

Deutsche Telekom

IPO (1996) [a “secondary” offering of government shares through an IPO]

Why Privatize this company?

Are German equity markets good enough to take the whole issue? (\$13 billion, in DM)

What will the investors see when they look at this deal?

- highly liquid stock
- “Germany Inc.”
- new management, many opportunities to improve earnings, margins
- to be offered on favorable terms by government

What does CFO want to happen

- “successful” sale
- wide (international) distribution of shares
- good (fair) price
- steady aftermarket trading
- institutional following and research coverage

How were investment bankers selected?

- Government is seller – political
- Important deal, must be successful,
- Beauty contest
- Joint management structure (consolation prizes available)

Marketing

- Who’s going to buy this deal?
- Valuation issues (what’s the right price in Germany?)

Underwriting

- Bookbuilding vs “front end”
- Rise transfers

What happened

- Huge demand in Germany, price run up

- Foreign investors resold into German market

1999 – Primary offering to raise new money with government selling more stock as secondary

Why do this:

- Telekom Italia “war-chest”
- raise money to reduce debt

What’s different

- Euros, sold all over Euro-zone
- First true Euro-euro-equity
- Retail investors get priority
- Discount on price for early subscription