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## AT&T to expand wireless network to Mexico with \$2.5B purchase of Iusacell

**AT&T says Project VIP network investment plan ahead of schedule, LTE buildout 'essentially completed'**

November 7, 2014 | By Mike Dano

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AT&T (NYSE: T) announced it plans to acquire Mexican wireless network operator Iusacell for \$2.5 billion, a figure that includes Iusacell's debt. Via the acquisition, AT&T said it will gain Iusacell's 8.6 million wireless customers, its 3G GSMUMTS network that covers roughly 70 percent of Mexicans, and the ability to offer "the first-ever North American Mobile Service area covering over 400 million consumers and businesses in Mexico and the United States," the company said.



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"It won't matter which country you're in or which country you're calling--it will all be one network, one customer experience," boasted Randall Stephenson, AT&T's chairman and CEO, adding that AT&T plans to expand Iusacell's wireless network to "millions more" Mexicans if the transaction is approved.

AT&T expects the transaction to close in the first quarter of 2015.



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Iusacell is the No. 3 Mexican carrier after América Móvil and Telefónica, with around 8 percent of the market, according to the *Wall Street Journal*. Iusacell offers wireless service under both the Iusacell and Unefon brands.

### AT&T points to growing Mexican opportunity

The acquisition signals AT&T's first real effort to expand its operations beyond America's borders. If it is approved, the acquisition gives AT&T the chance to offer a service that works seamlessly in the United States and in Mexico--an attractive proposition to those who routinely travel across the border or who have family living in the other country.

Further, AT&T pointed out that the smartphone penetration rate in Mexico is about half that of the United States--according to comScore, 72 percent of Americans

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owned smartphones at the end of September. Thus, AT&T said that, as the cost of smartphones declines and the speed of wireless networks in Mexico increases, it expects more Mexicans to upgrade to smartphones and more expensive rate plans.

"Mexico's growing economy, growing middle class, relatively young population, rising urbanization rates and higher disposable incomes are expected to drive growing demand for high-quality, high-speed mobile service in the years ahead," AT&T noted.

Under the terms of the transaction, AT&T said it will acquire from Grupo Salinas all of Iusacell's wireless properties, including its spectrum licenses, network assets and retail stores. AT&T said the acquisition will occur after Grupo Salinas, the current owner of 50 percent of Iusacell, closes its announced purchase of the other 50 percent of Iusacell that Grupo Salinas does not own.

AT&T said Iusacell owns between 20 and 25 MHz of 800 MHz spectrum, primarily in the southern half of the country, including Mexico City and Guadalajara, and an average of 39 MHz of PCS spectrum nationwide. AT&T's U.S. wireless network operates on similar frequencies.

Interestingly, AT&T said Iusacell's existing wireline businesses, including its pay-TV services and its wireline broadband services, will be spun out to Grupo Salinas' existing shareholders prior to the closing of AT&T's acquisition of Iusacell.

#### Rule changes in Mexico spark deals

AT&T's acquisition of Iusacell stems directly from new rules instituted in July by Mexican officials aimed at creating more competition in the telecommunications market there. The rules have sparked speculation on which carriers will enter the market. For example, the rules require market leader América Móvil, controlled by billionaire Carlos Slim, to offload assets as part of an effort to get its market share in Mexico below 50 percent from around 70 percent.

Indeed, *Bloomberg* reported last month that, according to unnamed sources familiar with the matter, América Móvil contacted AT&T and Sprint ([NYSE: S](#)) parent SoftBank as potential suitors for the asset sale, which could generate as much as \$17.5 billion. However, Gabriel Contreras, the head of Mexico's telecoms regulator, recently said that companies that want to bid for the assets will need to demonstrate that they are totally independent of América Móvil—which could have pushed AT&T to target Iusacell since AT&T has had financial dealings with América Móvil in the past.

For its part, Verizon Communications is not going to bid for assets that América Móvil is going to sell off, according to CFO Fran Shammo.

In addition, it appears AT&T scored a victory over Sprint parent SoftBank in its deal with Iusacell. According to a recent *Bloomberg* report, SoftBank was looking to expand its reach in the Western Hemisphere by investing in Iusacell as part of an effort to ride growth in the Latin American market.

AT&T isn't the only carrier that has turned to Latin America for growth. For example, [Telefónica recently agreed](#) to acquire Vivendi's Brazilian broadband business GVT for just over €7 billion (\$9 billion) in cash and stock. And earlier this month [Telecom Italia valued its 67 percent stake in TIM Brasil](#) at around €13 billion (\$16.7 billion), amid reports that Brazilian operators Oi and América Móvil were closing in on the Italian company's unit.

Further, AT&T isn't the first carrier to target the market for cross-border communications. For example, América Móvil's U.S. MVNO, TracFone Wireless, in 2012 launched a prepaid brand called Telcel America that aimed to provide inexpensive calling to and from Mexico. More recently, Spanish-language broadcaster and media company Univision announced a partnership in May with T-Mobile US ([NYSE: TMUS](#)) to launch its own branded MVNO, Univision Mobile, aimed at delivering a mobile experience tailored to the needs and desires of Hispanic consumers, including those wishing to call Mexico.

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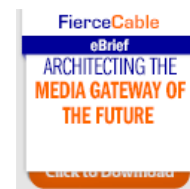
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## AT&T's Project VIP ahead of schedule

In other AT&T news, the carrier said its Project VIP network investment plan is ahead of schedule. The carrier said it has "essentially completed" its LTE network buildout, which now covers more than 300 million people in the United States. The carrier said it has also completed the build-out of wired high-speed Internet service to 57 million U.S. customer locations and the rollout of fiber connections to 600,000 of its planned 1 million multi-tenant U.S. business locations.

AT&T said its 2015 capital expenditure budget for its existing businesses will be around \$18 billion. The carrier said the figure "does not affect the company's commitment, when it closes its acquisition of DirecTV, to begin enhancing and expanding its U.S. broadband network to 15 million customer locations, primarily in rural areas."

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**red\_dog007** • 5 days ago

Wow, that is HUGE. Carriers might implement free talk, text and data to and in Mexico. But only ATT will be able to offer native 3G/LTE experience to those who travel across the border, then don't forget about businesses. Wow.

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**DirkDigg1er** → [red\\_dog007](#) • 5 days ago

I doubt it. If the government doesn't enforce more competition. AT&T will simply match current prices and improve network in areas where there is no competitor.

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**Melissa Cardenas** → [red\\_dog007](#) • 4 days ago

Telcel Mexico already offers that native 3G/lte nationwide problem is its super expensive not everyone can afford a telcel phone or plan.

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**Nate Opgenorth** → [Melissa Cardenas](#) • 13 hours ago

I've heard of Telcel allot, my question is can you get a SIM card and just