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Clearwire and Sprint: Racing Ahead

Investors cheered a planned partnership that will result in the first nationwide broadband network using WiMax. Does it presage a deeper union?

by [Tom Giles](#)

Shares of Clearwire, a provider of wireless Internet access, surged on news that it's pairing with Sprint Nextel to create a nationwide network designed to provide mobile Internet access at faster speeds than typically available now.

The fruit of their cooperation will be the first coast-to-coast network providing broadband using WiMAX, a technology related to Wi-Fi with a wide-reaching signal so that users need not keep close to a hotspot at home or in a coffee shop to stay connected (see [BusinessWeek.com](#), 7/11/07, "[Will Mobile WiMAX Crack Fortress Europe?](#)"). The companies plan to market mobile WiMAX services under a common service brand.

Sprint Nextel ([S](#)) and Clearwire ([CLWR](#)) had been planning separate WiMAX systems, but they say combining forces will let them build a network more quickly and cheaply. "Our joint efforts will result in customers benefiting from a more extensive network, operating sooner, and using our respective spectrum more efficiently than either company could have on its own," Clearwire Chief Executive Officer [Ben Wolff](#) said in a statement.

FIRST STEP TOWARD A BUYOUT?

UBS ([UBSN](#)) analyst John Hodulik writes in a research note, "While the agreement has a bigger impact on Clearwire, we believe it is likely to be positive for both companies."

Another analyst suggests the partnership could be the first step toward a buyout of Clearwire, which was founded in 2003 by Craig McCaw—a wireless entrepreneur who spearheaded the creation of the first nationwide cell-phone network two decades ago, then sold it for billions to AT&T ([T](#)).

"We view the deal as a precursor to an eventual combination of the two companies," Jonathan Schildkraut of [Jefferies & Co.](#) wrote in an update to clients.

Clearwire shares, only recently recovered from a sharp decline after the company went public in March, leaped 21% to \$30.15 after the Sprint Nextel deal was announced July 19. Shares of the Kirkland (Wash.) company began trading at \$25 on Mar. 8, when Clearwire raised \$600 million in an initial public offering. By mid-April, the stock had slid below \$16. The stock then rebounded, eventually recovering all the lost ground in June after announcing a deal to offer its Internet service to customers of satellite-TV providers DirecTV ([DTV](#)) and EchoStar ([DISH](#)) (see [BusinessWeek.com](#), 6/14/07, "[Satellite Deals Send Clearwire into Orbit](#)").

BUILT SEPARATELY, JOINED TOGETHER

Shares of Sprint Nextel drew a more modest lift from the Clearwire deal, rising 0.7% to \$22.31, a signal it may take more than a faster WiMAX deployment to alter the fortunes of a company buffeted by customer defections, declining revenue, and financial losses (see BusinessWeek.com, 10/11/06, "[Is Time Running Out for Sprint's Forsee?](#)").

Still, the partnership lets both companies reduce expenses for what is expected to be a costly investment. Sprint Nextel, which plans to offer mobile WiMAX to 185 million people, initially estimated in 2006 it would spend \$4 billion on its network. The company did not publicly quantify the potential savings from the new partnership. Clearwire plans to concentrate on regions where about 115 million people live. By the end of 2008, coverage will reach 100 million people.

The deal calls for the companies to build their respective portions of the nationwide network and then enable roaming for one another's customers. To optimize their resources, they also intend to exchange spectrum licenses to use the airwaves in certain markets.

Giles is editor of the Technology channel on BusinessWeek.com.

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