BigAir in Clever merger

Brad Hatch

Australia's largest fixed wireless internet service provider, BigAir Group, is set to merge with No.2 provider Clever Communications in a deal worth as much as $26 million.

BigAir, which is making a cash-and-scrip offer for Clever, is also set to announce a stock placement of less than 10 per cent of its issued capital to a limited number of institutional investors on Tuesday. It is understood interests associated with James Packer are thought to be considering taking stock.

The merger is expected to assist BigAir managing director Jason Ashton's lobbying efforts for the inclusion of fixed wireless broadband infrastructure in the proposed national broadband network.

"We think it is a fantastic deal for both sets of shareholders because the combined business has a very compelling story to tell in terms of the network coverage, the types of services we can offer, and the combined skill sets of a Sydney-based organization and Melbourne-based organization," Mr Ashton told AFR Dealbook.

"We will also be able to offer services similar to what the NBN envisions but several years before it is available," he said.

The proposed offer price, 0.35 BigAir fully paid ordinary share plus 1.82c per Clever ordinary share, is equivalent to 8.5c per Clever share based on Friday's closing prices. Clever shares closed at 6.8c on Friday, meaning the offer represents 25 per cent premium to the last close.

BigAir has a market capitalization of $18 million and Clever is worth $7 million.

"The merger of Clever and Big Air is expected to create significant cost, revenue and capital expenditure synergies," Clever Chairman David Williams, who also owns six percent of the company, said in a statement to the Australian Securities Exchange on Monday.

"Furthermore, the merged group is expected to create an excellent platform for further industry rationalization and will provide business broadband users with a superior alternative to cable and ADSL," he said.

"We believe our and the Big Air shareholders will also benefit from the improved liquidity that might come from the increase in market capitalization and the number of shares on issue in the merged business. This should be a catalyst for new shareholder support that will enable the merge group to expand further."

Mr. Williams expects the merger will result in a re-rating of the combined business.

Clever chief executive Scott Carter said "both our businesses are high complimentary", adding "there are definite cost savings to be had".

He said: “There are complimentary product offerings from both organizations and we deal with a part of the market that is hungry for an alternative to fixed-line services. The ability to continue to roll out network coverage to meet that demand through one entity I think ultimately creates scale, depth and network coverage.”

The directors of Clever have unanimously recommended that shareholders accept the offer subject to no other superior offering being made and that the bidder’s statement is satisfactory.

Boutique corporate advisory firm Kidder Williams is advising Clever. Clever is using Gadens as its lawyers and Big Air is using Baker & McKenzie.