

Telergee Alliance CFO & Controllers Conference Observations Regarding Wireless Industry Mergers and Acquisitions for 2016

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Competitive intensity in wireless to continue

- General pressure on revenue and expense
- AT&T - announced bundled video and converged service
- Sprint - more aggressive with handset financing and network financing, funded by cost-cutting
- T-Mobile - continues with Un-carrier moves, 700 MHz A-Block
- Verizon – keeps churn low and adds high-end subs, AOL acquisition, Yahoo bid

All eyes on the incentive auction

- Mixed predictions on timing and valuations
- Expect an average of 70 MHz of spectrum
- Prices expected to be below AWS-3 and 700 MHz B; analysts have reduced DISH market cap by 30% due to spectrum value write-off of \$1.90 MHz/POP to \$1.15 MHz/POP, now at \$0.80 MHz/POP
- Expect \$30 – \$35 billion in total proceeds



Expect continued historical trending in wireless/spectrum mergers and acquisitions

- Spectrum bell curve for activity and value
- Lack of acquirers
- All spectrum is not equal
- Mid-band vs. low-band
- Historical networks, 850 MHz, PCS reduced value
- Emerging spectrum, future use drives value

Carrier competitive pressure will put pressure on all carriers

- Race to the bottom
- Following Europe's path

Sprint continues to decline in all metrics

- 50% of operating cost reduction
- Entire network reconfiguration/towers vs. microwave costs
- Off-balance sheet financing, handsets and towers

AT&T and Verizon continue to be market leaders

- Built-in momentum
- Size matters

Europe is a predictor of U.S. competitive landscape

- Barcelona Mobile World Congress
- Degrading networks
- Lack of capital investments

T-Mobile, the "Un-Carrier", will continue to be effective

- Currently unsustainable for the long term
- Lack of spectrum, 700 MHz A-Block, future 600 MHz
- Network throttling





Separated at Birth?

Who will participate in the forward auction?

- AT&T, T-Mobile and Verizon
- Sprint – confirmed no show
- Comcast and DISH
- Spectrum entrepreneurs

Broadcasters vs. Carriers

Carrier balance sheets dictating auction success and valuation metrics

Major carriers made large capital investments, stressing balance sheets

- Overbuilt networks with entirely new wireless architecture
- Spent billions purchasing AWS-3 spectrum
- AT&T - ratings downgrade last year due to spectrum purchases
- Four to five years before 600 MHz is useable

