Sprint Offers $2.1B for the Rest of Clearwire

PETER SVENSSON, AP Technology Writer

Sprint Nextel has offered to buy out the minority shareholders of Clearwire for $2.1 billion in a deal that would give it total control of the flailing company and also more space on the airwaves for data services.

Sprint said in a regulatory filing Thursday that it's offering $2.90 per share for the 49 percent of the wireless network operator that it doesn't already own.

Clearwire's board hasn't approved the sale, but said it's in discussions with Sprint. Clearwire shares jumped 15 percent to close at $3.16 Thursday, suggesting that investors believe a better offer may be coming.

It's been widely assumed that Sprint, the country's No. 3 wireless carrier, would buy out Clearwire. Both companies have been pressed financially, but Sprint is getting an infusion of cash after selling 70 percent of itself to Softbank Corp. of Japan for $20 billion. Clearwire shares nearly doubled in value when that deal was announced two months ago, and got a further boost on Tuesday, when The Wall Street Journal and CNBC reported that Sprint and Clearwire were already in talks.

Clearwire, which is based in Kirkland, Wash., was formed by cellular pioneer Craig McCaw to take advantage of an emerging wireless technology, WiMax, which promised higher speeds and lower costs than conventional cellular technology.

Sprint was working on the same technology and in 2008, rolled those operations into Clearwire, gaining a stake of more than 50 percent. Since then, it's had a hot-and-cold relationship with Clearwire. Sprint uses Clearwire's WiMax network to provide "Sprint 4G," but the technology has been orphaned as other wireless carriers have opted for another fourth-generation technology called "LTE." Sprint is now building out its own 4G LTE network, something that Clearwire would do as well if it had the funds.

Clearwire's main asset is vast swaths of wireless spectrum, or space on the airwaves, that could be used to provide high data download speeds — a crucial competitive factor in today's wireless industry. However, Clearwire's frequencies are difficult to use: They require many cell towers to cover an area, and the signals don't penetrate well into buildings. Clearwire's weak financials had threatened to drag Sprint down with it, and Sprint had reduced its stake to less than 50 percent.

Soon after the Softbank announcement, however, Sprint struck a deal to buy out McCaw's stake in Clearwire. Remaining Clearwire investors include cable companies Comcast Corp. and Bright House Networks, as well as chipmaker Intel Corp. Google Inc. sold its Clearwire stake in February for $1.60 per share, and Time Warner Cable Inc. sold in September at a similar price.

Sprint's offer for Clearwire continues a wave of deal-making in wireless this fall. Medium-sized players are trying to strengthen their hands to compete with the top two, Verizon Wireless and AT&T Inc. Sprint's deal with Softbank is part of that trend, as is No. 4 T-Mobile USA's deal to buy No. 5 MetroPCS Communications Inc.

Sprint has 48 million subscribers that it bills directly, compared to 96 million at Verizon and 77 million at AT&T.

Clearwire Corp. serves 10.5 million subscribers, but it only bills 1.4 million of them directly. Almost all of the rest are using Sprint devices.

Shares of Sprint Nextel Corp., based in Overland Park, Kan., fell 2 cents to close at $5.64.