



FAST MOVER



Greg Block, treasurer for US telecommunications giant Sprint, works in a world where change is constant. But he doesn't find it hard to keep up

Words: **Sally Percy** / Photos: **Jason Dailey**



➤ This year, Sprint treasurer Greg Block celebrates more than two decades of working for the US telecommunications giant. But his length of service has come as something of a surprise. “I never expected to stay here that long,” he confesses. “I came here thinking I would be here three or five years. When I started, Sprint was a small telecommunications company that was entering into the long-distance business. But it’s changed and morphed into new growth businesses within the telecoms industry. In treasury terms, that means we’ve been through a lot of different cycles in terms of the business. We’ve started a lot from scratch.”

Just like his Kansas-based employer, Block himself has been on a journey of near-constant evolution over the past 20 years. Prior to joining Sprint, he was an analyst with fund manager Waddell & Reed and, while working there, was approached to join Sprint’s investor relations department. Sprint encourages its staff to rotate in order to build up experience, so Block subsequently held roles in its real estate finance and local telecom divisional finance teams until, in 2001, a golden opportunity arose. Sprint’s director of capital markets left the company and Block jumped at the chance to go for the role. He has been happily ensconced in treasury ever since and now heads a team of 47 people.

Block’s role is effectively a group treasurer position and he has responsibility for Sprint’s cash management and funding, along with its frozen \$2.5bn pension plan. Due to the constant level of investment required, the telecoms industry is a capital-intensive business. At present, Sprint’s main priority is to finish the upgrade of its network, which is an expensive project, but one that is expected to drive customer growth.

Meanwhile, Sprint has historically been highly acquisitive. Most notably, in 2005, it undertook a \$36bn merger with rival Nextel, which presented a number of challenges that have since had to be addressed, including the existence of two, non-compatible networks and high levels of debt. As a result, funding

is a major focus for the company’s treasury team. “We’re constantly evaluating different opportunities for raising capital,” explains Block.

The US bond market is Sprint’s favoured source of funds because it enables the company to match its liabilities with its assets. It has focused on laddering bond issuances to achieve a steady progression of maturities. But, more recently, the company has increasingly worked with its vendors and export credit agencies (ECAs) to raise funds.

“We have a long-standing relationship with Export Development Canada and we’ve worked with EKN, a Swedish export credit agency,” says Block. “We put a billion-dollar facility in place with EKN two years ago. It was very cost-effective in terms of rate and it was very helpful because we just drew on it as we purchased equipment from our vendors. That makes a lot of sense from a cash management perspective.”

Sprint is working with its vendors and some European and Asian ECAs to get additional sources of funding for investment into its network. “In the States, it’s not as common for companies to tap

into that marketplace,” he says. “Export credit agencies are more used to covering the emerging markets, so it’s a different twist for them, too, but it’s worked out well.”

Although Sprint does not have an investment-grade credit rating, ECAs tend to think of it as an investment-grade company, which, Block says, “is partly why they are an attractive source of funding for us”. As of 31 March 2014, Sprint had gross debt of nearly \$33bn. It had \$6.2bn in cash reserves and net debt of around \$26.5bn. Nearly all of the debt is in bonds, with the exception of \$1bn in ECA facilities. Sprint also has an undrawn \$3.3bn revolving credit facility with its banking group. Most of the cash that Sprint holds is designated for capital expenditure in 2014.

“Cash will be ploughed back into the business, rather than be used to reduce debt in the near term,” says Block. “We have no plans to significantly reduce debt in the near term while we’re investing in our networks as actively as we are.” ➤

“Our size has been helpful in terms of raising capital over time. But, like any treasurer, I’m always focused on ways to reduce debt”





But he acknowledges that reducing net debt “is on the horizon once the network is up and running at top levels”.

Is Sprint’s high level of debt a concern? “I think every treasurer worries about the debt that their company has,” Block acknowledges. “We are the largest high-yield issuer in the US. That has certain benefits to it, too, though. All the investors know Sprint, so we can usually tap the market quickly and adeptly. Our size is good for investors’ liquidity because it is easy for them to trade in the company. Furthermore, our size has been helpful to us in terms of raising capital over time. But, like any treasurer, I’m always focused on ways to reduce debt and make it cost-efficient.”

Investors like telecoms because they see it as a growth business over time. Nevertheless, being a high-yield issuer means Sprint has to be mindful of market conditions. “If you’re investment-grade, the markets tend to be open all the time,” says Block. “In the high-yield realm, there are times when the market may shut down. In 2008 and early 2009, there was much less activity happening and it was very expensive to hit the markets then. We’ve had to recognise that we can’t time our market access as well as we could if we were investment-grade. We have to look ahead and try to tap the market when it’s good. It certainly does make life more interesting.”

The US telecoms market is changing so that consumers, instead of signing up to a service plan and buying their phone at a discount, now increasingly pay for their phone over a 24-month period instead. “It changes the timing of cash flows from a treasury perspective,” Block explains. “We won’t get large sums upfront from consumers, but we will get payment over time. We have to think about how we want to fund that receivable, and we’ve been looking at some different options in terms of receivable structures.”

