

Deal of the Week: T Mobile to Buy Sprint for \$26.5B

Announcement Date	<ul style="list-style-type: none"> April 29, 2018 	
Acquirer	<ul style="list-style-type: none"> T-Mobile US, Inc. (NASDAQ: TMUS) 	
Acquirer Description	<ul style="list-style-type: none"> Subsidiary of Deutsche Telekom AG; provides mobile communications services in the United States, Puerto Rico, and the United States Virgin Islands Founded in 1994 and headquartered in Bellevue, Washington 	
Acquirer Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$50.8 billion EV: \$83.3 billion LTM Revenue: \$40.3 billion 	<ul style="list-style-type: none"> LTM EBITDA: \$10.7 billion LTM EV / Revenue: 2.1x LTM EV / EBITDA: 7.8x
Target Company	<ul style="list-style-type: none"> Sprint Corporation (NYSE: S) 	
Target Description	<ul style="list-style-type: none"> Provides wireless and wireline communications products and services in the United States, Puerto Rico, and the U.S. Virgin Islands Owned by Tokyo-based SoftBank Group Corp. Founded in 1899 and headquartered in Overland Park, Kansas 	
Target Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$22.0 billion EV: \$55.7 billion LTM Revenue: \$32.9 billion 	<ul style="list-style-type: none"> LTM EBITDA: \$11.4 billion LTM EV / Revenue: 1.7x LTM EV / EBITDA: 4.9x
Acquirer Advisors	<ul style="list-style-type: none"> PJT Partners, Goldman Sachs, Deutsche Bank and Evercore 	
Target Advisors	<ul style="list-style-type: none"> The Raine Group, J.P. Morgan and Centerview Partners 	
Price / Consideration	<ul style="list-style-type: none"> \$26.5 billion 	<ul style="list-style-type: none"> Stock
Rationale	<ul style="list-style-type: none"> A combined company, they said, would have more than 100 million subscribers and the resources to build out a next-generation 5G wireless network and challenge the longtime market leaders, Verizon and AT&T T-Mobile CEO John Legere, who will head the merged company, said on a conference call Sunday that the firm plans to deliver "the highest capacity network in US history." He said the company will hire thousands of people in a bid to create a nationwide network that will position the United States as the leader in providing 5G connectivity Investing in new 5G networks as separate companies would be difficult for T-Mobile and Sprint, given their current financial situations. Sprint has about \$32 billion in debt, while T-Mobile generates a fraction of the cash that Verizon and AT&T do. Combining would yield ~\$6 billion in cost savings, especially because the companies would need to pay to run just one network instead of two, allowing them to spend more money on infrastructure A combined T-Mobile and Sprint, with almost 100 million retail subscribers as of Dec. 31, would put it ahead of AT&T, with 93.6 million, and not far behind Verizon's 116.3 million Expected synergies of ~\$43 billion (more than \$6.5 billion on a run-rate basis) 	
Deal Points	<ul style="list-style-type: none"> Combination values each Sprint share at 0.10256 of a T-Mobile share, or \$6.62 a share based on T-Mobile's Friday closing price of \$64.52 Under the terms of the deal, T-Mobile's controlling shareholder, Deutsche Telekom, would own 42% of the combined company. SoftBank would own 27%. Public shareholders would own the remainder 	
Of Note	<ul style="list-style-type: none"> Sprint and T-Mobile have tried unsuccessfully to merge before. They were effectively blocked four years ago by regulators in the Obama administration who worried that shrinking the market for wireless providers would give consumers fewer choices and lead to higher prices 	