

# What I learned from SoftBank's investment in Sprint

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I recently read an interesting article titled 'Inside the Plan to Pull Sprint out of Its Death Spiral' in the Bloomberg BusinessWeek. It talks about Masayoshi Son, the CEO of SoftBank and the Chairman of Sprint Corporation (SoftBank has a 78% stake in Sprint) and Marcelo Claure, the CEO of Sprint.

However, it was the following paragraphs about Sprint that struck me:

*In 2013, Softbank took control of Sprint in a \$21.6 billion acquisition. Sprint was already in trouble, but Son announced his intention to merge the company with T-Mobile to challenge Verizon and AT&T.*

The merger then ran into regulatory objections and fell through.

*SoftBank has plowed more than \$22 billion into Sprint, and yet all of Sprint is now valued at \$11.8 billion. Sprint's \$2.2 billion in cash is about the same as its 2016 debt obligations.*

*A decade ago, Sprint had a \$69 billion market value and a chance to dominate the U.S. wireless business. It's now No.4 in essentially a four-player business. It hasn't posted an annual profit since 2006.*

Turnarounds seldom turn.

*The wireless industry is a \$350 billion zero-sum game. With just about anybody who wants a phone already owning one, carriers can grow only by luring subscribers from rivals with cut-rate service plans and ever-speedier downloads. AT&T, Verizon, and T-Mobile are all spending billions to supercharge their networks and color in the blank spots on their coverage maps.*

This last paragraph in particular highlights the difficulties an investor faces when investing in an industry whereby headwinds prevail rather than tailwinds. Furthermore, investing in telecommunications probably belong in the 'too hard' pile – at least for me anyway. Warren Buffett sums it up perfectly: "When a management with a reputation for brilliance tackles a business with a reputation for bad economics, it is the reputation of the business that remains intact."