

Deal of the Week: AT&T to Buy DirecTV for \$48.5B

Announcement Date	<ul style="list-style-type: none"> • May 18, 2014 	
Acquirer	<ul style="list-style-type: none"> • AT&T (NYSE: T) 	
Acquirer Description	<ul style="list-style-type: none"> • Provides telecommunications services to consumers and businesses in the United States and internationally • Founded in 1983 and based in Dallas, Texas 	
Acquirer Financial Statistics	<ul style="list-style-type: none"> • Mkt Cap: \$183.3 billion • EV: \$259.9 billion • LTM Revenue: \$129.9 billion 	<ul style="list-style-type: none"> • LTM EBITDA: \$47.2 billion • LTM EV / Revenue: 2.0x • LTM EV / EBITDA: 5.5x
Target Company	<ul style="list-style-type: none"> • DirecTV (Nasdaq: DTV) 	
Target Description	<ul style="list-style-type: none"> • Provides digital television entertainment services in the United States and Latin America • Founded in 1977 and based in El Segundo, California 	
Target Financial Statistics	<ul style="list-style-type: none"> • Mkt Cap: \$42.1 billion • EV: \$59.9 billion • LTM Revenue: \$32.0 billion 	<ul style="list-style-type: none"> • LTM EBITDA: \$8.0 billion • LTM EV / Revenue: 1.9x • LTM EV / EBITDA: 7.5x
Price / Consideration	<ul style="list-style-type: none"> • Price: \$48.5 billion 	<ul style="list-style-type: none"> • Consideration: Cash & Stock
Acquirer Advisor	<ul style="list-style-type: none"> • Lazard 	
Target Advisors	<ul style="list-style-type: none"> • Goldman Sachs and Bank of America Merrill Lynch 	
Rationale	<ul style="list-style-type: none"> • Through the deal, AT&T would become the country's second-biggest pay TV provider, behind only Comcast • By acquiring the country's biggest satellite television operator, AT&T would gain more clout in negotiating with media companies as it increasingly focuses on video offerings • AT&T has about 5.7 million TV customers through its U-verse service, while DirecTV has about 20.3 million customers in the United States • Buying DirecTV would also expand AT&T's presence in Latin America, where the satellite company already has more than 18 million customers and expects to grow substantially as more households subscribe to pay TV services 	
Deal Points	<ul style="list-style-type: none"> • Under the agreement's terms, AT&T would pay \$95 a share in stock and cash, roughly 10% higher than DirecTV's closing stock price the day prior and about 30% higher than where its shares were trading before word of a potential transaction began to emerge • Including the assumption of DirecTV's debt, the deal is worth about \$67.1 billion. Existing DirecTV shareholders would own 15% to 16% of the combined company after closing, which is expected in a year's time 	
Of Note	<ul style="list-style-type: none"> • DirecTV would also bolster AT&T's financial resources as it continues to invest in wireless-broadband capabilities, an effort that is expected to include bidding at least \$9 billion for wireless network spectrum in a forthcoming government auction 	