



TMT Industry Still Playing Let's Make a Deal if the Price is Right

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While much of the sector's attention is focused on significant changes to the legal framework around telecom, media and technology (TMT) policy-making, wireless and satellite dealmaking remains robust and largely unchallenged by regulators.

Wireless

Leading the parade is T-Mobile with significant transactions in the spectrum, fiber and mobile virtual network operator (MVNO) markets. For spectrum, while not yet closed, T-Mobile has a deal to acquire approximately 30% of UScellular's spectrum and all of its customers for around \$4.4 billion. T-Mobile would acquire roughly 2 million megahertz-pops (MHZ-pops) across spectrum bands including 600 MHz, 700 MHz, advanced wireless services (AWS), personal communications service (PCS), 2.5 gigahertz (GHz) and 24 GHz. The deal also includes a long-term lease of over 2,000 UScellular towers by T-Mobile. While some opposition to the deal's approval is expected and the six senators have already asked for enhanced review by the Federal Communications Commission (FCC) and Department of Justice (DOJ), it appears to be structured in a way to avoid strict scrutiny under the FCC's current spectrum screen—although AT&T has asked the FCC to revisit that screen to make it more difficult for T-Mobile to acquire additional spectrum.

On the other side of the spectrum coin, T-Mobile is also rumored to be in negotiations to sell its nationwide 800 MHz licenses. Under the T-Mobile/Sprint merger consent decree, as amended, T-Mobile must sell these licenses by October 2024 at a price of \$3.6 billion or higher and may not sell to either AT&T or Verizon. If T-Mobile is unable to sell at that price, it may ask the DOJ for permission to keep the licenses. T-Mobile's last public statement about

the sale suggested that T-Mobile had received indications of interest in the appropriate price range. In addition, through a special Act of Congress, T-Mobile finally was able to acquire the 7,156 licenses in the 2.5 GHz band it won at an FCC auction in 2022 for \$304 million. Lastly, T-Mobile sold the remaining Sprint local exchange carrier business to Cogent for—wait for it—\$1.

For fiber, T-Mobile has announced a joint venture (JV) with EQT to acquire Lumos's 7,500-mile fiber-to-home platform and customers in the Mid-Atlantic. While not yet closed, T-Mobile has agreed to provide \$950 million to the JV on close and another \$500 million between 2027 and 2028. And on July 24, T-Mobile announced a planned JV with KKR to acquire Metronet, a fiber-to-home provider that currently passes over 2 million homes in 17 states. In exchange for T-Mobile's \$4.9-billion investment, it will receive 50% of the JV and exclusive access to the Metronet fiber-to-home network and customers. Little regulatory opposition is likely for these deals.

For MVNOs, T-Mobile just closed its \$1.35-billion deal to acquire Ka'ena, the parent company of Mint Mobile and Ultra Mobile. Other than a voluntary commitment to unlock phones, the deal was approved without significant conditions, but a petition for reconsideration of the deal remains pending, requesting further conditioning on MVNO protections.

Verizon has been relatively quiet on the deal front, but there are rumors that it is in negotiations to acquire the spectrum assets of UScellular not covered by the T-Mobile/UScellular deal.

AT&T seems focused on cleaning up its balance sheet and maximizing free cash flow, but has been active at the FCC in trying to ensure that FirstNet is awarded the 4.9 GHz band.

Finally, rumors continue to swirl around EchoStar/Dish. Because of upcoming debt maturities and FCC spectrum license build-out requirements, many believe that EchoStar/Dish will be forced to restructure or sell its spectrum and direct broadcast satellite (DBS) assets in the near future.

Satellite

The big deal in this sector is SES's proposed \$3.1-billion acquisition of Intelsat. If approved and closed, the combined company would operate more than 100 geostationary (GEO) communications satellites and 26 medium Earth orbit communications satellites. While some

European regulatory friction is possible, given the weak balance sheets of both companies and the rise of low Earth orbit (LEO) competition, approval is expected.

Speaking of LEO, Eutelsat has acquired OneWeb to become the first operator of both GEO and LEO satellites. The all-stock transaction valued OneWeb at around \$3.4 billion. There was no significant regulatory pushback of the deal.

Finally, Viasat acquired Inmarsat for around \$7 billion in cash (\$551 million) and stock (46 million shares of surviving Viasat). The combined company has 19 GEO satellites and plans for many more including a LEO constellation. The deal faced little regulatory opposition.

Conclusion

While the FCC, DOJ and FTC remain aggressive in their review of horizontal and vertical combinations, the wireless and satellite sectors of the TMT market have proved that deals can get done. It will be interesting to see the level of industry opposition, and regulatory scrutiny, that may be applied to announced deals.

Categories



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