

THE OBSERVATORY



M&A in Telecom

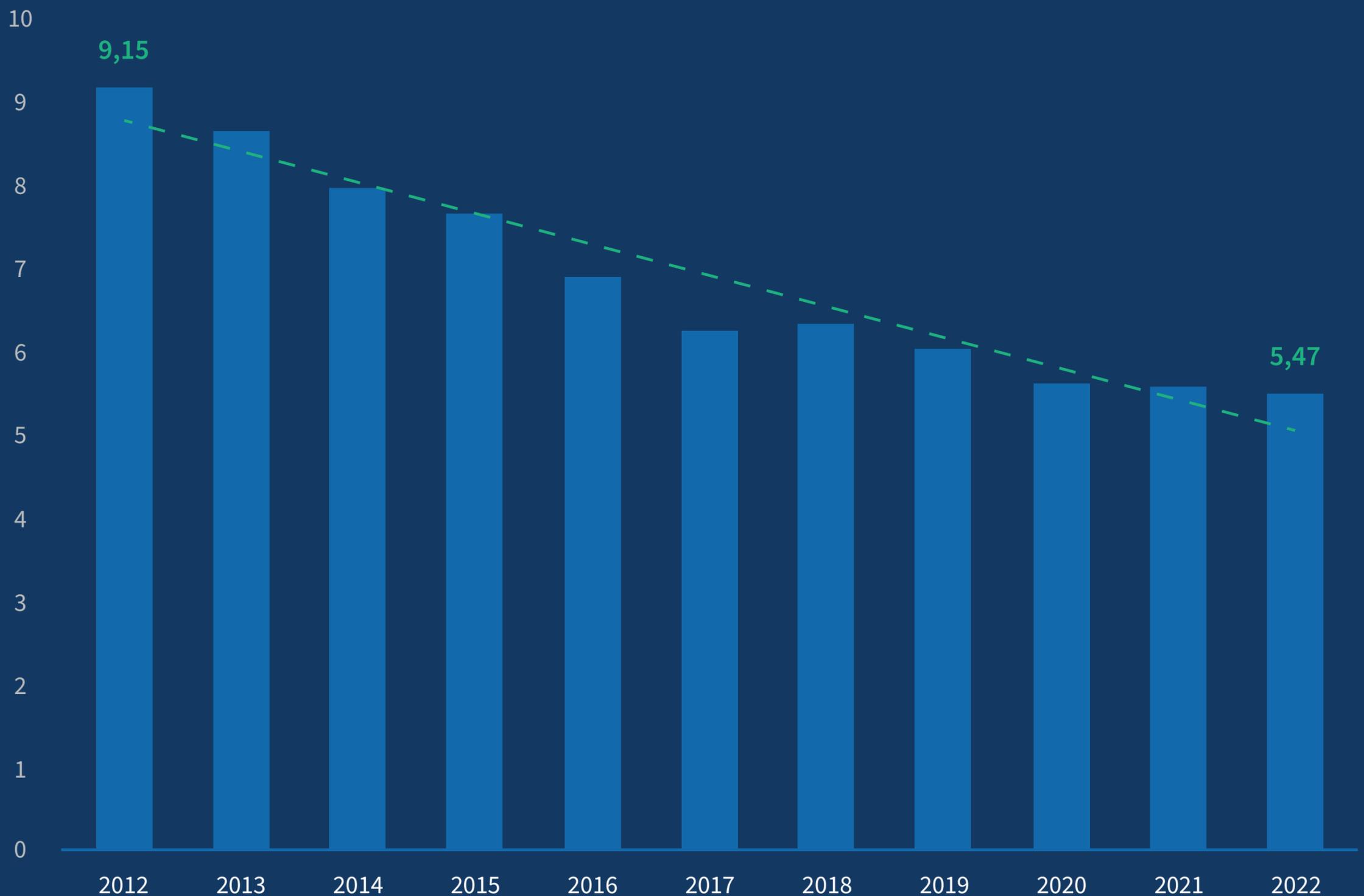
Strategies and Growth Opportunities

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Industry performance, reliant on core operations, has stagnated over the past decade

