



COMMUNICATIONS UPDATE

AUGUST 2021



>>> OUR MONTHLY COMMUNICATIONS NEWSLETTER

The Drake Star Partners Global Communications team is pleased to present the 4th issue of our monthly Communications Report, providing updates on industry happenings such as important news and events, mergers and acquisitions activity and insights into the present and future trends impacting major areas of investment within the industry, including:

- Wireless networks & infrastructure**
- Internet of Things (IoT) connectivity**
- Communications Equipment**
- Communications Software**
- Telecommunications Services**

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>>> *Daniel Kurgan, Senior Advisor, Communications*

“Behind the heat of the CPaaS market”

The Communication Platform as a Service (CPaaS) market has never been so hot, driven by the record high valuations of market leaders like Twilio or Sinch. Over the last 15 months, we have seen more than 30 sizeable M&A and equity transactions.

Of course, like in all the other sectors of the economy this intense M&A activity is driven by rock bottom interest rates and a recovery environment that are strong M&A catalysts. But that is not the only reason why this is happening: actually, the market is on a race!

To understand the rationale for this race, it is important to remember the very specific dependency of the CPaaS model to telecom COGS: the very core business of most CPaaS providers is A2P Messaging and (to a smaller extent) Voice termination, which is facing an ever-increasing commoditization. As in every market which is subject to such a commoditization, not only is scale essential but also diversification, leading to

a clear call for consolidation.

The valuations of the various CPaaS providers are very different. Looking at public market and recent M&A valuations multiples:

- From 19.7 to 1.5 Revenue (EV/2021 estimated revenue)
- From 73x to 13x EBITDA (EV/2021 estimated EBITDA)

To enjoy high valuation multiples, CPaaS providers must demonstrate strong capabilities to address more and more higher value enterprise use cases with an omnichannel offering, i.e. Whatsapp, Facetime, WeChat etc. – even if the revenues generated today by these channels are still very low. Those who don't have a robust customer engagement stack will trade at much lower multiples.



>>> *Daniel Kurgan, Senior Advisor, Communications*

“Behind the heat of the CPaaS market”

Strangely, the financial markets keep valuing CPaaS providers in multiples of revenue, and to a much lesser extent in multiples of EBITDA:

- The Revenue multiple is not very relevant, as most of the revenues are “pass through”, with a price per message or per voice minute charged to the customer and a cost per message or per voice minute paid to the termination party (mobile network operator or wholesale provider);
- The EBITDA multiple makes more sense but doesn’t always recognize the need to invest in building the capabilities described above to secure long term profitable growth; such investment being very relevant as the demand for these capabilities will grow exponentially.

So the most accurate methodology to value a CPaaS provider is to apply the right multiple on its Gross Margin, which reflects much better the value created by the business. In a market where demand keeps strongly increasing but is facing

accelerated commoditization, the best CPaaS providers are those that can demonstrate their ability to steadily grow Gross Margin through a successful portfolio extension towards higher value services that is embraced by their existing and future customers.

There is still a bubble around CPaaS, which remains for a big part a huge “pass through” messaging market that keeps growing a lot in volumes, but less in value.

We might be a few quarters away from some kind of downturn. The winners might not take it all, but almost.

>>> OUR PICK OF STORIES OF THE MONTH

WIRELESS NETWORKS & INFRASTRUCTURE



Dish, AT&T sign wireless network deal worth at least \$5 bln

Dish Network Corp announced it had signed a multi-year deal worth at least \$5 billion to make AT&T Inc the primary network services partner for its wireless customers.

Under the terms of the 10-year deal, AT&T will provide voice, data, messaging services to customers of Dish-owned mobile virtual network operators (MVNOs) Boost Mobile, Ting and Republic Wireless...[Learn more](#)



Ericsson strikes \$8.3 bln 5G deal with Verizon

Swedish telecoms gear maker Ericsson (ERICb.ST) announced it struck an \$8.3 billion deal with Verizon Communications Inc (VZ.N) to accelerate the deployment of 5G network in the United States...[Learn more](#)

US accuses Broadcom of abusing STB and broadband chip monopoly



The Federal Trade Commission reckons Broadcom has a monopoly in certain types of chip and is abusing that position to impose exclusivity on its customers.

