

Edgar Filing: OI S.A. - Form 425

OI S.A.
Form 425
November 29, 2013
Table of Contents

Filed by Portugal Telecom, SGPS, S.A.

pursuant to Rules 425 and 163 of the Securities Act of 1933

Subject Companies: Portugal Telecom, SGPS, S.A.

Commission File No.: 001-13758

Oi S.A.

Commission File No.: 001-15256

This communication is not an offering document and does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval in any jurisdiction in which distribution of an offering document or such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of that jurisdiction.

This communication contains information with respect to (1) the proposed capital increase and related public offering of common shares and preferred shares by Oi S.A. (Oi), (2) the proposed merger of shares (*incorporação de ações*) between Telemar Participações S.A. or another company identified for this purpose (CorpCo), on the one hand, and Oi, on the other hand, and (3) the proposed merger (*incorporação*) of Portugal Telecom, SGPS, S.A. (Portugal Telecom) with and into CorpCo (these transactions, together with any other transactions related thereto, the Business Combination).

Oi may file a registration statement (including a prospectus) with the U.S. Securities and Exchange Commission (the SEC) for the offering of its common shares and preferred shares to be issued in connection with its proposed capital increase. Before you invest, you should read the prospectus in that registration statement and other documents Oi has filed with the SEC for more complete information about Oi and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov. Alternatively, Oi will arrange to send you the prospectus after filing if you request it by calling toll-free 1-855-672-2332.

In connection with the proposed merger of shares between CorpCo and Oi and the proposed merger of Portugal Telecom with and into CorpCo, CorpCo or one of its affiliates plans to file with the SEC (1) one or more registration statements on Form F-4, containing a prospectus or prospectuses which will be mailed to shareholders of Oi and/or Portugal Telecom, as applicable (other than non-U.S. persons as defined in the applicable rules of the SEC), and (2) other documents regarding the proposed Business Combination.

We urge investors and security holders to carefully read the relevant prospectuses and other relevant materials when they become available as they will contain important information about the proposed Business Combination.

Edgar Filing: OI S.A. - Form 425

Investors and security holders will be able to obtain the documents filed with the SEC regarding the proposed mergers, when available, free of charge on the SEC's website at www.sec.gov or from Portugal Telecom, Oi or CorpCo.

This communication contains forward-looking statements. Statements that are not historical facts, including statements regarding the beliefs and expectations of Portugal Telecom, Oi or CorpCo, business strategies, future synergies and cost savings, future costs and future liquidity, are forward-looking statements. The words will, may, should, could, anticipates, intends, believes, estimates, expects, plans, ta expressions, as they relate to Portugal Telecom, Oi or CorpCo, are intended to identify forward-looking statements and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, tendencies or results will

Table of Contents

actually occur. Such statements reflect the current views of management of Portugal Telecom, Oi and CorpCo, and are subject to a number of risks and uncertainties. These statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, corporate approvals, operational factors and other factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations. All forward-looking statements attributable to Portugal Telecom, Oi, CorpCo or their affiliates, or persons acting on their behalf, are expressly qualified in their entirety by the cautionary statements set forth in this paragraph. Undue reliance should not be placed on such statements. Forward-looking statements speak only as of the date they are made. Except as required under the U.S. federal securities laws and the rules and regulations of the SEC or of regulatory authorities in other applicable jurisdictions, Portugal Telecom, Oi, CorpCo and their affiliates do not have any intention or obligation to update or to publicly announce the results of any revisions to any of the forward-looking statements to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting the forward-looking statements. You are advised, however, to consult any further disclosures Portugal Telecom, Oi or CorpCo makes on related subjects in reports and communications Portugal Telecom, Oi and CorpCo file with the SEC.

* * *

Table of Contents

TABLE OF CONTENTS

- I. Transcript of video of interview of Zeinal Bava, Chief Executive Officer of Oi S.A. and PT Portugal, at the Morgan Stanley Technology, Media & Telecommunications (TMT) Conference held in Barcelona, Spain on November 20, 2013.
-

Table of Contents

Exhibit 1

Announcement | Lisbon | 29 November 2013

Portugal Telecom informs on Zeinal Bava s interview

Portugal Telecom SGPS, S.A. discloses Zeinal Bava s interview transcript, attached hereto, to Morgan Stanley s TMT 2013 Conference.

Edgar Filing: OI S.A. - Form 425

Portugal Telecom, SGPS, SA
Avenida Fontes Pereira de Melo, 40
1069-300 Lisbon
Portugal

Public company
Share capital Euro 26,895,375
Registered in the Commercial
Registry Office of Lisbon
and Corporation no. 503 215 058

Portugal Telecom is listed on the
Euronext and New York Stock
Exchange. Information may be
accessed on Reuters under the
symbols PTC.LS and PT and on
Bloomberg under the symbol PTC
PL.

