

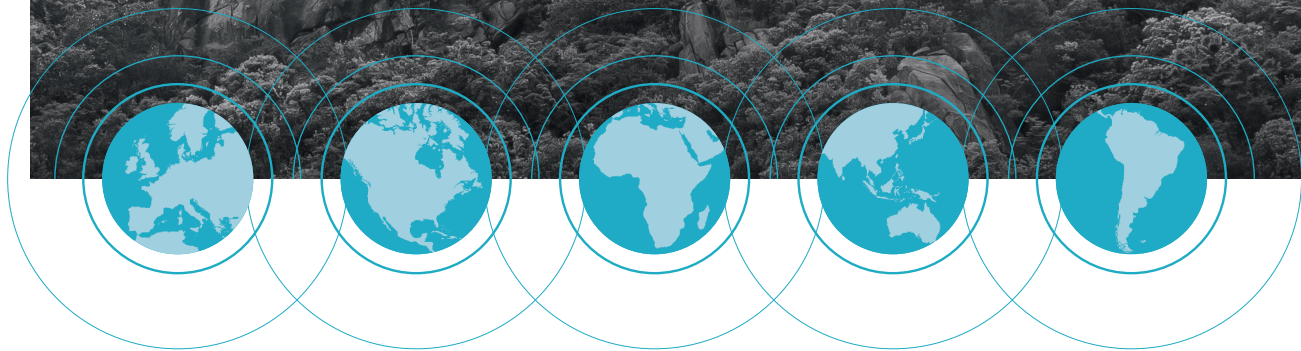
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# Telco Mergers and Acquisitions

Strategic Backgrounds, Use Cases and Future Developments



Spotlight



**DETECON**  
CONSULTING



# Editorial

## Dear Readers,

things never turn out the way you expect. This applies in particular to the development of the M&A business last year.

Those who assumed that the Corona pandemic would continue to dampen M&A activity in 2021 were wrong. Deal volume has recovered and the market is growing. This once again underlines the strategic importance that M&A business has for companies, especially in times of crisis.

Nevertheless, the situation remains highly dynamic. In addition to the pandemic and disruptive market changes, further risks have been added, especially with the geopolitical challenges. Regulatory changes and, last but not least, interest rate developments and tax policy are also contributing to uncertainty.

Once again, the Detecon Spotlight “Telco Mergers and Acquisitions” provides comprehensive insights into worldwide M&A transactions in the telecommunications industry. This year, therefore, we not only look at the transactions that continue to dominate in Europe and North America, but also take a look at M&A activity and dynamics in Asia and Oceania, the Middle East and Africa and Latin America.

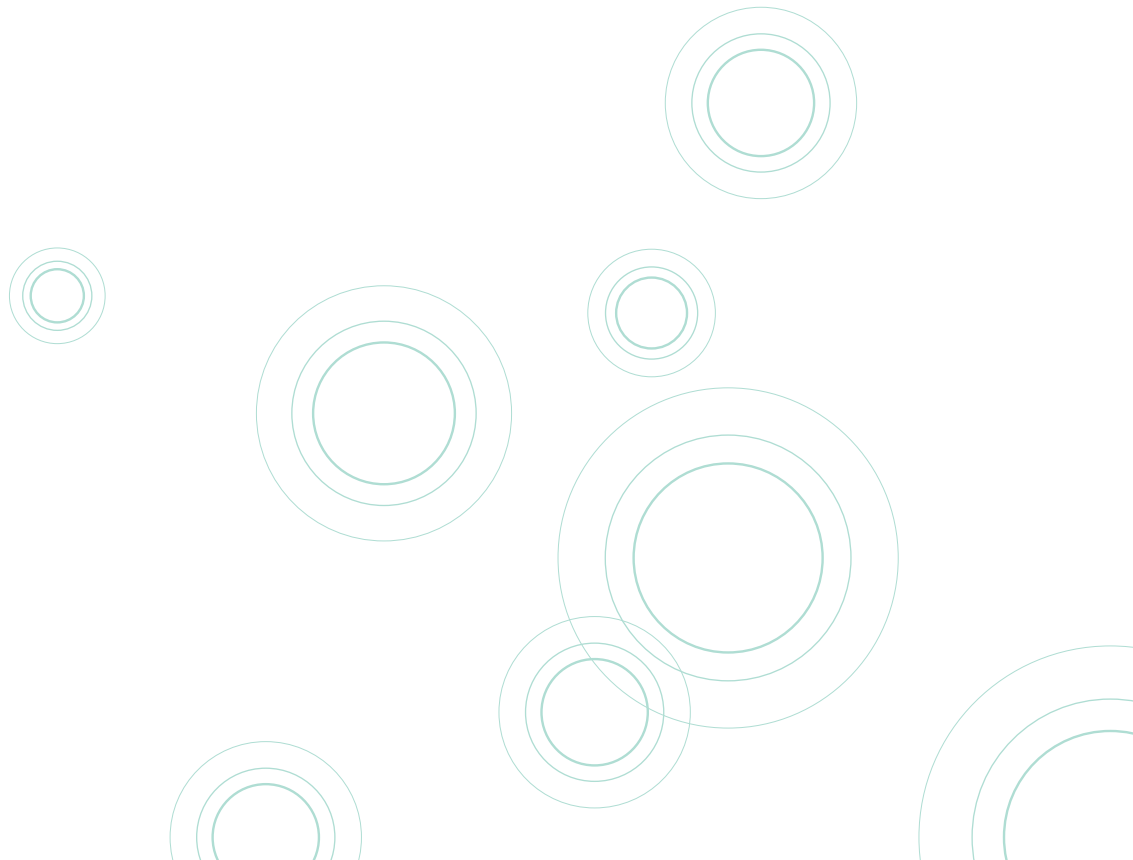
We hope you enjoy reading this issue!

Ralf Pichler  
CEO Detecon International



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# 1. What is it all about?

The Detecon Spotlight “Telco Mergers and Acquisitions – Strategic Background & Industry Trends” has been observing worldwide transaction trends in the telecommunications industry for many years. Like previous years, we provide strategic insights and discuss underlying rationales driving market activity in 2021.

What a year 2021 has been! While many expected a recovery from tumultuous 2020, economic improvement overall remained mixed. With a more optimistic industry outlook than before, 2021 nevertheless proved to be full of surprises. Publicly disclosed deals hit a new record high with an accumulated deal value greater than US\$ 5 trillion.<sup>1</sup> 2021 activity was partly fueled by the built-up appetite from 2020 and significant demands in digital, technology, and infrastructure-related topics.

Within the telco sphere, too, a continued growth trend since 2019 can be observed. Total deal values reached US\$ 296.5bn (up from US\$ 215.4bn in 2020) across 292 deals (up from 239 in 2020).

Freeing up capital for cash-intensive 5G and fiber rollouts, new forms of partnerships, and more substantial involvement of investment firms characterize 2021’s dynamics in the telecommunications industry.

This year, we aim to take a closer look at regions worldwide. While Europe and North America, as expected, dominated charts of global telco M&A transactions in both number of deals and value, we aim to shed some light on M&A activities and dynamics in Asia & Oceania, the Middle East & Africa, and Latin America.

In Europe, M&A drivers include advancing industry consolidation and a regulatory mindset shift from competition authorities, while data centers and a strong desire for infrastructure dominate transactions in North America and Oceania. Asia is continuing its growth trajectory, becoming an ever more significant contributor to global M&A activity, albeit not able to reach EU’s or NA’s deal value totals. With fewer deals but higher values, the Middle East and Africa region is looking at capitalizing on digitalization, while Latin America has set a new record in recorded deal volumes.

We hope you’ll find fascinating insights and enjoy reading this year’s M&A Spotlight!

<sup>1</sup> <https://www.reuters.com/markets/us/global-ma-volumes-hit-record-high-2021-breach-5-trillion-first-time-2021-12-31>

## 2. Overview and Key Findings

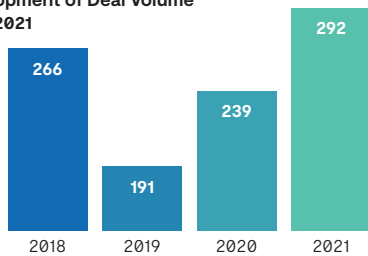
Like 2020, 2021 has been yet another year characterized by uncertainty and economic complexity. Once again, we're examining the state of M&A in the telecommunications industry and what has happened.

In 2021 the world economy witnessed a rebound. Going into the second year of the pandemic, despite varying Covid-19 policies across the globe and amid continuous (partial) lockdowns, companies are learning to live with this uncertainty and gaining confidence. This confidence is reflected

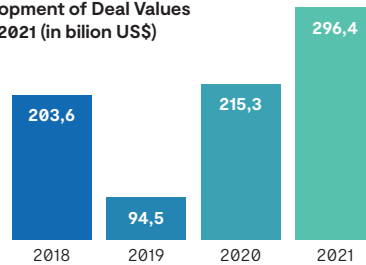
in the M&A market by an overall increase in activity and a fair share of exciting deals in 2021.

Looking at the **total number of deals** in 2021 (see Figure 1), the upward trend of recent years continues. The number of deals increased from 239 to 292, representing a growth of 22%. Alongside a higher number of deals, the **total deal value** jumped to a five-year high at US\$ 296.5bn. After a whopping surge of 126% from 2019 to 2020, last year's year-on-year growth rate stands at 37.7% (see Figure 2).

