

BUSINESS

Startup Satellite Venture OneWeb Blasts Off With Revised Business Plan

Broadband project backed by Airbus, SoftBank and Virgin Group adjusts strategy to focus more on maritime, aviation and government services



A Soyuz rocket lifted six OneWeb satellites from a launchpad in French Guiana on Wednesday. PHOTO: CSG/ESA/CNES/ARIANESPACE

By Andy Pasztor

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A Russian rocket blasted into orbit the first batch of small satellites for broadband venture OneWeb Ltd. on Wednesday, as questions mount about the financial viability of such internet-via-space projects.

OneWeb, which has spent roughly \$2 billion and may need to invest that much again, originally planned to put up hundreds of satellites primarily to offer low-cost internet links for individuals, schools and small businesses across developing regions. But OneWeb officials now say they have largely deferred that marketing strategy, at least for the next few years.

Instead, the initial focus is currently on providing connectivity to entities able to pay higher access fees, such as airlines, cruise operators and governments, the company's executive chairman, Greg Wyler, and chief executive, Adrian Steckel, said in interviews before Wednesday's launch.

The revised concept, they said, reflects higher-than-anticipated development costs and a longer deployment schedule, even though the size of the project has been cut to some 600 satellites from around 900.

The shift could have implications for similar big-ticket efforts led by Facebook Inc., Elon Musk's SpaceX and others pursuing global broadband endeavors.

OneWeb and Mr. Wyler, its founder, have been viewed as forerunners for sprawling constellations of small but powerful satellites targeting huge developing and remote regions currently lacking affordable or, in many instances, any connections to the web.

Over the years Mr. Wyler championed the company by emphasizing the overriding goal of connecting such rural areas. The nose cone of the rocket that launched the satellites on Wednesday prominently featured the slogan "Connections for Everyone."

A Soyuz rocket, one of Russia's workhorse boosters, lifted the six satellites from a launchpad in French Guiana. The final rocket engine burn put the satellites into their designated, roughly 600-mile orbit more than an hour after liftoff.

But in the interviews, both officials indicated such ambitious goals have been largely put aside for the moment in favor of concentrating on more developed and affluent markets able to pay higher fees.

"The reality of building a system this large and expensive" is that early demand "is coming from organizations that are not in emerging markets," Mr. Wyler said. But for the longer term, he said OneWeb will seek to provide internet connections across developing regions, especially at schools. OneWeb already has pledged to provide free connections to certain schools in some developing countries.

As part of a recent presentation to prospective investors, OneWeb projected that by the middle of the next decade the markets it is initially targeting could generate some \$9 billion total annual revenue world-wide for the company and its competitors. By contrast, OneWeb estimated the global residential broadband market will be less than half as large.

Company officials believe that future technology, including less expensive ground antennas, will eventually enable them to reduce prices and better serve individuals and small businesses across Africa, Asia, Latin America and elsewhere.

Mr. Steckel said he expects commercial service to begin in 2021, though initial plans to start serving residents in Alaska around then have been put on the back burner. He said it is likely to

take until 2025 to reach the type of customer base world-wide that OneWeb previously envisioned as its starting point.

“Our focus on consumer broadband is something we will be looking at later on,” Mr. Steckel said. “It’s a matter of being patient.”

The change partly reflects OneWeb’s need to emphasize the anticipated profitability of serving maritime and aviation markets to raise additional capital. SpaceX and others pursuing satellite-broadband efforts are bound to confront the same economic pressures, industry officials said. SpaceX and Facebook didn’t have any immediate response.

OneWeb’s backers include Japan’s SoftBank Group Corp. , Airbus SE and billionaire Richard Branson’s Virgin Group. By becoming OneWeb’s largest shareholder, SoftBank envisioned creating benefits by combining OneWeb’s capabilities with its own mobile-phone businesses and portfolio of technology companies the Japanese telecommunications and internet conglomerate has assembled over the years.

A joint venture between OneWeb and Airbus is building a highly automated manufacturing factory in Florida intended to churn out modular satellites faster and cheaper than existing facilities. The new plant is designed to shake up the industry by introducing manufacturing procedures akin to those currently used for medical devices or airplane equipment, replacing time-consuming and customized hands-on satellite assembly practices.

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