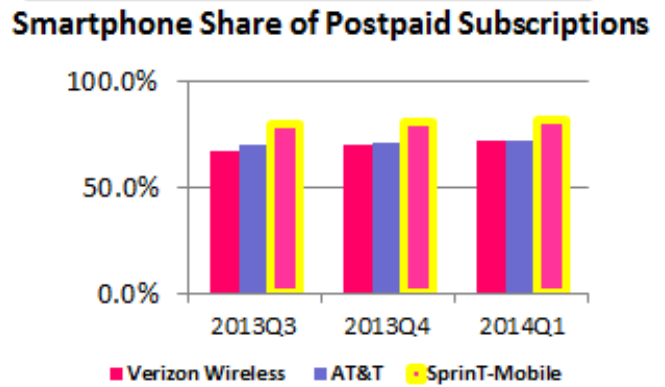
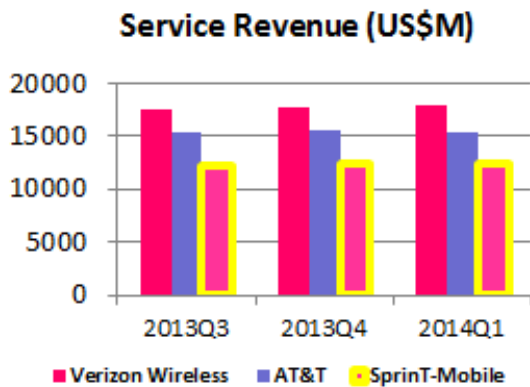
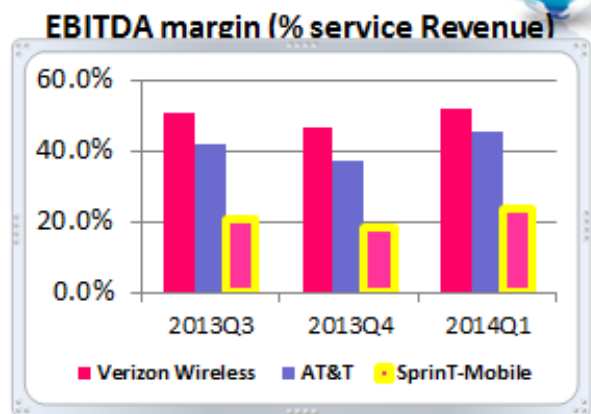
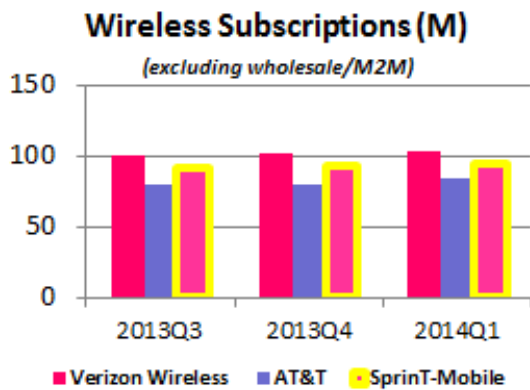


Report: Combined Sprint, T-Mobile Would Still Need To Improve Margins

Andrew Berg

Sprint-Mobile: Putting # 3 and #4 Together
 What Would it Look Like?
 Strategy Analytics Metrics Analysis
STRATEGYANALYTICS



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Source: Strategy Analytics US Wireless Operator Benchmarks Q1 2014

With reports emerging that Sprint has come to terms with Deutsche Telecom on a deal to buy T-Mobile, the prevailing storyline has been that U.S. regulators will never allow such a transaction to take place.

The resounding opinion has been that after regulators panned AT&T's bid for T-Mobile, they'll likely close the door on Sprint's bid as well. Opponents of the deal say that a combined Sprint and T-Mobile could only result in less choice for consumers.

Those who are willing to entertain the idea of a deal often ask whether it's realistic to expect the two smaller carriers to compete in any meaningful way on their own.

According to research released today from Strategy Analytics, a combined Sprint and T-Mobile would prove an entirely different entity than the one that would have come into being had regulators approved AT&T's transaction.

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Published on Wireless Week (<http://www.wirelessweek.com>)

While more competitive in terms of subscribers, Sprint and T-Mobile's margins as a percentage of service revenue would still pale in comparison to those of Verizon and AT&T.

According to Strategy Analytics, Sprint and T-Mobile would have seen EBITDA margins for the first quarter of 2014 of just over 20 percent, while Verizon and AT&T saw 50 percent and just over 40 percent respectively.

As for wireless subscribers, excluding wholesale and M2M, a combined Sprint and T-Mobile would fare a little better compared to its larger rivals.

In the first quarter of 2014, the combined company would have had almost 100 million postpaid subscribers, while AT&T and Verizon had right around 80 million and just over 100 million, respectively.

There's at least one area that a new Sprint and T-Mobile would have won. The third and fourth largest carriers are pushing a lot of customers over to smartphones. Combined they would have beat both AT&T and Verizon in share of postpaid subscribers on a smartphone.

In the end it really will probably be all about finishing major network upgrades for Sprint and T-Mobile in order to bring margins up. While T-Mobile has finally claimed that its LTE build is nationwide, the Uncarrier still has a way to go on its build out.

Sprint, meanwhile, is dumping loads of cash into its network overhaul and losing customers because of it. In its most recent fiscal quarter, Sprint posted a net loss of \$151 million for the quarter, which amounted to a 77 percent improvement over the same quarter last year when the company lost \$643 million. Adjusted EBITDA of \$1.84 billion amounted to a 22 percent increase annually, while adjusted EBITDA margin was just 23.4 percent but still the highest in almost 6 years.

Sprint reported a net loss of 231,000 Sprint platform postpaid customers during the quarter, which the company attributed to service disruptions associated with an ongoing network overhaul. In all, Sprint says its platform now serves 54 million subscribers.

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