This refers to the three US SOC (system on chip) markets – Broadcast STB (set-top box) SOCs, DSL Broadband SOCs, and Fiber Broadband SOCs. According to the FTC complaint Broadcom has been requiring its customers to source components from it on an exclusive or near exclusive basis. This seems identical to a 2019 EU complaint and similar to the kind of thing Intel used to get in trouble for...[Learn more](#)

Lumen could raise \$5 billion-plus from asset sales



US B2B comms outfit Lumen Technologies is looking to raise US\$5 billion or more by selling certain consumer operations.

Lumen's consumer and small business operations are split between two brands: Quantum Fiber covers connectivity and services delivered over fibre, while the old CenturyLink brand serves residential customers and small businesses using legacy networks....[Learn more](#)



G+D acquires global IoT specialist Pod to enlarge connectivity business portfolio

Giesecke+Devrient (G+D), a global security technology group headquartered in Munich, has acquired Pod Group, an Enterprise Network Operator (ENO) specializing in scalable Internet of Things (IoT) connectivity solutions. The UK-based firm with offices in Seville/Spain and other locations across the globe has access to 600+ networks in 185 countries.

The acquisition is another step in the strategic development of G+D towards a solution provider in the IoT business...[Learn more](#)

IoT is failing to live up to its promise...or is it?

77% of companies who implemented at least one Internet of Things (IoT) project in the past 12 months said their project was at best only somewhat successful, according to a new survey commissioned by IoT connectivity provider Eseye. The survey was carried out among 500 IoT decision makers in the US and the UK by research firm Opinion Matters in April. And that headline finding makes for gloomy reading. Until you take a closer look, that is.

Or, more accurately, until you carve up the data in a slightly different way. The survey asked how successful or unsuccessful the respondents believe their IoT initiatives to be and whether they had met expectations...[Learn more](#)





Wireless Logic expands European footprint with the acquisition of Things Mobile

Based in Milan, Things Mobile is a managed service provider that delivers connectivity for international customers across a wide range of IoT applications and has experienced rapid growth since its launch in 2017. The foundation for Things Mobile's growth has been its low-touch digital sales and service model and propositions that meet the underlying needs of its target markets...[Learn more](#)

COMMUNICATIONS EQUIPMENT

FCC finalizes program to rip and replace Huawei, ZTE telecom equipment in the U.S.

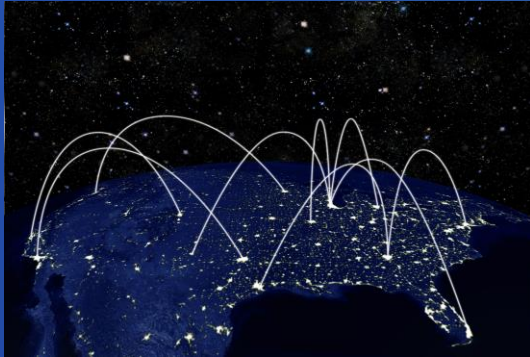


In a unanimous vote, the Federal Communications Commission finalized a \$1.9 billion program to rip and replace equipment from Chinese telecom companies considered national security risks by the U.S. government.

The program is meant to subsidize the cost for small telecommunications companies in the U.S. to replace gear from firms like Huawei and ZTE in an effort to secure U.S. networks.