Interestingly, Sprint offers supply chain financing to its own suppliers. Through its accounts-payable platform, suppliers can see what they are owed and they can opt for early payment in exchange for discounts. “We have saved tens of millions through the platform over the years,” says Block. Sprint is also working with its owner, SoftBank, to establish a joint approach to providing funding services to vendors with the aim of securing longer payment terms or more significant discounts.

Block says that when it comes to managing cash his objectives are the “same as everyone else” in terms of trying to find the best investment rates. “We’re constantly looking

Sprint has partnered with Google to create the Google Wallet app, which enables consumers to pay for goods in shops using their mobiles

to improve returns and expand the bank group we work with,” he explains. “We use earning credit options to enhance returns. So if a bank provides us with another service – for example, payment processing – we can use the credits we get to pay those fees. That can enhance the return we get on cash invested by several basis points.”

The company’s cash is spread across deposits and commercial paper with some in US treasuries. Although the company tries to optimise returns, Block admits that its choices are limited. “From our policy perspective, safety is our number one objective by far,” he confirms. “Our investment policy is focused on AA and A-rated investment options.”

Sprint works with 15 core banks in the US, Asia and Europe, and it tracks the credit ratings of its banks as well

VITAL STATISTICS



1899	\$35.5bn	3	54.9 million	\$1.9bn	20.5 million
the year in which Sprint was founded by Cleyson and Jacob Brown	Sprint’s revenue in 2013	Sprint’s position in the US wireless network market	the number of customers that were served by Sprint as of 31 March 2014	Sprint’s operating loss in 2013	the number of smartphones that were sold by Sprint in 2013

as the investments that it has on a monthly basis. “If there’s something timely that we need to be aware of, the assistant treasurer raises that,” Block explains. Forecasting is a particular challenge for treasurers within telecommunications because the industry changes so fast. But it also raises the profile of treasury at board level. The board of Sprint has a finance committee that looks closely at cash forecasts, business forecasts, longer-term liquidity and M&A activity. “That’s the committee that gets into the core financial aspects,” says Block. “We spend a lot of time with that committee.”

Telecommunications is among the industries leading the way with payments and a variety of payment options are already open to Sprint’s customers. They can make payments with their handsets online or by calling a number that uses interactive voice response technology. Sprint’s stores also have automated machines where payments can be made, although, Block says, “we still take cheques, too”. Sprint has also been involved with supporting its customers to make payments for services other than telecoms through their phone. It has partnered with Google to create the Google Wallet app, which enables consumers to pay for goods in shops using their mobile phones.

While change has been a constant force in Sprint’s existence, events took a particularly dramatic turn last year. In July 2013, Japanese telecommunications giant SoftBank bought an 80% stake in Sprint for \$21.6bn, a move that Block says has made for a “very interesting and energising partnership... Having the best network is a key focus for us and it’s a key focus for SoftBank,” he continues. “SoftBank wants it to happen and it wants it to happen even faster.”

As a result, SoftBank injected capital into Sprint, which enabled the company to acquire the 50% of wireless company Clearwire that it didn’t already own and use its prized 2.5GHz spectrum to boost its own network capacity.

With so much change at Sprint – including speculation that it will buy mobile operator T-Mobile from Deutsche Telekom – Block has plenty to keep him occupied. So will he still be at the company in another 20 years’ time? Sprint’s treasury team might be pros at forecasting, but that one is probably too difficult for even them to call. ♡

Sally Percy is editor of *The Treasurer*

3

the number of times Sprint has been listed on the Dow Jones Sustainability North America Index

30%

Sprint’s target for reducing the amount of operational waste it sends to landfill by 2017

200 acres

the size of Sprint’s main campus in Kansas. More than 6,000 trees have been planted in the campus park

GREG’S TOP TIPS FOR SUCCESS:

“I work with a great team that is well-informed and has great integrity.”

“Try to hire people who are the smartest you can find and look for people with a diversity of experience. Diversity generates creativity because people have different views on how something can be done.”

“An MBA is a base-level qualification that a lot of employers look for in terms of education and background.”

“As an organisation, we value treasury certifications and we support them. Some members of my team have treasury certifications.”

“What is the most difficult question my CFO could ask? ‘What should the capital structure look like in five years’ time?’”

“We have lots of vendors with great devices. Right now, I have an Apple iPhone 5 and I really enjoy using it, but I’ve used Apple and Android, and both are very good.”

GREG’S CURRICULUM VITAE

2008-present
Treasurer, Sprint

2005-2008
VP and assistant treasurer, Sprint Nextel

2001-2005
Senior director, capital markets, treasury, Sprint

1997-2000
Senior director, local telecom division finance, Sprint

1994-1997
Director, real estate finance, Sprint

1990-1994
Manager/director of investor relations, Sprint

1987-1990
Equity investment analyst, Waddell & Reed

1985-1987
Real estate project manager, First & Broadway

Qualifications
CFA, MBA