

The Virgin Islands Consortium

Liberty Latin America To Acquire AT&T's Operations In Puerto Rico U.S. Virgin Islands For \$1.9 Billion

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Liberty Latin America today announced it has entered into a definitive agreement to acquire AT&T's wireless and wireline operations in Puerto Rico and the U.S. Virgin Islands. In the all-cash transaction, the acquisition of assets are valued at an enterprise value of \$1.95 billion on a cash- and debt-free basis.

Balan Nair, president and CEO of Liberty Latin America, said, "This strategic and complementary acquisition is an exciting and unique opportunity to expand our business in one of our best markets. This acquisition is at an attractive valuation, in the mid-6s in terms of EV to OCF 1 excluding synergies, and consistent with our disciplined approach towards M&A. With this combination, we will achieve: in-market consolidation with

significant associated synergies, expand our product portfolio with the leading post-paid mobile network, add a predominantly subscriptionbased business, increase our distribution channels on the island, increase our B2B presence and materially increase our US dollar revenue weighting at LLA.”

He further stated, “The combination of AT&T’s leading mobile businesses with Liberty Puerto Rico’s leading high-speed broadband and TV business will create a strong and competitive integrated communications player, with a combined annual revenue of over \$1.2 billion 2 in Puerto Rico and \$4.6 billion 2 across LLA. By continuing to invest in digital infrastructure, innovation, 5G networks and a friendly customer service experience, we are confident that this new combination will support our long-term growth profile and that this deal will be free cash flow accretive on a per share basis.”

Jose J. Davila, VP-general manager for AT&T in Puerto Rico and the U.S. Virgin Islands said, “I’m proud of what our team has built in this region. We look forward to joining Liberty Latin America to continue to deliver a superior experience for our valued customers here. And our committed and talented team will bring a wealth of experience to Liberty Latin America and continue to build on our success in Puerto Rico and the U.S. Virgin Islands.”

According to the release, the acquisition provides consumer mobile and B2B services in Puerto Rico and the U.S. Virgin Islands, excluding DIRECTV customers. In Puerto Rico, which represents approximately 90% of the revenue of the assets to be acquired, AT&T’s business is the leading provider of mobile services with the fastest network and a strong spectrum position, in addition to a well invested fiber backhaul network. Under the terms of the agreement, AT&T will support LLA for a period up to 36 months following the acquisition enabling the efficient transition of services.

Following the acquisition, customers will continue to benefit from free roaming services between Puerto Rico, the U.S. Virgin Islands and the mainland United States, Mexico and Canada. LLA said it will continue providing leading enterprise services for AT&T’s retained global business customers and support AT&T’s FirstNet program for first responders in Puerto Rico and the U.S. Virgin Islands.

Liberty Latin America said it intends to finance the \$1.95 billion acquisition (plus fees and expenses) through a combination of \$2.2 billion in borrowings on the combined Acquisition Assets and Liberty Puerto Rico (including refinancing \$922.5 million in existing term loans at Liberty Puerto Rico) and the remaining approximately \$750 million from Liberty Latin America’s committed liquidity of \$2.0 billion as of June 30, 2019.) “As a result of the contemplated financing, we anticipate the pro forma net leverage ratio 3 of our combined Puerto Rico and U.S. Virgin Islands assets will be ~4.25x (before synergies), which results in a decline in net leverage from 4.5x as reported at June 30, 2019 for Liberty Puerto Rico,” LLA said.

The transaction is subject to customary closing conditions, including reviews by the United States Federal Communications Commission and the Department of Justice, LLA said. We expect the transaction to close in Q2 2020.

Liontree LLC and Credit Suisse are acting as financial advisors to Liberty Latin America on the transaction, according to the release.

