

Clearwire Corp /DE
Form DFAN14A
May 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**

Filed by the Registrant

Filed by a party other than the Registrant

Check appropriate box:

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

CLEARWIRE CORPORATION

(Name of Registrant as Specified in Its Charter)

SPRINT NEXTEL CORPORATION

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of filing fee (Check the appropriate box):

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x No fee required.

.. 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:

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

This filing consists of the following document:

Presentation Entitled Supplemental Clearwire Investor Information

May 2013
Supplemental Clearwire Investor Information

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Disclaimer

Cautionary Statement Regarding Forward-Looking Statements

This document includes forward-looking statements within the meaning of the securities laws. The words may, could, intend, expect, anticipate, believe, target, plan, providing guidance and similar expressions are intended to indicate forward-looking statements of a speculative nature.

This document contains forward-looking statements relating to the proposed Merger between the Company and Clearwire pursuant to the related transactions (collectively, the transaction). All statements, other than historical facts, including statements regarding the ability of the parties to complete the transaction considering the various closing conditions; the expected benefits of the transaction; the competitive ability and position of the Company and Clearwire; and any assumptions underlying any of the forward-looking statements. Such statements are based upon current plans, estimates and expectations that are subject to risks, uncertainties and other factors. Such statements should not be regarded as a representation that such plans, estimates or expectations will be achieved. You should not rely on such statements. Important factors that could cause actual results to differ materially from such plans, estimates or expectations include: (i) conditions imposed in connection with the transaction, (ii) approval of the transaction by Clearwire stockholders, (iii) the satisfaction of the closing of the transaction contemplated by the Merger Agreement, (iv) legal proceedings that may be initiated related to the transaction, as discussed in Clearwire's and the Company's Annual Reports on Form 10-K for their respective fiscal years ended December 31, 2012, with the U.S. Securities and Exchange Commission (the SEC) and the proxy statement and other materials that have been or will be filed with the SEC in connection with the transaction. There can be no assurance that the transaction will be completed, or if it is completed, that it will be completed within the anticipated time period or that the expected benefits of the transaction will be realized.

None of the Company, Clearwire or Collie Acquisition Corp. undertakes any obligation to update any forward-looking statements after the date on which the statement is made or to reflect the occurrence of unanticipated events. Readers are cautioned not to rely on these forward-looking statements.

Additional Information and Where to Find It

In connection with the transaction, the Company and Clearwire have filed a Rule 13e-3 Transaction Statement and Clearwire has filed a proxy statement with the SEC. The definitive proxy statement has been mailed to the Clearwire's stockholders. **INVESTORS AND SECURITY HOLDERS SHOULD READ THE DEFINITIVE PROXY STATEMENT AND OTHER RELEVANT MATERIALS BECAUSE THEY CONTAIN IMPORTANT INFORMATION REGARDING CLEARWIRE AND THE TRANSACTION.** Investors and security holders may obtain free copies of these documents and other information from the SEC's web site at www.sec.gov. In addition, the documents filed by Clearwire with the SEC may be obtained free of charge by contacting Investor Relations, (425) 505-6494. Clearwire's filings with the SEC are also available on its website at www.clearwire.com.

Participants in the Solicitation

Clearwire and its officers and directors and the Company and its officers and directors may be deemed to be participants in the transaction. Clearwire stockholders with respect to the transaction. Information about Clearwire officers and directors and their ownership of Clearwire is set forth in the definitive proxy statement for Clearwire's Special Meeting of Stockholders, which was filed with the SEC on April 11, 2013. Information about the Company's officers and directors is set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2012, filed with the SEC on February 28, 2013. Investors and security holders may obtain more detailed information regarding the direct and indirect ownership of Clearwire and the solicitation of proxies in connection with the transaction by reading the definitive proxy statements regarding the transaction, which are filed with the SEC.