**Figure 1:**  
Development of Deal Volume  
2018-2021



**Figure 2:**  
Development of Deal Values  
2018-2021 (in billion US\$)



The **deal value structure** in 2021 shows no significant deviation in transactions with a value under US\$ 0.1bn. Deals in this size cluster could not make it above the 1bn US\$ mark for the third year. Similarly, telco M&A transactions valued at between US\$ 0.1bn and US\$ 0.5bn show no particular deviations.

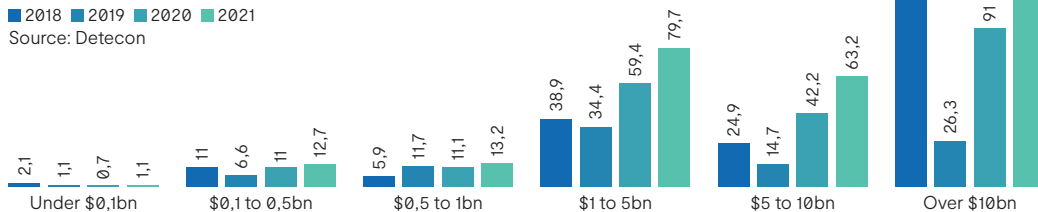
Looking at deals valued between US\$ 0.5bn and

US\$ 1bn, however, the deal volume has grown at a four-year CAGR of 18.92%. Moreover, this increase occurred even though the cluster's overall deal value remained stable.

Only transactions valued at more than US\$ 1bn show any significant increases with volume as well as value growth rates across all size clusters (see Figure 3).

**Figure 3:**  
Deal Value per size cluster  
2018-2021 (in billion US\$)

■ 2018 ■ 2019 ■ 2020 ■ 2021  
Source: Detecon



Overall, an increase in large-volume deals is evident in deal volume is observed in the size cluster from (see Figure 4). The most considerable total increase US\$ 1bn to US\$ 5bn (11 more than in 2020).

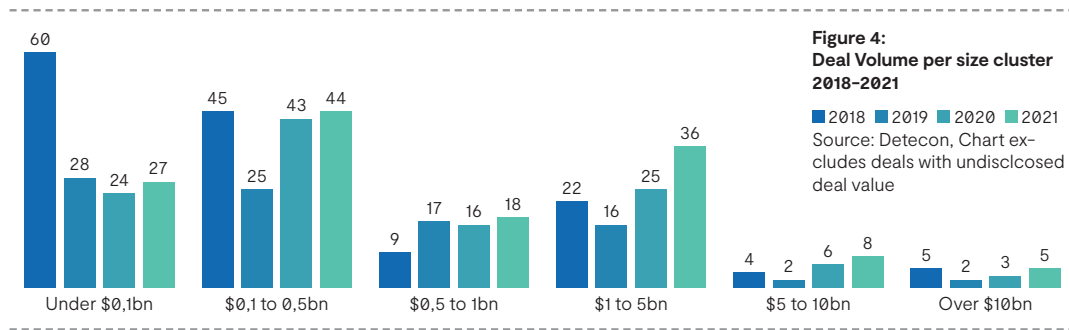


Figure 5 shows the ten largest deals in 2021, acquirers, and targets.

**Figure 5:**  
The ten most significant transactions in 2021

Deal	Deal Value US\$ Mio.	Target	Country	Acquirer	Country	Stake acquired
1	43,000	AT&T, Warner Media business	USA	Discovery Inc	USA	100%
2	37,565	Telecom Italia SpA	Italia	KKR & Co Inc	USA	100%
3	21,536	Shaw Communications Inc	Canada	Rogers Communication Inc	Canada	100%
4	15,000	CyrusOne Inc	USA	KKR & Co Inc. & GIP	USA	100%
5	10,100	CoreSite Corporation	USA	American Tower Corporation	USA	100%
6	10,000	QTS Realty Trust Inc	USA	Blackstone	USA	100%
7	9,367	Telxius Telecon S.A.	Spain	American Tower Corporation	USA	100%
8	8,600	DTAC	Thailand	True Corporation	Thailand	100%
9	8,450	MGM Studios Inc	USA	Amazon.com Inc	USA	100%
10	7,500	Lumen Technology, ILEC business	USA	Apollo Global Management	USA	100%

On closer inspection, the distribution of deals across selected regions in 2021 gives various exciting insights (see Figures 6 and 7):

- In 2021 North America was, unlike in 2019 and 2020, exhibiting the highest value in telco

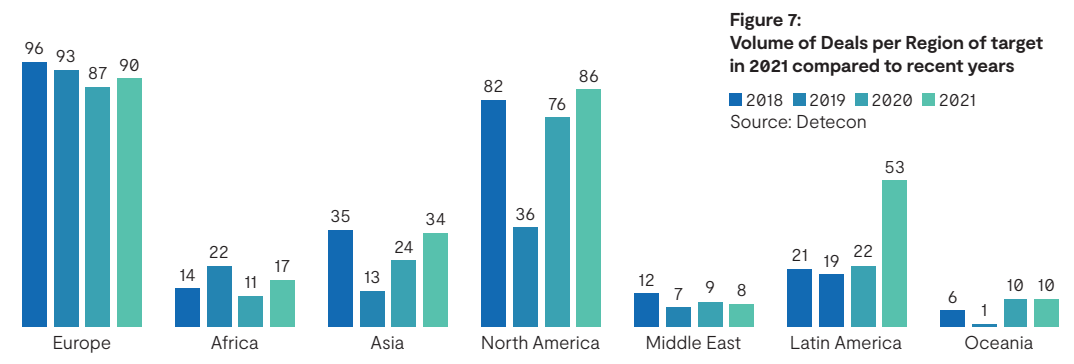
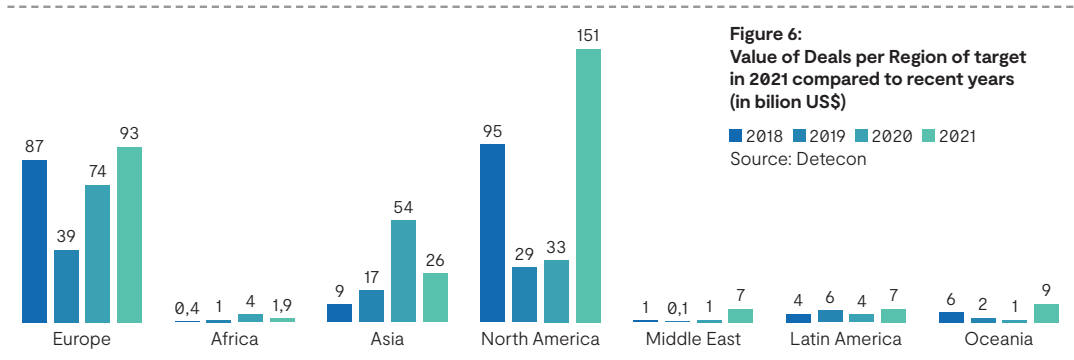
M&A deals with a total value of US\$ 152bn. As a result, the North American region was able to set a new deal value record and even beat Europe's four-year-high of US\$ 94bn. This can be traced back to several deals that manifested

in North America. The AT&T, WarnerMedia, and Discovery deal, valued at US\$ 43bn, was the largest M&A deal in the telco industry in 2021. On top of that, the Shaw Communications and Rogers Communication deal has been the most valuable telco transaction within Canada in recent years. Seven of the ten largest M&A deals involved North American market players.

- **Europe** again leads the field in terms of deal volume (90). While the deal volume remained relatively stable in recent years, deal value in Europe was up significantly compared to 2019 and 2020, reflecting an overall increase in higher-valued transactions.
- In **Asia**, the number of deals has been growing continually on a year-on-year basis from 2019 onwards. While deal numbers and their values seem small compared to Europe and North

America, Asia continues to grow. The region could not top the deal volume of 2018 (35 deals), but the deal volume and deal value in the Asian market continuously grow. The value of deals increased from US\$ 9bn in 2018 to US\$ 26bn in 2021, exhibiting a compound annual growth rate of 30.37%.

- In **Latin America**, a significant spike in deal volume can be observed. Compared to last year, the region experienced a 140% surge in deal volume (22 to 53). However, despite this notable rise, the deal value increased 76% from US\$ 4bn in 2020 to US\$ 7bn in 2021.
- In **Oceania**, the deal volume remained stable compared to 2020. However, the deal value experienced a ten-fold increase which can be traced back to several large infrastructure-related deals in the Australian telco space.



Considering the distribution of deals across different business clusters, both Core and Infrastructure experienced a growing number of deals. Contrary to that, developments in the Adjacent business cluster hint at operators' smaller appetite for

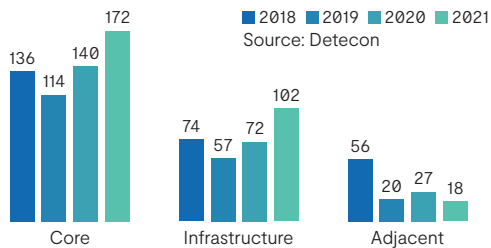
diversification (see Figure 8). The AT&T, WarnerMedia, and Discovery deal is most apparent in the high deal values of the Adjacent business cluster (see Figure 9).

