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Analysts: AT&T could spend \$20-22B in AWS-3 auction, more than Verizon

January 23, 2015 | By [Phil Goldstein](#)

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AT&T's (NYSE: T) disclosure that it entered into credit agreements worth more than \$11 billion has prompted some financial analysts to think that the company may wind up buying more airwaves at the AWS-3 spectrum auction than Verizon Wireless (NYSE: VZ), spending anywhere from \$20 billion to \$22 billion at the auction.

On Thursday AT&T disclosed via a Securities and Exchange Commission filing that it had struck two credit agreements with Mizuho Bank, including one worth a total of \$9.2 billion and another for \$2 billion.

New Street Research analysts Jonathan Chaplin, Spencer Kurn, Zach Monsma and Vivek Stalam wrote in a research note that following the agreements AT&T will have \$21.8 billion of liquidity and it will likely spend the "vast majority" of it on spectrum in the AWS-3 auction. "We believe AT&T is raising capital to fund spectrum purchases; however, they will also need \$15BN to close the DirecTV (NASDAQ: DTV) transaction, which they expect to do in May," the analysts wrote. "We expect the company will need to come to the market again to raise funds for the DTV transaction."



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The New Street analysts had previously assumed AT&T and Verizon would spend around \$15 billion to \$20 billion each in the AWS-3 auction, in which 65 MHz is up for grabs, including 50 MHz of paired spectrum. They also thought T-Mobile US (NYSE: TMUS) would spend \$2 billion to \$3 billion and Dish Network (NASDAQ: DISH) would spend \$2 billion to \$6 billion.

However, they noted that based on AT&T's capital raise, "it looks like AT&T may purchase \$20-22BN" whereas Verizon may purchase less spectrum.

"We aren't sure which spectrum blocks will go to each bidder (we won't know until results come out); however, one scenario would see: AT&T purchasing the J Block

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(\$18.2BN) and part of the G Block (~2.6BN); Verizon purchasing the H Block (\$8.4BN) and the I Block (\$8.4BN); TMUS purchasing ~30% of the G Block (\$2.2BN), and; DISH purchasing the 15 MHz of unpaired uplink spectrum (~\$2BN)," they added.

"We suspect that DISH may have won additional J, H & I-Block licenses in key markets resulting in a higher spend for them and a lower spend for the carriers," the analysts wrote. "In this scenario, we think DISH could purchase around \$6BN of spectrum, leaving AT&T with ~\$20BN and VZ with ~\$15BN (and TMUS unchanged at \$2.2BN). Again, we do not have good visibility into the auction results, but we believe these are reasonable ranges based on current liquidity positions and management commentary."

The J Block is a 10x10 MHz block of paired spectrum, running from 1770-1780 MHz for uplink operations and 2170-2189 MHz for downlink operations. It has consistently been the most sought-after spectrum in the auction, especially in major markets. The G, H and I Blocks are 5x5 MHz chunks of paired spectrum.

The auction will continue until there are no new bids or waivers in a given round. However, in the latest auction round, round 280, there were only 12 new bids. The total amount in provisional winning bids in the auction inched up in round 280 to \$44.87 billion.

Shortly after bidding in the auction ends, the commission will issue a new public notice declaring the auction has closed. The FCC will also identify the winning bidders (bidding is currently anonymous), and will establish the deadlines for winning bidders to submit their down payments, their final payments, their long-form applications and their ownership disclosure reports. Currently, it is looking like final payments will be due in mid-to-late February.

For more:

- see this [SEC filing](#)
- see this [WSJ article](#) (sub. req.)

Special Report: [AWS-3 spectrum auction primer: What you need to know](#)

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Fabian Cortez • 10 days ago

I believe most of us already knew this since it is indeed AT&T that is lacking adequate mid-band spectrum in comparison to T-Mobile and Verizon.

EDIT: Sprint as well but that's borderline "high-band" spectrum and they didn't participate in this auction.