Auction is complicated

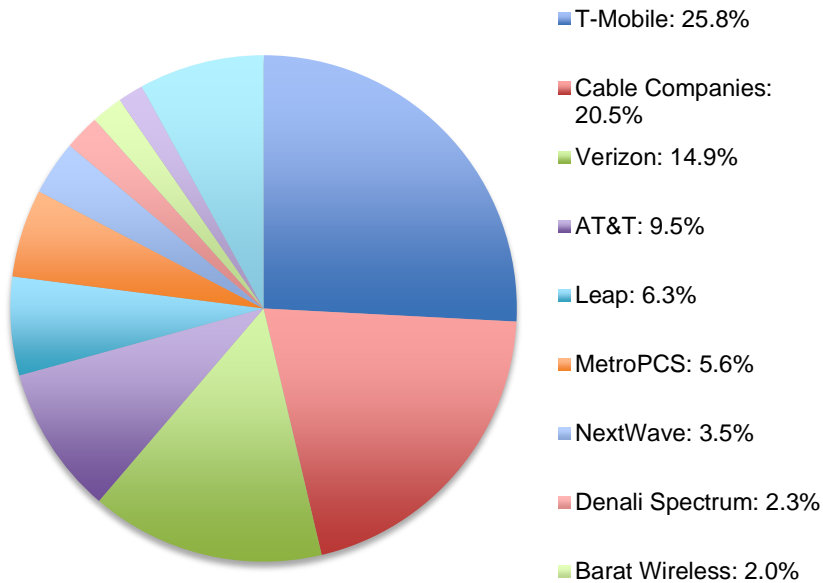


Paired Spectrum Auction History

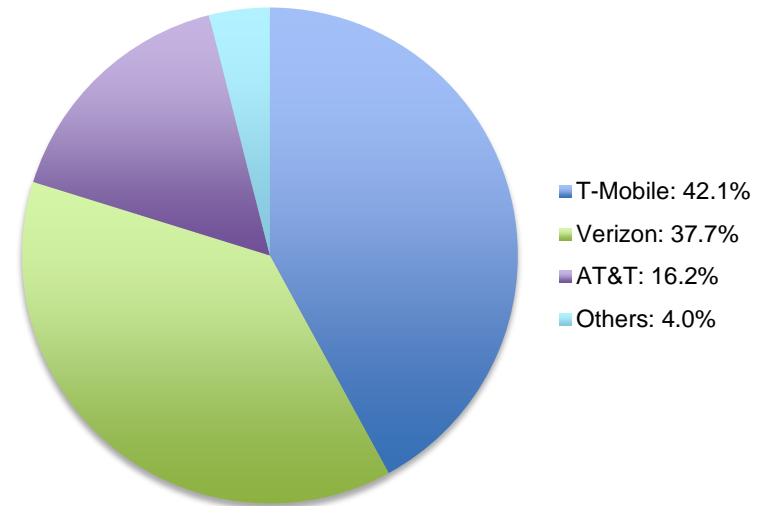
Auction	Type	MHz Sold	Year Completed	Gross Proceeds (\$Billion)	Rounds
	600 MHz Estimate	20 - 120	2016	\$35.0	–
97	AWS-3	50	2015	42.5	341
73	700 MHz	46	2008	18.9	261
35	C- and F-Block Broadband PCS	40*	2001	17.6	101
66	Advanced Wireless Services	90	2006	13.9	161
5	Broadband PCS C-Block	30	1996	13.4	184
4	Broadband PCS A- and B-Block	60	1995	7.0	112
11	Broadband PCS D, E and F Blocks	30	1997	2.7	276
58	Broadband PCS	10*	2005	2.3	91
96	H-Block PCS	10	2014	1.6	167
10	Broadband PCS C-Block Reauction	30*	1996	0.7	25
9	Specialized Mobile Radio Service	5	1996	0.2	168

