AT&T to Pay $1.9B for Verizon Spectrum

Reuters

NEW YORK (Reuters) - AT&T Inc (T.N) has inked two deals worth more than $2.68 billion this week as it accelerates its push to expand its wireless spectrum holdings to beef up capacity for high-speed services.

The No 2. U.S. mobile provider said on Friday that it agreed to buy wireless airwaves from Verizon Wireless for $1.9 billion in cash, plus spectrum licenses that it will contribute to Verizon Wireless in five markets.

The Verizon Wireless deal was announced just days after AT&T said it will pay $780 million in cash to buy Atlantic Tele-Network Inc's (ATNI.O) Alltel wireless business, which includes spectrum and 585,000 customers.

These deals follow 2012, a year in which the company forged a total of 50 spectrum deals that increased its national spectrum holdings by a third, AT&T Chief Executive Randall Stephenson said during the company's quarterly conference call on Thursday.

The operator, which needs to catch up with Verizon Wireless in a high-speed wireless network upgrade, has been seeking smaller spectrum deals since the failure in late 2011 of its $39 billion bid to buy T-Mobile USA, a unit of Deutsche Telekom AG (DTEGn.DE), due to regulatory opposition.

AT&T, Verizon Wireless and their smaller rivals are all looking to bolster their capacity so they can profit from increasing consumer demand for mobile internet services for smartphones, tablet computers and other devices.

Wells Fargo analyst Jennifer Fritzsche said that the deal was positive for both companies and gives AT&T spectrum in important markets such as Chicago, Los Angeles and Miami.

"While on the surface this appears to be a rich price, we would note that the B block licenses that AT&T is acquiring are concentrated in major metropolitan markets," Fritzsche said.

The deals announced this week follow AT&T's August agreement to buy wireless company NextWave Wireless Inc for its spectrum holdings for $50 million and $550 million of debt.

AT&T said the Verizon Wireless licenses it is buying, for airwaves in the 700 megahertz spectrum range, cover a population of 42 million in 18 U.S. states.

It said it expects to close the deal, which is subject to regulatory approval, in the second half of 2013.

Verizon Wireless, a venture of Verizon Communications (VZ.N) and Vodafone Group Plc (VOD.L), committed to sell a chunk of spectrum last year while it was seeking approval for its agreement to buy spectrum from cable operators.

(Reporting by Sinead Carew; Editing by Bernadette Baum, Steve Orlofsky and Phil Berlowitz)

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