While the Core business cluster was indeed able to score a new record high in deal volume, the deal value could not keep pace and remained lower than in 2020.

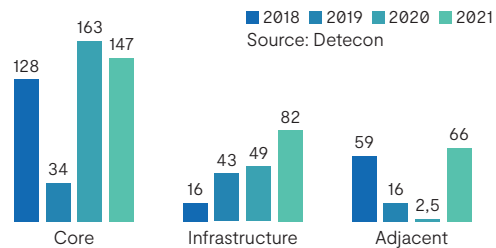
As hinted at in last year's Detecon M&A Spotlight, the Infrastructure domain remains top-of-mind for operators and investors alike. Both deal volume and value experienced robust and uninterrupted

growth rates reaching new heights. While operators are delving further into structural separation initiatives to sever their service-based business models from infrastructure-centered models and free up much-needed capital, a consortium of both pension and investment funds are happy to step in and add digital infrastructure to their portfolios. Find out more about this in Detecon's 2020 Spotlight.

**Figure 8:**  
Volume of Deals per Business Cluster in 2021 compared to recent years



**Figure 9:**  
Value of Deals per Business Cluster in 2021 compared to recent years

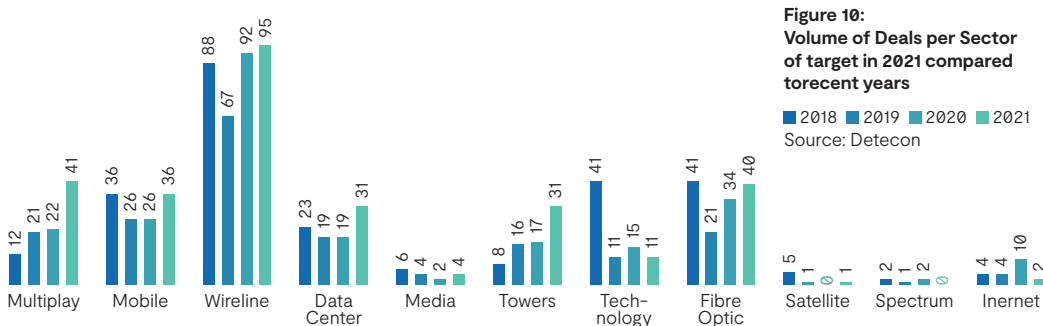


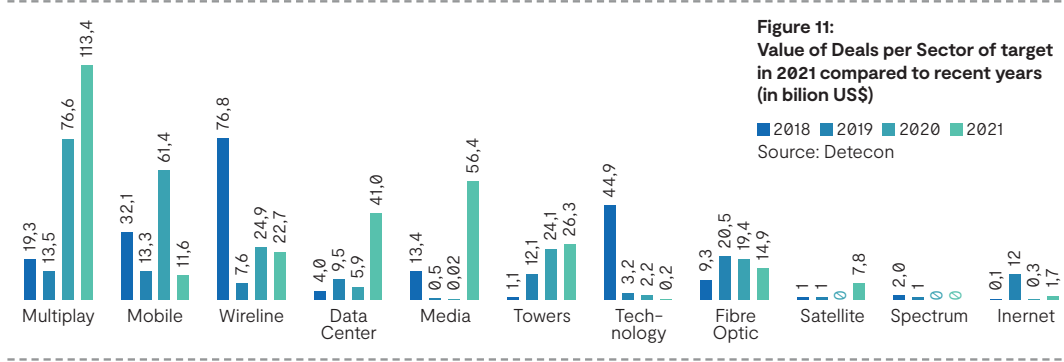
In terms of sector distribution of deals (see figures 10 & 11), Wireline remains the playground for a large chunk of smaller deals. Multiplay is particularly interesting as it has experienced solid, continuous growth rates over the last few years. On top of that, Multiplay accounts for the most considerable value among all sectors, reaching new heights at an aggregate deal value of US\$ 113bn. Within the Mobile domain, volume remained stable while the aggregate deal value disappointed at a meager US\$ 12bn.

When taking a closer look at the different sectors within the Infrastructure cluster, most transactions

can be attributed to Fiber Optic (40), while Data Centers show the most significant value (US\$ 41bn). M&A activities within the Fiber sector experienced a slight decline while the activities within the Tower sector have been continually growing over the recent years.

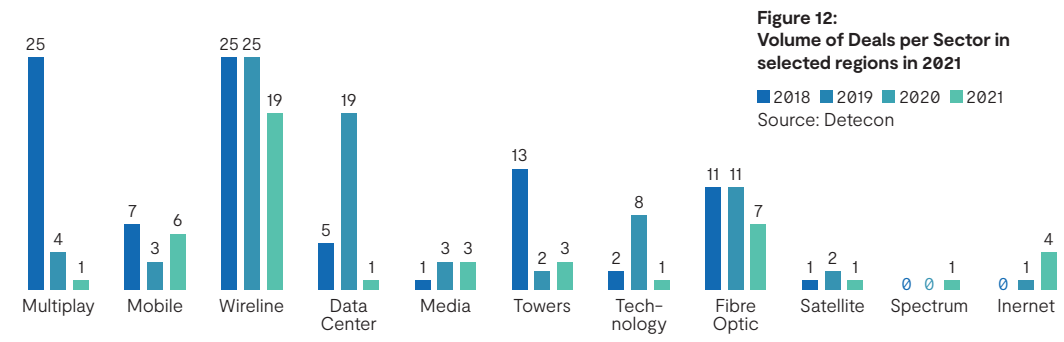
The Technology sector experienced a continuous downward trend in the telco industry. While the number of deals has remained, constant overall deal value has plummeted to a mere US\$ 0.3bn.





As indicated, the Multiplay sector had a strong year, which can mainly be traced back to activities within Europe (see Figure 12). In 2021, 25 of 41 deals in the Multiplay sector were closed on the European continent. Overall, more than a quarter

of deals in Europe happened within the Multiplay sector. European players show clear appetite aspirations in the telco core business: Multiplay, Mobile & Wireline. On the other hand, US players signal clear interest in data centers.



2021 was yet another exciting year with high M&A activity and valuable deals within the telecommunication industry, keeping the future outlook optimistic. In this year's Spotlight, we're taking a closer look at worldwide regions:

- Europe
- North America
- Middle East & Africa
- Asia & Oceania
- Latin America

## 3. Regional Analyses of Global M&A Markets

### 3.1 Europe

Players in the European telecoms markets remain primarily fragmented and at a size disadvantage compared to their peers in the US or China (we have reported on this in last year's M&A spotlight). The existing fragmentation over the continent certainly does not favor European carriers – even small countries have as many as four mobile operators. Moreover, upcoming and ongoing 5G and FTTH rollouts, new infrastructure requirements, and expensive spectrum leases (which operators are required to pay for every 15-20 years) are putting pressure on the balance sheets of European telecom operators. Competition legislation led to a downright boom of virtual network operators without any infrastructure by obligating incumbents to lease their networks to these operators. This and the loss of revenues from roaming and voice services have led to a sharp decline in prices and telecoms revenues. In light of these developments, and with increased pressure from global markets, much seems to have changed in the world view of European regulators as they have finally identified this issue and started addressing it. It is no secret that fewer operators would make the overall telecommunications market more lucrative and exciting for potential investors, particularly in smaller countries.

Until recently, mergers have been shunned as regulators were concerned that consolidation could lead to less choice, lower quality, and higher customer prices. However, regulators have become aware that operators are unwilling to invest in network expansion in an environment where returns do not cover the costs. This leads to a mindset swing. As a result, the EU's competition commission seems to shift away from its principle of not letting companies become too large and taking a more accepting stance towards industry consolidation. Overall, policymakers aim to enable operators to fund necessary network investment and achieve higher synergy levels across the continent. However, it is yet to be seen how this will interact with introducing new foreign direct investment regimes in Europe, e.g., screening foreign direct investment for threats to security and public order.

Many important deals were announced all over the continent in 2021. In early 2021, American Tower announced that it had entered into agreements with Telefónica to acquire Telxius Towers and its portfolio of around 31,000 telecommunication sites in Spain, Germany, Brazil, Chile, Peru, and Argentina for € 7.7bn.<sup>2</sup> Telefónica stated that ATC would become Telefónica's leading supplier in both Europe and Latin America while maintaining its status as a partner in strategic projects. The transaction turns American Tower into one of the largest TowerCos in Europe, putting them in a prime position to benefit from accelerating 5G deployments in the region.