Average Telco Return on Capital (Top 100 companies by revenue)

(%)

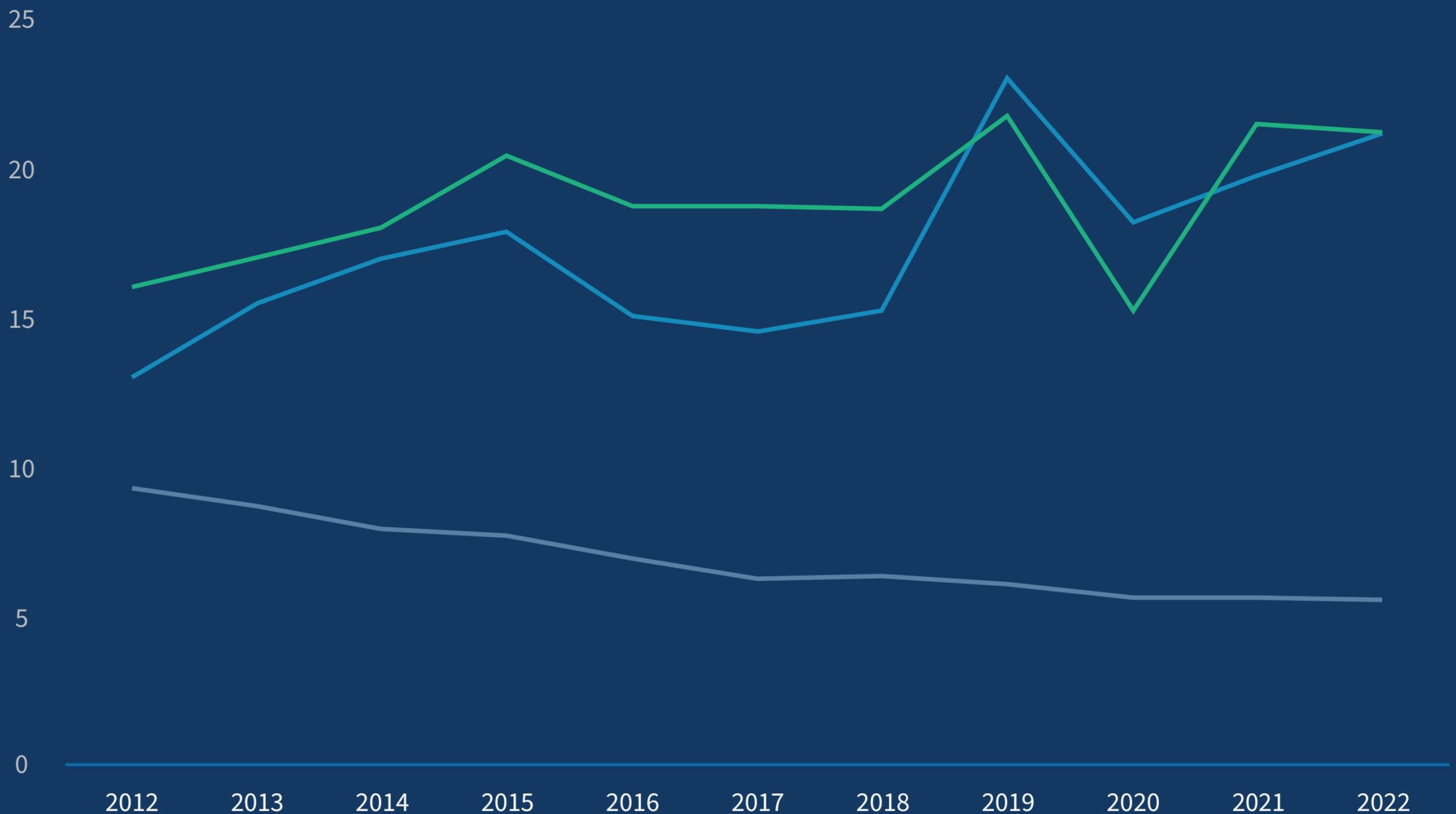


...with returns consistently below world averages and falling behind other sectors

Average Telco Return on Capital vs. Software/Media Comps

(%)

Media¹ IT (Software)¹ Telecom (Top 100 Companies)²



¹ Data based on companies with minimum ROC% value of 0 over the entire analysis period.