Nuno Vieira
Investor Relations Director
nuno.t.vieira@telecom.pt
Tel.: +351 21 500 1701
Fax: +351 21 500 0800

www.telecom.pt

Table of Contents

TRANSCRIPT OF VIDEO OF INTERVIEW OF ZEINAL BAVA AT THE
MORGAN STANLEY TECHNOLOGY, MEDIA AND TELECOMMUNICATIONS (TMT)
CONFERENCE, BARCELONA, SPAIN, NOVEMBER 2013

This document is an unofficial transcript of an interview of Zeinal Bava held on November 20, 2013. Due to video quality and other factors, transcripts are not always precise. There is no assurance as to the accuracy, reliability or completeness of this transcript. Any person reading this transcript and relying on it should do so at his or her own risk. Please refer to the important notice at the end of this transcript.

Luis Prota: Hello, this is Luis Prota from the Morgan Stanley telecoms team, and I'm very pleased to have with me Mr. Zeinal Bava, Chief Executive Officer of Oi / PT Portugal.

Thank you very much for coming back to our conference.

Zeinal Bava: Thank you, Luis.

Luis Prota: I would like to start asking you about the capital increase at Oi and the leverage after this capital increase will be, for the new group, like 3.3, 3.4 times, so are you comfortable with that leverage, your midterm targets and what's the EBITDA trajectory which is embedded in your targets for leverage?

Zeinal Bava: First, we will have less debt than the two companies combined have today because we are doing a capital increase. The second thing is we have ample financial flexibility both at Portugal Telecom and at Oi. We have been able to extend maturities and we have very cost competitive, and we are very cost competitive from a debt standpoint.

We are disposing of assets as well. We are in the process of selling our submarine cables, we are in the process of selling our fixed line towers, we are contemplating selling the mobile towers as well. So all this will add additional financial flexibility, so while our net debt to EBITDA ratio is about 3.2, 3.3 times, of course, this will require that we maintain huge amounts of discipline in cost-cutting and in ensuring that we deploy capital the way it makes business sense. We believe that with this capital structure we can continue to develop our business going forward and live up to, if you like, the demand that we have and that we are seeing for the services that we are offering in that market.

We have three business priorities at Oi. One is to correct our cash flow profile. The second is to consolidate our business model and we want to boost productivity, and the third: we want to continue to grow.

Edgar Filing: OI S.A. - Form 425

In Portugal, clearly, the focus is to make sure that we can mitigate any pressure on the top line with cost cutting and capex containment.

So, between the two companies, I think we have, if you like, the right business initiatives in place in order to continue to generate cash flow, so we can honor all our applications.

Luis Prota: OK, thank you.

After the capital increase, you will be going through the merger of Oi and Portugal Telecom. To what extent is this merger driven by corporate governance issues and tax and financial synergies rather than the operational synergies, which actually, some of them, look like savings that you could have extracted without a merger. What is the nature of those synergies?

Table of Contents

Zeinal Bava: We signed an industrial alliance in 2010, we completed that alliance in 2011, and over the last six to nine months, I think the comfort levels of the Boards of Portugal Telecom and Oi have gone up substantially in terms of understanding the businesses in Brazil and in Portugal. So, announcing this merger was, if you like, a natural process in terms of the development of this relationship.

We've indicated that the synergies are roughly 5.5 billion reais, of which 3.3 billion are operational, 2.2 are financial. The 3.3 billion that are operational, they are very conservative in our view because they are equivalent to about 1% of our capex and our opex. We think we can do that or perhaps more but, at this stage, we prefer to be conservative in order for us to be able to deliver on the upside as opposed to disappointing the market.

Yes, it is true that we've been working together for quite some time, but we are still different companies and we are related parties, so the process of actually doing initiatives together is very long, very bureaucratic. So, I think as we bring these two companies together, we will cover a footprint of 260 million pops, we will bring together a technological lead in innovation that Portugal Telecom has with the scale that Oi has in Brazil, and we will certainly, you know, use best practices on both sides of the company to improve the overall performance.

In terms of governance and that's great, a very good point this transaction will simplify hugely the complexity that Oi has today and the relationship of Oi with PT as well. We will be this one listed entity, we will have one class of shares, all the shares will have voting rights, all the shares will have the same dividend, we will have eleven board members and independent board members that will be there to ensure that this company lives up to the highest possible, you know, corporate governance standards. So, what today is very complex will become very simple, and because it will become simpler, it will make it easier for us to, in the future, look at ways in which we can beef up our financial flexibility to continue to invest in the development of our business.

Luis Prota: OK, thank you.

Final word on consolidation in Brazil. Very hot topic. A lot of discussions these days. What's your view on the potential for in-market consolidation in Brazil? What would be your role? Could you be supportive of consolidation? And if so, what are your chances for funding a theoretical acquisition?

