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SpaceX to acquire low-band spectrum. What does it mean for Telcos?



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Grain Management has announced a definitive agreement to sell its 800MHz spectrum portfolio to SpaceX. The acquisition could improve SpaceX's D2D capabilities and provide the foundation for a terrestrial wireless network. Telco stocks are down >5% on the news. Here are key takeaways:

It was an anticipated move. As we highlighted previously, should SpaceX pursue a terrestrial network, low-band spectrum is essential for coverage, materially reducing both network build costs and time to market (Exhibit 1, Exhibit 2). At a minimum, it signals intent to improve the D2D experience. More importantly, it provides SpaceX with a critical building block should it decide to develop a broader wireless offering, though the spectrum alone remains insufficient to support a nationwide consumer network.

It's a start. 14 MHz is far from sufficient to replicate the experience offered by incumbents (Exhibit 3), but every new entrant has to start somewhere. If SpaceX begins deploying the spectrum, investors are likely to focus less on near-term metrics and more on the longer-term implications of a credible fourth facilities-based competitor. The immediate impact on ops metrics may be limited, but the strategic narrative becomes harder to dismiss.

It increases SpaceX's leverage. The transaction forces incumbents to reassess their strategic options. The Telco spectrum JV remain largely defensive and, in our view, does little to address a competitor willing to commit billions of dollars to wireless infrastructure. Whether SpaceX ultimately builds, partners, or pursues an MVNO arrangement, its negotiating leverage has increased materially. 14 MHz is not enough to transform the market, but it strengthens SpaceX's position ahead of future spectrum opportunities.

Upper C-band is the bigger issue. If SpaceX wants to demonstrate a credible commitment to a terrestrial wireless strategy, participating in that auction scheduled for next year would send a powerful signal. Winning meaningful spectrum blocks would be even more consequential for Telcos, pairing a low-band coverage layer with mid-band capacity and creating the foundation of a viable wireless network. Even participation could pressure incumbent valuations by increasing expected auction proceeds and signaling a higher probability of future competition. Among the incumbents, T-Mobile has alternatives through the 2028 2.7 GHz auction (Exhibit 4), while AT&T has partially mitigated spectrum concerns through its recent mid-band acquisition from EchoStar. Verizon appears relatively more exposed longer-term. Ultimately, SpaceX's participation in the Upper C-band auction, or the anticipation thereof, could be the catalyst that breaks the prisoner's dilemma.

Starlink MVNO would not be good for incumbents, but Starlink Mobile with owner economics could be far more disruptive. Building a terrestrial network would require substantial capital and time, but investors cannot completely dismiss the possibility. After all, Tesla sold its first car nearly two decades ago, and the industry's competitive landscape looks very different today. Whether or not SpaceX ultimately builds a nationwide network, Musk's track record creates a credible threat that is likely to remain an overhang on incumbent valuations.

RECENT RELEVANT NOTES

8 Oct 2026 - US Telecom: Competitive Intensity Update (3Q26) - Aggression Beneath the Surface

2 Oct 2026 - US Telecom: Three's Company - searching for a Starlink alternative

28 Sep 2026 - SpaceX: Starlink's residential broadband business - How big can this become? Big!

14 Sep 2026 - SpaceX: Potential for MVNO D2D growth? Continuing our assessment of SpaceX Connectivity business and telco impact