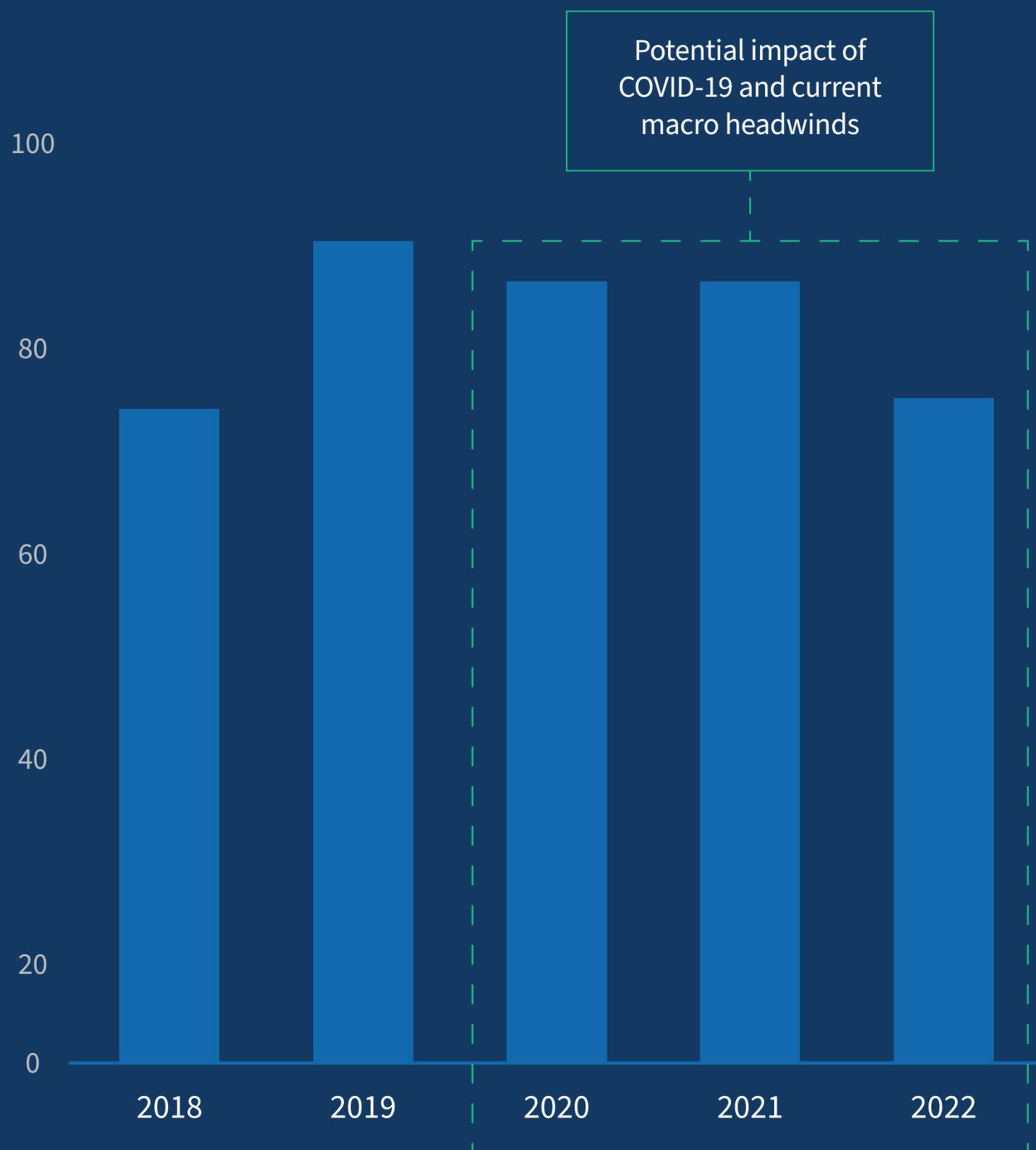
² Top 100 companies by revenue.

