Deutsche Telekom sweetens T-Mobile-MetroPCS pitch

NEW YORK, US/BERLIN, GERMANY: Deutsche Telekom AG on Wednesday said it submitted final, sweetened terms it hoped will win shareholder backing for a merger of subsidiary T-Mobile USA with rival wireless carrier MetroPCS.

Under the revised terms, Deutsche Telekom would trim US$3.8bn from the debt load carried into the union by T-Mobile, reducing to US$11.2bn the amount of "shareholder loans" to the company.

Deutsche Telekom also said it would lower the interest rate charged on the loans.

The deal, if it goes through, would include a total US$1.5bn cash payment to MetroPCS shareholders, who would wind up holding 26% of shares of the combined company while Deutsche Telekom owns the remaining stake.

"The combined company will be able to compete more aggressively with other US mobile operators based on its economies of scale, improved spectrum position and additional financial resources," Deutsche Telekom said in a statement.

The merger, described as a way to help the number four carrier compete in the US market, has won US regulatory approval, but needs to win over MetroPCS shareholders at a special meeting set for April 12.

T-Mobile USA's earlier plan to merge with MetroPCS ran into headwinds in March amid fresh complaints that the deal would short-change shareholders of the smaller firm.

The protests came from the investment firm P. Schoenfeld Asset Management LP, which holds 2.5% of MetroPCS shares, and from the influential advisory firm Institutional Shareholder Services.

Those "no" recommendations echoed protests voiced by hedge fund manager John Paulson, who has a 10% stake in the smaller wireless carrier.

The opponents argue that T-Mobile parent Deutsche Telekom would get special treatment with 74% of the shares, and would dump US$15bn in debt on the combined firm.

Schoenfeld said that shareholders should consider "potential strategic alternatives... such as PCS remaining a standalone company."

"If stockholders vote against the proposed combination, MetroPCS stockholders will not enjoy its compelling benefits, which could lead to a loss of value for MetroPCS stockholders, and there is no assurance that MetroPCS will be able to deliver the same or better stockholder value," the Texas-based firm has argued.

Source: *AFP, via I-Net Bridge*