

Wireless Communication

Sprint Nextel



New Horizons

Team members'
name omitted on
purpose

Sprint 

Together with NEXTEL

**POWERFUL NETWORK.
POWERFUL VALUE.**

INTRODUCTION



Objectives of Presentation

- **Economic theories vs. Real world**
- **Research companies and industries**
- **Display oral and written skills**
- **Problems faced vs. Decisions made**
- **Similarities in Decision making**



Sprint Background

1899
Brown Telephone
(Sprint founder)

1938
Sprint
incorporated

1975
Sprint, world first
public data network

1992
Sprint, internet
commercial

2005
Sprint-Nextel
done deal



Sprint Background (cont)

- **3 business segments**
 - **Wireless**
 - **Long distance**
 - **Local**
- **3 customer types**
 - **Individuals**
 - **Businesses**
 - **Government agencies**



Sprint Background (cont)

Partner with Nextel



- No 3 US wireless carrier (Sprint)
- No 5 US wireless carrier (Nextel)



Wireless GIANT that aspires to further grow by taking on Verizon Wireless and AT&T.



Sprint (2005 sales)

	\$ millions	% of total
Wireless service	19,289	54
Local voice	4,335	12
Long-distance voice	4,213	12
Others	3,064	11
Equipment	2,147	6
Data	1,632	5
	34,680	100

The wireless industry is over \$400 billion industry



INDUSTRY ANALYSIS



Description of Industry

- **US wireless market is maturing**
 - **More than 70% using cell phone**
- **Four major national carriers**
 - **Sprint**
 - **Verizon Communication**
 - **Vodafone Group**
 - **AT&T**
- **Wireless services very price elastic**



Description of Industry (cont)

- **Market has shrunk to just a few major players since the 90's**
- **Very competitive and changing market**
- **Expand and grow in other markets**
 - **Broadband, data services, telephony**
 - **Trying to avoid substitution effects**



Description of Firms

Sprint Nextel - Competitive Market Benchmark Analysis (last fiscal year)

Line items	Sprint	AT&T	Verizon	Vodafone	Market
Annual revenue (mil)	\$34,680	\$63,055	\$88,144	\$46,321	\$232,200
Market share (4 largest)	14.94%	27.16%	37.96%	19.95%	
Gross margin	58.50%	51.00%	60.30%	-18.40%	
Sales growth	26.40%	44.10%	26.80%	11.20%	
Earnings per share	\$0.87	\$1.89	\$1.87	(\$2.59)	
EPS growth	-222.60%	33.10%	-12.80%	-3.30%	
Return on asset	2.50%	3.50%	3.10%	-5.20%	
Return on investment	2.90%	4.20%	3.70%	-5.90%	
Debt-to-equity ratio	48.00%	55.00%	0.50%	22.00%	
Projected FY Revenue	\$41,043	\$119,390	\$92,396	\$60,464	\$313,293
Projected market share (4 largest)	13.10%	38.11%	29.49%	19.30%	

FY end 12/31/05 FY end 12/31/06 FY end 12/31/06 FY end 3/31/06

Employee statistics

Number of employees	79,900	189,950	217,000	61,672	137,131
Annual revenue per employee	\$434.04	\$331.96	\$406.19	\$751.09	\$480.82
Market variance	\$62.29	(\$39.79)	\$34.44	\$379.34	



AT & T

- **Merged with SBC in '05**
- **Acquired Cingular**
- **Expecting \$121 billion Revenue in 07'**
- **Expecting wireless growth of 10% in 07'**



Verizon

- Acquired MCI in 06'
- Joint venture with Vodafone
- Expecting \$93 billion revenue in 07'
- Service over 105 million lines in 06'
- Growth through wireless, broadband and data services.
- Goal to reach 17 million homes with advanced fiber broadband in 3 years



Vodafone

- **Largest global wireless phone carrier**
- **Operations in 17 Europe and Asian countries**
- **Joint venture with Verizon**
- **170 million registered customers**
- **Made many acquisitions in the European market.**



Sprint

- Combined with Nextel in '05
- #3 in US market
- 52 million subscribers
- Investing 3 billion in wireless broadband technology
- Joint ventures with cable companies like Time/Warner & Cox to bundle services to consumers.



