

América Móvil divests US prepaid wireless business for US\$6.9 billion

Emily Darby | 16 September 2020



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Mexico's América Móvil has hired Cleary Gottlieb Steen & Hamilton LLP in New York to sell its prepaid mobile services provider, TracFone, to US counterpart Verizon in a deal totalling US\$6.9 billion.

Debevoise & Plimpton LLP's offices in New York and Washington, DC and Von Wobeser y Sierra SC in Mexico City helped Verizon in the deal, which was announced on 14 September.

Jones Day in Washington, DC and Mexico City worked together with Verizon's in-house team to provide antitrust advice.

Through the transaction, Verizon will pay América Móvil US\$6.25 billion across two tranches, split equally between cash and shares.

The buyer will also transfer another US\$650 million in cash to América Móvil if TracFone meets certain performance targets, set out in the sales and purchase agreement.

The transaction, which is expected to close in the second quarter of 2021, will consolidate Verizon's role as the largest provider of prepaid wireless communications services in the US, ahead of local competitors T-Mobile, AT&T and Dish.

The buyer will tap into TracFone's US network of 21 million users, many of which already rely on Verizon's wireless system. Tracfone does not operate its own physical network in the US but uses the systems of other companies for a fee.

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It is also understood that the deal will help Verizon expand its offering of 5G network services, which will provide high-speed internet and faster streaming services to its userbase.

The deal comes as the prepaid mobile services market is growing amid the covid-19 pandemic and global recession. Many customers have swapped traditional phone contracts for prepaid services during the crisis, as they allow for greater flexibility on payment obligations.

TracFone's flagship brands include Straight Talk, Simple Mobile and Net10, and are sold across 90,000 US retail stores, including Walmart, Target and CVS.

América Móvil is Mexico's biggest telecoms company and among the largest mobile service providers in the world. Its subsidiary Telcel dominates the Mexican market, with a 70% market share. América Móvil also has Latin American operations in Brazil, Chile and Peru, among others.

The company, which is owned by Latin America's wealthiest businessman, Carlos Slim, made a US\$1 billion debt tap in May. Cleary Gottlieb advised on that transaction too.

Verizon is the largest wireless carrier in the US and counts a total of 119 million users as of 2020. Last year, the company had revenue of US\$132 billion.

Counsel to Verizon

Debevoise & Plimpton LLP

Partners Erin Cleary, Lawrence Cagney, Michael Diz, Peter Furci, Henry Lebowitz, Sue Meng, Jeffrey Ross, Jeffrey Rosen and Steven Slutzky, and associates John Love, James Malmo, David Deutsch, Lena Smith, Jose Angel Lamarque, Jonathan Miu and Richard Grossmann in New York; partner Ted Hassi, counsel Katarina Molnarova and associate Leah Martin in Washington, DC

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Partners Luis Burgueño and Fernando Moreno, and associate Santiago Barraza in Mexico City

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Partner Bruce McDonald and associate Dehmeh Smith in Washington, DC

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Partner Gabriel Altamirano in Mexico City

Counsel to América Móvil

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Partners Nicolas Grabar and Kyle Harris and associate Paul Imperatore in New York

The article was updated on 16/9 to correct counsel details for Verizon.

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