

Orange seeks to buy Spain's Jazztel for \$4.4bn

MADRID, SPAIN: French group Orange launched on Tuesday, 16 September, a bid to extend its reach in a Europe-wide telecom turf war with an offer for Spanish fixed-line operator Jazztel.



Orange's Chief Executive Stéphane Richard is confident that shareholders will approve the deal worth €3.4bn to buy Jazztel. Image: [Telecoms](#)

Orange, formerly known as France Telecom, announced the offer worth a total of €3.4bn (\$4.4 billion) when stock options held by some Jazztel managers are included.

The offer, which will be formally presented to Jazztel shareholders this week, offers €13 per share, 34 percent above the average closing price of the last 30 trading days.

The deal is subject to regulatory approval as well as to winning the backing of at least 50.01% of shareholders.

If successful, it would create Spain's second-biggest fixed broadband carrier and third-biggest mobile network operator.

Buying Jazztel would give Orange about 1.5m broadband subscribers to help bolster offers of combined broadband, TV and wireless packages.

Consolidation of European market

"We are doing this deal to accelerate our growth in Spain, particularly in fixed-mobile convergent offers," Orange's Chief Executive Stéphane Richard said.

Consolidation of the crowded and deeply fragmented European telecommunications market has intensified over the past year as small companies have fallen prey to bigger rivals, reducing the number of operators in each market.

Analysts say a reduction in the number of large operators could help boost profit margins in the industry after years of fierce competition during an economic downturn.

In April, European cable group Altice won a bidding contest for France's second-biggest telecommunications operator SFR, beating a government-backed offer from Bouygues by agreeing to a deal valued at over €17bn.

Earlier this year, Vodafone in Spain purchased Ono, a mid-sized cable operator for €7.2bn.

Major consolidation underway

The European Commission gave that acquisition the green light in July, judging that Vodafone's mobile activities were largely complementary to Ono's fixed-line services.

The commission also paved the way that month for the creation of Germany's biggest mobile company when it cleared the acquisition of E-plus in Germany, a unit of Dutch KPN, by Spain's Telefonica.

The cash and stock deal, estimated at €8.5bn, merges Germany's third and fourth-biggest operators, leaving only Deutsche



Spain's Industry Minister Jose Manuel Soria says consolidation for the telecommunications industry will be a good thing for Spain and Europe. Image: [Hspanidad](#)

Telekom and Vodafone as similar-sized rivals.



Jazztel Chairman Leopoldo Fernandez Pujals who own 14.5% of the shares in the company has already agreed to sell his shareholding.
Image: [Publico](#)

Spanish Industry Ministry Jose Manuel Soria welcomed the offer.

"It should go further. I think this process of consolidation has to keep advancing, not only in Spain but also in Europe," he said during an interview with Spanish public radio.

Asked if the trend would lead to lower consumer prices, he said: "I can't say for certain, but if the process of consolidation works as it should, that should happen."

Orange expects to save €1.3bn by merging with Jazztel, mostly through network efficiencies. The company said Jazztel's Chairman Leopoldo Fernandez Pujals, who owns 14.5% of the company, would accept its offer.

Spain is Orange's second-biggest market, accounting for about 10% of the group's revenue.

The deal would "solidify" Orange's position as Spain's second-largest broadband operator, said IHS Telecoms Analyst James Allison.

"The acquisition is in part a response to Vodafone's increased scale in Spain with its acquisition of cable operator Ono," he added.

Jazztel has 11.8% of the Spanish broadband market and 2.3% of the mobile-phone segment, according to data from Spain's telecommunications watchdog, CNMC.

A takeover would give Orange 26.2% of the broadband segment, compared with Vodafone's 21% share.

Orange would have 25.1% of the mobile market, behind Vodafone's 26.7%.

Former state monopoly Telefonica controls a third of the market in both segments.

Source: AFP via I-Net Bridge

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