

Paulson to Vote Against T-Mobile-MetroPCS Merger

Ben Munson

Paulson & Co., an investment firm owning a 9.9 percent stake in MetroPCS, has said it will vote against the carrier's proposed merger with T-Mobile.

In a [letter](#) [1] to the boards of both MetroPCS and Deutsche Telekom AG, the parent company of T-Mobile, Paulson cited high debt, high interest rates and high equity risks for MetroPCS shareholders as the reasons for its decision to vote no.

According to the letter, under the current terms of the merger, the net debt of the new company would total \$23.2 billion, \$15 billion of which would be an intercompany note that carries an "egregiously high" interest rate of 7 percent.

The letter also mentioned that "the highly levered proposed capital structure limits flexibility, depresses the pro forma valuation multiple, and creates excessive equity risk." It also claims that the equity split of the pro forma corporation, which grants MetroPCS shareholders 26 percent, is unfair.

The letter states that MetroPCS is more valuable as a standalone company.

Paulson said that "in contrast to MetroPCS' strong performance, T-Mobile's performance has been poor."

Despite the objections, Paulson said it would be willing to reconsider voting against the merger if Deutsche Telekom reduces the debt or contributes to \$6.6 billion and the interest rate it carries to 4.2 percent.

Deutsche Telekom has said it will continue to pursue the merger under the current terms.

Since the deal was proposed in October of 2012, MetroPCS's stock has declined more than 25 percent.

Source URL (retrieved on 06/12/2013 - 2:09pm):

<http://www.wirelessweek.com/news/2013/03/paulson-vote-against-t-mobile-metropcs-merger>

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[1] http://www.walek.com/documents/Just_Vote_No_letter_to_management_28_Febr

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