31 Aug 2026 - SpaceX: More on Direct-to-Device Mobile - what would a buildout cost? Our detailed bottom-up estimates

21 Aug 2026 - SpaceX: The Telecom Play - Can Direct-to-Device Work?

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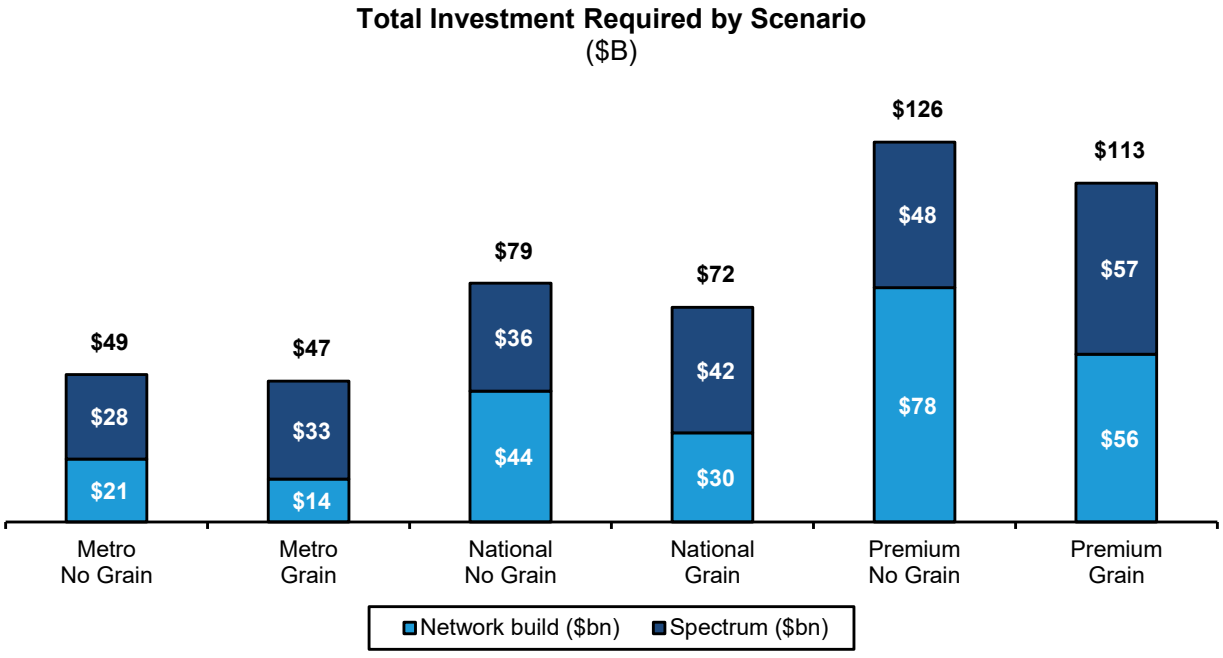
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23 Jul 2026 - US Telecom and Comms Infra: Pay now, use later? Implications of the 2027 Upper C-band auction

13 Jul 2026 - US Telecom: Adjusting price targets reflecting Starlink risks

EXHIBIT 1: **The acquisition of Grain's spectrum reduces the total cost of a potential SPCX terrestrial network build...**

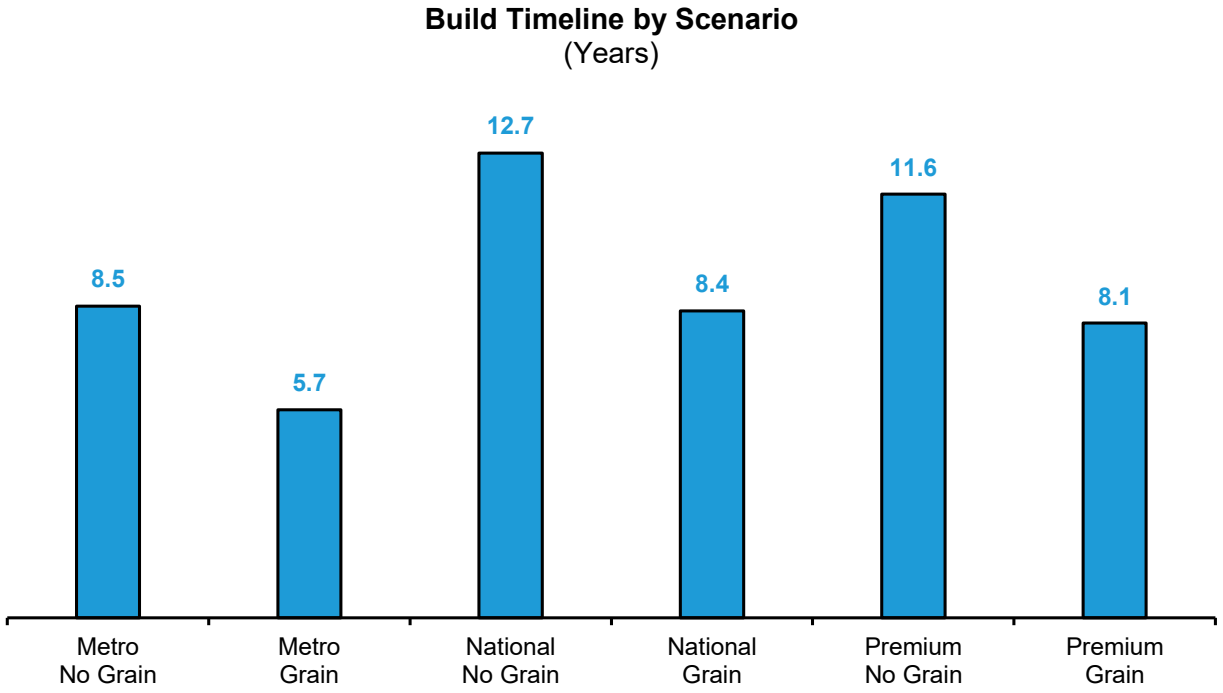
Based on Bernstein's Network Build Model