Source: Capital IQ, FTI Delta analysis.

Despite recent transaction volume drops, telcos are exploring M&A for potential growth

Telecom M&A Transactions

(#)



Regional View of Transactions

Volumes 2018-22, (#)

Europe 143

Asia & Pacific 138

North America 56

Latin America 35

Middle East & Africa 30

Source: Capital IQ, FTI Delta analysis.

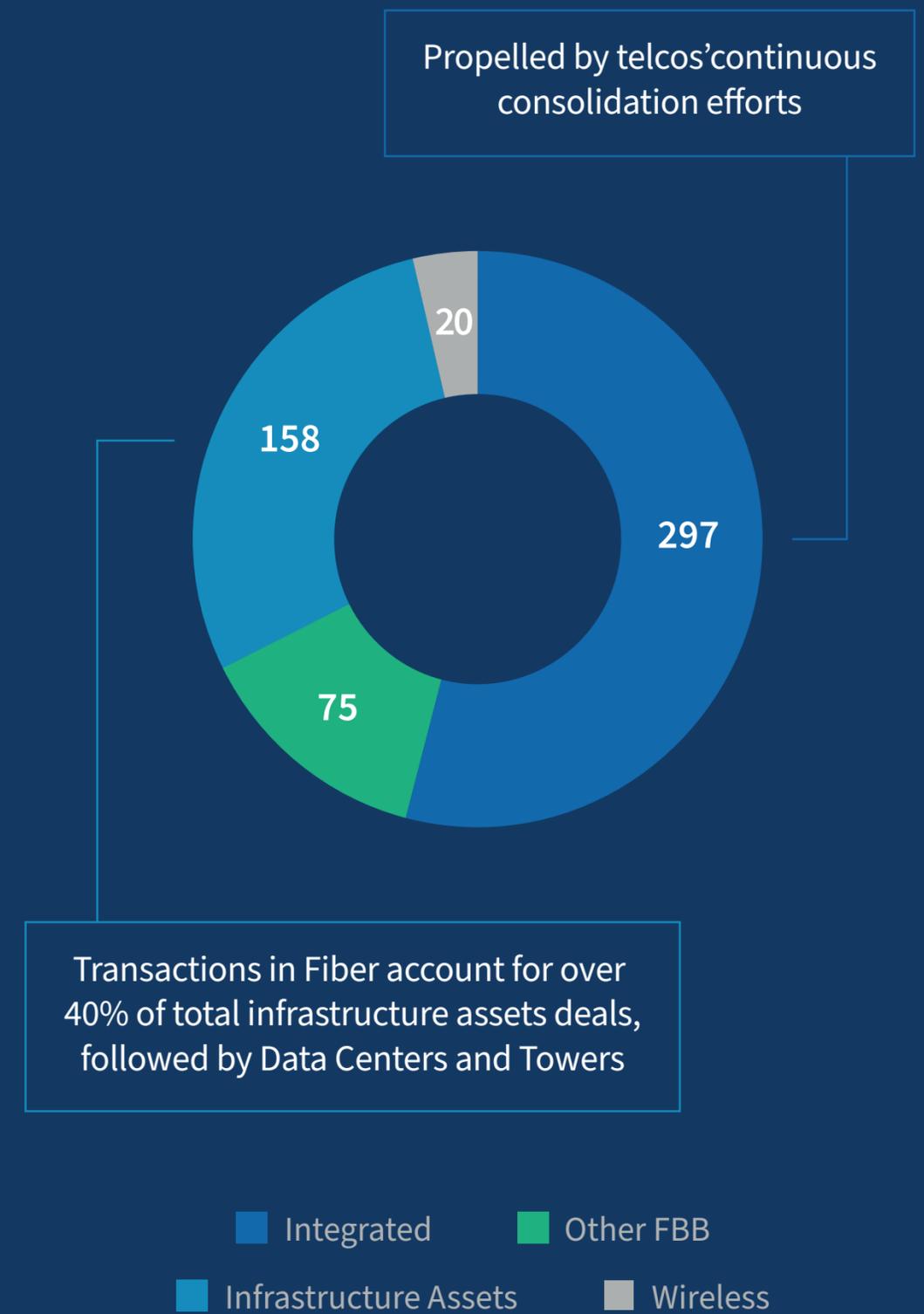
Disclaimer: Deal count is based on all transactions with reported values of communication services providers as Buyers/Acquirers.

