Vodafone nears Verizon Wireless deal

LONDON, UK: British mobile phone giant Vodafone neared a US$130bn deal to sell its US joint-venture stake to partner Verizon in a blockbuster deal that could change the face of the global telecom sector.

The blockbuster deal, which would be one of the biggest transactions in corporate history, would allow Vodafone to bounce back from hefty losses, pay down debt, make new acquisitions, and return money to shareholders, according to analysts.

It would also mark the group's exit from the United States market and inject several billion euros into the British economy that is struggling to lift out of the doldrums.

The company's share price jumped 3.76% to 214.0 pence in afternoon trading on Monday.

Vodafone confirmed late Sunday it was in "advanced" talks to sell its 45% holding in Verizon Wireless to Verizon Communications in a vast deal worth the equivalent of €98.5bn or £84bn.

London's FTSE 100 index, on which the British firm is listed, was 1.54% higher at 6,511.46 points.

The Financial Times, citing sources close to the situation, said that both sides had agreed in principle to the Verizon Wireless deal, while Verizon management would meet later on Monday to approve the purchase. Both Verizon and Vodafone declined to comment further on the matter, when approached by AFP.

The gigantic buyout would be the second-biggest merger and acquisition deal in global corporate history, according to data firm Dealogic. The world's biggest M&A deal remains Vodafone's purchase of Germany's Mannesmann for US$172bn including debt, in 1999.

The deal would be so big that some analysts said the effect on the British economy would be as great as the hundreds of billions of pounds injected into the British economy since 2009 by the central bank, the Bank of England.

"Vodafone confirms that it is in advanced discussions with Verizon Communications Inc. regarding the disposal of Vodafone's US group whose principal asset is its 45% interest in Verizon Wireless for US$130bn," the group said in a statement that was issued on Sunday and released to the London Stock Exchange on Monday.

"The consideration would substantially comprise a mixture of Verizon common stock and cash.

"There is no certainty that an agreement will be reached. A further announcement will be made as soon as practicable."

The long-rumoured Verizon Wireless transaction would give US fixed-line company Verizon full control after 13 years of shared ownership.

The Wall Street Journal reported that the deal would be announced on "Monday afternoon" citing a person close to the negotiations.

Atif Latif, director of trading at Guardian Stockbrokers in London, said the deal would create a cash pot to fund acquisitions in Europe.

"With this news we could see more acquisitions within Europe to give then a foothold back into markets where they have fallen behind in recent times," Latif told AFP.

He added that US$130bn was at the top end of analysts' estimates, and noted that the potential tax bill would likely be less than expected.

In May, Vodafone revealed that annual net profits had slumped by 90% after taking a vast impairment charge relating to poor business in debt-laden eurozone nations Italy and Spain.

Profit after taxation collapsed to £673m in the group's financial year to the end of March compared with £7.0bn in 2011-2012.

Since then it has announced rising first-quarter sales, as strength in emerging markets such as in Africa and Asia counters weakness in Europe. In June, Vodafone launched a €7.7bn cash offer for Kabel Deutschland, Germany's biggest cable operator.

Jonathan Jackson, head of equities at brokerage Killik & Co, expected the deal would likely be announced before Wall Street reopened on Tuesday. US financial markets remain closed on Monday for the Labor Day public holiday.

Source: AFP, via I-Net Bridge