Grain decreases cost in every case, despite adding $5 - $7.5bn, because it reduces more the buildings than it adds to the licence.
Source: Bernstein analysis and estimates

EXHIBIT 2: **...and it also reduces its time to market**

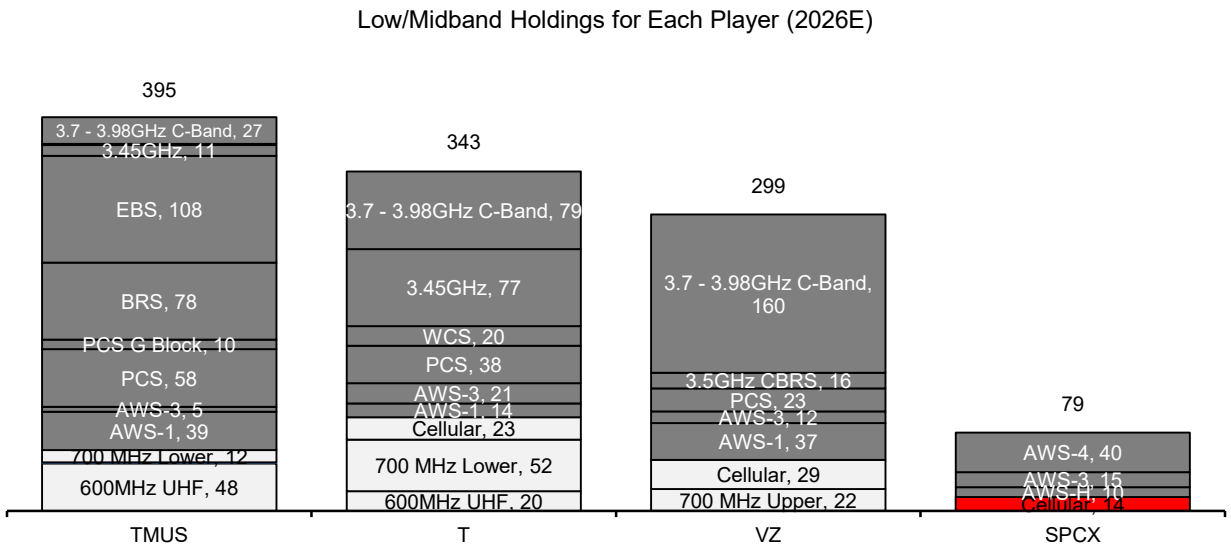
Based on Bernstein's Network Build Model



Construction capacity, not capital, is the binding constraint. The US builds only 1,200-2,000 genuinely new towers a year in total, the model assumes the build sits almost entirely on existing structures.

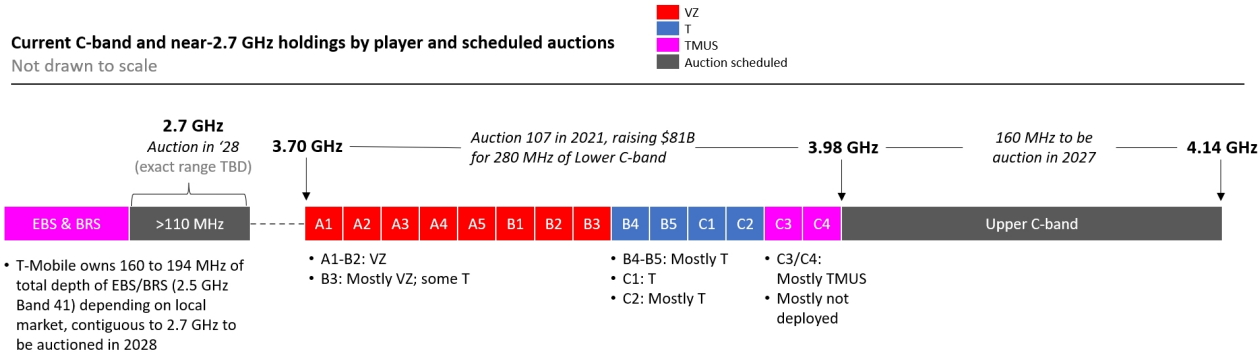
Source: Bernstein analysis and estimates