*Not Nationwide

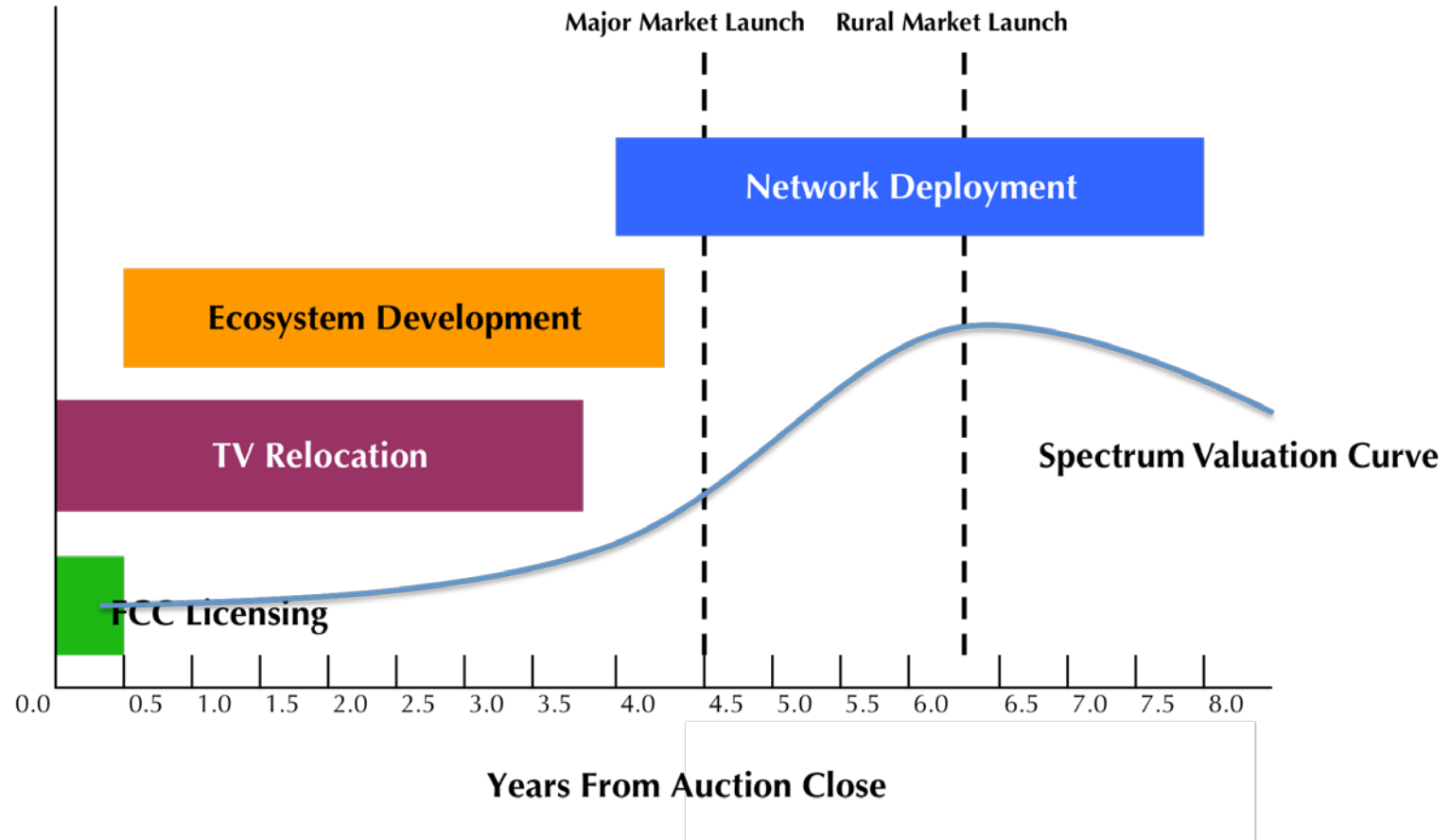
2006 Auction (AWS-1) Results



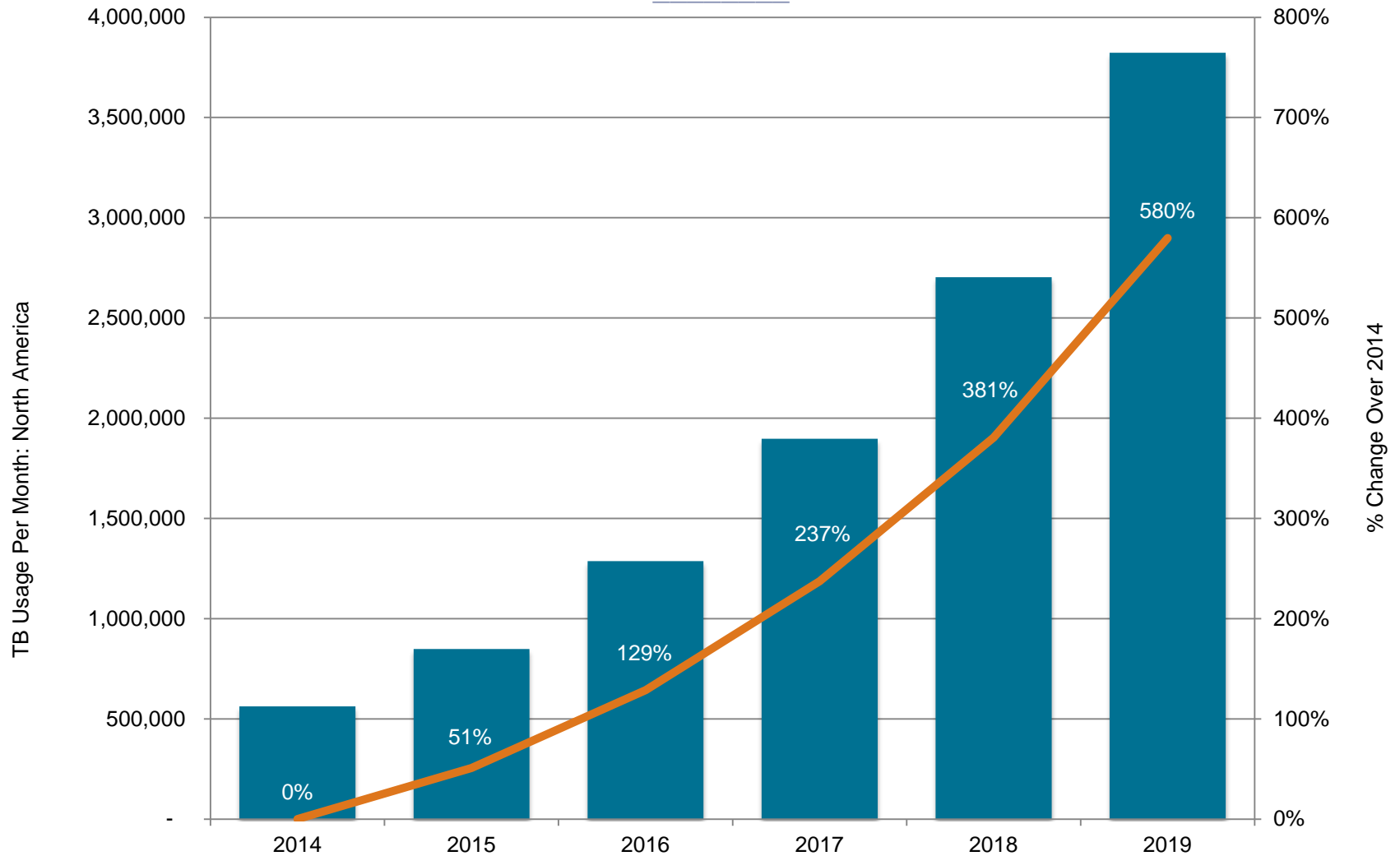
AWS Ownership 2014



Historical Spectrum Value Curve/Estimated 600 MHz Development Timeline



Wireless Traffic Growth Pressures Wireless Holdings

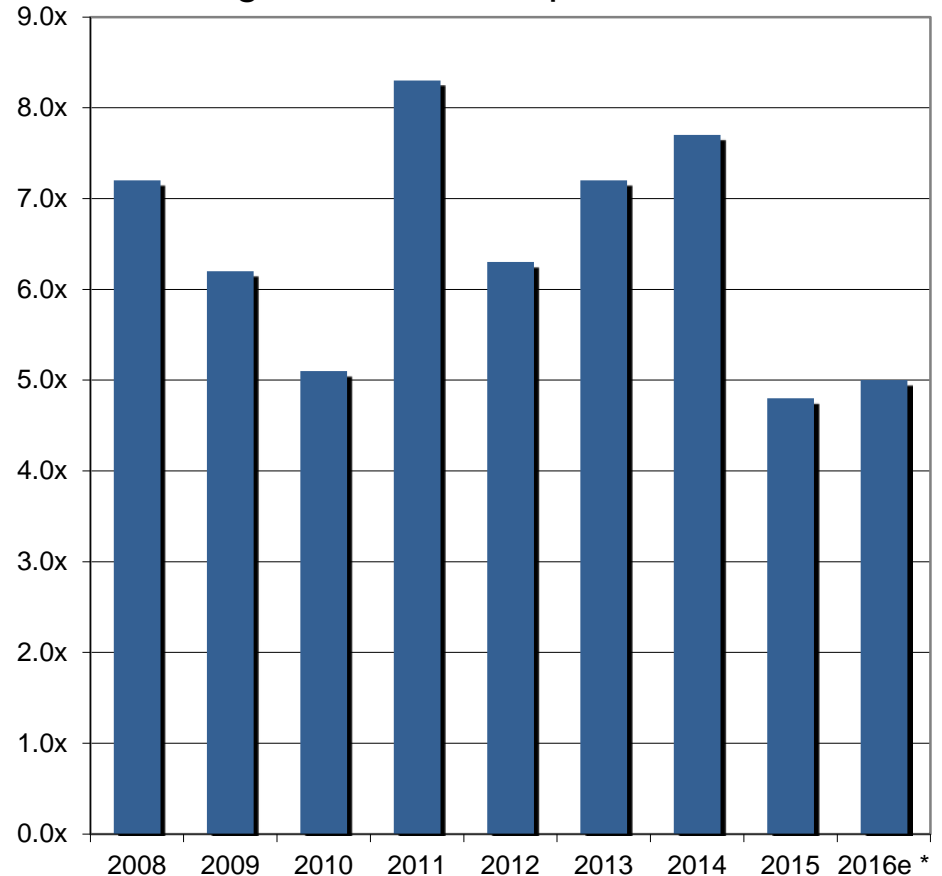


Source: Cisco, 2015

System and network M&A contracting

- M&A will predict future competitive landscape
- Lack of future business opportunities in small wireless subscriber businesses
- Subscribers have little value to large carriers
- Fiber is an integral part of a wireless network
- Towers beginning to see pressure from carriers and interest rates

