

Sprint turns to improving its wireless network now that a T-Mobile merger is dead

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Unwilling to turn control of Sprint over to rivals at T-Mobile US, Sprint's chairman vowed this week to spend more money on the Overland Park-based company's wireless network.

Merger talks between Sprint and T-Mobile, the nation's No. 4 and No. 3 wireless companies, collapsed over the weekend principally over terms that would have left T-Mobile's interests in control of the combined businesses.

"Now that the consolidation discussion is over, we will invest in the network," Sprint chairman Masayoshi Son said in Tokyo, according to analyst Walt Piecyk of BTIG Research.

Piecyk and others listened as Son addressed investors and reporters in a quarterly earnings session for SoftBank Group Corp., which owns more than 80 percent of Sprint.

Son promised that Sprint would spend \$5 billion to \$6 billion a year on its network, Piecyk wrote. Current spending is on pace for \$4 billion or less this year, and that is an increase from \$3 billion previously.

Industry analysts have been critical of Sprint's network spending as not enough to maintain the network or to keep up with rivals. Some reasoned that a merger-minded Sprint might see such spending as wasteful if it planned soon to combine its network with that of T-Mobile.

The decision to walk away from T-Mobile leaves Sprint as the smallest national carrier in a highly competitive market in which growth depends heavily on stealing rivals' customers. Sprint's 54.03 million subscribers trail T-Mobile's 70.73 million, AT&T's 138 million and Verizon's reported total of 115 million retail subscribers, which excludes some connections.

Sprint executives have defended the company's relatively low network spending as a reflection of their ability to spend wisely and to build off investments made while Dan Hesse was Sprint's CEO.

The company also offered a Magic Box to customers with network problems, boosting their service as well as service for nearby Sprint network users. The box is a small cellular device that plugs into a wall socket. Sprint executives have acknowledged that more customers have asked for Magic Boxes than it can provide.

Sprint finance chief Tarek Robbiati had offered analysts in August another reason the company would spend between \$3.5 billion and \$4 billion this year on its network.

"This is a level we can support," Robbiati said, according to a transcript by Seeking Alpha.

Son's promises Monday did not include a funding source for Sprint's coming \$1 billion to \$2.5 billion boost in annual network [spending](#).

Bond analyst J. Davis Hebert at Wells Fargo Securities told clients Monday that Sprint's outlook would be better "especially if SoftBank (or a partner) provides some capital support for [network](#) investment and deleveraging (although this does not feel imminent)."

Son, in discussions of Sprint's financial health, had said that Sprint's

improved financial condition would allow it "to secure funding on its own," according to a report by Bloomberg Technology.

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