624 million pounds of writedowns in November.

Shares in CWW, which hit a high of 98.5 pence after the split, valuing the group at \$4.25 billion, fell to 13 pence, increasing speculation that it would be prey to a takeover offer.

Former Vodafone executive Gavin Darby took over as chief executive with a brief to put the group on a firmer footing and improve its weak cash generation.

But the board said the turnaround plan would need additional investment and would need to be implemented in challenging trading conditions, leading it to conclude that cash from Vodafone was a better prospect.

Vodafone's interest sparked India's Tata Communications to also take a look at the business, but it withdrew after failing to reach agreement with CWW's board on an offer price, leaving Vodafone as sole bidder.

Vodafone will still require regulatory clearances, although it has said it is confident it will be approved.

Source URL (retrieved on 12/19/2014 - 8:02am):

http://www.ecnmag.com/news/2012/06/vodafone-gets-go-ahead-16-billion-takeover-cww?qt-recent_content=0