

April 2017 - Monthly Briefing

8th May 2017

US telecoms deals lead worldwide TMT M&A in April

April was a quiet month for billion dollar-plus transactions globally apart from a few very large US telecoms deals.

The largest TMT deal in the month was the acquisition of Global Communications (GCI) by Liberty Interactive with an implied enterprise value of \$2.7 billion. GCI is the largest communications provider in Alaska, providing data, wireless, video, voice, and managed services to consumer and business customers throughout Alaska which includes some of the most remote communities and some of the most challenging conditions in North America. GCI will be combined with Liberty Ventures to form GCI Liberty which will then be split off.

Rival bidders announced plans to acquire Straight Path Communications, which holds a nationwide [US] portfolio of millimetre wave (mmWave) spectrum, including 39 GHz and 28 GHz, licences. Industry giant, AT&T, started the process with an offer which valued the business at \$1.6 billion. This was followed by an unsolicited offer from a multi-national telecoms firm (thought to be Verizon) at an enterprise value of \$1.8 billion. Straight Path is waiting to hear if AT&T will increase its offer.

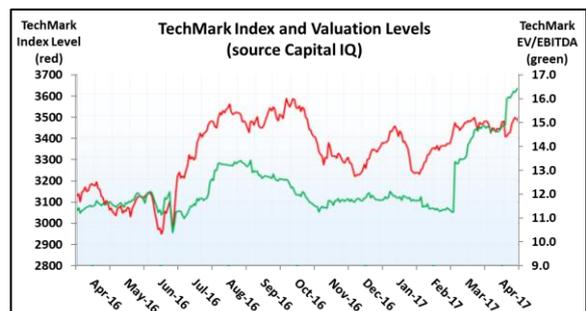
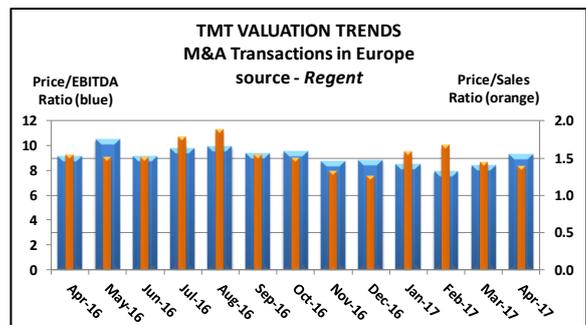
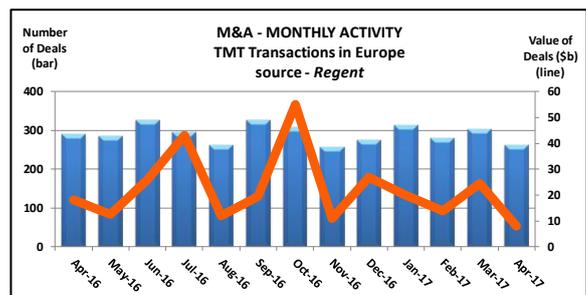
Uniti Group's fibre division is acquiring privately-held, Southern Light, for \$700 million to become one of the largest pure-play network operators in the US and gain entry to the military segment. Southern Light's revenues are well diversified, with 50% from national wireless carriers, 30% from wholesale and enterprises, and 14% from government, schools and libraries customers. Southern Light enters 2017 with revenues under contract exceeding \$435 million and an average remaining contract life of over 10 years, providing excellent forward revenue visibility.

The largest European TMT deal was the sale of Schneider Electric's Telvent DTN business to TBG, a private holding company headquartered in Zurich, Switzerland focusing on critical business information services and high added value industrial niches. The transaction is based on an enterprise value of about \$900 million. Telvent DTN, with revenues of \$213 million, is a leader in providing information services, supply chain connectivity tools and decision support solutions in agricultural, energy and environmental industries. Telvent DTN was acquired by Schneider Electric through the €1.4 billion acquisition of Telvent in 2011.

Back in the US, Metro-Goldwyn-Mayer Studios agreed to acquire the remaining 81% stake in Studio 3 Partners from Lions Gate Entertainment, Viacom and Paramount for \$1.0 billion. Studio 3 Partners owns and operates EPIX, a 24-hour-a-day cable TV channel. Viacom and Lionsgate currently own 50% and 31% equity interests, respectively.

REGENT's View of the Month

April was a relatively quiet month for European TMT sector deals. There was a 13% monthly decrease in the number of deals and the aggregate value was 67% lower as there were no deals worth more than \$1 billion in the sector in Europe and very few globally. Valuation multiples in terms of the Price/Sales ratio remained at 1.4 and the Price/EBITDA ratio increased from 8.8 to 9.3. Listed technology companies, as represented by the UK TechMark index, gained 0.7% in April.



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