<sup>2</sup> <https://www.telefonica.com/en/communication-room/telefonica-sells-telxius-tower-division-to-american-towers-corporation-at-record-multiples-for-7-7-billion-euros>

MasMovil acquired Euskaltel in a deal valued at more than € 2bn in Spain<sup>3</sup>. The deal aims at creating a rival to compete with market leaders Telefónica, Vodafone, and Orange.<sup>4</sup>

In the Netherlands, Apax Funds and Warburg Pincus acquired T-Mobile from Deutsche Telekom and Tele2 at an enterprise value of € 5.1bn. Deutsche Telekom and Tele2 merged their operations only about three years ago when they received the go from the European Commission in a 4-to-3 merger reducing the number of mobile network operators from four to three.<sup>5</sup>

In Italy, KKR, a global investment firm (part of MasMovil's ownership structure), bid € 10.8bn in November to take Italy's incumbent operator Telecom Italia (TIM) private. While contemplating their way forward and with TIM's share price tumbling in late 2021 among changed market conditions and further uncertainty, KKR noted in early 2022 that it could not confirm the offer without further due diligence. The deal has been put on hold as TIM has rejected KKR's inquiry about opening its books (as of writing this article).<sup>6</sup> KKR is already an investor in FiberCorp, TIM's last-mile fixed network venture, after investing € 1.8bn for a 37.5% stake in 2020.<sup>7</sup>

In Belgium, Orange announced in late 2021 the signing of an agreement with Nethys to acquire 75% minus one share in Voo for € 1.8bn. The Belgian operator offers a portfolio of fixed and mobile telephony, broadband internet, and TV services in the Brussels and Walloon regions highlighting Orange's ambitions for convergence.<sup>8</sup> With the acquisition, Orange is looking at complementing its mobile network operator with fixed network capabilities in parts of Belgium, essentially creating a third fixed-mobile converged operator in Belgium, next to Proximus and Telenet. Orange furthermore said that it is looking into further potential M&A options across Europe.<sup>9</sup>

As hinted at in Detecon's 2020 M&A Spotlight, we see a more substantial involvement of investment firms pushing into the market. Overall, we expect to see even more traction in European telecommunications M&A over the next few years, driven by industry consolidation and the need for scale, refined with a more laissez-faire attitude by regulators.

<sup>3</sup> <https://www.reuters.com/business/media-telecom/spains-government-approves-24-bln-takeover-bid-euskaltel-by-masmovil-2021-06-23/>

<sup>4</sup> <https://www.ft.com/content/33170195-fa2e-411f-be3d-295c9fa7782c>

<sup>5</sup> <https://telecoms.com/511240/t-mobile-netherlands-sells-for-over-e5-billion>

<sup>6</sup> <https://www.reuters.com/business/media-telecom/telecom-italia-rejects-kkr-request-due-diligence-2022-04-07>

<sup>7</sup> <https://www.reuters.com/business/media-telecom/telecom-italia-shares-fall-kkrs-takeover-approach-falters-2022-04-04>

<sup>8</sup> <https://corporate.orange.be/en/news-medias/orange-belgium-announces-signing-agreement-nethys-acquire-75-minus-one-share-voo-sa>

<sup>9</sup> <https://www.bloomberg.com/news/articles/2021-12-24/orange-belgium-buys-1-5-billion-stake-in-telecom-operator-voo>

# Talking to Falk Schröder



Managing Partner

Global Chapter Head Communication Industries International



Falk Schröder accompanies telecommunications network operators and industrial companies on their way to a connected technology landscape. Possible applications, functional scope, monetisation strategies as well as the nationwide expansion of 5G is a top topic for him, as is virtualisation and the planning and construction of campus networks.

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What is your opinion on telco M&A activity within Europe in 2021?

Digitalization will foster operators to become real digital players in Europe to cope with the needs of various industries.

Only first movers will be attractive enough to relevant industries, provided they have the suitable options in place. Within a single market, I only see room for two operators that are able to compete. In addition to that, I see one low-cost, efficiency-driven operator providing access only. This gives room for further M&A moves in most European countries.

What would you have hoped to see in 2021?

More focus on industry-specific cooperation, similar to what we see in Australia or Asia. However, covid has shown a tremendous need to think differently about connectivity.

What do you expect for 2022?

Based on activities in the market, I see a push towards more industry-specific RfP's. This will lead to a better understanding of needs and promote the right priorities for change. As a result, we will see an increased appetite for M&A initiatives: first to acquire further partners and become more flexible in various markets, and second to consolidate markets.

### 3.2 North America

North American telco M&A deal values reached new heights in 2021, catapulting North America to the top of the charts. With an aggregated deal value of US\$ 152bn, USA and Canada accounted for a higher deal value than all other regions combined. Deal volume has increased as well (from 76 deals in 2020 to 86 deals in 2021), albeit not at the same rate as deal value. Nevertheless, big-ticket M&A activity remains a North American characteristic that reflects scale advantages compared to European players and individual deals.

While most European deals are located within the telco Core business domain, North American deals are mainly within the Infrastructure domain. This, in turn, can primarily be traced back to a significantly larger appetite for data center deals in the US and Canada (see last year's M&A Spotlight).

Having a further look at the differences between the US and Europe in the distribution and handling of infrastructure, it is striking that divestment of infrastructure assets with subsequent leaseback agreements is the norm in the North American communications market. At the same time, European actors still tend to keep their telecommunication infrastructure on their balance sheets. Global hedge funds and asset managers in the United States are acquiring smaller infrastructure providers and infrastructure assets from existing telcos worldwide to control their fiber optic, wireless towers, and data centers. Such leased use of the infrastructure entails lower acquisition costs and more flexible network distribution for the telco providers.<sup>10</sup>

The rising value and increasing number of deals containing data centers are based on increasing demand for their services; multiple factors can explain the origin of this phenomenon. First of all, in 2021, we were still in a pandemic year. Streaming providers, social media, and other platforms used for corona-conform entertainment are in high demand and produce vast amounts of stored data. Working life has also changed permanently; driven by the need for remote working, the demand for cloud services has increased significantly. A significant part of the demand in 2021, recorded by data centers, comes from cloud service providers and Social Media platforms.<sup>11</sup> As the number of users grows, so do the service requirements for data centers, creating new challenges for them, such as Edge Computing and the Hybrid Cloud. It is expected that large private equity firms will continue to acquire and then finance data center providers to meet these needs and increase their market share. Since acquiring existing providers is logically more efficient than building up one's own business, M&A activity in the data center sector is expected to remain high in 2022. Furthermore, telco providers expect outsourcing through "buy-and-leaseback-agreements" as an opportunity to reduce costs and focus more clearly on their core business.

<sup>10</sup> <https://dgtlinfra.com/americanization-of-european-towers-united-states/>

<sup>11</sup> <https://www.cbre.com/en/insights/reports/north-america-data-center-trends-h2-2021>

The largest deal in 2021 was AT&T's spin-off of WarnerMedia in a US\$ 43bn transaction to merge media assets with Discovery. AT&T acquired Time Warner in 2018 for US\$ 85bn and is now combining it with Discovery creating a content giant. Much has changed in the media universe, and AT&T is unwilling to enter a battle in the fiercely contested streaming market rather than focus on its core business. The deal reflects a strategic shift from competition in the media and streaming market towards a stronger focus on building out AT&T's telecommunications networks.

Next to the Telxius deal in Europe and LATAM, American Tower Corporation quenched its thirst for further acquisitions on the North American continent as well, acquiring CoreSite in a deal valued at US\$ 10.1bn.<sup>12</sup> As of Q3/2021, Coresite consisted of 25 data centers, 21 cloud on-ramps, and over 32,000 interconnections in eight major US markets. The transaction is exciting as American Towers is looking at leveraging their mobile edge computing business with distributed points-of-presence.

In late 2021, CyrusOne announced that they had come to an agreement with KKR and Global Investment Partners (GIP) to be acquired at a deal value of US\$ 15bn, making the transaction the largest M&A deal in the data center industry history.<sup>13</sup> At that time, CyrusOne owned approximately 50 data centers across the US, Europe, and South America. CyrusOne aims to leverage resources and expertise to drive its global expansion. The deal was completed in early 2022.

Much has happened in the data center space in 2021, and had it not been for the acquisition announcement of CyrusOne, Blackstone's acquisition of QTS would have taken the top spot of the largest ever data center deal. In June, Blackstone's US\$ 10bn bid for QTS Realty Trust was finalized in late August.<sup>14</sup>

Particularly in Canada, the announcement by Rogers Communications to acquire Shaw Communications in a massive US\$ 21bn transaction has made waves.<sup>15, 16</sup> Toronto-based Rogers is looking at acquiring 16 cable services located in Western Canada, a national satellite TV service, and other broadcast and television services. The new company aims at multi-billion investments in 5G networks over the next five years to accelerate 5G service delivery more quickly than either company could on its own. In addition, the deal will enable Rogers to compete with Telus Corp and BCE in western Canada. According to Telus, Rogers would be able to serve about 47% of English-language broadcast subscribers, and its network would reach 80% of Canadians. The deal was approved in early 2022 by the Canadian Radio-television and Telecommunications Commission; however, as expected, with certain strings attached.<sup>17</sup>

<sup>12</sup> <https://investors.coresite.com/news-releases/news-release-details/american-tower-acquire-coresite>

<sup>13</sup> <https://www.datacenterdynamics.com/en/analysis/biggest-data-center-acquisitions-10-billion-dollar-data-center-deals>

<sup>14</sup> <https://www.blackstone.com/news/press/qts-realty-trust-to-be-acquired-by-blackstone-funds-in-10-billion-transaction>

<sup>15</sup> <https://newsroom.shaw.ca/corporate/newsroom/article/materialDetail.aspx?MaterialID=6442452489>

<sup>16</sup> <https://www.financierworldwide.com/rogers-communications-to-buy-rival-shaw-for-26bn#.YmZfhNpBw2w>

<sup>17</sup> <https://www.cbc.ca/news/business/crtc-rogers-shaw-broadcast-1.6397539>

# Talking to Thomas Switala



Partner

Regional Head North America



Thomas Switala is responsible for assisting organizations develop new generation network infrastructures and bring them to scale globally. His passion is to ensure connectivity reaches the unconnected and finding new innovative ways of connecting them.

