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By ECFS

Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: **Applications of T-Mobile US, Inc. and Sprint Corporation for Consent to Transfer Control of Licenses and Authorizations, WT Docket No. 18-197**

Dear Ms. Dortch:

Sprint's communications to investors continue to contradict the Applicants' claims to the Commission about Sprint's supposedly dismal financial state and precarious 5G plans.

Sprint's financial condition. In a series of meetings with Commissioners, Sprint President and CEO Michel Combes discussed "the competitive and financial challenges Sprint faces as a standalone company."¹ On April 2, Mr. Combes wrote to the Commission that Sprint's "future as a stand-alone company will be in jeopardy" without the merger.² Similarly, Sprint Executive Chairman Marcelo Claure recently told Congress that "we cannot fix our network because of our poor financial situation and our lack of low-band spectrum" and that Sprint would be forced to raise prices if it does not merge with T-Mobile.³

But Sprint's most recent earnings report (released on January 31, 2019) paints a very different picture. Among other metrics of health, Sprint touted the following:

- Wireless service revenue grew year-over-year for the second consecutive quarter
- Postpaid service revenue grew year-over-year for the first time in five years

¹ Letter from Regina M. Keeney, Sprint Counsel, to Marlene Dortch, FCC, WT Docket No. 18-197 (March 18, 2019).

² Letter from Michel Combes to Commissioner Starks, WT Docket No. 18-197 (April 2, 2019).

³ *The State of Competition in the Wireless Market: Examining the Impact of the Proposed Merger of T-Mobile and Sprint on Consumers, Workers, and the Internet Before the House Committee on the Judiciary*, 116th Cong. (March 12, 2019) (Testimony of Marcelo Claure), <https://www.c-span.org/video/?458695-1/sprint-mobile-executives-testify-impact-proposed-merger> ("March 12 Judiciary Hearing").

- Prepaid service revenue grew year-over-year for the fifth consecutive quarter
- 309,000 postpaid net additions in the quarter, an improvement of 53,000 year-over-year
- Network investments of \$1.4 billion more than doubled year-over-year
- 12 consecutive quarters of operating income.⁴

During recent testimony, Mr. Claire also told Congress that Sprint “[doesn’t] generate any cash flow” and therefore doesn’t have the ability to invest.⁵ But as Sprint explained during its most recent earnings call, its temporary drop in cash flow was due to increased capital expenditures.⁶ In its immediately preceding quarter (Q2 2018), Sprint reported *positive* cash flow of \$525 million.⁷ And, despite the recent ramp-up in spending, Sprint executives have expressed confidence in Sprint’s cash flow and liquidity position:

- “Our liquidity position now is strong. We should also highlight that not only we have secured this financing, but in the past 12 months, we have also been able to improve the terms of this financing in terms of maturity and costs compared to where we were 12 months ago. So I think that *we have quite a strong and robust balance sheet.*”⁸

⁴ Press Release, *Sprint Reports Continued Year-Over-Year Growth In Wireless Service Revenue With Fiscal Year 2018 Third Quarter Results* (Jan. 31, 2019), <https://investors.sprint.com/news-and-events/press-releases/press-release-details/2019/Sprint-Reports-Continued-Year-Over-Year-Growth-In-Wireless-Service-Revenue-With-Fiscal-Year-2018-Third-Quarter-Results/default.aspx>.

⁵ *Protecting Consumers and Competition: An Examination of the T-Mobile and Sprint Merger Before the House Committee on Energy and Commerce*, 116th Cong. (Feb. 13, 2019) (Testimony of Marcelo Claire), <https://www.c-span.org/video/?457782-1/mobile-sprint-executives-testify-merger> (“Feb. 13 Commerce Hearing”) See also March 12 Judiciary Hearing (Testimony of Marcelo Claire) (“Sprint is expected to generate a negative free cash flow of \$1 billion this year.”).

⁶ Transcript, Sprint Q3 2018 Earnings Call (Jan. 31, 2019), https://s21.q4cdn.com/487940486/files/doc_financials/quarterly/2018/Q3/S-US-20190131-2200667-C.pdf (“As expected, adjusted free cash flow dipped into negative territory, a \$908 million this quarter as network investments continued to ramp.”).

⁷ Press Release, *Sprint Reports Year-Over-Year Growth in Wireless Service Revenue With Fiscal Year 2018 Second Quarter Results* (Oct. 31, 2018), https://s21.q4cdn.com/487940486/files/doc_financials/quarterly/2018/Q2/01_Fiscal-2Q18-Earnings-Release-FINAL.PDF.

⁸ Transcript, Sprint Corp. at Goldman Sachs Communacopia Conference, Fair Disclosure Wire (Sept. 14, 2018) (Sprint CEO Michel Combes).

- “***We are more than adequately funded right now*** . . . we've done a lot of work on liquidity, cost of debt over the last several quarters, which puts us in a really strong position right now.”⁹
- Mr. Davies (Sprint’s Chief Financial Officer): “There’s many different buttons and levers that we can push and pull that will result in us having a path towards at least to cash flow breakeven.”

Analyst: “Okay. As a CFO, so I think a lot of spending decisions have to come to you to get the sign-off. Does the state of the balance sheet, the leverage, the free cash flow profile, does that constrain the company from any desired spending or investment areas promotionally and network-wise, investment-wise?”

