



**Advisors and Investors in the Media and
Communications Industries**

Valuing EBS/BRS Spectrum in 2005

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Presentation Overview

- **Introduction to Valuations**
 - Standards of Value
 - Approaches to Value
- **New Developments in the Industry**
- **Valuing EBS/BRS Licenses**
- **Valuation Trends**
- **Realizing Spectrum Value as an EBS License Holder**
 - Evaluating Lease Offers
- **Other Factors to Consider**
- **Conclusions**



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Standards of Value

- **Fair Market Value**
 - “The amount at which property would change hands between a willing seller and a willing buyer when neither is acting under compulsion and when both have reasonable knowledge of the relevant facts.” (Pratt p. 28)

- **Investment Value**
 - “The specific value of an investment to a particular investor or class of investors based on individual investment requirements; distinguished from market value, which is impersonal and detached.” (Pratt p. 30)



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Valuation Approaches

- Income Approach –
 - Discounted Cash Flow (DCF)

- Market Approach –
 - M&A
 - Guideline

- Cost Approach



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Industry Has Been Energized

- **Regulatory Overhaul**
- **Transaction Marketplace has been active**
- **Trial Wireless Broadband Networks Deployed**
- **Sprint/Nextel Merger**



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Valuing EBS/BRS Spectrum – The Market Approach

- Primary Value Drivers
 - Population Size
 - Amount of Spectrum Available

- Price/Pop/MHz Multiples

- Adjustments to Multiples –
 - Economic Indicators
 - Competitive Environment
 - Marketability



Valuation Trends: What are we seeing now?

- **Price per pop per MHz Multiples**
 - Range from \$0.015 to \$0.10
 - Most multiples are around \$0.03 to \$0.035
- **Value Comparison to PCS – premature**
 - Values are around 3% – 4% of PCS



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Realizing Spectrum Value as an EBS Licensee

- Determine Fair Market Lease Rates
- Consider all the determining factors
 - Length of the lease
 - Upfront payments
 - Fixed monthly payments
 - Revenue Sharing
 - Perceived risk



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Things to Consider: Possible Impacts on Future Values

- When will the transition happen? What if it doesn't?
- Will some channels be worth more than others?
- What impact will a new entrant have on the prices paid?
- How much spectrum is really needed?



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Conclusion

- Spectrum must be developed or it could be taken away
- Value of Spectrum will likely increase if certain events occur:
 - Developed Technology
 - Demand for services offered
 - Increased competition (new entrants)



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