

AT&T, facing \$158 billion debt, to sell Puerto Rico network for \$2 billion

Enlarge / An AT&T sign outside a company office in New York City.

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AT&T has agreed to sell its wireless and wireline networks in Puerto Rico and the US Virgin Islands for \$1.95 billion to Liberty Latin America. The deal will help AT&T pay a small portion of the debt load created in part by its acquisitions of DirecTV and Time Warner Inc.

AT&T announced the deal today, saying that the transaction requires review by the Federal Communications Commission and Department of Justice. AT&T hopes to complete the sale within six to nine months. "This transaction is a result of our ongoing strategic review of our balance sheet and assets to identify opportunities for monetization," AT&T CFO John Stephens said.

AT&T has said it intends to cut its debt by up to \$20 billion in 2019. The company already lowered its long-term debt from \$166 billion as of December 31, 2018 to \$158 billion on June 30, 2019. AT&T told investors today to expect share buybacks later this year as the company continues improving its debt-to-earnings ratio. AT&T said it is on track to hit its goal of a net debt-to-adjusted EBITDA ratio in the 2.5X range by year

end, down from its current 2.7X. AT&T's adjusted EBITDA was \$29.8 billion for the first six months of 2019, a pace of nearly \$60 billion for the year.

AT&T previously "sold its stake in streaming service Hulu for \$1.43 billion and WarnerMedia's Manhattan offices at Hudson Yards for about \$2.2 billion," a Reuters story said.

For Liberty, buying AT&T's network in Puerto Rico and the US Virgin Islands will help it dominate the communications industry on the islands. The deal will give Liberty a consumer mobile network and a fiber backhaul business.

"Liberty is already the biggest pay-TV and broadband provider on the island [of Puerto Rico]," the Wall Street Journal wrote today. "Cable tycoon John Malone, who holds a 25.5% voting stake in Liberty Latin America, and Liberty Latin America CEO Balan Nair have told investors they would like to expand in the region through disciplined mergers and acquisitions."

The sale from AT&T to Liberty includes "spectrum; real estate and leases; customers, including 1.1 million wireless subscribers; and contracts," AT&T said.

AT&T has operated in Puerto Rico since 2009, when it bought Centennial Communications Corp. for almost \$1 billion. AT&T said the sale won't affect the development of FirstNet, a US-wide public-safety network it is building under a contract with the US government.

AT&T said:

Among other services, post-close Liberty Latin America will support AT&T's FirstNet build in Puerto Rico and the US Virgin Islands, expanding LTE coverage and capacity to best meet the needs of first responders in the region. Eligible first responders subscribing to AT&T's FirstNet services in Puerto Rico and the US Virgin Islands will still have access to the benefits and capabilities of the FirstNet network

platform, including priority and preemption.

Mobile customers transferred from AT&T to Liberty “will continue to benefit from free roaming services between Puerto Rico, the US Virgin Islands, and the mainland United States, Mexico and Canada,” Liberty said.

AT&T said it will also continue operating DirecTV on the islands.

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