2

Sprint's \$2.97 / share offer provides full value to Clearwire's shareholders

\$2.97 / share is at or above the vast majority of analyst target

prices

\$2.97 / share is at or above comparable precedent spectrum transaction multiples

Clearwire's MCC Case

is not achievable and its operating assumptions and DCF

values are unrealistic

\$2.97 / share is above the DCF values of the SCC Case

Mount Kellett's pricing for Clearwire is not appropriately adjusted

On an apples to apples

basis, Mount Kellett's own math supports the \$2.97 /

share offer

Bankruptcy is a terrible outcome for all Clearwire debt and equity holders

Highly unlikely to lead to \$2.97 / share in equity value (per Clearwire Management)

Precedent telecom bankruptcies suggest equity recovery is rare

A No

vote to Sprint's offer could lead to substantial dilution for Clearwire's shareholders

Introduction

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Sprint's \$2.97 / Share Offer Provides Full Value to Clearwire's Shareholders
Significant premium to the unaffected Clearwire trading price
\$0.21 / MHz-POP consistent with precedent transactions
Sophisticated investors (Comcast, Intel, Google, Eagle River, Bright House, Time Warner Cable) with deep knowledge of Clearwire's business agreed to sell at or below the Sprint transaction price
\$2.97 / share is above the DCF values of the base SCC business case
Certainty of value (all cash consideration)
\$2.97 / share is only 6% below the highest price requested by the Special Committee of \$3.15 / share
Unanimous recommendation of the Clearwire Special Committee and Board
Note: For a complete list of reasons and their descriptions, please see the proxy statement

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The analyst reports cited by Evercore and Centerview support a value below \$3.00 / share

(1)

Only three analysts (of the thirteen) had stated target prices at the top-end of the stated ranges

(1)

(above \$3.00 per share)

Each

of

these

targets

had

calculation
issues
which
significantly
reduced
the
implied
target
prices:

\$2.97 is At or Above the Vast Majority of Analyst Target Prices

Source: Wall Street research, April 23, 2013 CLWR proxy and May 1, 2013 CLWR shareholder presentation.

Wells
Fargo
targeted
a
range
of
\$0.17

\$0.19
/
MHz
POP
(versus
Sprint s
offer
of
\$0.21
/
MHz

POP),
but
due
to
calculation
issues,
incorrectly
arrived
at
\$3.50
-
\$4.00
per
share
(the
correct
range
based
on
\$0.17

-
\$0.19
/
MHz
POP
is
\$1.59
-
\$2.22)
On 10/25/12, JP Morgan research said Our valuation analysis is based primarily on a
discounted
cash
flow
analysis
that
assumes
a
10.5%
WACC
and
4.0%
perpetual
growth
rate.
Our
valuation
analysis
also
implies
a
value
of
\$0.14
/
MHz
POP
for
Clearwire s
spectrum
assuming
all
cash
is
spent

a
substantial
discount
to
recent

transactions
and
spectrum auctions.

JP Morgan was reported at \$4 / share but appeared to have suspended its target price
in the 4Q 11

BAML
also
had
calculation
issues:

their
inputs
suggest
the
\$4.00

/
share
target
price
tied
to
\$0.226

/
MHz
POP
(which
is
actually
\$3.36
/
share

see
Appendix)
(1) Centerview

and
Evercore
noted
ranges
of
\$2.00
to
\$4.00
per
share
and
\$0.83

to
\$4.00 per share, respectively, based on 13 analyst target price observations
1)

- 2)
- 3)

5

\$2.97 is At or Above Comparable Precedent Spectrum Transaction Multiples

Centerview and Evercore have only shown four spectrum transactions with pricing above \$0.22 per MHz-POP

Three are analyzed in the table below and NextWave, the fourth transaction, is analyzed separately on page 16

Other

non-spectrum

assets,

namely

net

PP&E,

helped

support
higher
headline
multiples
in
these
three
precedents.
Adjusting
for
the
value
of
these
other
assets
lowers
the
implied
spectrum
pricing
below
the
\$0.21
/
MHz-POP
implied
by
the
\$2.97
offer.
Clearwire's
WiMAX
network
will
be
shut
down
so
its
Net
PP&E
has no/minimal value today.
Implied Spectrum Value (\$ / MHz POP)
Centerview /
Adjusted For
Date
Bandwidth
Evercore
(1)

Non-Spectrum Assets

Commentary

DISH / DBSD

3/15/2011

2.0 - 2.2 GHz

\$0.23

0.15

- More valuable lower frequency band spectrum (vs. Clearwire)

- Adjusted \$0.15 price values the satellite assets at book value (as shown by Evercore)

Harbinger / SkyTerra

9/23/2009

1.5 - 1.6GHz

0.25

0.16

- More valuable lower frequency band spectrum (vs. Clearwire)

- Adjusted \$0.16 price values the NextGen system at cost

Sprint / Clearwire

5/6/2008

2.5 GHz

0.26

0.17

- Adjusted \$0.17 price values the net PP&E at book value

(1) Per April 23, 2013 CLWR proxy and public filings.