Industry Demand Factors

- **Lower prices**
- **More variety of services**
- **Bundled services and products**
- **Increased technology - faster**



Non Economic Factors

- Regulatory issues
- Health related issues



Market Challenges

- **Customer Loyalty**
- **Competing with cable companies for broadband and telephony customers**
- **Bundling services**
 - **46% of total US residential consumers subscribed to service bundles**
 - **Expected to be 83% in '12**



Market Challenges (cont)

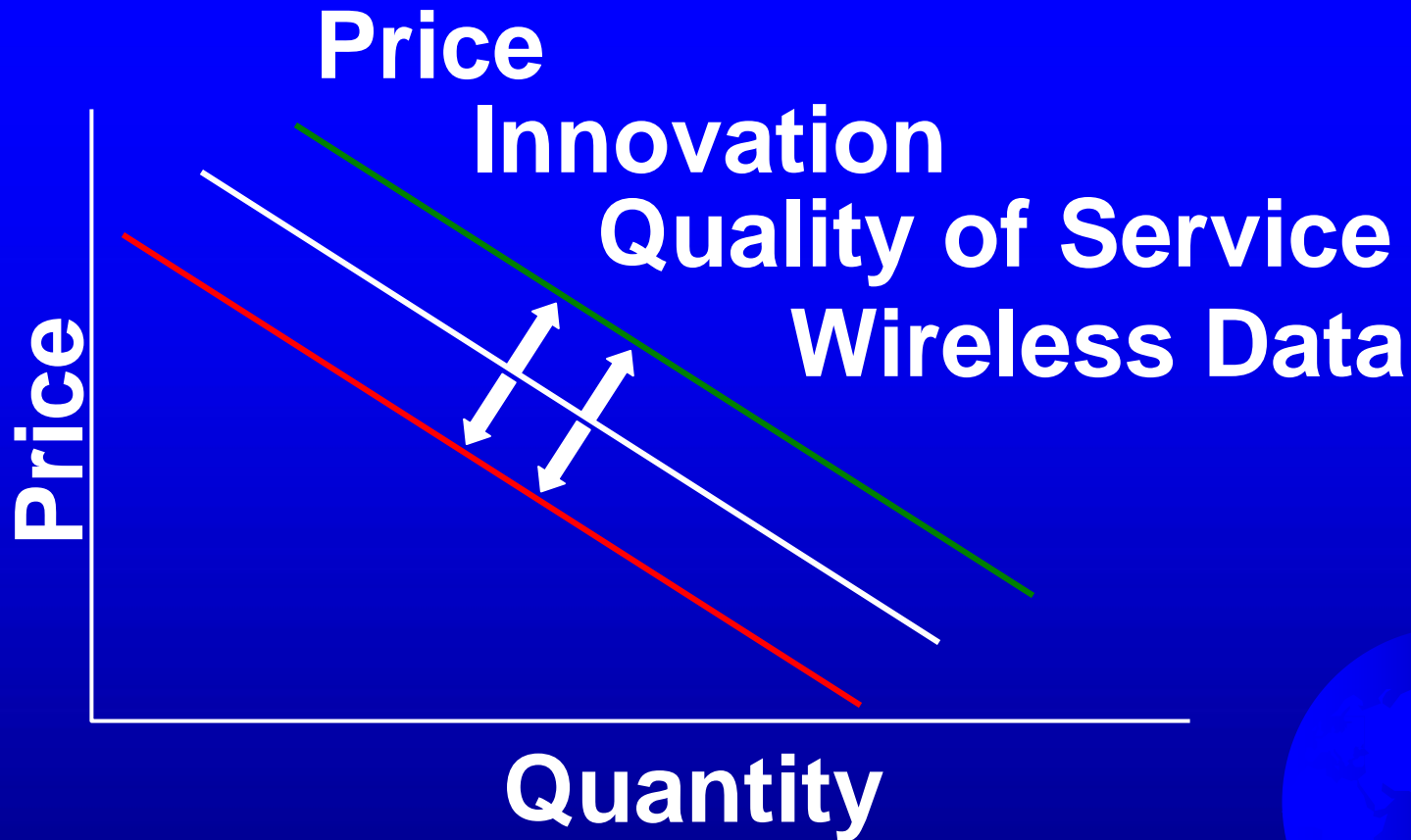
- **Convergence**
 - Residential market moving toward convergence of devices and applications working in conjunction with one another for an enhanced experience
- **Keeping up with technology and changing customer demands**
 - WiMAX
- **Avoiding substitution effects**



