

# MetroPCS Responds to ISS Merger Concerns

Andrew Berg

In a [letter](#) [1] to investors, MetroPCS today reiterated its call for shareholders to approve the proposed combination with T-Mobile USA.

The letter comes after Institutional Shareholder Services Inc. (ISS), a proxy adviser firm, last week advised MetroPCS shareholders to vote against the proposed merger, citing the negative market response the merger—which has resulted in a 14.4 percent price decline for PCS since the deal was announced—as well as an unjustifiably low equity split and PCS's potential to thrive without merging.

MetroPCS' letter--the second of its kind that the company has sent to shareholders--describes what the company calls "the significant benefits to MetroPCS' stockholders" resulting from the proposed merger.

"It also addresses certain assumptions that ISS based its report on, leading to the wrong conclusions regarding the proposed combination," the letter, which was signed by CEO Roger Lindquist, argued.

MetroPCS notes that ISS recognizes that MetroPCS' "exploration of strategic alternatives appears to have been thorough," adding that MetroPCS' stockholders should not assume that another buyer will acquire MetroPCS if the proposed combination is not approved.

The prepaid carrier cites Glass Lewis, another independent proxy advisory firm, that agrees that the MetroPCS board explored all alternatives, and concluded that MetroPCS "needs to combine with a larger strategic partner in order to address its challenges as a standalone company."

MetroPCS argues that the proposed merger will provide MetroPCS' stockholders with an immediate \$1.5 billion aggregate cash payment, or approximately \$4.06 per share (prior to the reverse stock split that will occur in connection with the closing of the proposed combination), as well as an approximate 26 percent ownership stake in the combined company.

MetroPCS said that in making its assessment of the deal, ISS used a combined company 2013 EBITDA that excludes \$573 million of reasonable and appropriate adjustments made by MetroPCS management to T-Mobile's 2013 forecast and is therefore based on a T-Mobile forecasted 2013 EBITDA that is lower than what

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MetroPCS and T-Mobile believe is appropriate based on extensive due diligence of the T-Mobile plan.

"Although ISS noted that \$250 million of the \$573 million related to the introduction of Apple products was reasonable, ISS decided not to account for any of the adjustments "at least until the adjustments are more fully documented and discussed," the letter noted.

ISS also disagreed with MetroPCS and its financial advisors that the \$1.5 billion for spectrum should be deducted for valuation purposes.

Contrary to ISS' view, MetroPCS said that if it uses its \$1.5 billion in cash to purchase spectrum required to achieve its long-term plan, the market will not increase MetroPCS' enterprise value by \$1.5 billion to account for the spectrum value. MetroPCS contends that wireless companies are valued based upon EBITDA and cash flow, not asset value.

The proposed merger of T-Mobile and MetroPCS has already been given the necessary regulatory approval. Now MetroPCS shareholders will voted on the deal at a special meeting scheduled for April 12, 2013.

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