

Sprint, T-Mobile Show Hurdles To Merging Industry Leaders

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The decision by Sprint and T-Mobile to call off merger talks for the second time in roughly three years highlights how difficult it can be to negotiate a successful tie-up involving industry leaders, especially in a sector that is highly regulated like telecom.

Sprint Corp. and T-Mobile US Inc., the third- and fourth-largest U.S. wireless carriers, respectively, have now come close to combining businesses twice in about three years, with both deals collapsing for very different reasons. In 2014, the companies scrapped their agreement after determining they were in for some potentially insurmountable regulatory scrutiny. This time around, they never even made it that far, with the companies calling off negotiations Saturday after failing to mutually agree on terms.

The two failures showcase just how difficult it can be to ink an agreement when the desired merger involves two of the top companies in a given industry. In any deal, complications can arise on a variety of matters, including financing, valuation and antitrust and regulatory matters, and in larger deals, even small problems can wind up having serious consequences for the viability of the transaction.

"This is a unique situation because both companies are controlled by a foreign parent," said Howard Berkower, a partner with McCarter & English LLP's corporate practice.