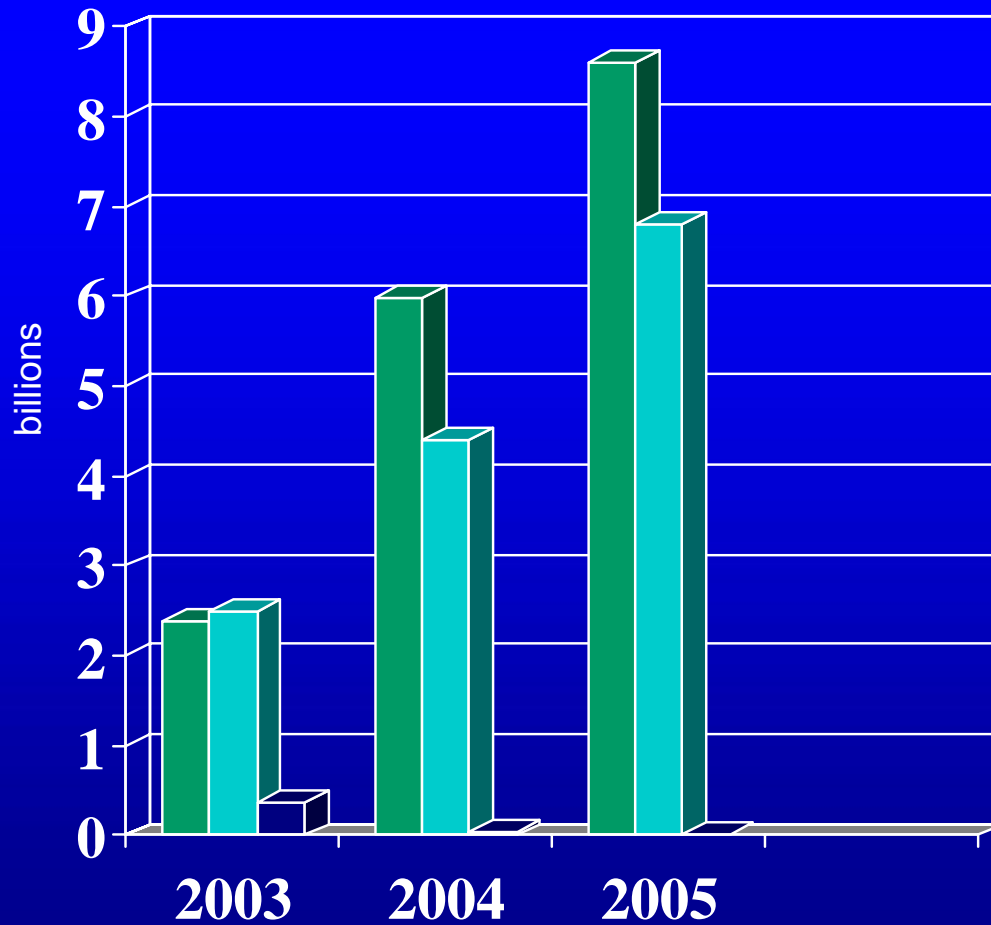
FIRM ANALYSIS



Demand Factors



Production and Cost issues



Power, Strategies, and Goals

- **Sprint Power Vision**
 - **Single Device (TV, Music, Voice, Internet wireless)**
- **WiMAX**
- **Integrated Digital Enhanced Network (iDEN), Code Division Multiple Access (CDMA)**
- **Walkie-Talkie – nationally and internationally**
- **Ownership stake in the worlds major under sea cable**



FORECASTS, PROJECTIONS, RECOMMENDATIONS



Reduce Cost of “Production”

- Foreign production (outsourcing)
- Innovation
 - WiMAX
- Reduce fixed cost



New Product or Expand

- **Expand; Partner with cable companies**
 - **Cable TV**
 - **Digital voice recorder**
 - **Surf the internet**
 - **Check e-mail**
- **New product; WiMax**



Projections

- **83% will have bundled services by '12**
- **WiMAX technology will “take over”**
- **WiFi will be obsolete**
- **Convergence will be the norm**
- **Wireless services price will decrease**



ECONOMIC ENVIRONMENT



USA Facts (July 2006 est.)

- **Population: 298.4 million**
- **Population Growth rate: 0.91%**
- **Unemployment rate: 4.6%**
- **Per Capita GDP: \$43,500**
- **Per Capita by Sector**
 - **Agriculture 1.0%**
 - **Industry 20.4%**
 - **Service 78.6%**
- **Inflation rate: 3.7%**



Historical Environment ('99 to '02)

	'99	'00	'01	'02
GDP (*\$)	9269	9817	10128	10470
Net export (*\$)	-261	-379	-367	-424
Gov Purch (*\$)	1621	1722	1826	1961
Unempl (%)	4.2	4.0	4.7	5.8
Interest rate (%)	7.4	8.1	7.0	6.5

* billion



Current Environment ('03 to '06)

	'03	'04	'05	'06
GDP (*\$)	10961	11713	12456	13254
Net export (*\$)	-499	-613	-717	-762
Gov Purch (*\$)	2093	2226	2373	2526
Unempl (%)	6.0	5.5	5.1	4.6
Interest rate (%)	5.8	5.8	5.9	6.4

* billion



Forecast ('07 to '09)

	'07	'08	'09
GDP (*\$)	13895	14555	15262
Net export (*\$)	-661	-596	-596
Gov Purch (*\$)	2648	2756	2849
Unempl (%)	4.8	4.8	4.8
Interest rate (%)	6.5	9.1	7.1

* billion



MACRO IMPACT



Macro Impact on Sprint

- **WiMAX**
- **Acquisition of NexTel**
- **US GDP growth (largest customer base “WalMart principle”)**
- **Desired acquisition of AT&T**



Macro Impact on Industry

- Demand continues to rise
 - 3rd world countries
- Introduction of pre-paid
- Acquisitions
- WiMAX technology
- Convergence streamlines production
 - Reduce operating expense



Q & A