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What is your opinion on telco M&A activity within North America in 2021?

North American M&A deal values reached new heights in 2021 which is not surprising considering the decline induced by the pandemic in the previous year. The telco industry consolidation and search for salable deals continues even though there have been many of these deal types before.

Connectivity infrastructure is a large part of the TMT deals, with the 5G Fund for Rural America as example of the US government's commitment to bring 5G wireless broadband connectivity to unserved parts of America, stimulating the attractiveness towards tower and fiber assets across the country.

Lastly, we are still experiencing a significant growth of private investment in the industry. The trend is pushing operators to reconsider their portfolios and divest underperforming assets to private investors.

What would you have hoped to see in 2021?

We would have hoped to see higher M&A consolidation (more among small players) within the North American market. There has been a growing numbers of PE deals in the telco industry but the necessity to reevaluate business models and underperforming assets will significantly drive deal activity, particularly among private equity acquirers. This is exacerbated by the impact that digital disruption has brought to the sector, with podcasts, video games, mobile apps, cloud computing, AR/VR software etc.

What do you expect for 2022?

Some of the points that have been proven this year will be even more valid in 2022. The focus on serving the unconnected parts of America and the upcoming spectrum auctions planned for 2022 and 2023 will stimulate the needs for further consolidation and infrastructure acquisition, especially among small and medium regional players. We also expect significant M&A growth due to big tech and media conglomerates entering the metaverse driving deal activity. Meanwhile, companies developing VR/AR and connective hardware have already become attractive acquisition targets as interest in the metaverse builds — which we expect to accelerate in the coming years.

### 3.3 Middle East & Africa

The post-Covid economic recovery led to a slight M&A rebound in the MEA region. However, limited foreign investments in Africa, and a strong focus on expanding communications infrastructure in the Middle East, resulted in only a tiny number of M&A deals in 2021. As a result, in comparison to other regions covered, MEA revealed the lowest overall deal value in 2021.

Etisalat, the biggest telecom operator in the UAE, increased its stake in Maroc Telecom from 48.4% to 53%. Maroc Telecom operates in eleven countries in West Africa. The initially communicated acquisition costs of US\$ 505mn are subject to change according to shifting market conditions. The investment is being funded through bank loans, according to Etisalat. The company has stated that the lower minority interest in group consolidated results and expected increases in future dividends will positively impact the group's consolidated net profits.<sup>18</sup> A few months later, Etisalat announced a new partnership with Microsoft to improve the UAE's infrastructure and border security.<sup>19</sup>

In December 2021, Zain received an offer of about US\$ 1.3bn for their Sudan business from Sudan's DAL Group, a large conglomerate with companies operating in various industries. Zain's management agreed to complete due diligence on the non-binding offer.<sup>20</sup>

Helios Towers plc, an independent TowerCo, agreed with Omantel to acquire the passive tower infrastructure portfolio of 2,890 sites for a value of US\$ 575mn. This transaction is subject to regulatory approval.<sup>21</sup> In March 2021, Helios Towers also signed agreements with Airtel Africa to acquire passive infrastructure companies in Malawi and Madagascar for US\$ 108mn. In addition, in Chad and Gabon, Helios Towers entered an exclusive memorandum for a potential acquisition of passive infrastructure licenses expected to be closed beginning of 2022.<sup>22</sup>

Qatar Holding LLC, an affiliate of Qatar Investment Authority (QIA), acquired a minority stake in Airtel Africa's mobile money operations with a deal value of US\$ 200mn. Airtel Africa continues to hold the majority stake. The transaction shall reduce Airtel Group's debt and support network and sales infrastructure investments. Earlier in 2021, Mastercard invested US\$ 100mn in Airtel Africa's mobile money business, expanding Mastercard's presence in a growing market.<sup>23</sup> Additionally, The Rise Fund, an investment platform by US-based private equity company TPG, acquired 7.5% of Airtel Africa's mobile money business for US\$ 200mn.<sup>24</sup>

<sup>18</sup> <https://www.thenationalnews.com/business/technology/2021/08/17/breaking-news-etisalat-signs-deal-to-acquire-additional-stake-in-maroc-telecom>

<sup>19</sup> <https://news.microsoft.com/en-xm/2022/01/05/etisalat-partners-with-microsoft-to-secure-uaes-digital-borders>

<sup>20</sup> <https://www.reuters.com/markets/deals/kuwait-telecom-zain-receives-13-bln-offer-sudan-business-2021-12-09>

<sup>21</sup> <https://www.heliostowers.com/media/press-releases/2021/omantel-tower-portfolio-acquisition/#:~:text=London%2C%2011%20May%202021%3A%20Helios%20Towers%20plc%2%28%22Helios.a%20cash%20consideration%20of%20%24575%20million%20%28the%20%22Transaction%22%29>

<sup>22</sup> <https://www.heliostowers.com/investors/investor-news/2021/airtel-africa-tower-portfolio-transactions>

<sup>23</sup> <https://www.nasdaq.com/articles/mastercard-ma-to-invest-%24100-million-in-airtel-africa-2021-04-05>

<sup>24</sup> <https://www.insidetelecom.com/tpg-acquires-7-5-of-airtel-africas-mobile-money-business/#:~:text=U.S.-based%20private%20equity%20firm%20TPG%20announced%20on%20Thursday,%24200%20million%2C%20the%20telco%20said%20in%20a%20statement.>

<sup>25</sup> <https://www.ethioembassy.org.uk/consortium-including-uks-vodafone-and-cdc-group-awarded-telecom-licence/>

Ethiopia awarded in May 2021 a telecoms operating license to the “Global Partnership for Ethiopia”, a private international consortium comprising Vodafone Group and CDC Group, Safaricom, Vodacom Group, Development Finance Cooperation, and Sumitomo Corporation. The consortium plans to invest more than US\$8 mn over the next ten years.<sup>25</sup> In September, the Ethiopian government invited proposals to partially privatize the state-owned Ethio Telecom, offering the sale of a 40% minority stake. Several discussions with potential bidders were held. However, in the first quarter of 2022, the government announced that the privatization process would be postponed due to global and country-specific macroeconomic changes.<sup>26</sup>

In November 2021, MTN Group finalized its passive tower infrastructure transaction with IHS Towers. The offer value of US\$ 410mn accounts for the sale of 5,709 MTN towers in South Africa and the provisioning of power-as-a-service at around 12,800 third-party sites by IHS Towers to MTN. IHS Towers will own 70% of the tower business in South Africa, while the remaining stake will be held by a B-BBEE (Broad-based Black Economic Empowerment) consortium. The transaction is expected to close in 2022, pending regulatory approvals.<sup>27,28</sup>

Saudi Telecom Company’s (STC) negotiations with Vodafone regarding acquiring a 55% stake in Vodafone Egypt made headlines in 2020 and 2021. However, both parties did not come to a final agreement.<sup>29</sup> In late 2021, Vodacom Group, an African digital and financial services company, agreed with Vodafone Group to acquire the controlling stake of 55% in Vodafone Egypt for US\$ 2.7bn. The acquisition is expected to be concluded in 2022.<sup>30</sup> The transaction is expected to benefit all three parties. Vodafone can simplify its African holdings management, Vodacom is enabled to diversify its portfolio by adding its first North African market and around 43 million consumers<sup>31</sup>, and Vodafone Egypt cooperates closer with Vodacom helping growth in the IoT and financial services sectors.<sup>32</sup>

Another deal between Vodacom was concluded with Remgro, a South African investment holding company, to bundle their South African fiber connectivity operations to provide better high-speed internet access for lower and middle-income customers. Vodacom sold its fiber network to Community Investment Ventures Holdings (CIVH), of which Remgro holds 57%.<sup>33</sup> Vodacom and CIVH’s fiber assets will be hosted in the newly established InfraCo, where Vodacom will hold 30% and CIVH 70%. The total purchase price paid by Vodacom, including the transfer of its fiber assets, is US\$ 875mn. Vodacom’s investment might pressure its key rival MTN to make a similar move.<sup>34</sup>

<sup>26</sup> <https://www.itnewsafrika.com/2022/03/ethiopias-government-postpones-ethio-telecom-privatisation-process/#:~:text=In%20September%202021%2C%20the%20Ethiopian%20government%20released%20a,of%20operations%2C%20infrastructure%20management%2C%20and%20next-generation%20technological%20capabilities.%E2%80%9D>

<sup>27</sup> <https://www.itnewsafrika.com/2021/11/mtn-finalises-ihs-tower-deal-all-the-details>

<sup>28</sup> <https://thetechcapital.com/ihs-buys-mtn-south-africa-towers-for-410m>

<sup>29</sup> <https://www.arabnews.com/node/1936116/business-economy>

<sup>30</sup> <https://www.techaficanews.com/2021/11/10/vodacom-to-acquire-the-controlling-stake-of-vodafone-egypt-for-r41-million/#:~:text=Vodacom%20to%20Acquire%20the%20Controlling%20Stake%20of%20Vodafone,or%20%242.838%20billion.%20Shameel%20Joosub%2C%20CEO%20Vodacom%20Group>

<sup>31</sup> <https://moneyinafrica.com/kenya/nairobi-stock-exchange/vodacom-buys-majority-stake-in-vodafone-egypt>