EXHIBIT 3: **SPCX's acquisition of Grain's 800 MHz band spectrum is a meaningful addition to their holdings**



Source: Company Filings, SNL Kagan, FCC, Bernstein estimates and analysis

EXHIBIT 4: **SPCX can increase its influence even further by participating in the Upper C-band auction next year**



Source: FCC, Bernstein estimates and analysis

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INVESTMENT IMPLICATIONS

We maintain our Outperform rating for T (PT: $25), and Market-Perform rating for VZ (PT: $47) and TMUS (PT: $220) - all unchanged.

We maintain our Outperform rating for SPCX (PT: $248) - unchanged.

BERNSTEIN TICKER TABLE

			8 Oct 2026		TTM	Adjusted EPS				Adjusted P/E (x)	
Ticker	Rating	Cur	Closing Price	Price Target	Rel. Perf.	Cur	2025A	2026E	2027E	2025A	2026E	2027E
T (AT&T)	O	USD	24.87	25.00	(20.2)%	USD	2.12	2.35	2.68	11.7	10.6	9.3
TMUS (T-Mobile)	M	USD	171.31	220.00	(39.4)%	USD	9.72	10.68	13.24	17.6	16.0	12.9
VZ (Verizon)	M	USD	46.35	47.00	(2.8)%	USD	4.68	5.00	5.20	9.9	9.3	8.9
SPCX (SpaceX)	O	USD	160.57	248.00	NA	USD		(0.19)	1.37		(845.0)	117.4
SPX			7,765.36									

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

Source: Bloomberg, Bernstein estimates and analysis.

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VALUATION METHODOLOGY

AT&T Inc

Our price target of $25 for AT&T is based on DCF and reference terminal value assumptions using current trading multiples. The two key assumptions in the model are (1) terminal growth rate of 0.0%, and (2) a WACC of 8%.

T-Mobile US Inc

Our $220 price target for T-Mobile is based on DCF and reference terminal value assumption using current trading multiples. The two key assumptions in the model are (1) terminal growth of 1.0% and (2) WACC of 8%.

Verizon Communications Inc

Our price target of $47 for Verizon is based on DCF and reference terminal value assumptions using current trading multiples. The two key assumptions in the model are (1) a terminal revenue of $146B, and (2) a terminal FCF growth rate of 0.0%.

Space Exploration Technologies Corporation

We base our valuation approach on 12-month forward EV/EBITDA applied to 2031 EBITDA. We believe it is necessary to use a long-term period (i.e., 2031) because the cornerstone of the value is in the orbital data centers. Applying a multiple to, say, 2028 EBITDA would not capture any of that business - i.e., it would simply be space launch, terrestrial compute and near-term Starlink. We use a sum of the parts methodology to give an EV/EBITDA valuation in 2030 (based on 2031 values). We then discount that valuation backward for each segment to mid-2027 in order to reach a one year target price of $248.

RISKS

AT&T Inc

Downside risks to our target price include: (1) irrational wireless pricing by T-Mobile and/or Cable MVNO providers can lead to intensifying competition; (2) irrational broadband pricing by CableCos and changing consumer perception can deteriorate the market competitiveness of AT&T’s fiber offering; (3) fiber-wireless bundling may not result in lower churn and/or incremental wireless share; (4) Capex can increase as AT&T expands its fiber passings and participate in future spectrum acquisition.

T-Mobile US Inc

Upside risks to our price target include: (1) Sustained FWA growth with higher contribution margin; (2) faster fiber roll-out and take rate; and (3) even greater share of postpaid net adds at increased retail prices.

Downside risks to our price target include:1) A deterioration in the US competitive environment, which could negatively impact the industry's long-term outlook and weigh on TMUS' growth momentum; 2) A significant rise in capex to fund deployment of fibre infrastructure would lead to reduction in cash flow and could negatively impact valuations; 3) Objections to the TMUS-USCellular’s deal raised by antitrust authorities 4) top management has been pivotal to TMUS' successful turn-around, so the departure of key

executives could represent a risk to the equity story and have a negative impact on our target price.