Mr. Davies: “No, it doesn't. ***I really don't feel that my decision-making is constrained at all by any balance sheet or liquidity considerations.***”¹⁰

- “The next 2 to 3 years, we are going to invest in the network. ***We can finance it. No doubt*** . . . I have all what is needed in order to do that. So next 2 to 3 years, expanding networks.”¹¹

And, as DISH has previously noted,¹² the Applicants fail to take into account the possibility of future investment by Sprint’s owner Softbank, even though, as Mr. Claire acknowledged, “Sprint is a strategic asset for SoftBank.”¹³ As one of the largest companies in the world, Softbank holds more than \$47 billion (or 5.3 trillion yen) in cash and cash equivalents.¹⁴ Softbank’s Vision Fund has already invested \$70 billion since it was formed in November

⁹ Transcript, Sprint Corp. at Deutsche Bank Leveraged Financial Conference, Fair Disclosure Wire (Oct. 2, 2018) (Sprint CFO Andrew Davies).

¹⁰ Transcript, Sprint Corp. at Bank of America Merrill Lynch Leveraged Finance Conference, Fair Disclosure Wire (Dec. 5, 2018).

¹¹ Transcript, Sprint Corp. at Deutsche Bank Media, Telecom and Business Services Conference, Fair Disclosure Wire (March 7, 2018).

¹² See DISH Reply at 43-44.

¹³ Transcript, Sprint Q3 2017 Earnings Call (Feb. 2, 2018), https://s21.q4cdn.com/487940486/files/doc_financials/transcripts/S-US-20180202-2039822-C.pdf.

¹⁴ Softbank Group, Consolidated Financial Report for the Period Ended December 31, 2018 at 26 (Feb. 6, 2019), https://cdn.group.softbank/en/corp/set/data/irinfo/financials/financial_reports/pdf/2019/softbank_results_2019q3_001.pdf.

2016.¹⁵ Thus, to the extent that Sprint did need an infusion of capital in the future, Softbank is more than capable of funding Sprint to enable it to compete.

Sprint's 5G plans. As part of its merger advocacy, Sprint has also questioned its future ability to provide 5G service as a standalone company. For example, Mr. Combes recently told the Commission that his company “cannot build a consistently reliable nationwide 5G network on our own.”¹⁶ And Mr. Claure told the House Judiciary Committee that “we do plan to deploy 5G in a very limited area . . . but we do not have the capability to offer true nationwide 5G.” He similarly told the House Commerce Committee that “the combination of our two companies . . . is the only way that we’re going to be able to build a 5G network that basically has capacity all over the US.”¹⁷ But, Sprint has told a different story to investors. During the last earnings call before the merger was announced, Mr. Claure explained:

I am very confident in Sprint's future based on the competitive advantage that we will have with the deployment of 5G on our 2.5 spectrum. We’re working with Qualcomm and network and device manufacturers in order to launch the first truly mobile network in the United States . . . ***This latest development will put Sprint at the forefront of technology and innovation, on par with other leading carriers around the world.***

We believe our next-gen network will truly differentiate Sprint over the next couple of years due to our strong spectrum assets that enables Sprint to be the leader in the true mobile 5G.¹⁸

Mr. Combes is now telling the Commission that “we lack the spectrum assets” needed to compete.¹⁹ This is the opposite of what he told investors in March 2018, when he touted the spectrum holdings he now purports to find lacking. At the time, he said: “we have depth in terms of spectrum . . . All our competitors have one or the other. We have both, mid-band and depth, so which means the ability to really build national-wide network, a 5G network.”²⁰

¹⁵ CNBC, *SoftBank's Vision Fund Has Already Invested \$70 billion, CEO Masayoshi Son Says*, <https://www.cnbc.com/2019/03/08/softbanks-vision-fund-has-already-invested-70-billion-ceo-son-says.html>.

¹⁶ Letter from Michel Combes to Commissioner Starks, WT Docket No. 18-197 (April 2, 2019).

¹⁷ Feb. 13 Commerce Hearing (Testimony of Marcelo Claure).

¹⁸ Transcript, Sprint Q3 2017 Earnings Call (Feb. 2, 2018), https://s21.q4cdn.com/487940486/files/doc_financials/transcripts/S-US-20180202-2039822-C.pdf.

¹⁹ Letter from Michel Combes to Commissioner Starks, WT Docket No. 18-197 (April 2, 2019).

²⁰ Transcript, Sprint Corp. at Deutsche Bank Media, Telecom and Business Services Conference, Fair Disclosure Wire (March 7, 2018). *See also* March 12 Judiciary Hearing (Testimony of Marcelo Claure) (telling Congress that Sprint’s “main challenge” is its “lack of low-band spectrum.”).

Indeed, Sprint's recent Mobile World Congress announcement—that it plans to bring 5G to four cities in May 2019 (Chicago, Atlanta, Dallas and Kansas City) and another five cities (Houston, Los Angeles, New York City, Phoenix and Washington, D.C.) in the first half of 2019—demonstrates that the company is well on its way to deploying 5G. Describing these developments, Sprint's CTO explained that “wireless customers are soon going to have their first mobile 5G experience with Sprint, and it won't be limited to their home or a millimeter wave hotspot.” And, Mr. Combes noted that the service is “not just for five customers, it's for millions of customers.”²¹

The best explanation for these inconsistencies is the interpretation proffered by Sprint's own CFO back in October 2018: “You have to be able to tailor your message based on the same set of facts to different audiences, dependent on what point you're trying to make.”²² The Commission should view Sprint's financial and 5G claims in support of this merger with skepticism, given its own executives' statements that Sprint is hardly an ailing firm, or one that needs a market-consolidating merger to launch a 5G network that is already underway.

Respectfully submitted,

/s
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²¹ Linda Hardesty, *Sprint to Launch Commercial 5G in 4 U.S. Cities in May*, FierceWireless (Feb. 25, 2019), <https://www.fiercewireless.com/wireless/sprint-to-launch-commercial-5g-4-us-cities-may>.

²² Transcript, Sprint Corp. at Deutsche Bank Leveraged Finance Conference, Fair Disclosure Wire (Oct. 2, 2018).