<sup>32</sup> <https://www.vodafone.com/news/corporate-and-financial/egypttransfer>

<sup>33</sup> [https://www.connectingafrica.com/author.asp?doc\\_id=773419#:~:text=The%20Vodacom%20Group%20is%20buying%20into%20a%20fiber,fiber%20players%20Vumatel%20and%20Dark%20Fibre%20Africa%20%28DFA%29](https://www.connectingafrica.com/author.asp?doc_id=773419#:~:text=The%20Vodacom%20Group%20is%20buying%20into%20a%20fiber,fiber%20players%20Vumatel%20and%20Dark%20Fibre%20Africa%20%28DFA%29)

We expect movement, especially in the African telco market, due to the increasing usage of digital platforms. With the growing number of subscribers and users, the MEA region holds potential for further M&A deals in 2022. With more spectrum available, broader coverage can be achieved, and consumer prices for telecommunication services are more accessible. The past two years were characterized by increased demand for internet services. With the expansion of 5G, further growth is expected, even though the region has not landed bigger deals over the past years. It will also be interesting to observe the development of MTN's acquisition of digital land in the first African metaverse ("Africare"). This will strengthen MTN's strategy to reposition as a technology company and enable the organization to increase its customer attractiveness and portfolio.<sup>35</sup>

<sup>34</sup> <https://www.dailymaverick.co.za/article/2021-11-10-vodacom-inks-deals-to-boost-african-expansion-fintech-services-and-fibre-connectivity>

<sup>35</sup> <https://venturesafrica.com/how-mtns-land-acquisition-in-the-metaverse-will-impact-africa>

# Talking to Björn Menden



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Regional Head Middle East & Africa



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What is your opinion on telco M&A activity within the Middle East and Africa in 2021?

Looking at the overall telco landscape in the region, I believe that it is quite interesting to take a closer look at the larger players, the groups, and their OpCos across multiple countries. Overall it seems that Ooredoo is quite interested in further expanding their investment activities while, in some instances, also trying to divest assets. STC's solid financial situation gives them leverage to expand their international footprint, particularly in regards to Tawal, their TowerCo. Telekom Egypt and its subsidiary Xceed, too, are looking beyond Egypt and telco, moving towards IT and outsourcing. Looking at Pakistan, I am curious to see how economic sanctions on Russia will affect VEON and Jazz. On top of that, Telenor mentioned as well that they are looking for merger opportunities.

What would you have hoped to see in 2021?

I did not have any particular hopes or expectations for 2021, but I do believe that the overall market dynamics in the region are highly interesting. Investments in the region are surging and it is becoming ever more apparent, that a robust and well-developed telecommunications infrastructure can pave the way toward a less oil-focused economy, particularly in the Gulf states. Egypt, too, is putting a strong emphasis on improving its ICT infrastructure, and major players such as MTN and Econet are focusing on the digital transformation of their business models and how they can supplement their portfolios through M&A.

What do you expect for 2022?

I do expect an increase of deal volumes and deal values in the MEA region. Some of the larger players are financially well-equipped and proactively looking for acquisition targets. I am sure that we will see acquisition or carve-out announcements in the infrastructure domain, particularly in the area of towers and cell sites.

### 3.4 Asia & Oceania

Asia's overall telco M&A landscape remained within expectations in 2021. While the number of deals and their values seem small compared to Europe and North America, and they are not expected to catch up with them soon, Asia is continuously growing.

Stricter regulations and issues related to cyber security compliance lead to a less attractive environment for M&A deals, highlighting the importance of partnerships with domestic players. For instance, according to the Chinese government, data is a strategic resource, so the data protection law defines how it should be collected, used, and protected. Article 31 requires that every critical information generated by critical information infrastructure on Chinese soil must also be stored in the territory of China. Before this data can cross the border, it must be subjected to a security check. Critical information infrastructures refer to infrastructures in essential industries and sectors, such as public communications.<sup>36</sup> Recording to that, this law mainly affects international telco players based outside of China. Asia & Oceania and their developments in the realm of telecommunications M&A deals nonetheless remain attractive, exhibiting a fair share of exciting deals.

Telenor aims to strengthen its Asia strategy in Thailand and has agreed with CP Group (Charoen Pokphand) to merge dtac, its Thai operator, with rival provider True. The deal, valued at US\$ 8.6bn, would turn the second and third-biggest operators into the country's most significant mobile players leaving the Thai market with two prominent players (the other one being AIS). It is no surprise that regulators are expected to take a close look at this deal. To further strengthen regulatory support for the joint plans, it was decided in the merger agreement that US\$ 100–200mn would be raised jointly to invest in digital startups.<sup>37</sup>

Two years after a failed merger plan between the subsidiaries of Telenor Group and Axiata Group Berhad in Malaysia, the parties are again in advanced discussions. The mobile companies Digi and Celcom have agreed on an equal partnership where both parties will own 33.1% of the new company.<sup>38</sup> Unlike the merger in Thailand, the parties have already confirmed the new company's name: CelcomDigi. Combining their mobile operators in Malaysia will create a new US\$ 12bn telecom giant in the country with a subscriber base of over 19 million and a market share of over 43%.<sup>39</sup> Naturally, Telenor and Axiata have outlined that there is no certainty that these discussions will result in any agreement as Malaysia's telecom regulator is expected to raise competition concerns.

<sup>36</sup> <https://www.china-briefing.com/news/a-close-reading-of-chinas-data-security-law-in-effect-sept-1-2021/#:~:text=%20At%20present%2C%20there%20are%20three%20laws%20related,Law%2C%20to%20be%20implemented%20from%20September...%20More%20>

<sup>37</sup> <https://www.telenor.com/media/press-release/c-p-group-and-telenor-group-support-true-and-dtac-in-exploring-the-creation-of-a-new-telecom-tech-company>

<sup>38</sup> <https://www.telenor.com/media/press-release/telenor-and-axiata-in-advanced-discussions-to-merge-malaysian-operations>

<sup>39</sup> <https://www.forbes.com/sites/jonathanburgos/2021/06/22/axiata-telenor-merging-malaysian-units-to-create-12-billion-telecom-giant/?sh=100385aa5d37>

In Q3 of 2021, an agreement was reached regarding the merger of Indosat Ooredoo (Ooredoo Group), a top-tier telecommunication provider in Indonesia, and Hutchinson 3 Indonesia (Hutchinson Holding Ltd.).<sup>40</sup> The merger, which has a total transaction value of approximately US\$ 6bn, is expected to create the second-largest telecommunications provider in Indonesia, combining the expertise, infrastructure, and financial capabilities of both companies. Once the transactions are completed, both parties are expected to own 50% of the renamed parent-company Ooredoo Hutchinson Asia, which controls the merged company (PT Indosat Ooredoo Hutchinson Tbk) with a majority stake of 65.6%.

Earlier in the year, Indosat Ooredoo sold 4,200 towers at the price of US\$ 750m to PT EPID Menara AssetCo, which Digital Colony wholly owns.<sup>41</sup> Indosat signed the “sale and leaseback deal” as part of its goal to strengthen its competitive position and balance sheet.<sup>42</sup>

Contrary to Asia, Oceania has experienced a continuous decline in deal values since 2018. 2021, however, was a record year with a whopping overall deal value of US\$ 10bn strongly driven by infrastructure deals and superannuation funds’ ambitions. Early in 2021, a consortium of

Macquarie Infrastructure & Real Assets (MIRA) and the superannuation fund Aware Super acquired Vocus Group for a deal value of AU\$ 3.5bn (US\$ 2.7).<sup>43</sup> Later that year, Optus divested its 70% stake in Australia Tower Network, which holds more than 2,300 cell sites, for AU\$ 1.9bn to Australian-Super.<sup>44</sup> But not only has Singtel’s Optus joined the infrastructure divestment train. In Q4, Telstra divested a 49% stake in its InfraCo to a consortium of the Future Fund, Commonwealth Superannuation Corporation, and Sunsuper for US\$ 2.4bn creating Amplitel, the largest mobile infrastructure provider in Australia.<sup>45</sup> Telstra will retain 51% ownership, maintaining control of the assets and managing the network’s active parts.

<sup>40</sup> <https://globallegalchronicle.com/indosat-ooredoo-6-billion-merger-with-pt-hutchison-3-indonesia>

<sup>41</sup> <https://www.fitchratings.com/research/corporate-finance/indosat-tower-sale-to-ease-capex-strain-31-03-2021>

<sup>42</sup> <https://www.bloombergquint.com/business/ooredoo-s-indosat-is-said-to-near-towers-sale-to-digital-colony>

<sup>43</sup> <https://www.mirafunds.com/au/en/footer/press/mira-and-aware-super-enter-binding-agreement-to-acquire-vocus-group.html>

<sup>44</sup> <https://www.optus.com.au/about/media-centre/media-releases/2021/10/optus-announces-sale-of-towers-to-australiansuper>

<sup>45</sup> <https://exchange.telstra.com.au/introducing-amplitel-the-largest-mobile-infrastructure-provider-in-australia>

# Talking to Thomas Wehr



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What is your opinion on telco M&A activity within Asia & Oceania in 2021?

M&A is an eternal theme in crowded APAC marketplaces, especially in countries with challenging economic environments due to increasing technology expenses, tighter regulatory frameworks, and governments' ambitious digitization plans.

