

# Credit Case Study: 5G and Satellite Internet

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The post-Covid economy will be increasingly dependent on telecoms to keep its supply chains running. Lockdown and working from home have already been a major boost for telecoms firms, who have been investing heavily in 5G to meet the perpetual demand for more bandwidth. But if the move away from cities continues, quality of coverage will also become more important.

Starlink aim to solve this with comprehensive orbital next generation internet, based on satellites rather than terrestrial landlines and line-of-sight telecom masts. In some respects, 5G and satellite are complementary; but in some use cases satellites may mean significant competition for established telecom providers. The matrix below shows the credit position and recent trends for some of the key 5G direct or associated service providers and equipment manufacturers.

6M	Downgrade	Deteriorating	No Change	Improving	Upgrade
IG1		Xilinx Inc	Apple Inc Mastercard Inc Cisco Systems Inc Comcast Corp Visa Inc		Texas Instruments Inc Intel Corp Qualcomm Inc
IG2		American Tower Corp KT Corp Hewlett Packard Enterprise Co	Keysight Technologies Inc Analog Devices Inc Corning Inc Ciena Corp AT&T Inc Verizon Communications Inc Crown Castle International Corp		Broadcom Inc
Crossover			Dell Technologies Inc Marvell Technology Group Ltd	T-Mobile US Inc	Microchip Technology Inc
HY1			Qorvo Inc		
HY2					

None of these companies are in the High Yield categories, although some – Dell, T-Mobile, Microchip Technology, Marvell and Qorvo – are in the crossover category (ie they are on the boundary).

Five companies – including Microchip Technology – have had an upgrade of at least one credit category in the past 6 months, while T-Mobile is showing some improvement. Some of the Investment Grade firms – Xilinx, American Tower, KT and HP – are in the deteriorating category.

**As the orbital internet develops, these firms will react in different ways – consensus data will show the associated credit impact across this mix of rated and unrated 5G firms.**

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