Zeinal Bava: In-market consolidation is always very good because it allows us to correct the profitability of the business. It allows us to perfect the business model, and I think, ultimately, it allows the existing, you know, the companies that do end up surviving in that process to have more ability to invest in the development of their networks and innovation and so on. So, from just a pure industry standpoint, in-market consolidation is always good news for the industry.

As far as we are concerned, we are very focused right now on ensuring that we can get our merger with Portugal Telecom done. It's a process that will run until the second quarter of next year. As I said earlier, we have a complex structure. That structure will become simpler, and if it became simple than I think it will be easier for us to consider any other option in the future.

Edgar Filing: Oi S.A. - Form 425

With regard to the mobile consolidation in Brazil, independent of what may or may not happen and of course we will keep a watchful eye in terms of what is happening we believe that we can grow our market share in mobile on a standalone basis. So we are, at the moment, very focused on ensuring that we can bring to bear the fact that Oi is present in 4,800 municipalities in Brazil and with 2G covers 90% of population, to actually grow our prepaid business. So, notwithstanding all the rumors that are out there about consolidation, I just would like to be clear on one point. We continue to believe that, organically, we can still grow notwithstanding the fact that in-market consolidation would certainly be very useful in the industry.

Table of Contents

Luis Proto: That's clear. Thank you very much Zeinal.

Zeinal Bava: Thank you.

* * *

Important Notice

This communication is not an offering document and does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval in any jurisdiction in which distribution of an offering document or such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of that jurisdiction.

This communication contains information with respect to (1) the proposed capital increase and related public offering of common shares and preferred shares by Oi S.A. (Oi), (2) the proposed merger of shares (*incorporação de ações*) between Telemar Participações S.A. or another company identified for this purpose (CorpCo), on the one hand, and Oi, on the other hand, and (3) the proposed merger (*incorporação*) of Portugal Telecom, SGPS, S.A. (Portugal Telecom) with and into CorpCo (these transactions, together with any other transactions related thereto, the Business Combination).

Oi may file a registration statement (including a prospectus) with the U.S. Securities and Exchange Commission (the SEC) for the offering of its common shares and preferred shares to be issued in connection with its proposed capital increase. Before you invest, you should read the prospectus in that registration statement and other documents Oi has filed with the SEC for more complete information about Oi and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov. Alternatively, Oi will arrange to send you the prospectus after filing if you request it by calling toll-free 1-855-672-2332.

In connection with the proposed merger of shares between CorpCo and Oi and the proposed merger of Portugal Telecom with and into CorpCo, CorpCo or one of its affiliates plans to file with the SEC (1) one or more registration statements on Form F-4, containing a prospectus or prospectuses which will be mailed to shareholders of Oi and/or Portugal Telecom, as applicable (other than non-U.S. persons as defined in the applicable rules of the SEC), and (2) other documents regarding the proposed Business Combination.

We urge investors and security holders to carefully read the relevant prospectuses and other relevant materials when they become available as they will contain important information about the proposed Business Combination.

Investors and security holders will be able to obtain the documents filed with the SEC regarding the proposed mergers, when available, free of charge on the SEC's website at www.sec.gov or from Portugal Telecom, Oi or CorpCo.

Forward-Looking Statements

This communication contains forward-looking statements. Statements that are not historical facts, including statements regarding the beliefs and expectations of Portugal Telecom, Oi or CorpCo, business strategies, future synergies and cost savings, future costs and future liquidity, are forward-looking statements. The words will, may, should, could, anticipates, intends, believes, estimates, expects, plans, ta expressions, as they relate to Portugal Telecom, Oi or CorpCo, are intended to identify forward-looking statements and are subject to a number of risks and uncertainties. There is no guarantee that

Table of Contents

the expected events, tendencies or results will actually occur. Such statements reflect the current views of management of Portugal Telecom, Oi and CorpCo, and are subject to a number of risks and uncertainties. These statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, corporate approvals, operational factors and other factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations. All forward-looking statements attributable to Portugal Telecom, Oi, CorpCo or their affiliates, or persons acting on their behalf, are expressly qualified in their entirety by the cautionary statements set forth in this paragraph. Undue reliance should not be placed on such statements. Forward-looking statements speak only as of the date they are made. Except as required under the U.S. federal securities laws and the rules and regulations of the SEC or of regulatory authorities in other applicable jurisdictions, Portugal Telecom, Oi, CorpCo and their affiliates do not have any intention or obligation to update or to publicly announce the results of any revisions to any of the forward-looking statements to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting the forward-looking statements. You are advised, however, to consult any further disclosures Portugal Telecom, Oi or CorpCo makes on related subjects in reports and communications Portugal Telecom, Oi and CorpCo file with the SEC.
