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By Scott Moritz and Todd Shields

Oct. 19 (Bloomberg) -- Softbank Corp. President Masayoshi Son said his planned $20 billion investment in Sprint Nextel Corp. brings growth opportunities well beyond phones in a U.S. market dominated by Verizon Wireless and AT&T Inc.

Son said he wants to repeat the success he had while building Softbank into Japan’s third-largest wireless carrier by taking market share from entrenched giants and delivering more data to smartphones, tablets, cars and even bicycles. The company gets more than two-thirds of its revenue from data services, about double the average in the U.S., he said.

While Son didn’t exclude more deals, such as buying MetroPCS Communications Inc., he said his current focus is on completing Softbank’s purchase of a 70 percent stake in Overland Park, Kansas-based Sprint. His goal is to become the No. 1 carrier in the world in terms of revenue, surpassing Verizon and China Mobile Ltd.

“You say the market is overly saturated. I think that’s totally wrong,” Son said yesterday at Bloomberg’s headquarters in New York in a joint interview with Sprint Chief Executive Officer Dan Hesse.

“Each subscriber should have at least two subscriptions:
one for a smartphone, one for a tablet. I would say in the near future three lines, four lines, five lines per capita is possible,” Son said.

IPhone Traffic

Softbank has been No. 1 in annual net subscriber additions in Japan since 2007, helped by its exclusive deal to sell Apple Inc.’s iPhone until last year and discount packages offering monthly base rates of 980 yen ($12.35). The carrier added more users in August than larger competitors NTT DoCoMo Inc. and KDDI Corp., and had 30.1 million subscribers in Japan at the end of the month, according to data compiled by Bloomberg.

“When I acquired Vodafone Japan, they said, ‘Oh it’s a saturated market. You come so late! And you have no experience.
What is your strategy? How do you fight? You’re going to lose all your subscribers’,” Son said. “I said, ‘Well I understand your concern but I’m not going to talk about my strategy.’”

“Actually I already had Steve Jobs say he would give me the iPhone, before it was announced,” Son said. “The iPhone was not announced; Steve and I were very deeply discussing it. I never talked about that in public.”

“So if I didn’t have any interesting strategy, I wouldn’t bet $20 billion” on Sprint, he said.

Softbank is adding base stations and Wi-Fi spots in Japan as increasing sales of smartphones put pressure on its network.
The company added capacity with its 180 billion-yen ($2.3
billion) acquisition of competitor eAccess Ltd. this month, and it announced plans to spend 1.55 trillion yen on equipment in the three years ending March 2014.

Duopoly Opportunity

While Son said he considered investments in companies outside the U.S., Sprint was the best choice because it has the ability to challenge Verizon Wireless and AT&T's dominance of the U.S. mobile-phone industry. The Softbank investment will give Sprint the capital to pay down debt, invest in its network or continue to make deals in the U.S. wireless industry.

"Anything you can think of, I have thought about," Son said. "Don't rule out anything."

Softbank, based in Tokyo, will provide $8 billion in new capital as part of the deal to bolster Sprint, the third-largest U.S. wireless operator. Sprint, which has said it will play a role in industry consolidation, previously had to pass on chances to grow because of its weak balance sheet.

"We will no longer need to forgo investment opportunities.
We have the flexibility that we just never had before," Hesse said in the interview. "We are not on the sidelines. This deal does not stop us from doing anything."

Deutsche Telekom, T-Mobile

Deutsche Telekom AG, Germany's biggest phone company, announced plans this month to merge its T-Mobile USA division with MetroPCS. The move, which would create a bigger competitor to Sprint, raised speculation among some investors that Hesse might step in to counterbid.

Softbank's backing may provide Hesse, 59, with enough sway to alter the competitive dynamics of the U.S. industry. Hesse, who took over Sprint five years ago in the aftermath of the failed Nextel merger, has had his hands tied with $23.7 billion in debt, a subscriber base that has lost 7.7 million monthly contract subscribers and not a single annual profit since he started. When the deal with Softbank closes, Nextel will be dropped from the Sprint Nextel name, Hesse said yesterday.
Sprint also has plans to shut down the Nextel network in the first half of 2013.

Still, Sprint shares more than doubled this year before the announcement of Softbank's investment, a sharp contrast to 2011, when investors questioned Sprint management's credibility and a proposed merger between AT&T and T-Mobile USA threatened to dwarf Sprint as a distant third player. That deal was rejected by U.S. regulators.

"I would have never invested even $1,000 if AT&T had successfully acquired T-Mobile, because then that's 'game over'" with a stronger duopoly forming, Son said. "If it had happened, I wouldn't come to this market."

Sprint slipped 2.3 percent to close at $5.65 today in New York.

Open Market

The U.S. offers advantages not present in all markets, Son said.

"The U.S. is very open -- the most open country, and the most fair country for challengers," Son said. "Whatever's good for the consumers, the U.S. government tends to accept that -- for the interests of the consumers, not for the interests of a particular company."

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