

AT&T SELLS LARGE STAKE OF YELLOW PAGES



It was announced on Monday that AT&T Inc. agreed to sell a majority of its stake in Yellow Pages to Cerberus Capital Management for the price tag of \$950 million. It is expected that the deal will be finalized by the middle of the year. "This transaction makes strategic sense for both AT&T and Advertising Solutions," said Jose Gutierrez, president and CEO of AT&T Advertising Solutions. "It enables AT&T to focus on its core strategy of leadership in wireless, IP, cloud- and application-based services." A 53 percent stake in the company will be acquired by Cerberus. The remaining 47 percent stake in the company will be held by AT&T, which receives \$750 million in cash and a \$200 million note. Analysts claim that AT&T could have sold Yellow Pages for three or four times more a couple of years ago but the company waited too long to sell. "I think if you sold it several years ago, the price would have been quite a bit higher," BIA/Kelsey analyst Charles Laughlin said. "Telecom used to get more." Yellow Pages is the producer of the paper phonebooks found in telephone booths, hotel rooms, and on doorsteps across the country each year. The paper phonebook industry is being hurt by the digital side of the business but Yellow Pages still has higher value than digital competitors such as Angie's List and Yelp. The gap between the two industries is closing though. Revenue in the industry has decreased by 27 percent from the \$32 billion recorded in 2007. The revenue dropped to \$23.3 billion in 2011, according to a study released by BIA/Kelsey. A source close to the deal said that Cerberus will focus more on the digital aspect of the business instead of the print aspect of the business. "The future is in digital," said the source. "Print will decline over time." The majority of the industry seems to be creeping closer to the digital aspect as evidenced by the 30 percent of all revenue in 2011 coming from digital sources. This amount increased by 12 percent from 2007. "They need to get more growth out of their digital products for their business to have a strong future," Laughlin said. AT&T still thinks the business can be successful, which is helped by the fact that the company retained a minority stake in Yellow Pages. "It seems to be an indication that they don't think the business is going away anytime soon," Laughlin said. "I don't know why they'd hang onto a piece of the business, unless they thought it would turn around. They, apparently, believe there's still some life there."

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