

SoftBank's Ambitious Move Towards a Ubiquitous Internet Network: The Intelsat & OneWeb Merger

By Ryoichi Kaneko, LL.M. Candidate 2017 | April 5, 2017

Intelsat S.A., a Luxembourg-based communications satellite services provider, and OneWeb Ltd., a U.S. satellite internet startup, [announced](#) on February 28, 2017, that they entered into a conditional combination agreement of merger in a share-for-share transaction. SoftBank Group Corp., a major Japanese internet and telecommunications corporation, will invest \$1.7 billion in newly issued common and preferred shares of the combined company. However, the proposed Intelsat-OneWeb merger and SoftBank's investment require the completion of debt exchange offers to existing Intelsat bondholders in order to cut \$3.6 billion of Intelsat's debt.

Intelsat operates geostationary orbit ("GEO") satellites and launched [the Intelsat Globalized Network](#) last year. On the other hand, OneWeb is developing small, low earth orbit ("LEO") satellites under its mission to provide affordable internet access for everyone. In addition to the cost-saving synergies to be generated by the merger, both satellite companies expect the merger to facilitate the global satellite network's development.

As is broadly known, tech giants are eager to establish a ubiquitous internet network, such as through Facebook Inc.'s Aquila drone. [Stephen Spengler](#), CEO of Intelsat, stated that "by merging OneWeb's LEO satellite constellation and innovative technology with our global scale, terrestrial infrastructure and GEO satellite network, we will create advanced solutions that address the need for ubiquitous broadband." [Andrew Spinola](#), an analyst at Wells Fargo & Co., also pointed out that Intelsat and OneWeb have complementary radio-frequency licenses that they could use to better provide internet access on airplanes, among other markets. In addition, given that Intelsat has been struggling with managing a [\\$15 billion debt pile](#) accumulated after its 2008 leveraged buyout, the proposed deal would improve its capital structure.

SoftBank has been pushing strategic investments in broadband satellite internet services to complement its communication services. In 2016, SoftBank completed a \$32 billion acquisition of [ARM Holding PLC](#), a U.K. microprocessors designer for wireless communication. Subsequently, SoftBank CEO Masayoshi Son [promised](#) then President-elect Trump \$50 billion in United States investments as part of a \$100 billion fund for technology companies. Indeed, SoftBank has already invested \$1.2 billion into OneWeb. In the proposed deal's [announcement](#), the ambitious Mr. Son described the combination as "consistent with SoftBank's strategy of investing in disruptive, foundational technologies that are building the infrastructure for tomorrow." Upon completion of the deal, SoftBank will acquire 39.9% of shares in the combined company. According to the announcement, subject to the completion of the debt exchange offers, the deal is expected to close late in 2017's third quarter.