Nonetheless, the heightened level of activity is more evident in core telecom segments...

Core vs. Non-Core Deal Activity (#)



Core Deals by Segment (2012-22) (#)



¹ Core segments only include: Wireless, Other FBB, Integrated, Fiber, Tower, and Data Center.

² Non-core segments only include: Software, Hardware, IT Services, Other IT, Media, Advertising.

Source: Capital IQ, FTI Delta analysis. Disclaimer: Deal count is based on all transactions with reported values of communication services providers as Buyers/Acquirers.

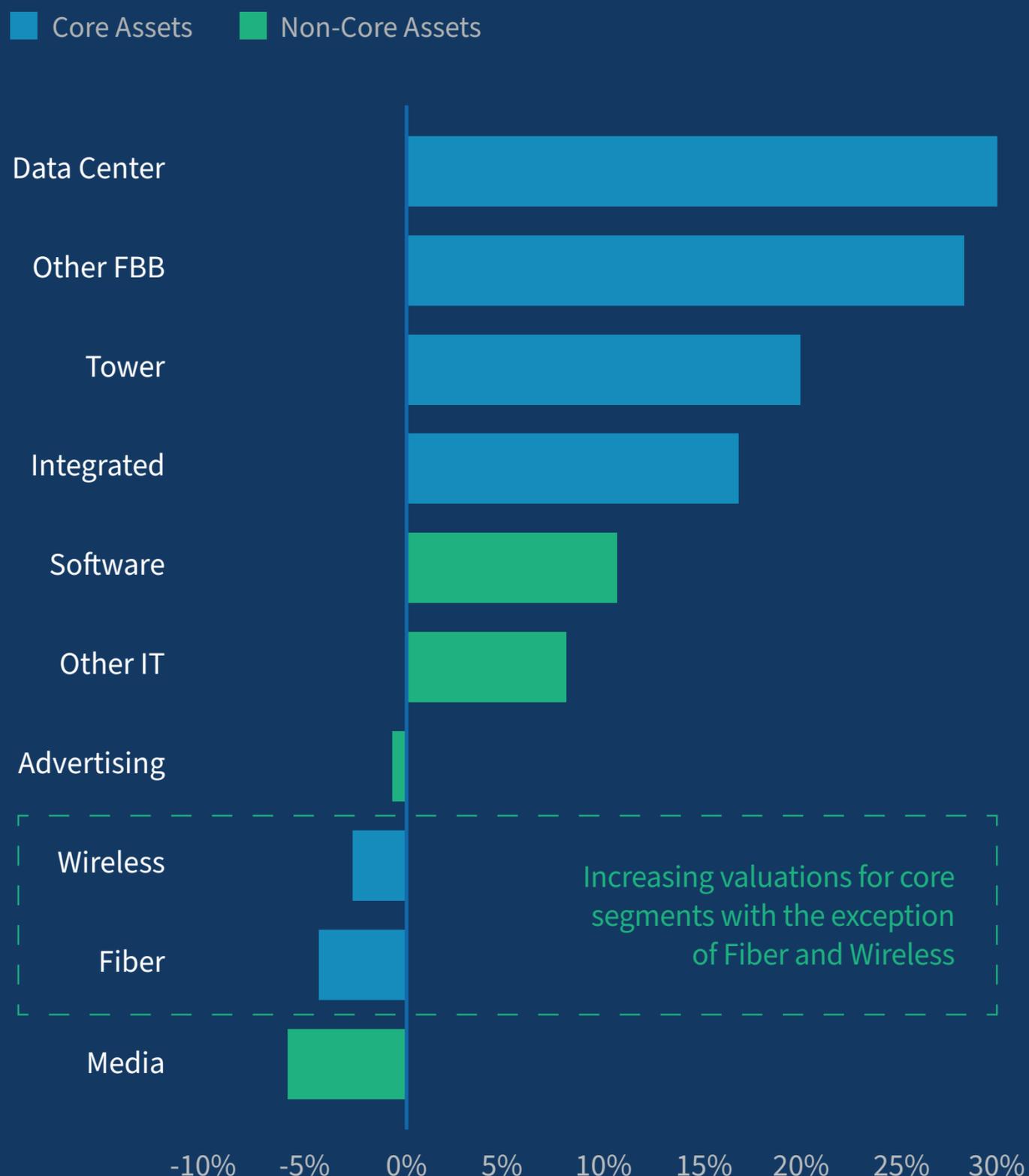
... focusing on high-value-generating core industry verticals

