

The Reverse Merger Between T-Mobile and MetroPCS

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Synopsis

Deutsche Telekom, a German listed company had proposed to merge its wholly-owned subsidiary T-Mobile USA with MetroPCS, a U.S. listed wireless services provider. The merger was to be structured as a reverse merger with PCS acquiring the assets of T-Mobile and the combined entity being listed on a U.S. stock exchange. Stockholders of MetroPCS would receive \$4.09 a share in cash and a 26% equity stake in the combined company under the terms of the merger. Two shareholders of MetroPCS, Paulson & Co., and Schoenfeld Asset Management, who owned a combined 11.7% of PCS opposed the terms of the merger. They demanded a higher premium of \$9.07 a share. The Sprint-Nextel merger that was completed only three years earlier offered a sobering perspective on the difficulties of merging different wireless technologies. Yet, there was a possibility that the premium offered did not fully reflect the benefit to Deutsche Telekom of a U.S. cross-listing offered by the merger with the U.S. listed MetroPCS. The decision case requires a determination of whether Paulson's and Schoenfeld's demand for a higher premium is justified.

Learning Outcomes

The outcomes of this case are:

1. Evaluate the soundness of quantitative analyses and predictions concerning the costs of integration and operational synergies.
2. Demonstrate a comprehension of strategic, legal, and financial issues that affect the cost of capital for foreign firms listing equity on a U.S. Stock Exchange.
3. Synthesize and apply knowledge of valuation models to recommend a financial premium for a cross-border, reverse merger.

Application

This case is appropriate for an International Finance or a Mergers and Acquisitions (M&A) course at the graduate level. It may also be used in an executive-level inter-disciplinary course dealing with international business and finance.

Key Words

Mergers and acquisitions, International Business

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