On their path toward becoming fully integrated digital telcos and essential players in government's digitalization agendas and gaining recognition from financial markets, operators are reviewing their entire value chains and planning to divest non-strategic assets while acquiring future-oriented assets.

What would you have hoped to see in 2021?

In 2021 we noticed that several M&A projects in the region were more challenging than initially anticipated. Imposed remote work practices delayed the review and assessment stages, mainly due to fragmentation, which was easier to manage during previous on-site engagements. As more companies adopt hybrid working models or consider a return to traditional on-site arrangements, we again expect higher degrees of personal interaction, direct exchanges, and overall greater efficiencies.

What do you expect for 2022?

I believe that several companies in APAC will consider merging with historical competitors to improve market share while reducing potentially significant overhead positions such as new spectrum costs, 5G implementation, large-scale digital transformations, minimizing sunset technology impact, etc.

On top of that, due to the ever-increasing costs of supporting a diversified and digitized remote workforce paired with security concerns, I feel that there will be a focus on achieving synergies through means such as workforce rationalization or locating staff back into office environments to reduce software licensing as well as IT security costs and risks.

### 3.5 Latin America

#### Telco Sector and MaA Activity

The telco sector in the LATAM region is driven by the dominance of major international groups such as Telefónica (under the Movistar brand), América Móvil (under the Claro and Telecel brands), Millicom (under the Tigo brand), AT&T in Mexico, Liberty Latam (with VTR Chile as its primary asset) and to a lesser extent Entel (in Chile and Peru), and Digicel (mainly in the Caribbean). Purely local players of note are typically only present in larger countries such as Argentina (Nuestro), Colombia (Movil Exito, ETB), and Brazil (Oi, see below).

The M&A activity in the region in 2021 was robust and driven mainly by four industry trends that have been building over the past few years:

1. In-country consolidation, operators aim to increase their market share and economies of scale. In several markets, these transactions amount to something close to sector reorganization.
2. Infrastructure M&A, particularly in tower and fiber assets, increased as companies and private investors were eager to join the infrastructure party.
3. Investors have shown a growing interest in the telecommunications market fueled by higher transaction multiples for private transactions than public trading in private investments.
4. Joint ventures took place where companies participate in scale deals with the primary goal of not relinquishing control, typically in the context of FMC.

#### Consolidation:

##### Millicom acquires minority stake in Guatemala:

One of the largest consolidation transactions was

in Guatemala. Group Millicom, operating under the Tigo brand, has taken full ownership of its joint venture businesses in Guatemala, acquiring the remaining 45% equity interest from its local partner, Miffin Associates Corp, for US\$ 2.2bn in cash.<sup>46</sup> As a result, Millicom now owns a 100% equity interest in Tigo Guatemala. This is an M&A example of a transaction aligned with an inorganic capital allocation strategy which includes acquiring remaining minority interests owned by third parties in their operations. This enables Group Millicom to operate the business without minority shareholders, allowing decisions to be taken expeditiously.

##### Liberty Latam acquires Telefónica unit in Costa Rica:

In Costa Rica, Telefónica concluded the sale of the entire share capital of its business to Liberty Latin America as part of their consolidation strategy. The enterprise value of the transaction is US\$ 500mn. Earlier, in 2019 Millicom offered 570m US\$, but backed out of that procurement agreement in 2020. The wireless unit will be merged with Liberty's Cabletica, a fixed-line service provider in which Liberty holds an 80% stake. Telefónica is the second-largest wireless operator in Costa Rica, with its 4G/LTE network covering almost 90% of the Central American country.<sup>47</sup> With the acquisition Liberty Latam is well positioned to offer converged services to a larger customer base.

##### Telefónica acquires DirecTV assets in Colombia:

Telefónica Colombia (Movistar) acquired DirecTV Latin America's 4G broadband assets including the radio spectrum in Colombia. DirecTV serves approximately 200,000 internet clients in Colombia, of which 60% have their service packaged with a TV subscription. The agreement between the

<sup>46</sup> <https://www.lawyer-monthly.com/2022/01/millicom-buys-a-stake-in-tigo-guatemala>

<sup>47</sup> <https://nearshoreamericas.com/liberty-telefonicas-costa-rica/#:~:text=Liberty%20Latin%20America%20has%20acquired,which%20Liberty%20holds%2080%25%20stake.>

two companies has established that these customers will maintain their TV plan with DirecTV, while Movistar assumes responsibility for the internet service.<sup>48</sup>

**Liberty acquires smaller competitor Claro in Panama.** In September 2021 Liberty Latam backed Cable & Wireless (traded as +Movil), in Panama acquired America Movil's operations in Panama through an all-cash transaction valued at 200m US\$. It has been approved by the competitive watchdog in March 2022. At time of writing, the national regulator (ASEP), is reviewing the merger.

**Digicel fails to find a buyer for the operations in Panama:** Digicel had no success in 2021 in initiatives that included appointing an investment bank to market the business to financial and strategic parties, extensive engagement with authorities about the planned merger of Cable & Wireless and Claro, and proposals to migrate customers to another operator which were not taken forward.<sup>49</sup> Early 2022 Digicel returned the operating license to the regulator ASEP.

#### Consolidation and Infrastructure:

**Oi's divestments in Brazil:** End of 2020, Oi's mobile assets (spectrum, towers, subscribers) were sold to a consortium formed by the three operators TIM, Claro, and Telefónica in an auction for a total amount of US\$ 3.1 bn. According to the three purchasers' management, besides the achieved increased growth, this deal will shape a new infrastructural balance in the Brazilian market, ensuring a high level of competition resulting in consumer benefits and further investments in infrastructure.<sup>50</sup> The Brazilian regulator Anatel as well as the cope

watchdog Cade approved the deal subject to remedies related to radio access network sharing, spectrum sharing and spectrum for small players, early 2022.

Furthermore, Oi has signed a contract with GlobeNet and funds managed by BTG Pactual formalizing the sale of 57.9% of its fiber vehicle, dubbed V.tal, for US\$2.39bn. The deal is pending clearance by antitrust watchdog Cade and telecom regulator Anatel, which Oi expects for year-end. At the end of the process, Oi will retain 42.1% of the neutral, wholesale fiber company. Oi will also be the anchor-client of the new company. With a market value of more than US\$3.6bn and 400,000km of network distributed in the country – a backbone inherited from Oi – V.tal aims to reach 32mn homes passed with fiber by 2025. V.tal also foresees investments of over US\$5.5bn in the next four years.<sup>51</sup>

#### Infrastructure:

**ATC acquires Telefónica tower business:** As part of infrastructure M&A activity, Telefónica completed the sale of its Telxius' tower business in Latin America to American Tower Corporation (ATC). Telxius has received a payment of approximately US\$ 1.1bn. The deal included 7,000 towers in Brazil, Peru, Chile and Argentina.<sup>52</sup> The deal is part of the strategy and fulfilment of the Telefónica Group's plan, which includes, among other objectives, an active portfolio management policy for its business and assets, based on value creation.<sup>53</sup>

<sup>48</sup> <https://www.commsupdate.com/articles/ü2021/05/27/telefonica-colombia-acquires-directv-4g-spectrum-subscribers/>

<sup>49</sup> <https://www.nasdaq.com/articles/digicel-plans-to-liquidate-panama-business-after-rivals-merger-approved>

<sup>50</sup> <https://www.developingtelecoms.com/telecom-business/operator-news/13389-telecom-italia-telefonica-and-america-movil-complete-oi-assets-buy.html>

<sup>51</sup> <https://www.developingtelecoms.com/telecom-business/operator-news/13389-telecom-italia-telefonica-and-america-movil-complete-oi-assets-buy.html>

<sup>52</sup> <https://telxius.com/en/telefonica-completes-the-sale-of-telxius-towers-after-the-closing-of-the-deal-in-latin-america/#:~:text=Madrid%C%203rd%20June%202021,.0.9%20billion%20for%20this%20transaction>

**Private investment:**

**Atlantida Group acquires Telefónica's unit in El Salvador:** Telefónica Centroamérica Inversiones completed the sale of its entire 99.3% stake in Telefónica Móviles El Salvador (Movistar) to General International Telecom Limited. Telefónica Centroamérica Inversiones is 60% owned by Spanish telecoms group Telefónica and 40% by Corporación Multi Inversiones. The price of the transaction is US\$ 144 mn. On the buyer's side, the transaction has been structured by affiliates of the Atlantida Group, entities that financially support the private investment acquisition.<sup>54</sup>

**Grupo Wertheim acquires AT&T/DirectTV unit in LATAM:** AT&T completed the sale of its Vrio business unit, the Latin American arm of DirectTV, to Argentina's Grupo Wertheim, a holding company owned and controlled by the Wertheim family which has expanded its diverse operating activities including telecommunications. Grupo Wertheim has agreed to acquire, subject to customary closing conditions, 100% of the equity in Vrio, a leading digital entertainment services company with 10.3 million subscribers across 11 countries in Latin America and the Caribbean. An estimation of the final price paid is at US\$ 500mn.<sup>55</sup>