6

(1)

\$8.4bn funding need includes the Clearwire exchangeable which has a stated 2040 maturity but a typical 2017 put / call arrangement

(2)

Page 80 of April 23, 2013 Proxy statement.

MCC Business Case is Not Achievable

Clearwire management produced two business cases. The SCC case and the MCC Case

The SCC case had a high-end DCF value of **\$0.76** per share (per Centerview) and **\$1.39** per share (per Evercore) and a peak funding need of \$3.9bn in 2017, excluding \$4.5bn of debt maturities (an **\$8.4bn** total funding need)

(1)

Clearwire
management

has
stated
the
MCC
Case
is
not
achievable.

They
described
the
statement
the

MCC [case] is Achievable
as an investor misperception (page 41 of their May 1, 2013 shareholder
presentation)

The Company, however does not expect to be able to obtain a second significant wholesale
customer and has been unable to obtain a second significant wholesale customer in spite of its
efforts to do so for the last two years

(2)
While management raised issues with the low probability of finding a second wholesale customer, it is also
important to highlight the aggressive operating assumptions embedded in this case (i.e., it is not
appropriate to apply any probability to this case)

7

Source: Wall Street Research, Sprint Management and Clearwire Proxy Statement.

The SCC and MCC Cases lack realistic network expenditures

The LTE device assumptions do not appear to be reasonable

Despite the capex issues highlighted above, the SCC Case called for **11.4mm** LTE devices by 2020

Without adding any material upfront capex, the MCC Case projects significant additional growth, reaching **40mm** LTE devices by 2020, 28.6mm more than the SCC Case (to put this in perspective, TMO USA (excluding MetroPCS) only had 26mm prepaid and postpaid subscribers at YE 2012)

How does Clearwire compete?

MCC only adds \$11mm in 2013/2014 capex (vs. SCC);

thereafter, both cases assume

capex = 10% of revenue (12.5% in

2015 in the SCC case)
Unrealistic MCC Case Operating Assumptions
Capex / LTE Devices
2013E / 2014E Capex
(\$ in millions)
(Street Estimates)
AT&T
\$22,800
Verizon
19,427
Sprint
12,324
TMO
6,219
SCC Case
\$610
MCC Case
621

8
EBITDA
EBITDA Margin
Year
SCC
MCC
Difference
SCC
MCC
Incremental MCC
(1)
2011
(\$305)
--
--

--
--
--
2012
(168)
--
--
--
--
--
2013
(267)
(\$280)
(\$13)
--
--
--
2014
(717)
(482)
235
--
--
96.7%
2015
(387)
748
1,135
--
31.8%
100
2020
\$1,640
\$5,940
\$4,300
56.5%
79.8%
94.7%

Revenues decline through 2014 in both cases

Large spike beginning in 2015

(speculative out year projections)

Above the highest comparable today,

Verizon Wireless, which had 46.6%

EBITDA margins in 2012

Nearly 100% margins on the incremental revenue (versus the SCC Case)

(1)

EBITDA margin on incremental revenue (vs. the SCC Case).

Source: Clearwire Proxy Statement.

Unrealistic MCC Case Operating Assumptions

Revenue / EBITDA

Revenue

Year

SCC

MCC

Difference

2011

\$1,253

--

--

2012

1,265

--

--

2013

1,191

\$1,207

\$16

2014

839

1,082

243

2015

1,211

2,351

1,140

2020

\$2,904

\$7,447

\$4,543

Despite the device growth
assumptions, revenue declines
do not abate until 2015

MCC Case assumes nearly
100% EBITDA margins on
incremental revenues (versus
the SCC Case)

