

Industry Brief

OneWeb Hits BK – What Next?

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On Friday, March 27, 2020, OneWeb Global Limited (“OneWeb”), one of the highest-profile Space start-ups of the past decade, and its affiliates filed for Chapter 11 bankruptcy in the U.S. Bankruptcy Court for the Southern District of New York. Given the company’s well-publicized fundraising difficulties over the past two years, the development wasn’t entirely shocking to many industry observers, although the timing was hastened by Softbank’s own challenges, which in turn were accelerated by the current COVID-19 crisis.

What’s Next for OneWeb

Simplistically, OneWeb has three possible paths forward: (1) Raise additional capital, (2) Sell the company, or if unsuccessful in the first two options, (3) Liquidate.

According to the company’s bankruptcy filing, “The Debtors believe that conducting an open and competitive marketing process represents the best strategy to maximize value for their various stakeholders.” In other words, management is focused on option #2 above. We understand that OneWeb is tentatively targeting receipt of non-binding acquisition proposals by mid-May, with an expedited M&A sale timeline thereafter.

Can the company be sold? Are there any assets of value? Some key points to consider:

- There are no prospects of a buyer taking control of OneWeb’s assets and moving forward with the company’s business plan and network architecture as they currently exist.
- Consequently, OneWeb’s 74 operational satellites have almost no value to a prospective buyer, except in the sense that they triggered the ITU’s first, and important, 10% Bring-into-Use (“BIU”) constellation deployment milestone. This creates a window of time for the buyer to hold the spectrum, either to ramp up deployment of a future constellation – or perhaps to forge an attempted strategic block.
- Likewise, OneWeb’s gateways and landing rights hold little or no value for most buyers.
- The company’s talented workforce has been hollowed out by a ~90% reduction in force (not unexpected given the Chapter 11 filing and the infeasibility of maintaining the current business plan).

So, what’s left? According to OneWeb’s bankruptcy filing, “OneWeb’s most significant assets are its radio-frequency spectrum authorizations (the “Spectrum Licenses”).” Its Spectrum Licenses include a number of global NGSO filings in the Ku- and Ka-bands (as well as some in V- and E-bands). These licenses, which also nominally enable OneWeb to assert priority rights for LEO user links in the Ku-band, have been an ongoing topic of dispute between OneWeb and its competitors (including **SpaceX**). Undoubtedly, spectrum is valuable, but assigning value to OneWeb’s spectrum may be complicated by several factors, including:

- A narrow universe of prospective buyers.
- New ITU regulations (effective January 2020) governing the deployment of megaconstellations.
- Risk of complications in a buyer effectively securing/transferring OneWeb’s priority spectrum rights.

Implications for LEO Broadband

On face value, OneWeb's failure reflects poorly on the nascent LEO Broadband sector, elevating longstanding doubts regarding about the economic viability of the LEO Broadband business model. Are these concerns valid? Points to consider include:

- Was OneWeb the “canary in the coal mine,” or were OneWeb's shortcomings specific to OneWeb? We would note that in our extensive February 2020 “[LEO Broadband Report, Part II](#),” OneWeb earned our only “red” rankings for space segment competitiveness (for its design and space segment cost performance) amongst the Big 4 LEO Broadband contenders. OneWeb has teetered on shaky financial ground for over a year, while its business plan exhibits few strategic or comparative advantages versus its erstwhile rivals.
- Will OneWeb's demise make fundraising more difficult for the surviving players (i.e., **SpaceX** and **Telesat**), or might a “culling of the herd” be viewed positively by investors? We think the answer is complicated – and a mixed one.
- Will timelines slip to the right now that the **SpaceX**/OneWeb horse race has been called off?
- Will **Amazon**, **SpaceX**, or **Telesat** acquire OneWeb's spectrum rights, or could an alternative bidder emerge?
- How transferrable are OneWeb's regulatory filings? Could a buyer modify OneWeb's filings without breaking them (i.e., losing their priority status)? OneWeb clearly believes that material, transferable value exists in its spectrum.

Implications for the Supply Chain

While the impact of OneWeb's bankruptcy on the LEO Broadband sector is not yet known, there can be little doubt that the company's failure will have damaging ramifications for the industry's already-fragile supply chain. The only question is, how bad?

Unfortunately, the true scope of the carnage is difficult to assess at this time. OneWeb's bankruptcy will echo through the supply chain and specifically to **OneWeb Satellites** (a 50/50 JV between **Airbus** and OneWeb), which is a separate entity, not part of the bankruptcy proceeding, but which has furloughed some of its 250+ staff. OneWeb Satellites has only one major customer (OneWeb) and an army of ~40 vendors supporting its manufacturing efforts, many of which scaled up their manufacturing capacity (capital investments, employee hiring) to support OneWeb's requirement for 600+ satellites. If OneWeb's demand evaporates, the implications for the industry at-large could be far-reaching, including:

- Sizable losses, creating challenges for some of OneWeb Satellites' suppliers.
- Reduced vendor selection options for **Amazon/Telesat** as they ramp up their constellation plans.
- Slowed development activity on critical technologies such as flat panel antennas (FPAs) and optical inter-satellite links (O-ISLs).
- Overcapacity and pricing wars that impair industry profitability (and often drive further M&A).

Conclusion

Based on our initial discussions with industry stakeholders, we believe that OneWeb's spectrum rights are saleable, but may be less valuable than generally assumed. As such, the future of OneWeb's assets may end up being less the story of a White Knight rescue than that of a takeover by an opportunistic baron.

Admittedly, this first-blush analysis of OneWeb's bankruptcy may have raised more questions than answers, but we intend to follow-up shortly with a more extensive research analysis that attempts to answer some of the burning questions presented above. To stay current with this more rigorous analysis, please e-mail: info@quiltyanalytics.com.

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