METROPCS COMMUNICATIONS INC
Form DFAN14A
February 07, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant o

Filed by a Party other than the Registrant x

Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
o	Definitive Proxy Statement
o	Definitive Additional Materials
x	Soliciting Material under §240.14a-12

MetroPCS Communications, Inc.
(Name of Registrant as Specified In Its Charter)

P. Schoenfeld Asset Management LP

P. Schoenfeld Asset Management GP LLC

Peter M. Schoenfeld
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1)	Title of each class of securities to which transaction applies:
(2)	Aggregate number of securities to which transaction applies:
(3)	Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
(4)	Proposed maximum aggregate value of transaction:
(5)	Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1)	Amount Previously Paid:
(2)	Form, Schedule or Registration Statement No.:
(3)	Filing Party:

(4) Date Filed:

On February 7, 2013, P. Schoenfeld Asset Management LP issued the following press release:

P. SCHOENFELD ASSET MANAGEMENT INTENDS TO

VOTE AGAINST METROPCS MERGER

NEW YORK, Feb. 7, 2013/PRNewswire/ - P. Schoenfeld Asset Management LP (PSAM) sent a letter on January 30th to the Board of Directors at MetroPCS Communications Inc. (PCS) and the Supervisory Board at Deutsche Telekom AG (DT) outlining issues related to the current structure of the proposed terms for the reverse merger between PCS and T-Mobile USA (T-Mobile).

In the letter PSAM stated its belief that:

1. The new combined company (PCS/T-Mobile) is not appropriately and fairly capitalized;

2. The interest rate on DT s debt financing is far above market, based on PCS/T-Mobile s anticipated credit rating; and

3. The exchange ratio is unfair to PCS stockholders.

PSAM stated that it intends to vote against the transaction in the absence of changes to the deal terms since PSAM is of the view that it would be better for PCS to remain a stand-alone company while examining opportunities to consummate alternative transactions, than to accept the package of cash and securities being offered to PCS stockholders.

Full text of the letter is attached.

About PSAM

P. Schoenfeld Asset Management LP (together with its affiliates, PSAM) was founded by Peter M. Schoenfeld and has been providing investment advisory services since 1997. PSAM invests on behalf of its clients in both equity and credit securities in global event driven opportunities, including: international consolidations, corporate restructurings, spin-offs, divestitures, and stressed and distressed credits. PSAM has offices in New York and London, which are registered with the SEC and authorised and regulated by the FSA, respectively.

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January 30, 2013

Members of the Board of Directors	Members of the Supervisory Board
MetroPCS Communications Inc.	Deutsche Telekom AG
2250 Lakeside Boulevard	Postfach 2000
Richardson, TX 75082	53105 Bonn, Germany

Dear Board Members:

P. Schoenfeld Asset Management LP (PSAM) is an investment adviser that focuses on event-driven and fundamental investment opportunities. We have been providing investment advisory services to clients since 1997. Our clients are shareholders of MetroPCS Communications Inc. (PCS) and own an aggregate position of approximately 7,500,000 shares.

We have closely reviewed the recently announced reverse merger between PCS and T-Mobile USA (T-Mobile), a wholly-owned subsidiary of Deutsche Telecom (DT), which we will be asked to vote upon shortly. Based on our review, we believe that:

1. The new combined company (PCS/T-Mobile) is not appropriately and fairly capitalized;

2. The interest rate on DT s debt financing is far above market, based on PCS/T-Mobile s anticipated credit rating; and

3. The exchange ratio is unfair to PCS stockholders.

In the absence of changes to the deal terms that address these points, we question whether the transaction deserves the support of PCS stockholders. We are presently of the view that it would be better for PCS to remain a stand-alone company while examining opportunities to consummate alternative transactions, than to accept the package of cash and securities being offered to PCS stockholders. Based on the trading level of PCS stock, it appears that other investors share our opinion. The current PCS market price is approximately equal to the price at which PCS traded before the deal was announced and represents a substantial discount to highs reached in 2011. As you know, it is highly unusual for shareholders of an acquired company to receive no acquisition premium.