9
Source: Clearwire Proxy Statement.
(1)
December 3, 2012, page 60 of April 23, 2013 Proxy statement.
(2)
Includes potential sale of excess spectrum.
(3) 1,504mm shares.
Unrealistic value pick-up
given that Clearwire has a
\$10bn firm value today
Unrealistic MCC Case DCF Values
The MCC Business Case is not achievable and the operating assumptions and DCF values are
unrealistic. Accordingly, it is not appropriate to apply any probability to this case.
The

MCC

case

has

a

\$2.0bn

funding

gap

in

2015

(1)

(\$5bn

including

2015

debt

maturities)

(2)

Parameter

Centerview

Evercore

MCC - Value / Share

\$3.45 - \$15.50

\$4.14 - \$11.30

SCC - Value / Share

(\$2.23) - \$0.76

(\$0.49) - \$1.39

Difference vs. SCC-Value / Share

\$5.68 - \$14.74

\$4.63 - \$9.91

Total Value Pickup vs. SCC Case (\$ bn)

(3)

\$8.5 - \$22.2

\$7.0 - \$14.9

\$2.97 / share offer is

above the DCF values of

the SCC Case

10
Mount Kellett's Pricing for Clearwire is Not Appropriately Adjusted
Source: Company filings.
(a) Implied.
The pricing Mt. Kellett put forth in its letters applied NextWave guard band adjusted prices (see Appendix) to Clearwire's spectrum (without similarly adjusting Clearwire)
The after-tax value is \$0.31 per MHz-POP (after Clearwire pays Corporate taxes on the divestiture)
Sprint's \$2.97 price per share represents \$0.21 per MHz-POP (without adjustment)
NextWave guard band adjustment (see Appendix) assumed
43% of NextWave's spectrum was unusable

(i.e., an even higher percentage versus the Clearwire math shown to the left)

(a)

Mt. Kellett suggested a range of \$6 - \$9 billion (see Appendix)

No corporate level taxes apply to the Sprint offer for Clearwire

If

you

assume

30%

of

Clearwire's

spectrum

is

of

limited

and restricted use

(see

page

11)

vs.

43%

for

NextWave,

then Sprint's \$2.97 offer is \$0.31/Mhz POP (i.e. equivalent to Mount Kellett's suggested after-tax pricing)

Parameter

12/14 Mount

Kellett Letter

Sprint Proposal

Adjustment

Required for \$2.97

offer to equal

\$0.31 / MHz POP

Core Spectrum

9,000

Excess Spectrum

9,000

Gross Spectrum Value

\$18,000

\$10,060

Taxes on Excess Spectrum

(3,600)

After-Tax Firm Value

\$14,417

\$10,060

\$10,060
Less: Net Debt
(3,288)
(3,794)
Less: Leases
(1,900)
(1,800)
Equity Value
\$9,229
\$4,466
Shares
1,465
1,504
Value / Share
\$6.30
\$2.97
\$2.97
MHz POPs (313mm POPs x 151 MHz)
47,000
47,000
32,795
Firm Value / MHz POP
\$0.38
\$0.21
After-Tax FV/MHz POP
0.31
0.21
\$0.31
Implied Adjustment %
30%

11
Bankruptcy
is
a
Terrible
Outcome
for
All
Clearwire
Debt
and
Equity
Holders

The
outcome
of
any
bankruptcy
will
likely
be
driven
by
the
average
price
paid
for
all
of the spectrum

Approximately 25% of the 2.5 GHz spectrum has limited and restricted use for mobile services due to license conditions or interference

Other offers have been only for premium spectrum

Outstanding proposals for Clearwire's spectrum are for premium portfolios of either primarily owned spectrum or leased spectrum concentrated in metro markets;

Clearwire is unlikely to have buyer interest for all 47 billion MHz-POPs of spectrum above the \$0.21/MHz-POP value implied by Sprint proposal

(1) Breaking the spectrum into blocks and selling to more than one buyer will require significant additional spectrum to be devoted to guard bands

Bankruptcy unlikely to yield value to shareholders exceeding \$2.97 per share

Today,
the
Clearwire
bonds
trade
at
a
premium;
in
bankruptcy,

at
best, the bonds receive par

(1)

Letter to shareholders from John Stanton filed as attachment to Form 8-K on May 6, 2013.

(2)

Page 41 of April 23, 2013 Proxy statement.

