

Satellite C-band is worth billions, but how many?

by Caleb Henry — September 16, 2019



Satellite CFOs and investment bankers speak during the opening session of World Satellite Business Week's Summit on Satellite Financing in Paris. Credit: SpaceNews/Brian Berger

PARIS — As the U.S. Federal Communications Commission prepares to decide how to reallocate some or all of the nation's satellite C-band downlink spectrum for the coming wave of 5G mobile communications services, experts say appraising the monetary value of the spectrum remains tricky.

Satellite operators Intelsat, SES and Telesat collectively stand to gain billions of dollars if the FCC chooses their spectrum repurposing plan over competing proposals from cable and cellular operators. How many billions they would get from parting with 200 megahertz of spectrum is unknown, however.

"Spectrum values are very badly understood by equity investors," Fred Turpin, JP Morgan's global head of media and communications, said Sept. 9 at the World Satellite Business Week conference [here](#).

Those investors, he said, have to understand a number of unfamiliar but nonetheless influential variables, ranging from specific regulatory policies to the spectrum clearing process and the impact of the timing of an FCC decision. Those

variables create uncertainty for investors, resulting in volatility for the stock prices of companies involved, he said.

Turpin said JP Morgan's "best math" suggests Intelsat and SES are each marketing "a couple billion dollars" of C-band spectrum.

Intelsat and SES are the largest members of the C-Band Alliance, a group that includes Telesat Canada and, until recently, Eutelsat Communications. The C-Band Alliance proposes to divide any proceeds based on each member's share of U.S. C-band revenues generated in 2017. While the C-Band Alliance hasn't quantified their collective U.S. C-band revenues, the group says Intelsat and SES generated 90-95% of 2017's total, while Telesat's share amounted to a single-digit percentage.

Giles Thorne, an equity analyst at Jefferies Financial Group, estimates that Intelsat and SES would each pocket around \$3.3 billion "time discounted and post all clearing costs." Telesat would likely collect around \$440 million, assuming the Canadian operator's stake was the same as former member Eutelsat, Thorne said by email.

Those numbers could be higher, though.

"Everybody is trying to make an assessment on what the likely probability of some type of outcome is," Turpin said. "There are possible outcomes here that are [in the] tens of billions of dollars range."

ACA Connects, a collection of cable and internet providers that has its own C-band plan, has estimated the value of the full 500 megahertz at up to \$60 billion.

Bill Tillson, executive chairman at Encompass Digital Media, a television broadcast company that leases capacity from Intelsat and SES, estimated that those two operators, plus Telesat, collectively could gain \$34 billion by selling C-band spectrum. Satellite operators may not get to pocket that full amount though, he said.

"Politicians that have jumped in and said some portion of that ought to come back to [the U.S. government], so I don't think this is over yet, Tillson said.

The C-Band Alliance has previously said that some of any proceeds would have to go toward new satellites and other capital expenditures that would be needed to provide the same level of service with 200 megahertz less C-band spectrum than they currently have. That infrastructure investment would involve several new satellites, spectrum filters for satellite dishes on the ground, centralizing teleport operations and more.

C-Band Alliance members also expect to pay taxes on any proceeds and to make a voluntary contribution to the U.S. Treasury.

"The big challenge for investors is understanding the potential that underlies the spectrum," said Jon Yourkoski, managing director of Morgan Stanley's investment banking division.

Yourkoski said decisions in other countries to use C-band spectrum around the 3.5 gigahertz band for 5G services helped boost the value of U.S. C-band downlink spectrum, which stretches from 3.7-4.2 gigahertz. Several countries including Spain, Qatar, and to some extent, China, have already awarded spectrum at 3.5 gigahertz for mobile, according to an April report from research firm Analysys Mason.

Yourkoski said the uncertain timing of an FCC decision presents a challenge to determining the spectrum's ultimate value. A decision was previously expected by June but has since been delayed until the fall.

During that delay, the U.S. Justice Department's antitrust division approved the merger of cellular operators Sprint and T-Mobile, contingent on divesting some of its prepaid mobile business to Dish Network. T-Mobile has submitted a competing spectrum reallocation plan to the FCC that calls for giving cellular 5G operators all 500 megahertz of satellite downlink spectrum instead of just the 200 megahertz the C-Band Alliance proposes to vacate. Yourkoski said it's unclear how Sprint-T-Mobile merger will impact the FCC's timing on a C-band decision.

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