Verizon Communications Inc

Downside risks to our price target include: (1) irrational wireless pricing by T-Mobile and/or Cable MVNO providers can lead to intensifying competition; (2) irrational broadband pricing by CableCos and changing consumer perception can deteriorate the market competitiveness of Verizon's fiber offering; (3) fiber-wireless bundling may not result in lower churn and/or incremental wireless share; (4) Capex can increase as Verizon expands its fiber passings and participate in future spectrum acquisition.

Upside risks to our price target include: (1) higher penetration of fiber that would lead to greater expansion of overall near-term margins; (2) FWA growth outpacing their guidance; (3) higher share of wireless post-paid net adds driven by higher-than-expected FWA-wireless bundling; and (4) decrease in Capex vs. guidance

Space Exploration Technologies Corporation

Downside Risks to our Outperform rating and $248 price target include the ability to dramatically growth Starship launch capacity over time, which depends on full reusability. SpaceX must be able to operationalize its orbital data centers to deliver on the valuation. Semiconductor availability could also be a constraint, as could other potential supply chain issues. There are also risks associated with potential launch incidents or regulatory restrictions. Should compute demand be more limited than most expectations, that would form another risk.

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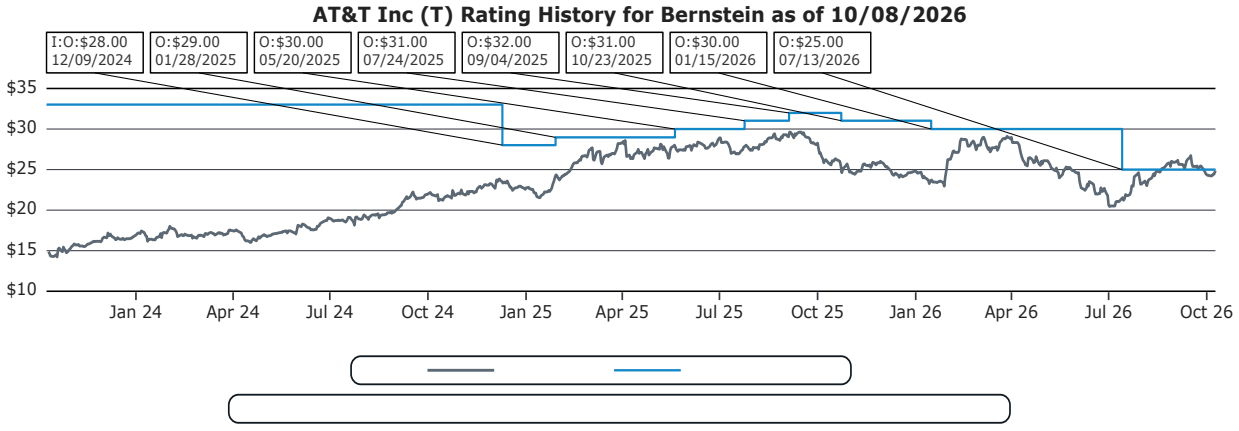
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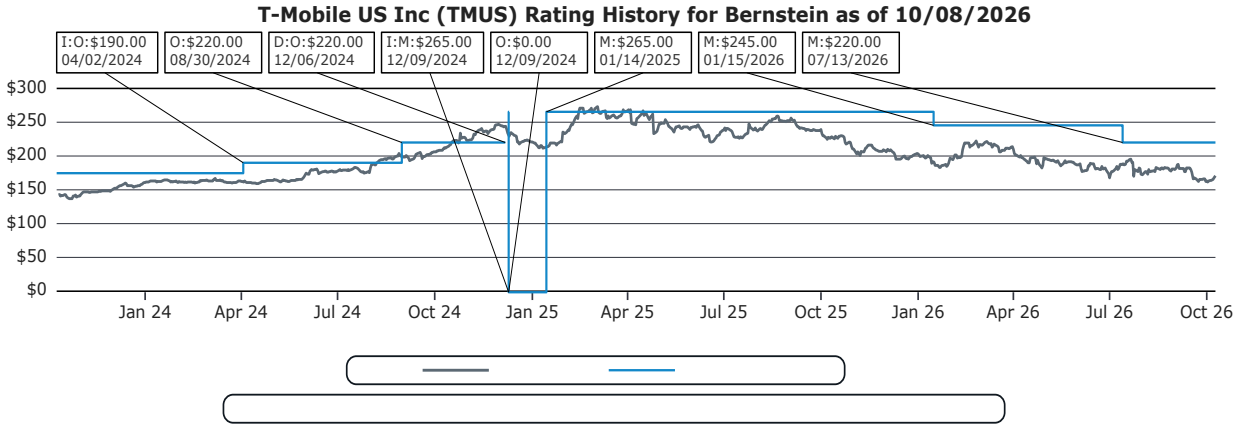
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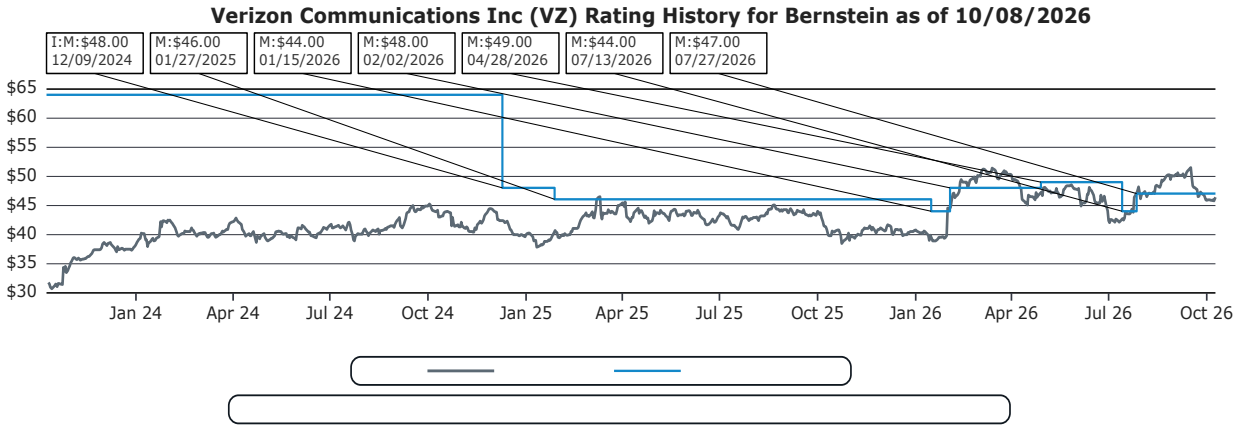
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Underperform	SELL	12.1%	13.6%

