
FTC, DOJ Approve Sprint-Virgin Mobile Deal

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The proposed \$483 million deal between Sprint and Virgin Mobile clears antitrust hurdles from the Federal Trade Commission and the Department of Justice. The acquisition is likely to be part of a continuing consolidation trend in the prepaid market. Sprint's Boost and Virgin Mobile will be competing in a crowded market that already includes Leap Wireless, TracFone and MetroPCS.

The Federal Trade Commission and the Department of Justice gave the green light Aug. 24 to Sprint Nextel's proposed \$483 million acquisition of Virgin Mobile USA.

The agencies' reviews of the deal, announced July 28, covered the antitrust aspects of the transaction.

The merger still needs Federal Communications Commission approval since Virgin Mobile holds international spectrum licenses that need to be transferred to Sprint.

Under the terms of the agreement, Virgin Mobile USA stockholders will receive shares of Sprint common stock based on a 10-day average closing price equivalent to \$5.50 per Virgin Mobile USA share.

At closing, Sprint will retire all of Virgin Mobile USA's outstanding debt, which is currently \$248 million net of cash and cash equivalents as of March 31, but is expected to be no more than \$205 million net of cash and cash equivalents on Sept. 30.

With more than 90 percent of Americans already armed with cell phones, major carriers are increasingly looking to prepaid carriers as a source of new subscribers. Virgin Mobile, Boost (owned by Sprint), Leap Wireless, TracFone and MetroPCS are all competing in the crowded market. In June, TracFone began selling unlimited calling and text messaging for \$45 per month using Verizon Wireless' network.

Bringing together Boost and Virgin Mobile under one brand, Sprint said, allows the carrier to offer two different prepaid services, each with a distinctive style and appeal to different customer demographics.

Following the closing of the deal, Sprint's prepaid business will be led by current Virgin Mobile USA CEO Dan Schulman, who will be responsible for the business strategy and growth of the prepaid segment, while Matt Carter will continue to lead Boost Mobile and will report to Schulman.