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## AT&T bond sale aimed at financing DirecTV acquisition

April 24, 2015 | By [Jim Barthold](#)

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AT&T ([NYSE: T](#)) has completed the third largest corporate bond sale--\$17.5 billion--to help pay for its DirecTV ([NASDAQ: DTV](#)) acquisition.



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The offering, which drew mixed reviews on Wall Street, is the second largest this year alone behind a \$21 billion offering by Actavis in March. The all-time topper was a \$49 billion deal by Verizon ([NYSE: VZ](#)) in September 2013.

Investors reportedly jumped at the offering "enticed in part because the new bonds, which will mature in five to 31 years, offered more interest than the company's existing debt," a *Wall Street Journal* story said.



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"The response was incredibly strong, perhaps even stronger than we had anticipated," Andrew Karp, co-head of Bank of America Merrill Lynch's Americas investment-grade capital markets. Bank of America Merrill Lynch joined J.P. Morgan and Morgan Stanley in coordinating the deal.

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The bonds are contingent on AT&T's ability to acquire DirecTV. Company leaders told analysts during a first-quarter earnings call that they are confident the deal would go through, but that was before Comcast ([NASDAQ: CMCSA](#)), facing government pressure, [backed away from](#) its Time Warner Cable ([NYSE: TWC](#)) acquisition. If the DirecTV deal falls through, AT&T said it would redeem some of the bonds at a premium.

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Not everyone was enthused about the deal, according to a *Barron's* blog posting.

Reprint

"Given the low growth mix of AT&T's businesses, challenging competitive environment and declining margins and cash flow in its existing operations, we believe that the company may be hard-pressed to achieve the leverage reduction

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goal," Bruce Falbaum, portfolio manager of Cohanzick Managements' Nexus Fund, told *Barron's* in an email. "With respect to DTV, they are paying a very high price for cash flow to replace declines in cash flow in their other businesses."

For more:

- see this *Wall Street Journal* [story](#) (sub. req.)
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