Average EBITDA Multiples - Wireless



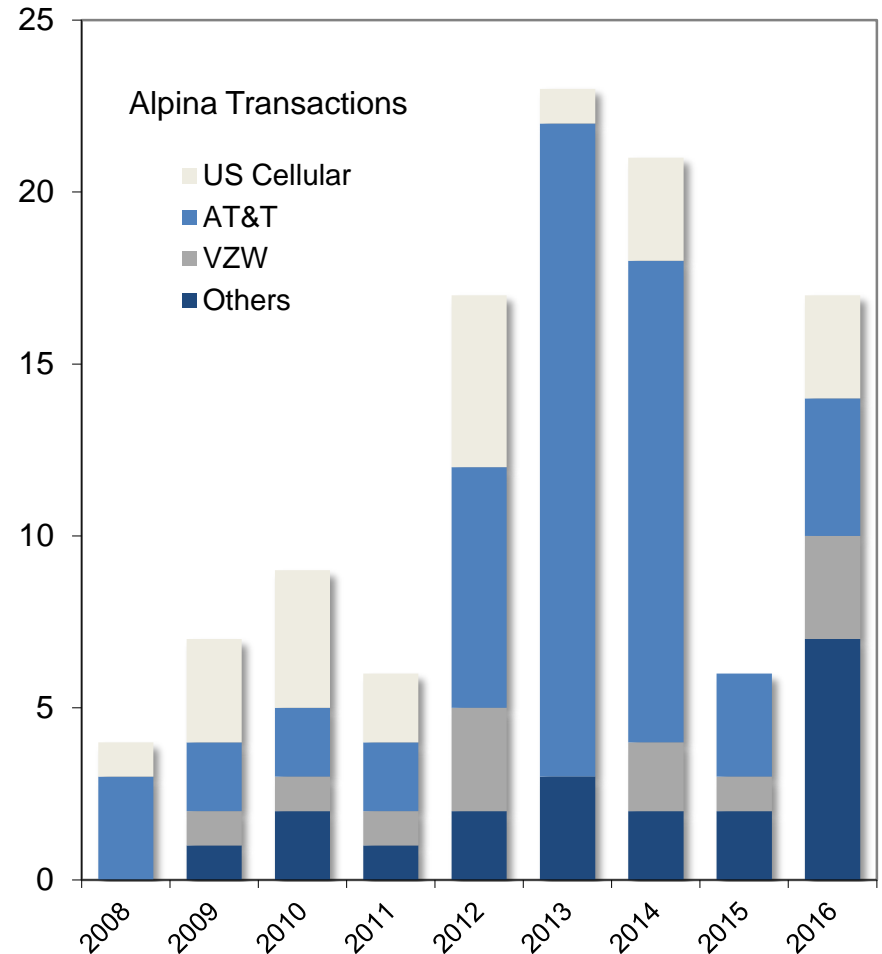
* Estimate - no transactions closed for year 2016

Spectrum M&A Activity

- Narrow range of buyers/sellers
- M&A determination based on build vs. buy capacity analysis
- Selling spectrum as non-core asset; using proceeds for other wireless/fiber/tower projects

600 MHz Auction Effect

- Average current valuations for:
 - 850 MHz \$0.00 - \$2.50 MHz/POP
 - PCS \$0.25 - \$0.75 MHz/POP
 - AWS \$0.25 - \$1.10 MHz/POP
 - 700 B&C \$0.85 - \$1.50 MHz/POP
 - 700 A \$0.20 - \$1.05 MHz/POP
- 600 MHz – the basis of 5G
- 5G is the basis of the future



Questions?

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