



COMMUNICATIONS UPDATE

JULY 2021



>>> OUR MONTHLY COMMUNICATIONS NEWSLETTER

The Drake Star Partners Global Communications team is pleased to present the 3rd 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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VIEW FROM OUR INVESTMENT BANKERS



Christophe Morvan, Partner, Communications



The MWC 2021 started on June 28th in Barcelona. This communications sector jamboree is the usual venue for key players to announce new products and strategic moves. It is timely to discuss the state of this industry from the angle of its M&A activity over the past 24 months including deal volumes and multiples. The communications sector was surprisingly resilient in response to the global economic shocks of the pandemic. Global shutdowns and migration to work from home meant more people needed access to high speed and reliable networks as well as communications equipment.

The number of M&A transactions decreased significantly from 121 in Q4 2019 to 106 in Q1 2020 due to the global shock of the pandemic. However the number of deals rapidly recovered to reach 139 in Q3 and 200 in Q4 of the same year. Europe outpaced North America and APAC, accounting for over half of the global communications M&A activity in Q4 2020. However the average deal size in North America was somewhat larger standing at \$683 million compared to the average deal size in Europe of \$585 million. After a blockbuster year for the communications industry, the number of transactions has stabilized to pre-pandemic levels in the first half of 2021.

Notable transactions in 2020 include Nippon Telegraph & Telephone's move to complete the buyout of DoCoMo, Japan's largest mobile company in a \$40 billion deal, giving the state owned telecoms company the flexibility to cut prices while investing in the rollout of new 5G infrastructure. Cellnex, a Spanish telecoms group acquired CK Hutchinson's c.24,600 European cell towers for \$12 billion, positioning the company as one of the main European telecommunications infrastructure operators with c.103,000 sites. In the United States, Stonepeak Infrastructure Partners announced the \$8.1 billion acquisition of Astound Broadband, a communications services provider and cable operator.

Despite the S&P Telecom Industry Index's 21.4% increase in 2020 and 21.1% performance YTD, publicly available M&A transaction multiples over the past 18 months have remained stable. Communications companies trade at approximately 2x revenue and 12x EBITDA.

Looking forward, a slowdown in large transactions is predictable, particularly in the United States given the results of the C-band spectrum auction in February 2021, where the four largest telecom operators spent over \$70 billion to increase their 5G coverage. European operators are following suit with significant 5G infrastructure investments planned, leading to potential price wars between market leaders. This infrastructure glut and the approaching end of a cycle of innovation driven by 5G may translate into a structural slowdown of M&A activity in the medium term.... But MWC 2021 may shed a new light on the future.

>>> OUR PICK OF STORIES OF THE MONTH

WIRELESS NETWORKS & INFRASTRUCTURE

Altice bets on UK fibre with 2bn BT stake



Altice, the telecommunications investor controlled by billionaire Patrick Drahi, bought a 12.1% stake in BT worth £ 2 billion, making it the UK company's largest shareholder. The acquisition marked a return to trading for the Luxembourg-based company, which had pulled out over the past two years to reduce its debt. The investment in BT, made through a new UK holding company separate from Altice's core business, represents Drahi's boldest move since acquiring two US cable companies five years ago. Altice has said it does not intend to make an offer on the UK telecommunications company, which means that under the acquisition code it cannot make an unsolicited takeover offer during six months without the approval of BT's management, and he will not be offered a seat on the board of directors...[Learn more](#)

Canada launches long-awaited auction of 5G spectrum



Canada is set to begin a hotly anticipated auction of the mobile telecommunications bandwidth necessary for 5G rollout, one that was delayed more than a year by the pandemic. The 3,500 MHz is a spectrum companies need to provide 5G, which requires more bandwidth to expand internet capabilities. The auction, initially scheduled for June 2020, is expected to take several weeks with Canadian government selling off 1,504 licenses in 172 service areas...[Learn more](#)

INTERNET OF THINGS (IoT)

How the IoT has been used to respond to COVID disruption



Due to the restrictions imposed to halt the spread of COVID-19, namely lockdown and social distancing, buildings emptied out. It is only recently that people have returned to offices, as well as pubs and restaurants, and even then there are strict rules in place to prevent an outbreak. But—as many an embattled waiter, bartender and barista has found—it is hard enough to manage even a small space, let alone a many-storied, multi-purpose building.

