

US telecoms continue pivoting away from media to double down on 5G

Article

AT&T **announced** a deal to spin off its WarnerMedia unit and merge it with Discovery in order to focus on expanding its 5G network. The deal, which will see AT&T **receive** \$43 billion in cash and bonds, comes just three years after AT&T **acquired** Time Warner for nearly double that price. In a recent earnings call, AT&T CEO John Stankey said the deal would provide AT&T “better flexibility to spend on 5G and fiber,” **per** Fortune, noting the telecom would increase

its capital expenditure for 5G and broadband to around \$24 billion, up from \$21 billion presently.

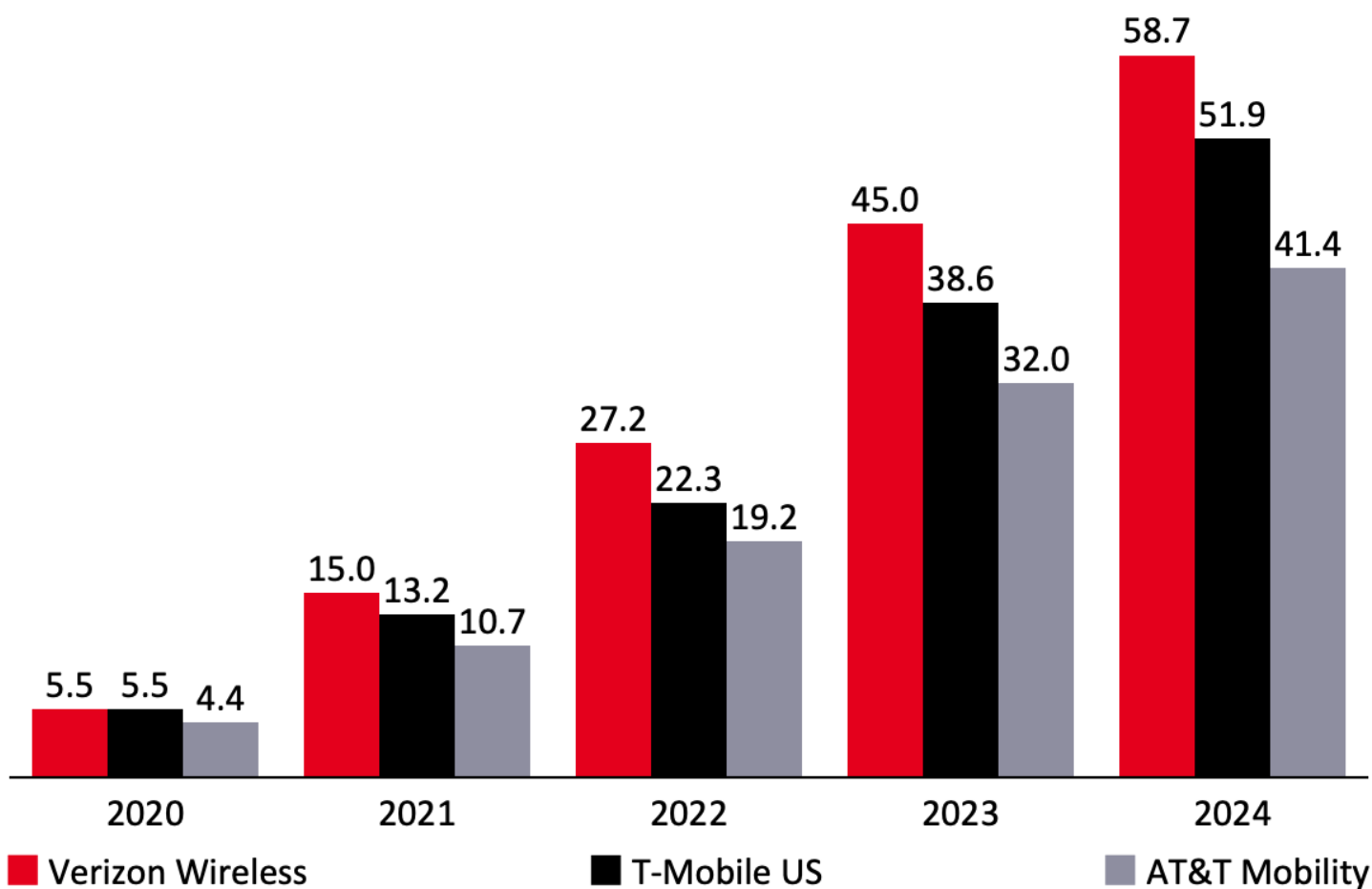
AT&T's deal underscores a broader effort by US telecoms to cut their media losses and double down on 5G. Earlier this month, Verizon **announced** it would sell its Verizon Media business—which includes Yahoo and AOL—for \$5 billion to Apollo Global Management. For context, Verizon **purchased** AOL and Yahoo for \$4.4 billion in 2015 and \$4.5 billion in 2017, respectively. These realignments could provide the telecoms with the massive amounts of capital **needed** to expand their 5G infrastructure and services.

Both AT&T and Verizon took on new debt to bid on 5G spectrum in the FCC's recent C-band auction. AT&T **spent** \$23.4 billion on licenses during this year's record-setting mid-band spectrum **auction**. That pales in comparison to Verizon, which spent a whopping \$45.4 billion. AT&T and Verizon respectively took on **\$14.7 billion** and **\$12.5 billion** in debt to fund their bids. Meanwhile, T-Mobile **spent** a comparatively modest \$9.3 billion at the auction, thanks in large part to the stockpiles of spectrum **inherited** from its Sprint merger.

Pivoting away from media will help AT&T and Verizon reduce a significant portion of their debt while prioritizing 5G, but T-Mobile still has an advantage. The dramatic move away from media will provide both telecoms with billions in new capital which will likely aid their 5G network rollouts. According to our **forecasts**, Verizon is expected to increase its 5G mobile subscribers from 15 million this year to 58.7 million by 2024, compared with AT&T's projected growth from 10.7 million to 41.4 million over the same time. However, they'll still be playing catch-up to T-Mobile, which is already working to lure subscribers to its massive 5G network by **offering** "truly unlimited" data plans and **other** 5G-focused services.

5G Mobile Phone Service Users, by Company

US, millions



Note: Mobile device users who own a 5G-capable wireless handset and connect to a 5G network at least once per month.

Source: eMarketer, October 2020

Methodology: Estimates are based on the analysis of survey and traffic data from research firms and regulatory agencies, sales projections, historical trends, company-specific data, and demographic and socioeconomic factors.

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