

Sprint Is Said to Abandon Plans to Buy MetroPCS for \$8 Billion

Serena Saitto and Olga Kharif

Sprint Nextel Corp. abandoned plans to buy MetroPCS Communications Inc., two people with knowledge of the matter said, walking away from a deal that might have helped the mobile-phone carrier vie with Verizon Wireless and AT&T Inc.

The transaction would have valued MetroPCS at about \$8 billion, said one of the people, who asked not to be identified because the discussions were private. It was rejected by Sprint's board, this person said. The transaction included a 30 percent premium, CNBC reported yesterday.

MetroPCS would have provided access to more than 9.3 million customers and airwaves needed for faster wireless services. Sprint discussed buying T-Mobile USA last year, people knowledgeable of the matter said at the time. The company is on the lookout for deals that would help it pose a more credible threat to bigger competitors Verizon Wireless and AT&T.

"Sprint is on the prowl for an acquisition," Christopher King, an analyst with Stifel Nicolaus & Co., said in an interview.

Failing a takeover of MetroPCS, Sprint may consider buying MetroPCS rival Leap Wireless International Inc., King said. MetroPCS also remains a potential target for a company such as T-Mobile USA, he said.

John Taylor, a spokesman for Overland Park, Kansas-based Sprint, declined to comment, as did Drew Crowell, a spokesman for Richardson, Texas-based MetroPCS, and Greg Lund at San Diego-based Leap.

'No Confidence' in Hesse

The failed effort suggests that Sprint Chief Executive Officer Dan Hesse lacks the support of his board, King said.

"It certainly indicates a different line of thinking between Dan Hesse and his board," he said.

"Having this public a breakup on a deal that he's endorsed is almost akin to no confidence."

It raises questions "as to Hesse's future at Sprint," King said.

Metro PCS rose as much as 11 percent in extended trading yesterday after CNBC reported the broken down discussions.

Sprint was little changed after briefly rising to \$2.52. The company's stock has tumbled 42 percent in the past 12 months amid subscriber losses and single-digit sales growth.

Even adding Apple Inc.'s iPhone to the Sprint lineup did little to help Hesse last quarter in his attempt to stem a five-year decline in contract subscribers. Sprint sold fewer iPhones than analysts predicted during the period and margins came under pressure as it paid higher subsidies to lure users to the handsets.

Metro PCS, a pay-as-you-go wireless carrier, reported profit on Feb. 23 that beat analysts' estimates. Fourth-quarter sales rose 16 percent to \$1.2 billion, while net income surged more than sixfold to \$91 million. Earnings before interest, taxes, depreciation and amortization rose 15 percent to \$362 million, topping the average estimate of \$319.6 million.

Fonte: Bloomberg Businessweek, 27 Feb. 2012. Disponível em:
<<http://www.businessweek.com>>. Acesso em: 28 Feb. 2012. On-line.