

# An unexpected call from Mississippi

## Will WorldCom's daring bid for MCI fly?

BY WILLIAM J. COOK

It must have seemed very American to the suits at British Telecommunications PLC, the United Kingdom's largest phone company. Last week, a virtually unknown Jackson, Miss., telephone company run by a former basketball coach—who wears jeans and cowboy boots to work, claims not to understand technical stuff, and cuts his own grass at home—all but torpedoed BT's long-planned purchase of MCI Telecommunications. The unsolicited takeover offer by the Mississippi company, WorldCom, makes it the odds-on favorite to acquire America's No. 2 long-distance phone company. If consummated, the \$29.4 billion deal would be the largest corporate merger in U.S. history.

MCI is hardly the first company Bernard Ebbers, WorldCom's CEO, has set his sights on. In the past five years, WorldCom has gobbled up 40 companies to become the fourth-ranked and fastest-growing long-distance company, the leading Internet service provider, and the major competitor to monopoly Bell operating companies for local phone service to businesses. Just last month, WorldCom picked up CompuServe for \$1.2 billion in stock. In that complex deal, WorldCom kept CompuServe's valuable dial-up network, sold the online consumer service to America Online, and took on AOL's troubled network to run for AOL.

WorldCom has been able to pull off these acquisitions because the value of its stock has skyrocketed, Microsoft-like, ever since the company went public in 1989. Ebbers is fond of noting that \$100 invested in WorldCom stock in 1989 was worth \$3,137 by last month (the same \$100 in MCI stock would have fetched a paltry \$132). An expectation of similarly

high returns is why Ebbers expects to win MCI.

Ebbers had not originally planned to go after MCI, which has three times the revenues of WorldCom. Last November, BT, which bought a fifth of MCI in 1993, agreed to pay \$36 a share for the rest of the company. Then, during the summer,



CEO Bernard Ebbers announces an unsolicited takeover bid for MCI.

MCI reported that its attempt to enter the local phone service business was running up huge losses and that its long-distance growth was cooling. BT and MCI renegotiated their deal so that BT would have to pay only \$32 a share. On the other side of the pond, BT shareholders were having second thoughts about the MCI merger; some wanted it canceled.

### WORLDCOM at a glance

<b>Headquarters:</b>	Jackson, Miss.
<b>CEO:</b>	Bernard Ebbers, 56
<b>Revenues:</b>	\$6.9 billion*
<b>Employees:</b>	13,800
<b>Stock price growth:</b>	50%**

Source: WorldCom company reports.  
Note: \*1997 annualized. \*\*Year average since '89

With the BT deal unraveling and MCI's price dropping, Ebbers decided he could afford to move. He offered to buy MCI for \$41.50 a share, paid in WorldCom stock—a stunning \$9 billion more than BT had put on the table.

**Other bidders?** Many analysts consider WorldCom's offer a pre-emptive strike that no one will try to match. BT, having lowered its bid once, would look stupid raising it, they say. Others believe WorldCom's bid may have put MCI in play. "The question now is whether someone else comes in," says Salvatore Muoio, who runs a telecom investment banking boutique in New York. "Why shouldn't Southwestern Bell [SBC Communications] make a run at MCI? They tried to buy AT&T." And because WorldCom and MCI would have so much of the Internet's traffic, it's possible—though not likely—that the deal could be scuppered on antitrust grounds.

Even if WorldCom does win, merging the two companies won't be easy. Ebbers said putting MCI and WorldCom together would produce \$2.5 billion in cost savings the first year alone. "But this is a huge task," cautions Stuart Conrad, an analyst at Deutsche Morgan Grenfell in New York, since WorldCom still must digest, among others, MFS Communications, CompuServe, and Brooks Fiber, another merger proposed last week. WorldCom also hints it may change the way MCI delivers residential long-distance business—a move that

might raise hackles in Congress.

It's also uncertain that MCI's seasoned management team will stick around if the deal goes through. "All the other companies were more than happy to become part of WorldCom," says Jeffrey Kagan, president of Kagan Telecom Associates near Atlanta. "But I can't imagine [MCI CEO] Bert Roberts going to work for Bernie Ebbers. Without MCI's senior management team to nurture the company's customer base, it will turn to dust."

No matter how WorldCom's bid for MCI turns out, this much is sure: The little phone company that Ebbers and his friends launched in the coffee shop of the Days Inn in Hattiesburg, Miss., back in 1983 will never again be regarded as a backwater player in the fast-moving telecom business. ■

With Fred Vogelstein