

# Verizon Sees Few Changes to US Wireless Business

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Verizon's \$130 billion deal with Vodafone is huge for both companies, although Verizon customers in the U.S. are unlikely to see any big changes to their bills or their service.

Verizon is buying the 45 percent of its wireless business owned by British cellphone carrier Vodafone. That will let Verizon keep all of the profits from that business, and gives Vodafone a large pile of cash that will fund its expansion ambitions in Europe. It's the second-biggest buyout on record.

Verizon Chairman and CEO Lowell McAdam said on a conference call Tuesday that the company's U.S. wireless businesses are working well now, and that he would move slowly on any changes to its structure.

Verizon has already run that business on its own, so taking Vodafone out of the picture is not new territory.

Verizon's network has a good reputation after 13 years of focusing on performance, and McAdam said the goal is to maintain that level of quality.

"That does not change," he said.

The company will remain involved in future auctions for the frequencies that handle cell phone traffic.

And the company is seeking new growth.

The U.S. has a strong economy and there are many potential customers who have yet to make the transition to smartphones, McAdam said.

"We're very bullish on the growth outlook for the U.S. wireless marketplace," he said.

In the most recent quarter, Verizon Wireless added 941,000 devices to its contract-based plans, exceeding expectations and extended a strong run. But almost all of Verizon's wireless gains were customers upgrading to higher-priced plans or adding more devices, rather than an influx of new customers.

The outside advantage of the deal to acquire the U.S. stake is more flexibility for

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Verizon is expanding abroad. Vodafone has previously had authority to nix expansion under the terms of joint wireless venture.

Verizon said it expects regulators to approve the deal since it already controls its U.S. wireless business. It also needs shareholder approval. It expects the deal to close during the first quarter of next year.

Besides the wireless business, Verizon Communications Inc. sells home Internet service and traditional, landline phone service in some markets, along with business-to-business services. The company is angling increasingly to market those services together, McAdam said.

The New York company has long wanted to buy out its partner, but the two companies hadn't agreed on a price. Analysts said Verizon wanted to pay around \$100 billion, while reports suggested Vodafone held firm for the final sale price of \$130 billion.

McAdam said the deal will basically pay for itself as the profits from the wireless business covers expenses from interest and dividends on the stock Verizon will issue. He said the deal will boost Verizon's earnings per share by 10 percent right away.

Verizon needs to borrow some \$61 billion to make the deal happen. Executives said they expect the company's debt rating to fall one notch, but that it will return to current levels over the next four to five years.

Company shares slid 4 percent, or \$1.88, to \$45.50 in early trading. Shares are still trading near a 12-year high.

To pay for most of the rest of the deal, Verizon is issuing shares to Vodafone shareholders. That stock was valued at about \$60 billion before the deal was announced, and the agreement sets a floor at \$47 per share and a ceiling of \$51. In Tuesday morning trading, Verizon shares slid almost 5 percent to \$45.23.

The cell phone business has seen several large deals this year. No. 3 wireless company Sprint Corp. received a \$21.6 billion investment from SoftBank Corp. in July, giving the Japanese investment firm a 78 percent stake. T-Mobile grew larger through a merger with smaller rival MetroPCS on April 30.

Late Monday, Microsoft Corp. said that it would buy Nokia's line-up of smartphones and a portfolio of patents as it tries to vault into the lucrative mobile computing market and gear up for a fight with Apple Inc.

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The largest deal on record is Vodafone's \$172 billion acquisition of Mannesmann AG in 2000, according to research firm Dealogic.

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