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# US Telecom 5G Mid-Band Airport Deployment Delay Is Credit Neutral

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Fitch Ratings-Chicago-18 January 2022: The delay of 5G mid-band (C-Band) deployment at airports will not materially affect US telecom company revenue, capex spending, or the economics of the investments already made in this next generation technology, says Fitch Ratings. 5G mid-band deployment is one of our top watch items in 2022, given the significant investment in spectrum and capex ramp up, but the credit impact of the temporary delay is neutral.

Long-term deployment plans remain on track and will likely occur through 2024. However, AT&T (BBB+/Stable) and Verizon (A-/Stable) will primarily use existing low- and high-band spectrum in lieu of the recently acquired C-Band (mid-band) spectrum for six months beginning on Jan. 19, 2022 as a risk mitigation approach to launch 5G services at airports. The companies have also agreed to temporarily defer turning on a limited number of towers around certain runways. T-Mobile (BBB-/Stable) is not affected by the airport delay as the company uses a different type of mid-band spectrum for 5G services and its C-Band spectrum is not expected to be cleared for use until late 2023.

Mid-band spectrum is optimal for high-speed internet access because of its coverage and capacity benefits, and is currently in use at many airports outside of the US. However, in December 2021 and early January 2022 the US Department of Transportation (DoT) and Federal Aviation Administration (FAA) requested carriers delay 5G mid-band deployment

until the agencies' concerns about potential interference with airline cockpit equipment are fully resolved. The delay and resulting in-agreed upon changes to the terms of deployment illustrate efforts by all parties to ensure the spectrum can safely co-exist with aviation technology.

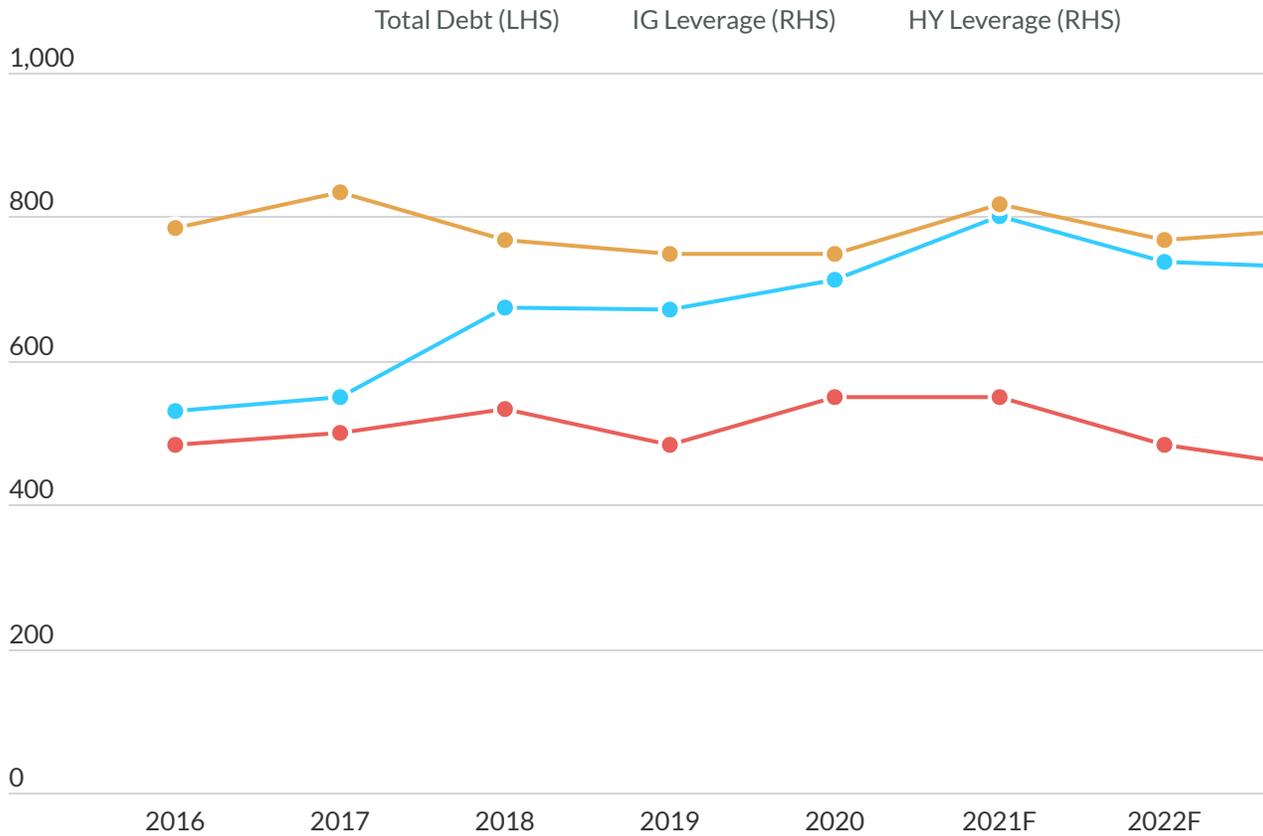
Up to 50 priority airports determined by the FAA will be subject to C-Band radio exclusion zones around these airport runways until July 5, 2022 as part of the agreement between the FAA, DoT, and telecom companies, in addition to risk mitigation steps already put in place. The effect would be to reduce C-band signal levels by a factor of at least 10 within a short distance of take-off and landing. Absent any unforeseen aviation safety issues, DoT and FAA will not seek any further delays of 5G mid-band deployment.

Offering high-quality 5G high-speed internet service at US airports is important, given the heavy use of smart phone usage at these locations. However, during the six-month workaround, AT&T and Verizon will be able to provide 5G services in the vicinity of airports using other bands of spectrum. This, combined with the low non-traveler population residing close to airports, will lead to a de minimus financial effect on AT&T and Verizon on the delayed deployment of mid-band spectrum.

US telecom companies spent more than \$80 billion in aggregate during the US Federal Communications Commission's C-Band auction last year and have planned additional capex spending over the next couple of years to build out mid-band 5G networks. Verizon acquired the most spectrum for \$45.5 billion and plans to spend an incremental \$10.0 billion in capex for its mid-band 5G network over the 2021-2023 time period. AT&T spent \$23.4 billion at the auction and is allocating an incremental \$6.0 billion-\$8.0 billion in capex for its mid-band 5G network.

C-Band spectrum is a critical strategic input for wireless carriers but auction spending caused leverage for some telecom issuers to exceed Fitch's negative sensitivities for ratings. We have not updated our financial forecasts for US telecom companies in our rated portfolio due to the deployment delay. Our forecasts reflect moderate EBITDA growth, as the recovery from pandemic-related effects continues, and debt repayment through FCF and, in some cases, asset monetization, over the next several years, as companies balance investing for growth with deleveraging.

# Total Debt and Leverage



F- Forecast, HY - High Yield. IG - Investment Grade. Note: Leverage is the median leverage of all Fitch-rated telco companies.

Source: Fitch Ratings.

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