(3)

Page 44 of April 23, 2013 Proxy statement.

the [Special Committee s] belief that a sale of Clearwire as a whole yields a higher value for stockholders of Clearwire than if the Company were to be sold in parts as (i) Clearwire s assets, which consist primarily of owned and leased spectrum, are worth more as an integrated whole than if sold as individual components and (ii) a sale of Clearwire s assets would result in a significant tax obligation to Clearwire, which would significantly reduce the net proceeds to Clearwire of any such sale

(3)

(2)

12
Precedent Telecom Bankruptcies Suggest Equity Recovery is Rare
Company
Date Filed
Date of Exit
Time Elapsed
Value to Equity
Holders
WorldCom
07/21/2002
4/20/2004
21 months
None

Global Crossing

01/28/2002

12/09/2003

23 months

None

MFN

05/20/2002

09/08/2003

15 months

None

Leap

04/13/2003

08/17/2004

18 months

None

Lightsquared

05/14/2012

--

--

--

TerreStar

02/16/2011

3/7/2013

25 months

None

Nextel

International

5/24/2002

11/20/2002

6 months

None

Source: Company Filings, CapitalIQ and News.

13

A No

Vote to Sprint's Offer Could Lead to Substantial Dilution for Clearwire's Shareholders

Significant ongoing capital needs (\$8.4bn per the SCC case)

Funding will be dilutive (e.g. Crest and Aurelius terms contemplated a \$2 / share exchange price)

Morgan Stanley research suggested a \$1.00 per share value (published 1/29/2013)

we would be back to the liquidity driven deadlines with downside risk to the Clearwire stock price as cash balances dwindle and debt maturities loom

(Morgan Stanley research 1/29/13)

Sprint reserves all of its rights as the majority shareholder and could contemplate changes to the Clearwire board

Sprint standstill expires on November 28, 2013

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Conclusion

Sprint's \$2.97 / share offer provides full value to Clearwire's shareholders

\$2.97 / share is at or above the vast majority of analyst target

prices

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Precedent telecom bankruptcies suggest equity recovery is rare

A No

vote to Sprint's offer could lead to substantial dilution for Clearwire's shareholders

16
Approaches to NextWave
Price
(\$mm)
MHz-
POPs
(mm)
(1)
Price /
MHz-
POP
Spectrum Bands
Includes All Spectrum
\$600
4,241
\$0.14

Includes all NextWave spectrum

Excludes Canada and EBS /

BRS

600

2,843

0.21

Excludes 1.4bn MHz-POPs of Canadian WCS and EBS / BRS spectrum, which was given to NextWave bondholders

Guard Band Adjusted

600

1,607

0.37

Excludes Canadian WCS, EBS / BRS spectrum, and the C & D Blocks (assumed to be unusable due to guard band requirements)

Mount Kellett Letter

Values based on NextWave Precedent

December Mount Kellett

Letter to Clearwire

Board of Directors

(dated 12/14/12)

As we explained in our November 1 letter, based on the AT&T/NextWave transaction, we believe Clearwire's spectrum to be worth at least \$0.38 MHz POP based on the implied price for useable spectrum held by NextWave. The value of just the excess spectrum held by the Company is approximately \$6 -

\$9bn.

\$25mm payable to the equity and \$25mm in contingent payments bring total cash consideration to \$600mm.

(1)

MHz-POP based on data provided in NextWave Proxy.

As presented by Centerview

(page 54 of the proxy)

Mount Kellett focus

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BAML Target Price Reconciliation

Source: Wall Street Research, public filings.

Current shares

1Q 13 Debt

1Q 13 Cash

Actual MHz-POPs

Current Leases

Based on the

10/29/12 report

Sprint Offer

BAML Target

Price

BAML Implied

Target Price @
\$0.226 / MHz-POP
Price per Share
\$2.97
\$4.00
\$3.36
Shares
1,504
1,459
1,504
Equity Value
\$4,466
\$5,837
\$5,047
Plus: Debt
4,591
4,198
4,591
Less: Cash
(797)
(885)
(797)
Plus: Leases
1,800
1,400
1,800
Firm Value
\$10,060
\$10,550
\$10,640
MHz POPs
47,000
46,600
47,000
Firm Value / MHz POP
\$0.21
\$0.226
\$0.226