

May 2019 - Monthly Briefing

7th June 2019

Global telecom deals drive M&A activity

Investment funds, Digital Colony Partners and Sweden based, EQT Partners acquired Zayo, a provider of network infrastructure in the USA, for \$14.3 billion. Under the terms of the transaction, the shareholders of Zayo will receive \$35 in cash for each share of Zayo's common stock. Zayo operates a 130,000 mile (209,214 km) fiber network in the United States and Europe that helps connect data centres and serves wireless and landline phone companies. It stands to benefit from rising demand for bandwidth, driven by cloud computing and streaming. Zayo generated revenues of \$650 million in 2018.

American Tower Corporation (ACT), a global provider of wireless communications infrastructure, entered into a definitive agreement to acquire Eaton Towers, a leading pan-African tower company with headquarters in the UK, for approximately \$1.9 billion on May 30, 2019. ATC intends to finance the transaction with cash on hand and debt. Eaton Towers owns 5,500 towers across Africa and had a reported EBITDA of \$150 million.

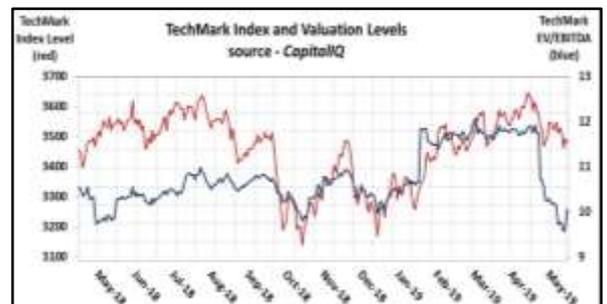
New Zealand based investment company, Infratil and Canada headquartered, Brookfield Asset Management, agreed to acquire a 50% stake of Telecom provider, Vodafone New Zealand, each for \$2.25 billion on May 13, 2019. Infratil and Brookfield invest principally in the energy and infrastructure sectors and had revenues of \$1 billion and \$15 billion respectively. Vodafone New Zealand saw its revenues fall to \$1.2 billion in 2018, while the group recorded revenue losses of nearly \$4 billion from the previous year. Vodafone remains the largest mobile provider in New Zealand with a market share of 40%.

US television broadcaster, Sinclair, acquired 21 Fox regional sport networks (RSN) from Disney at a valuation of \$10.6 billion. The Fox RSNs televise the live games of MLB, NBA and NHL teams. Government regulators had required Disney to divest of the RSNs after it acquired the media assets of Fox for \$71.3 billion. Sinclair topped a joint bid from Liberty Media and Major League Baseball as well as a group of investors led by Ice Cube's Big3 Networks. In calendar year 2018, the acquired business delivered a combined \$3.8 billion in revenue.

French television broadcaster, CANAL +, acquired a majority stake in Luxembourg based broadcaster, M7, from private equity group, Astorg, on May 27. The transaction was valued at approximately \$1.1 billion. M7 operates a series of independent pay-TV platforms across the Benelux and Central Europe and has over 3m customers. The group reported annual revenues of \$450 million. The operational model of M7 will not change and its headquarters will remain in Luxembourg. Once the transaction is complete, Canal + Group will host almost 20 million subscribers worldwide, including 12 million in Europe.

REGENT ASSAY's View of the Month

May wasn't a particularly good month for European TMT activity. Despite the number of transactions going up by 10%, the aggregate deal value fell to \$13bn, the lowest figure since September of last year. In terms of valuation multiples, the Price/Sales ratio decreased from 1.44 to 1.25 and the Price/EBITDA from 8.96 to 8.33, both multiples recording their minimum values of the past 12 months. Listed technology companies didn't perform well either and lost 3%, as illustrated by the UK TechMark index, while the EV/EBITDA ratio tumbled.



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