**Bordeaux Participações acquires Copel Telecom in Brazil:** The Brazilian investment fund The Bordeaux Participações fund transferred US\$ 480mn in the account of the government of Paraná and took the last step towards the purchase of Copel Telecom, which has a backbone of over 34,000 km in 399 municipalities in Paraná. The fund also bought Sercomtel in Paraná, which was owned by the city of Londrina (55%) and Copel (45%), the state-

owned energy company. The operation's towers and data centers are not involved in the transaction and remain under the control of Copel.<sup>56</sup>

**FMC Joint Venture:**

**Liberty Latam and America Móvil merge operations in Chile:** In Chile, Liberty Latin America and América Móvil merged their Chilean operations Claro Chile and VTR in a 50:50 joint-venture. The transaction combined VTR's pay-TV and broadband operations with Claro Chile's mobile business. The combined company has over nine million customers across fixed line, pay-TV, and mobile operations. In addition, the merger will enable the companies to operate at a grander scale, with an anticipated 6 million FTTH homes by 2025 in Chile. Finally, the JV also estimated run-rate synergies of over US\$180 million, 80% of which are expected to be achieved within three years post-completion. Benefits will come in the form of cost savings driven by operating efficiencies.<sup>57</sup>

In summary, M&A activity in Latin America had a strong momentum in 2021, and industry trends are expected to continue to be a theme in 2022 and years ahead. Further consolidation will continue where Telefónica intends to sell further assets in South America and potentially get more funding from private equity like KKR for fiber rollout, which is already taking place in Chile and Colombia. In addition, M&A infrastructure activity will gain traction, where for instance, América Móvil considers carve-out of towers (Telesites), and Millicom intends towers' carve-out as well. Finally, on the technology side, the start of 5G deployments will require further investments and will become the driver for M&A transactions.<sup>58</sup>

<sup>53</sup> <https://www.telefonica.com/en/communication-room/telefonica-sells-telxius-tower-division-to-american-towers-corporation-at-record-multiples-for-7-7-billion-euros>

<sup>54</sup> <https://lexlatin.com/noticias/telefonica-vende-filiales-en-centroamerica>

<sup>55</sup> <https://about.att.com/story/2021/vrio.html>, <https://www.bloomberg.com/news/articles/2021-07-21/at-t-agrees-to-sell-latin-american-video-unit-to-grupo-wertheim>

<sup>56</sup> <https://developingtelecoms.com/telecom-technology/enterprise-ecosystems/11647-brazil-s-bordeaux-pays-us-4480m-to-copel-for-the-telco.html>

<sup>57</sup> <https://www.digitaltveurope.com/2021/09/30/liberty-latin-america-and-america-movil-to-merge-chile-operations>

<sup>58</sup> <https://www.detecon.com/en/about-us/press/detecon-spotlight-5g-becomes-driver-ma-transactions-telco-industry>

# Talking to Ulrike Eberhard



Managing Partner

Regional Head Latin America



Ulrike Eberhard is a Managing Partner and responsible for Detecon's business in Latin America. She has been providing advisory and management services at top management level of national and multinational telcos, regulators, and investors in ICT for more than 24 years.

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What is your opinion on telco M&A activity within Latin America in 2021?

2021 has been a year with important mobile and broadband opportunities in Latin America that have been promoting competition and attracting investments from regional and foreign operators as well as from private investors. M&A activity was essentially categorized by in-country consolidations, infrastructure deals, private transactions and mergers or joint ventures. Some of them are aiming at FMC/multiplay services, others on as well as neutral broadband wholesale services provisioning.

What would you have hoped to see in 2021?

In the context of the impact of Covid-19, I would have hoped to see more collaboration between regulators and policymakers with the private sector to generate policies that can drive economic recovery and increased connectivity.

What do you expect for 2022?

The Latin American telecommunications market is projected to continue growing and consolidating. Even though investors will have to manage the integration of newly acquired assets and establish operations under new partnership schemes, I see further transactions lining up. Many of them will be related to FTTH rollouts, national fiber optic wholesale networks, consolidation of ISPs (especially in Brazil), restructuring of public national broadband and rural connectivity activities, consolidation of tower business, as well as data center transactions of telcos. Private investors (e.g. KKR, CDPQ), infrastructure companies (TowerCos, Data Center Providers) and telcos will increasingly partner.

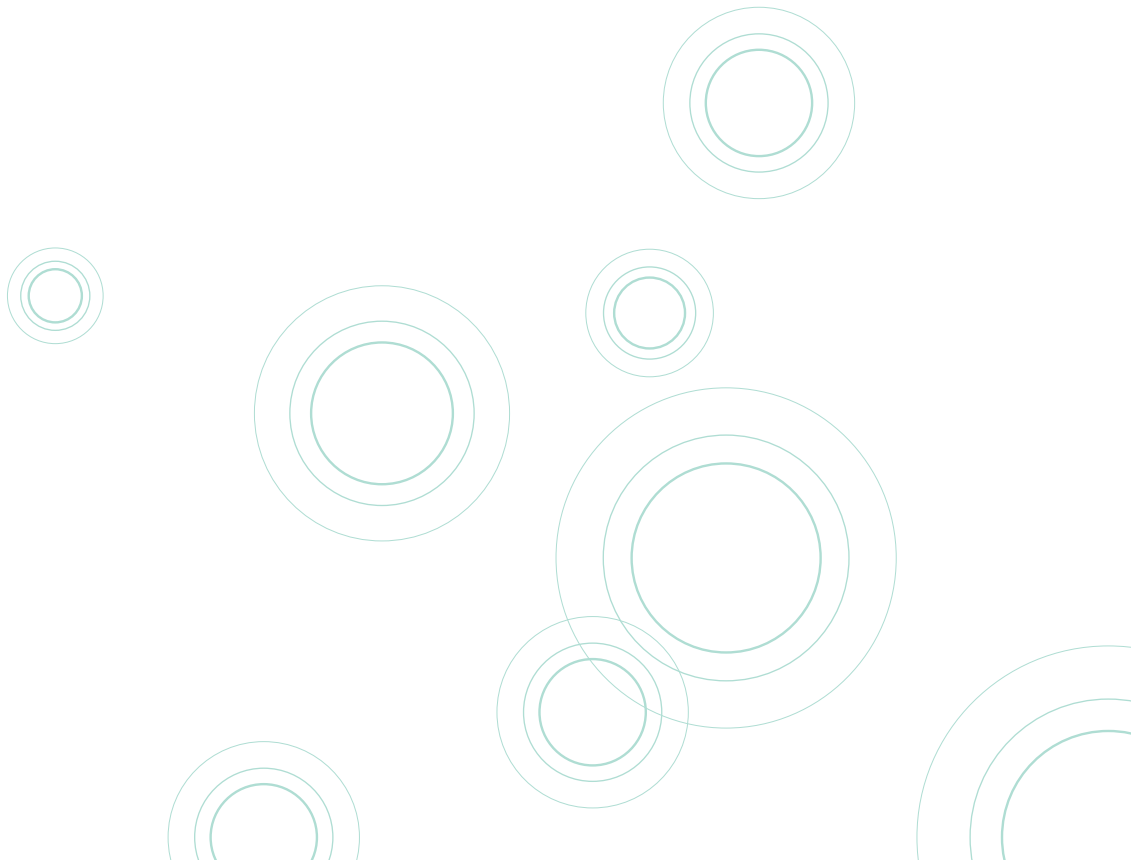
## 4. Outlook

Generally, the overall sentiment in the telecommunications industry still favors further M&A activities. However, it is yet to be seen how growing global uncertainty will affect other M&A initiatives and investor appetite.

While 2022 seemed off to go a good start in the earlier months of the year, overall optimism in the global economy has suffered due to ever-growing uncertainty. It remains to be seen how markets will react to global military tensions and Western block-imposed sanctions on Russia in the medium-term. While the North American continent will undoubtedly drag its economy, current developments are expected to take a much heavier toll

on Europe's overall economic performance due to its strong dependence on Russian energy exports. As a result, the overall economic impact remains hard to predict. On top of political tensions, rising interest rates and the departure from loose-money policies ring at the end of cheap money.

While we do expect the M&A market to remain strong in 2022, moderating factors stemming from global uncertainty and political tensions may limit its potential.



## 5. The Authors



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## 6. The Company

### Creating Future Business

Detecon is a consulting company which unites classic management consulting with a high level of technology expertise.

Our company's history is proof of this: Detecon International is the product of the merger of the management and IT consulting company Diebold, founded in 1954, and the telecommunications consultancy Detecon, founded in 1977. Our services focus on consulting and implementation solutions, which are derived from the use of information and communications technology (ICT). All around the globe, clients from virtually all industries profit from our holistic know-how in questions of strategy and organizational design and the use of state-of-the-art technologies. Detecon's know-how bundles the knowledge from the successful conclusion of management and ICT projects in more than 160 countries. We are represented globally by subsidiaries, affiliates, and project offices. Detecon is a subsidiary of T-Systems International, the business customer brand of Deutsche Telekom. In our capacity as consultants, we can benefit from the infrastructure of a global player spanning our planet.

### Know-how and Do-how

The rapid development of information and telecommunications technologies has an increasingly significant influence on the strategies of companies as well as on the processes within an organization. The subsequent complex adaptations affect business models and corporate structures, not only technological applications.

Our services for ICT management encompass classic strategy and organization consulting as well as the planning and implementation of highly complex, technical ICT architectures and applications. We are independent of manufacturers and obligated solely to our client's success.



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Spotlight

**DETECON**  
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