Softbank in talks to invest in Sprint

PETER SVENSSON, AP Technology Writer-- The Associated Press

In this combination of Associated Press file photo, a woman walks by a SoftBank shop in Tokyo Thursday, April 26, 2012, and a man walks past a Sprint store, Tuesday, April 27, 2010 in New York. Japanese cellphone company Softbank Corp. was in talks Thursday about taking a substantial ownership stake in struggling U.S. carrier Sprint Nextel Corp. Sprint, the third-largest cellphone company in the U.S., said the deal could be big enough to involve a "change of control" of the company. It didn't provide any other details. (AP Photo)

NEW YORK (AP) — Japanese cellphone company Softbank Corp. was in talks Thursday about taking a substantial ownership stake in struggling U.S. carrier Sprint Nextel Corp.

Sprint, the third-largest cellphone company in the U.S., said the deal could be big enough to involve a "change of control" of the company. It didn't provide any other details.

The news sent Sprint shares as high as $6.04, the highest level since 2008. Sprint shares rose 72 cents, or 14.3 percent, to close at $5.76 Thursday.

The Wall Street Journal, citing an unidentified person with knowledge of the talks, had reported earlier that the potential deal would help Softbank expand outside of Japan. It put the value of the transaction at more than $12.8 billion.

Sprint, which is based in Overland Park, Kan., is in a difficult competitive position. It has 56 million wireless subscribers, making it about half the size of market leader Verizon Wireless, and it keeps losing high-paying subscribers to Verizon and AT&T, the industry's No. 2 player.

Sprint has $21 billion in long-term debt, and has embarked on a costly network restructuring and signed a long-term contract to buy $15.5 billion worth of iPhones from Apple over four years. Investor concerns over Sprint's financial health have eased this year, however, and the stock has more than doubled since January.

The company had a market capitalization of $15 billion at Wednesday's close, implying that Softbank's reported $12.8 billion bid won't be enough to buy the entire company.

Analysts expressed surprise at news of the talks. The U.S. wireless industry is rife with speculation about mergers, as smaller players find themselves struggling to compete, but the injection of a possible foreign investor clouds the picture. Sprint has been in talks to buy various smaller rivals, but an acquisition or major investment by a Japanese company wouldn't do much to help its competitive position in the U.S.

"We would expect to see very little synergies created with such a transaction," said Stifel Nicolaus analyst Christopher King.

A takeover by Softbank would reward Sprint's shareholders and shore up its financials, however.

Last week, media reports said Sprint's board was considering a bid for MetroPCS Communications Inc., the fifth-largest cellphone company in the U.S., to counter an offer by T-Mobile USA, which ranks as No. 4. The T-Mobile-MetroPCS deal could make the competitive situation even more difficult for Sprint.

Shares of MetroPCS, based in Richardson, Texas, dropped 40 cents, or 3.3 percent, to $11.64, as investors speculated that Softbank's interest means there's less of a chance for a counterbid from Sprint.

Tokyo-based Softbank, once the underdog in Japan's telecom industry, has seen its

fortunes improve ever since it started selling the iPhone in 2008. It was initially the only Japanese phone company to offer the iPhone. Rival KDDI Corp. started selling the iPhone late last year.

The U.S. wireless industry is no stranger to foreign investment, but the results have been mixed. T-Mobile is owned by German phone company Deutsche Telekom. With T-Mobile treading water, DT has tried to exit its investment by selling the subsidiary to AT&T. That deal was scuttled by U.S. regulators.

Vodafone Group PLC, a British cellphone company, owns 45 percent of Verizon Wireless. That's been a successful investment, but New York-based phone company Verizon Communications Inc., which owns the rest, has complete control over the joint venture and is seen as having twisted Vodafone's arm in an attempt to get it to let Verizon take complete ownership.

Shares of Clearwire Corp. jumped 92 cents, or 70.1 percent, to $2.22 on news of the Softbank talks. Sprint owns half of the company, and investors were betting that a deal with Softbank would include a buyout of Clearwire. The company operates a wireless broadband network that Sprint resells as "Sprint 4G." Clearwire has struggled to become a viable standalone company, and it needs additional funding to upgrade its network

Source URL (retrieved on *12/08/2013 - 5:44pm*):
http://www.ecnmag.com/news/2012/10/softbank-talks-invest-sprint?qt-recent_content=0&qt-video_of_the_day=0&qt-most_popular=0