

Vodafone expands European empire with Ono takeover

LONDON, UK: Vodafone has agreed to buy Spanish cable firm Ono as the British mobile phone company stepped up its expansion in Europe using the proceeds from the sale of its US joint venture stake.



Vodafone's Vittorio Colao. Image: Wikipedia

The London-listed group will buy Ono for €7.2bn including debt.

Vodafone, flush with cash from the sale of its Verizon Wireless stake to partner Verizon for US\$130bn, said the Ono deal was a "significant opportunity" to create a market leader in Spain.

"The combination of Vodafone and Ono creates a leading integrated communications provider in Spain and represents an attractive value creation opportunity," said chief executive Vittorio Colao.

"Demand for unified communications products and services has increased significantly over the last few years in Spain, and this transaction will accelerate our ability to offer best-in-class propositions in the Spanish market.

"We look forward to welcoming the management and employees of Ono to Vodafone and working together to serve our customers across Spain," Colao added.

The acquisition marks Vodafone's latest move to grow in Europe following its recent €7.7bn takeover of Kabel Deutschland, the largest cable operator in Germany.

Shrewd move

"This is another shrewd strategic move for Vodafone which brings with it the fixed line operation they were lacking in

Spain," said Mike McCudden, head of derivatives at online broker Interactive Investor.

"We expect more strategic acquisitions from the telecommunications company as the array of European operators looks to consolidate," he told AFP.

The Ono transaction, worth £6.0bn, is expected to complete in the third quarter of this year but remains subject to regulatory approval.

"This transaction reflects Ono's attractive position as Spain's leading provider of high speed broadband, premium pay-TV and fixed communications," said Jose Maria Castellano Rios, chairman of the Ono.

"As part of Vodafone, Ono will continue to seize new growth opportunities and deliver the quality that our customers expect. The enlarged business is also expected to drive innovation in the Spanish telecommunications industry."

Ono, which has about 1.9m customers, has struggled to compete in Spain with Telefonica, Jazztel and other firms that bundle in-home services.

Vodafone meanwhile has about 14m customers in Spain, but faces fierce competition.

"Strategically, Vodafone buying cable operator Ono makes sense especially as it puts them into a better position to compete with Telefonica and Orange," added analyst Markus Huber at brokerage Peregrine & Black.

"Also, it follows the strategy they are already pursuing in Germany and in Europe in general, which is to expand their overall offer to their clients by adding a cable service to their wireless services."

The British group, which is the world's second-largest mobile operator by subscribers after China Mobile, has said it will invest £19bn over the next two years on networks and services by March 2016.

The Ono transaction meanwhile marks the latest consolidation in the global cable industry.

US company Liberty Global took over its British rival Virgin Media last year in a deal worth US\$23.3bn.

Source: AFP via I-Net Bridge

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