Factors influencing interest in core acquisitions

- 
Higher valuations of core business segments
- 
Familiarity with telecom industry verticals
- 
Potential market share growth in core connectivity services
- 
Extension of traditional communications offering
- 
Market consolidation

Average EV/EBITDA Growth Rate by non-core assets¹

2012-17 vs. 2018-22, (%)



¹ Excludes transactions with a total value of less than \$10 million.

Source: Capital IQ, FTI Delta analysis. Disclaimer: Deal count is based on all transactions with reported values in the displayed segments, including ones where telcos played no active role in the transaction.

Global players are ramping up their M&A efforts to grow beyond connectivity...

Notable Players

Divestment Drivers

- Cheaper access to capital
- Greater addressable market
- Increased asset utilization
- Regulatory relief
- Lower cost of debt
- De-risking investments

ORANGE
TELIA
ALTICE
DEUTSCHE TELEKOM
VODAFONE

FOCUS

Investment Drivers

- Acquire digital services capabilities
- Develop digital channels
- Expand product offering
- Improve profitability
- Extend geographic footprint
- Develop a competitive advantage

TELEFÓNICA
KDDI
SWISSCOM
NTT
TELSTRA
AT&T

... with market leaders employing varied M&A strategies to diversify their product offering

TELCO ¹	Telstra	SK Telecom	Telefónica	SoftBank
Strategy	Acquisitions aimed at enhancing existing capabilities and services offered by the telco	Acquisitions in key business areas – security and AI – that align with market demands	Acquisitions centered on tech market leaders	Acquisitions that would complement the telco's portfolio with add-on services across media, finance, enterprise and consumer segments
Acquisitions in Diversified Business Segments				
Media	fetch	Nowon Cable Broadcasting	DTS Distribuidora de Televisión Digital	
IT	Emerging Systems	SK infosec	Indra	First Server
Hardware		SK hynix	Geprom	
Software	Company85	Konan Technology	Chrom Ville	Vantiq
Healthcare	Medical Director	Tian Long		
Financial Services		Hana Bank	Bit 2 me	Inter&Co
Advertising	BMC Media	Incross	Weve Ltd.	eMnet
AI		Persona AI		Qraft

¹ Includes acquisitions made by subsidiaries
 Source: Operators' filings, press clippings, FTI Delta analysis