



M&A DEAL OVERVIEW

JAPAN'S NTT CORP. TO ACQUIRE NTT DOCOMO IN OVER \$40 BILLION DEAL



ACQUIRER	Nippon Telegraph and Telephone, Corp. (TYO: 9432)	
ACQUIRER DETAILS	<ul style="list-style-type: none"> • A Japanese telecommunications company, which through its subsidiaries, provides world-class services ranging from fixed-line and mobile phones to the Internet and system integration. • NTT Corp acts as a one-stop innovation partner for big businesses and government agencies. • Founded in April 1985, headquarters in Chiyoda City, Tokyo, Japan. • Employees – 310,000+ 	
ACQUIRER FINANCIAL INFORMATION	<ul style="list-style-type: none"> • Market Cap: JP¥10.1 trillion • P/E Ratio (TTM): 11.90 • EPS (TTM): 231.13 • PB Ratio: 1.1 • Payout ratio: 42.2% 	<ul style="list-style-type: none"> • Debt-to-equity ratio: 34.4% • Dividend Yield: 3.64% • Return on Equity: 11.7%
TARGET	NTT DoCoMo, Inc. (TYO: 9437)	
TARGET DETAILS	<ul style="list-style-type: none"> • NTT Domoco is a Japanese world-leading phone operator offering mobile services with over 79 million customers worldwide and also launched the world's first 3G mobile service in 2001. • Founded in August 1991, headquarters in Chiyoda City, Tokyo, Japan. • Employees - 27,600+ 	
TARGET FINANCIAL INFORMATION	<ul style="list-style-type: none"> • Market Cap: JP¥12.6 trillion • P/E Ratio: 20.7 • EPS: 188.15 • Payout ratio: 65.1% 	<ul style="list-style-type: none"> • Debt-to-equity ratio: 0.9% • Dividend Yield: 1.6% • Return on Equity: 12.6%
DEAL POINTS	<ul style="list-style-type: none"> • Deal announced – 29/09/20 • Deal Price – \$41.2 billion (JP¥4.3 trillion) tender offer. <ul style="list-style-type: none"> ◦ NTT offered ¥3,900 (\$37) per NTT DoCoMo share, representing a 40% premium. ◦ 2,952,748,244 shares of Common Stock (Voting Rights Ownership Ratio: 91.46%). ◦ Funded through bridge loans from Japan's biggest three banks and aims to refinance part of the loans through long-term bonds. 	
RATIONALE	<ul style="list-style-type: none"> • NTT Corp decided to take full control of its subsidiary, NTT Domoco, as a result of the Japanese Prime Minister demanding significant cuts in smartphone service fees and telecom companies vying to adopt high-speed 5G networks. According to Recof Corp, an M&A firm, this deal is set to be the largest-ever takeover bid in Japan. • The deal has been welcomed by the Japanese public that pays some of the highest mobile fees in the world, thereby placing Docomo in a more solid financial position allowing it out to carry out further price cuts as pressured by the Japanese Government. The reduction in fees are set to take place in April 2021, with a JP¥1000 reduction in 5G fees and JP¥600 reduction in 4G fees per month. • The purchase of the 34% stake NTT already doesn't own will allow the giant to navigate its resources more efficiently as costs of technology developments rise. Furthermore, as the coronavirus pandemic forces many Japanese businesses to shift online, this deal will act as a survival tool for the company going forward. • Following the deal, Japanese wireless carrier SoftBank said it will lower its mobile data fees, joining its superior NTT Docomo Inc following government calls to reduce prices to prompt consumer spending elsewhere in the economy. • However, the deal has been criticized by make stakeholders with a view of it preventing "fair competition". This was the result of 8 telecom companies in the nation sending a joint letter to the communications minister protesting the move. 	