

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):

Edgar Filing: Clearwire Corp /DE - Form DFAN14A

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](http://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](http://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 securities 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 interests of Clearwire and the Company in 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



3  
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

14

Conclusion

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prices

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A No

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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



17

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