IoT is an elegant solution. Sensors reading light and motion, analysing critical equipment for damage or wear and tear, recording footfall and movement of people between floors—all of this gives building owners and managers a level of knowledge never before possible in the built world...[Learn more](#)

COMMUNICATIONS EQUIPMENT

Huawei continues to lose share of booming global telecoms equipment market



Telecoms analyst firm Dell'Oro has published its Q1 21 numbers for the overall equipment market and they show Ericsson and Nokia continuing to close the gap with Huawei.

The scope of the data covers Broadband Access, Microwave & Optical Transport, Mobile Core & Radio Access Network, SP Router & Switch kit. Dell'Oro reckons revenues for the sector jumped an impressive 15% year-on-year in the quarter, although it should be noted that Q1 2020 was when the world was shutting down due to the Covid pandemic.

As you can see in the chart below, Huawei's global market share peaked at the start of 2020 and has been falling significantly since then. Pretty much all other major vendors, bar ZTE and Ciena seem to have benefitted from Huawei's slide and the signs are that Huawei's non-China share will continue to fall off a cliff...[Learn more](#)

CTSI Acquires Collaborative Technology Solutions



Corbett Technology Solutions, Inc. ("CTSI"), a portfolio company of Wind Point Partners ("Wind Point"), today announced the acquisition of Collaborative Technology Solutions, LLC ("CTS" or the "Company"), a provider of audiovisual, security and other highly engineered low-voltage solutions.

Founded in 2015, CTS designs, engineers and supports customers across a wide range of low voltage solutions. The Company's offerings include audiovisual, security infrastructure, sound masking, mass notification systems, structured cabling networks, public safety and cellular enhancement solutions...[Learn more](#)

VIAVI Announces Proposal to Acquire EXFO at US\$7.50 per Share



Viavi Solutions Inc. ("VIAVI") announced today that it has submitted a proposal to the board of directors of EXFO Inc. ("EXFO") to acquire all of the outstanding subordinate voting shares and multiple voting shares of EXFO at a price of US\$7.50 (C\$9.14 at yesterday's exchange rate) in cash per share. The Proposal values EXFO at approximately US\$430 million (C\$524 million at yesterday's exchange rate) on an undiluted basis, and represents a significant premium of:

- 103% to the NASDAQ closing price on June 4, 2021, the trading day before the announcement of the going private transaction (the "Going Private Transaction") by EXFO's majority shareholder, Germain Lamonde; and
- 25% to the US\$6.00 consideration offered under the Going Private Transaction...[Learn more](#)



[Deutsche Telekom seeks investors to bankroll German internet overhaul](#)

Deutsche Telekom ([DTEGn.DE](#)) is offering investors stakes in a company it is creating to overhaul Germany's internet cables to help foot the bill for much-needed network modernisation, three people familiar with the matter said.

The deal is part of a German bid to catch up with other European countries such as Spain, which has outpaced Europe's industrial powerhouse by laying high-tech glass fibre cables while Germany is mainly stuck with old-fashioned copper lines...[Learn more](#)



[Sitel Group® Enters Into Agreement to Acquire Sykes Enterprises, Incorporated, to Enhance Offerings and Provide More Competitive Customer Experience Solutions for a Global Market](#)

Sitel Group®, a leading global provider of customer experience (CX) products and solutions, today announced it has entered into a definitive agreement to acquire Sykes Enterprises, Incorporated ("SYKES") a leading full life cycle provider of global customer experience management services, multichannel demand generation and digital transformation. Under the terms of the agreement, a subsidiary of Sitel Group will acquire all outstanding shares of SYKES common stock in an all-cash transaction valued at approximately \$2.2 billion...[Learn more](#)



SOME OF THE TRANSACTIONS OF THE MONTH

July 2021

Target Name	Acquirer/Investor Name	Transaction Status	EV (as of 25/06/2021)	EV/Revenues	EV/EBITDA	Links
Senion AV Sweden	Verizon Media United States	Announced	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	Link
Telio Management GbmH Germany	Charterhouse Capital Partners LLP United Kingdom	Announced	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	Link
Monogoto Israel	Team8 Israel	Closed	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	Link
Space-Communication LTD Israel	4iG Nyrt Hungary	Announced	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	Link
Exetel Pty Ltd. Australia	Superloop Limited Australia	Announced	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	Link
Sykes Enterprises United States	Sitel Group United States	Announced	2,327	1.2x	13.2x	Link
Collaborative Technology Solutions United States	Corbett Technology Solutions, Inc. United States	Announced	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	Link

