AT&T in $4.85B Deal to Lease, Sell Wireless Towers

Associated Press

Dallas (AP) — AT&T is leasing or selling the rights to 9,700 wireless towers for $4.85 billion as it generates cash to buy back stock, fund an acquisition and upgrade its cellular telephone system.

The Dallas company said Sunday that it will lease about 9,100 towers and sell another 600 to Crown Castle International Corp. in a deal that's expected to close by the end of the year. AT&T, the nation's largest telephone company, said in a statement that the deal won't have any impact on its customers.

AT&T will sublease capacity on the towers from Houston-based Crown Castle for at least 10 years, with an option for 50 more.

Crown Castle, which operates wireless communications towers across the U.S. and in Australia, said the deal gives it the ability to add tenants to the towers. It will fund the deal with cash on hand, and equity and debt financing.

The move gives AT&T cash to fund a plan announced in July to buy back 300 million of its shares on top of a repurchase plan that it was just completing. The newest stock buyback could cost the company $10 billion or more. In addition, AT&T said last month that it is investing $11 billion to $12 billion this year to upgrade its wireless and high-speed Internet networks, and in July, it announced a plan to buy Leap Wireless International for $1.2 billion.

Company officials have also hinted at interest in acquisitions in Europe.

"This deal will let us monetize our towers while giving us the ability to add capacity as we need it," AT&T Senior Vice President Bill Hogg said in a statement. "We'll get additional financial flexibility to continue to invest in our business and maintain a strong balance sheet and return value to our shareholders."

AT&T said it doesn't expect the deal to have any significant impact on its financial results. It said last month it was close to making a deal for its towers.

The company will sublease capacity on the towers for $1,900 per month per site, with annual rent increases of 2 percent per year, the statement said. The company will have access to reserve capacity on the towers for future use.

After the leases expire, Crown Castle can buy the towers for about $4.2 billion. The average lease runs for about 28 years.

It's not the first big tower purchase Crown Castle has made from wireless operators.

In October 2012, the company sold $1.65 billion in debt to help fund a $2.4 billion purchase about 7,200 towers from T-Mobile USA Inc.

Crown Castle said the towers involved in the AT&T deal are located in top markets across the U.S. It says nearly half the AT&T towers are in the nation's top 50 markets. The company has been focusing on the nation's top 100 markets, where it expects most wireless network activity and upgrades to occur.

When the deal closes, Crown Castle will have about 40,000 towers through the U.S., keeping it the largest wireless infrastructure operator in the country, it said in a statement.

The company has scheduled a conference call for 7:30 a.m. EDT Monday to discuss the transaction and its third-quarter results.

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