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# Telmex to Buy Spanish-Language Directories in U.S.

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By DENNIS K. BERMAN

Teléfonos de México SA, or Telmex, is expected to announce the purchase of a group of Spanish-language phone directories based in the U.S. today, marking a notable foray into one of the country's fastest-growing demographic markets.

As the deal is currently designed, say people familiar with the matter, Telmex will assume an 80% interest in the Louisville, Ky., company, which publishes Enlace Spanish Yellow Pages. The company, controlled by private-equity firm Blue Equity LLC, is the largest independent Spanish-language directory publisher in the U.S., with 32 directories spread across 18 states.

The deal is a relatively small one for Mexico City-based Telmex, which has a market capitalization of \$28 billion and is controlled by the country's richest family, the Slims. Terms of the deal couldn't be learned yesterday.

The transaction highlights Telmex's ambitions for the U.S. market, where Hispanics make up nearly 15% of the population and belong to the fastest-growing of the nation's large demographic groups, according to the most recent U.S. Census data. For instance, about half of U.S. population growth is occurring among Hispanics.

The directories business will be recast under the existing Seccion Amarilla banner used by Telmex across Mexico and elsewhere. Telmex's yellow-pages operation has 135 directories across Mexico. Blue Equity will continue to help operate the company, said Chairman Jonathan Blue, who acquired 16 small publishing outfits across the U.S. between December 2003 and June 2006.

"Mexicans are the No. 1 Hispanic demographic in this country, by far," Mr. Blue said. "This is the golden nugget for Telmex. The U.S. Hispanic market is wealthier than most Latino countries, and it validates how important that demographic is."

The U.S. yellow-pages business is in the midst of big structural changes, brought on by technological competition and financial-market successes. The Internet, in the form of Google Inc., [GOOG -1.06%](#) Yahoo Inc. [YHOO -0.25%](#) and online directories, is making life more difficult for publishers that formerly had virtual monopolies on the local-directory market.

Nonetheless, investors like directories because they produce steady cash flows. The local-phone giants are largely getting out of the business while these valuations are still high. Verizon Communications Inc. for instance, said it intends to spin off its directories unit into a new company called Idearc, with a valuation of more than \$9 billion.

The proposition is a somewhat different one for Telmex's billionaire owner Carlos Slim Helú, who is looking to build exposure of the Telmex brand among Mexican immigrants and other Spanish speakers. It should be a new conduit to other large multinationals that typically advertise in directories alongside small businesses.

Mr. Slim's forays into the U.S. haven't all been successful. In recent weeks, one of Mr. Slim's holding companies acknowledged it was looking to divest itself of electronics retailer CompUSA Inc., which it acquired full control of in 2000. That deal was the first time a Mexican company gained ownership of a major U.S. retail chain.

Write to Dennis K. Berman at [dennis.berman@wsj.com](mailto:dennis.berman@wsj.com)

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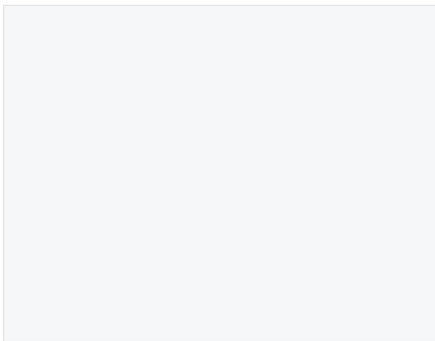
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