To be eligible for the funds, U.S. telecom firms must serve 10 million or fewer customers. That's a higher threshold than the previous 2 million or fewer figure in an earlier version of the order...[Learn more](#)

INTERNET OF THINGS (IoT)



AT&T sells its cloud soul to Microsoft

US communications group AT&T is selling its Network Cloud technology to Microsoft and moving its 5G stuff onto Azure. The big move will start with the 5G core, but there seems to be no limit to the amount of its network AT&T is prepared to entrust to Microsoft. As if to symbolise its total capitulation on this matter AT&T is handing over (there's no mention of any price) its cloud tech to be chucked into the Azure for Operators mix...[Learn more](#)



Bell rings the changes with Google Cloud pact

Bell Canada has become the latest major telecom to announce its latest public cloud deal, this time hooking up with Google Cloud to give its network and IT infrastructure a leg up. The deal brings together Bell's 5G network with Google's multi-cloud, data analytics and artificial intelligence (AI) capabilities, the telco said....[Learn more](#)



ETTelecom and Telecom Infra Project's 'Built in India Virtual Summit' explores the capabilities and growth potential of India's rich domestic telecom ecosystem

Around the world, but very starkly in India, COVID-19 has not only shown the importance of connectivity to maintain basic business operations, online education, and social connections, but also to do the necessary and important work of recovering and rebuilding....

[Learn more](#)

SOME OF OUR +100 TRANSACTIONS IN COMMUNICATIONS

ASTELLIA
BEYOND THE NETWORK

SALE TO

EXFO

Mobile networks performance analytics



audium

SALE TO

CISCO

Software



CAILabs
Shaping the light

PRIVATE PLACEMENT

SAFRAN

innovacom **STARQUEST**

Photonics Solutions



Corente

SALE TO

ORACLE

SDN Software



DESTINY Where as it should be

MAJORITY SALE TO

Mentha Capital

B2B Cloud Telecom



DIALOG
TELECOMMUNICATIONS

DEBT FINANCING

PLAINFIELD ASSET MANAGEMENT LLC

Telecommunications



GW COMMUNICATIONS

SALE TO

Unicel

a portfolio company of **NMC**

LITTLEJOHN & CO.
New Mexico Capital Ltd

Communications Infrastructure Services



dialogue

SALE TO

CLX

A2P SMS Provider



hmd.
The Home of Nokia Phones

PRIVATE PLACEMENT

Strategic Investors

\$230,000,000

Telecommunications Consumer Hardware



Dialogic.

SALE TO

Enhouse Systems

Communications Technology



ej.com

PRIVATE PLACEMENT

COFELY INEO
GDF SUEZ

Secure Communications LTE Test & Measurements



eve.

STRATEGIC INVESTMENT BY

DEXATEK
a subsidiary of **Innoconn**

Consumer Electronics



FAIRPHONE

PRIVATE PLACEMENT

Participations: **Overseas Economic** **DOEN**
Participations **Overseas Economic** **Overseas Economic**

pymwyc **quadia**
and other investors

Modular Ethical Smartphone



GLOBE WIRELESS

FAIRNESS OPINION

inmarsat

Telecommunications



hub télécom

ACQUISITION OF

Nomaadvance
MOBILITY EXPERT

Logistic and Geoloc. Telecom Solutions



imagine

STRATEGIC INVESTMENT FROM

Brookfield

Communication Infrastructure



IMPAQ

SALE TO

gfi
THE COMPANY

IT Services and Software



interCloud

PRIVATE PLACEMENT

bpifrance **D** **SNCF**

STETIN **IP**

Cloud Delivery Platform



JacobsRimell

SALE TO

amdocs

Communications



Merim

DIVESTED BY

FONDATIONS CAPITAL **LBO PARTNERS**

B2B Telecom Operator



orange

SALE OF

FIME

Payment Testing & Certification



PACKET DESIGN

SALE TO

ciena

SDN Analytics and Automation Solutions



psytechnics
video & video performance management

SALE TO

NETSCOUT.

Communications



RTX
ROUTETRADE EXCHANGE

PRIVATE PLACEMENT

BOOST&Co

FinTech and Communications



SOC
WIRELESS

SALE TO

NOKIA

Communications Infrastructure Services



Certain Assets of

Sage
TELECOM

SALE TO

BIRCH

Communications Connectivity Commitment

Telecommunication Services



SEA FIBRE NETWORKS
TELECOM UNDER THE SEA

PRIVATE PLACEMENT

Aqua Ventures International

Communications



sipartech

PRIVATE PLACEMENT

CICLAD **NI Capital** **Evicy Technology**

Fiber Network to Data Operator Centers



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