>>> SOME OF OUR +100 TRANSACTIONS IN COMMUNICATIONS

<p>ASTELLIA BEYOND THE NETWORK</p> <p>SALE TO</p> <p>EXFO</p> <p>Mobile networks performance analytics</p> 	<p>audium</p> <p>SALE TO</p> <p>CISCO</p> <p>Software</p> 	<p>CAILabs Shaping the light</p> <p>PRIVATE PLACEMENT</p> <p>SAFRAN</p> <p>innovacom STARQUEST</p> <p>Photonics Solutions</p> 	<p>Corente</p> <p>SALE TO</p> <p>ORACLE</p> <p>SDN Software</p> 	<p>DESTINY <small>Where as it should be</small></p> <p>MAJORITY SALE TO</p> <p>Mentha Capital</p> <p>B2B Cloud Telecom</p> 	<p>DIALOG TELECOMMUNICATIONS</p> <p>DEBT FINANCING</p> <p>PLAINFIELD ASSET MANAGEMENT LLC</p> <p>Telecommunications</p> 	<p>GW COMMUNICATIONS</p> <p>SALE TO</p> <p>Unic</p> <p>a portfolio company of NMC</p> <p>LITTLEJOHN & CO. New Business Center Ltd Communications Infrastructure Services</p> 
<p>dialogue</p> <p>SALE TO</p> <p>CLX</p> <p>A2P SMS Provider</p> 	<p>hmd. The Home of Nokia Phones</p> <p>PRIVATE PLACEMENT</p> <p>Strategic Investors</p> <p>\$230,000,000</p> <p>Telecommunications Consumer Hardware</p> 	<p>Dialogic.</p> <p>SALE TO</p> <p>Enhouse Systems</p> <p>Communications Technology</p> 	<p>ej.com</p> <p>PRIVATE PLACEMENT</p> <p>COFELY INEO <i>GDF SUEZ</i></p> <p>Secure Communications LTE Test & Measurements</p> 	<p>eve.</p> <p>STRATEGIC INVESTMENT BY</p> <p>DEXATEK a subsidiary of Innoconn</p> <p>Consumer Electronics</p> 	<p>FAIRPHONE</p> <p>PRIVATE PLACEMENT</p> <p>Participations: Overseas Economic BOEN Participations Noord-Holland</p> <p>pymwymic quadia and other investors</p> <p>Modular Ethical Smartphone</p> 	<p>GLOBE WIRELESS®</p> <p>FAIRNESS OPINION</p> <p>inmarsat</p> <p>Telecommunications</p> 
<p>hub télécom</p> <p>ACQUISITION OF</p> <p>Noma vance MULTIMEDIA CENTER</p> <p>Logistic and Geoloc Telecom Solutions</p> 	<p>imagine</p> <p>STRATEGIC INVESTMENT FROM</p> <p>Brookfield</p> <p>Communication Infrastructure</p> 	<p>IMPAQ</p> <p>SALE TO</p> <p>gfi TECHNOLOGICAL COMPANY</p> <p>IT Services and Software</p> 	<p>interCloud</p> <p>PRIVATE PLACEMENT</p> <p>bpifrance D SNCF</p> <p>VOYAGER IP</p> <p>Cloud Delivery Platform</p> 	<p>JacobsRimell™</p> <p>SALE TO</p> <p>amdocs</p> <p>Communications</p> 	<p>Merim</p> <p>DIVESTED BY</p> <p>FONDATIONS CAPITAL LBO PARTNERS</p> <p>B2B Telecom Operator</p> 	<p>orange</p> <p>SALE OF</p> <p>FIME</p> <p>Payment Testing & Certification</p> 
<p>PACKET™ DESIGN</p> <p>SALE TO</p> <p>ciena</p> <p>SDN Analytics and Automation Solutions</p> 	<p>psytchnics video & live performance management</p> <p>SALE TO</p> <p>NETSCOUT.</p> <p>Communications</p> 	<p>RTX ROUTETRADER EXCHANGE</p> <p>PRIVATE PLACEMENT</p> <p>BOOST&Co</p> <p>FinTech and Communications</p> 	<p>SDC WIRELESS</p> <p>SALE TO</p> <p>NOKIA</p> <p>Communications Infrastructure Services</p> 	<p>Certain Assets of</p> <p>Sage TELECOM</p> <p>SALE TO</p> <p>BIRCH Communications. Connectivity. Commitment.</p> <p>Telecommunication Services</p> 	<p>SEA FIBRE NETWORKS TELECOMS UNDER THE SEA</p> <p>PRIVATE PLACEMENT</p> <p>Aqua Ventures International</p> <p>Communications</p> 	<p>sipartech</p> <p>PRIVATE PLACEMENT</p> <p>CICLAD NIJ Capital Evacy Technology</p> <p>Fiber Network to Data Operator Centers</p> 

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