THE AUSTRALIAN

TPG in $1.4 billion takeover bid for iiNet

MITCHELL NEEMS AND FRAN FOO BUSINESS SPECTATOR 9:06AM MARCH 13, 2015

INTERNET provider TPG Telecom has moved to secure full ownership of iiNet, launching an $8.60 per share bid for all securities it does not already own in the company, with a total price tag of $1.4 billion.

Under the proposed deal iiNet (**IIN**) shareholders will receive cash consideration of $8.60 per iiNet share, while those shareholders on the register at March 16 will remain entitled to and will receive the fully franked interim dividend of 10.5c.

The offer price combined with the interim dividend comes to $8.705 per share, which represents a 31 per cent premium on the last closing price of $6.65 on a cum-dividend basis.

It represents a 33 per cent premium on the one-month volume weighted average price on a cum-dividend basis.

TPG (**TPM**) already own 6.25 per cent of iiNet and today's offer values the Australian internet service provider at $1.4bn.

TPG said the directors of iiNet had unanimously backed the offer.

Chairman if iiNet Michael Smith said the board viewed the offer as a significant reward for shareholders who have shown their faith in iiNet.

"The price of $1.4bn is a very tangible measure of the value that the extraordinary people of iiNet have created through their innovation, brilliant service and capacity to add value."

TPG said it would fund the purchase through debt, for which it has established new committed facilities.

TPG chief executive David Teoh said the deal would create a combined company with 1.7 million subscribers.

"iiNet and TPG are highly complementary businesses in terms of geographic presence, market segments and corporate customer base," he said.

"The combined businesses will provide broadband services to over 1.7 million subscribers and will be well positioned to deliver scale benefits in an NBN environment.”

The Australian Competition and Consumer Commission, meanwhile, said it was aware of the proposed transaction and would launch a public review, but didn’t offer specific timing.

“The ACCC will commence a public review after receiving a submission from the parties,” an ACCC spokeswoman said.

“We will call for submissions at that time and details will be posted on our public register.”

The ACCC reviews mergers and acquisitions which have the potential to raise concerns under the Competition and Consumer Act 2010.

The act prohibits acquisitions that would have the effect, or be likely to have the effect, of substantially lessening competition in a market.

IG market analyst Evan Lucas said the deal had been expected for years.

“It’s the worst kept secret ... it was always going to happen,” he said.

He said the $1.4 billion price tag was fair for both companies, especially in light of iiNet’s disappointing first half results.

“It’s a good price ... it’s not expensive but it’s certainly not cheap.”

iiNet shares lost 11 per cent in one day in February after it reported a flat first-half profit.

Mr Lucas said the deal would give TPG, which specialises in low-cost internet, exposure to iiNet’s premium customer base.

If iiNet shareholders approve the deal, the takeover is set to be completed in July.

TPG is being advised by Macquarie Capital (Australia) Limited, as financial adviser, while Minter Ellison is serving as legal counsel.

Target company iiNet, Australia’s second largest DSL internet service provider, is being advised by Azure Capital Limited, as financial adviser, with K&L Gates as legal counsel.

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