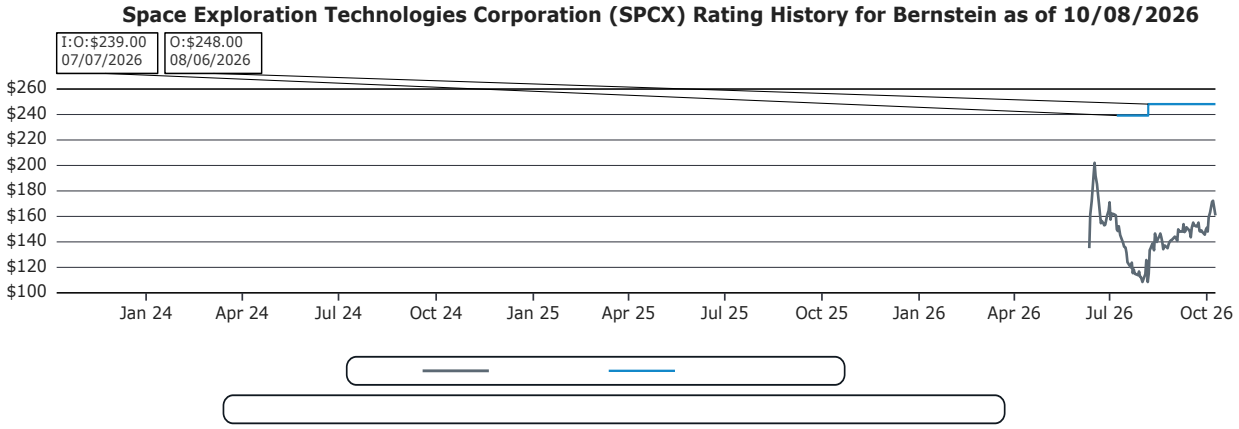
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