We have identified the following issues that need to be modified, before the deal is, in our view, supportable:

1. The proposed capital structure of PCS/T-Mobile is poorly conceived, with debt levels that we believe are unsustainable and value destructive for all constituents.

a. In its current configuration, PCS/T-Mobile will have $23.3 billion in total debt and leases, comprised of the following:

Proposed Capital Structure

[redacted]

b. PCS/T-Mobile s proposed capital structure entails a net debt (including leases)/2013E EBITDA ratio of 3.6x (adjusting for the special dividend) which compares to 2.7x for PCS stand-alone. This also compares unfavorably to the other following comps:

Bond	**Yield**	**Total Debt / 2013E EBITDA(1)**	**Net Debt / 2013E EBITDA(1)(2)**
SPRINT NEXTEL 7.000% Notes due 2020	5.3%	4.8x	2.2x
METROPCS WIRELES 6.625% Notes due 2020	5.5%	3.5x	2.7x
CRICKET COMMUNIC 7.750% Notes due 2020	7.0%	5.6x	4.5x
T-MOBILE USA(3) (Current)	**4.1%**	**3.3x**	**3.2x**

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(1) EBITDA based on analyst s consensus estimates

(2) Sprint adjusted for Softbank & Clearwire transactions / Metro PCS adjusted for $1.5 billion capital expenditure

(3) T-Mobile Yield calculated based on the annualized interest expense to affiliates for the 9 months ended 9/30/12 divided by average debt balance

c. We anticipate the credit rating on PCS/T-Mobile will be BB, which is substantially below investment grade. The risk associated with this lower credit rating and high debt levels will depress equity multiples and hence stock values for both DT and the public PCS/T-Mobile holders.

d. A reduction in the gross amount of intercompany debt from PCS/T-Mobile to DT will result in net value creation to DT as well. For every $1 billion of debt eliminated from the intercompany debt, DT s investment will be improved as follows:

i. Total equity value will automatically increase by $1 billion due to lower debt levels, or approximately $0.71 per share; and

ii. PCS/T-Mobile equity ratings and multiples will expand as a result of the risk mitigation associated with debt reduction.

2. ***The terms of the intercompany debt owed by PCS/T-Mobile to DT are unreasonable and confiscatory***.

a. The interest rate (projected average yield) on approximately $15 billion of rolled intercompany debt owed by PCS/T-Mobile to DT is preliminarily set at 8%(1), which we see as having no basis in current market reality. This intercompany interest expense will be approximately $1.2 billion per year. PCS current rates are only approximately 5.5%. T-Mobile s latest financial statements for the interim nine month period ending September 30, 2012 show T-Mobile s existing intra-company notes as having a fair market value in excess of par and a coupon rate of only ~4.1%. Half of the total intra-company notes have a maturity in excess of five years.

b. Every 1% of interest rate reduction will result in approximately $100 million of incremental free cash flow, or $0.07 of incremental free cash flow per share approximately $0.70 of incremental value per share at a 10x multiple. Setting the intercompany debt rates at market, of approximately 5.5%, would result in nearly $240 million in aggregate annual savings on interest expense and approximately $1.72 of incremental value per share at a 10x multiple.

c. In light of (i) DT s failure to optimize the PCS/T-Mobile capital structure and (ii) the off-market rates of the intercompany debt, we wonder if DT is using this vehicle to arbitrage the difference between its ~2.5% cost of borrowing and the 8% rate expected to be paid by PCS/T-Mobile.

d. The lower debt levels and reduced interest expense would also allow PCS/T-Mobile to begin paying a meaningful dividend in 2014. Among the major domestic and Western European telco carriers, only Sprint (which until the proposed Softbank capital infusion had severe debt problems) and the most distressed Western European carriers do not pay a dividend. A capital structure designed from the outset not to accommodate dividends is clearly not in the interests of all shareholders and calls into question if the Board of Directors has satisfied its fiduciary responsibilities to maximize value for its shareholders. Replicating the debt structure of troubled companies seems to be misguided.

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(1) T-Mobile investor presentation dated October 3, 2012 referenced a projected weighted average yield of 8% . Current estimated interest rates for the $15.0 billion intercompany debt stated in the proxy filing dated January 25, 2013 are 8.16% for the $7.5 billion of permanent notes and 7.28% for the $7.5 billion of reset notes making an average yield of 7.72%.

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Illustrative Debt Restructuring Example

		Current		Proforma		Change
Illustrative Debt Reduction of $2.0 billion						
2013E EBITDA (proxy filing)	$	5,918	$	5,918		
EBITDA Multple		5.0x		5.0x		
Enterprise Value	$	29,590	$	29,590		
(+) Cash		1,800		1,800		
(-) Intercompany Debt		(15,000)		(13,000)		2,000
(-) Other Debt		(5,500)		(5,500)		
(-) Leases		(2,800)		(2,800)		
Equity Value	$	8,090	$	10,090	$	2,000
Estimated Shares Outstanding (before reverse split)		1,414		1,414		
Price Per Share Impact	**$**	**5.72**	**$**	**7.14**	**$**	**1.41**
Illustrative Interest Rate Reduction						
Proforma Intercompany Debt		13,000		13,000		
Interest Rate		8.00%				