

7 Mile Advisors



# Sectorwatch: IT Network - Telephony

August 2020



# IT Network - Telephony

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# Overview

**7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally.**

We advise on M&A and private capital transactions and provide market assessments and benchmarking. As a close-knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets.

We publish our sectorwatch, a review of M&A and operational trends in the industries we focus.

## DASHBOARD

- Summary metrics on the sector
- Commentary on market momentum by comparing the most recent 12-month performance against the last 3-year averages.

## PUBLIC BASKET PERFORMANCE

- Summary valuation and operating metrics for a basket of comparable public companies.

## VALUATION COMPARISON

- Graphical, detailed comparison of valuation multiples for the public basket.

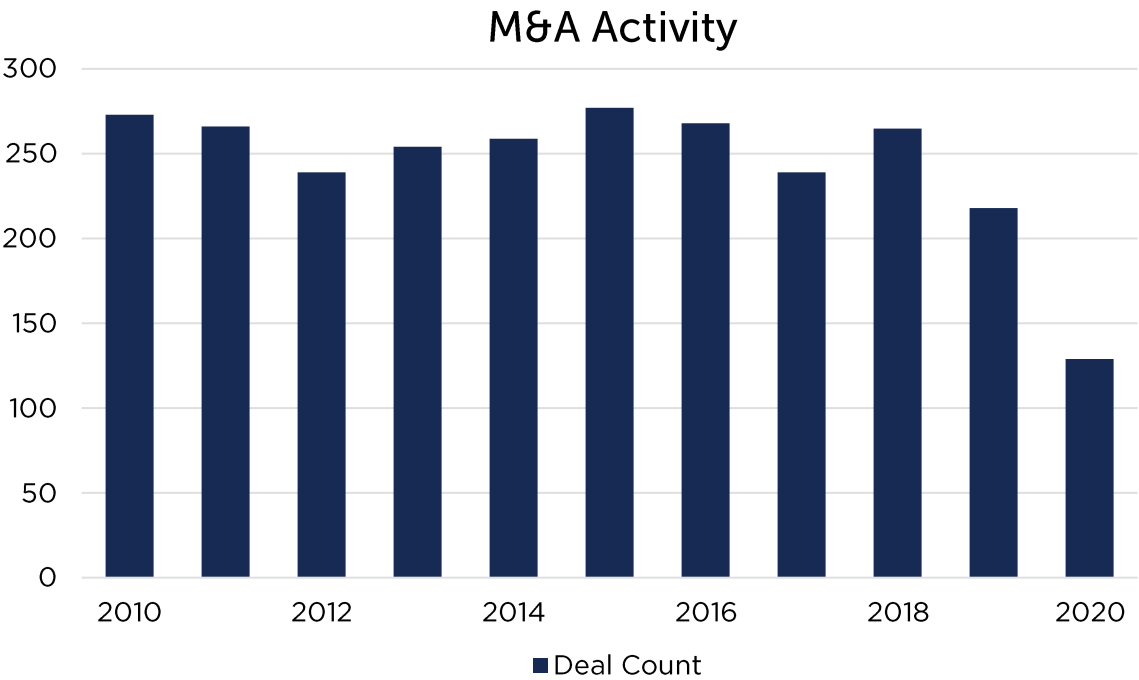
## RECENT DEALS

- The most recently announced deals in the sector

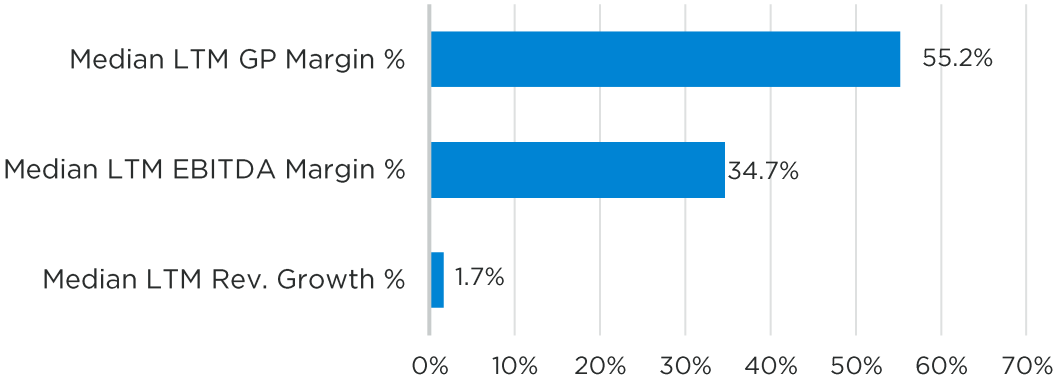
# Dashboard

## REVENUE GROWTH MOMENTUM ↓ -2.1%

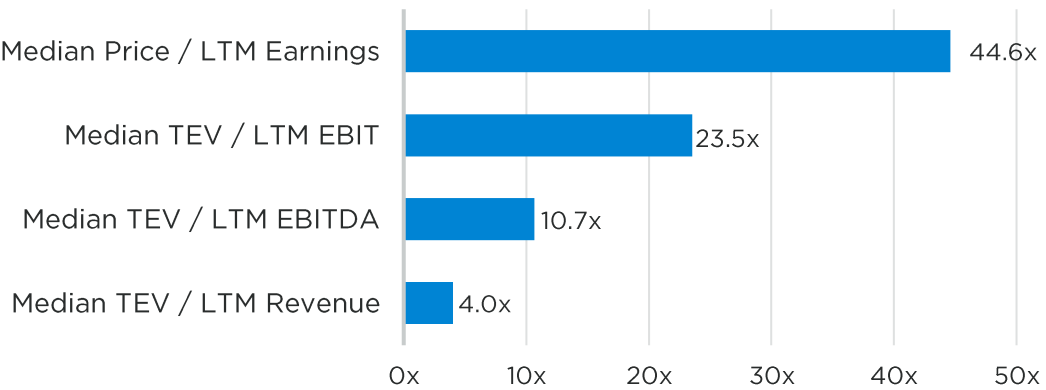
1 - year revenue growth compared to revenue growth average for last 3 years - Current revenue growth rate is less than the average of the last 3 years, indicating that the market may be flattening or declining



## Operating Metrics



## Valuation

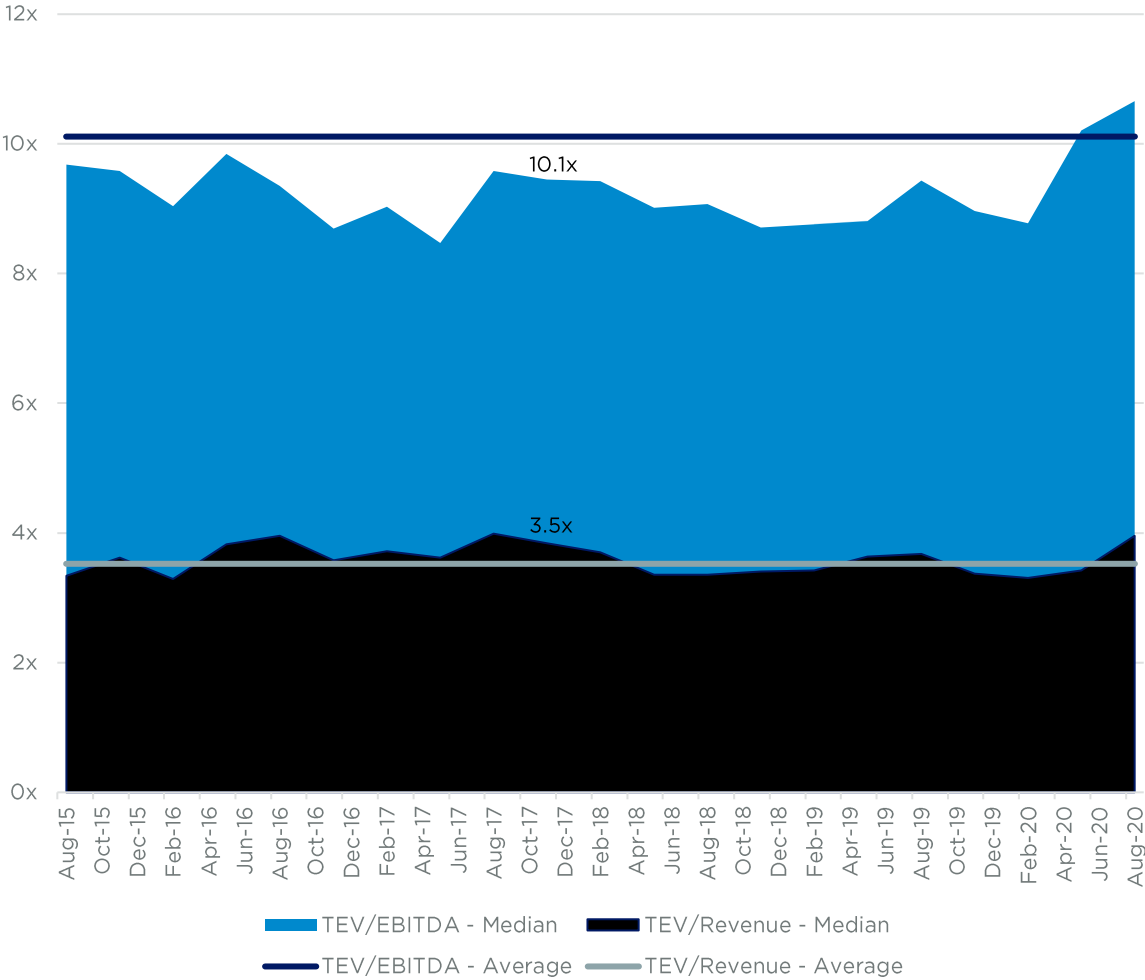


# Public Basket

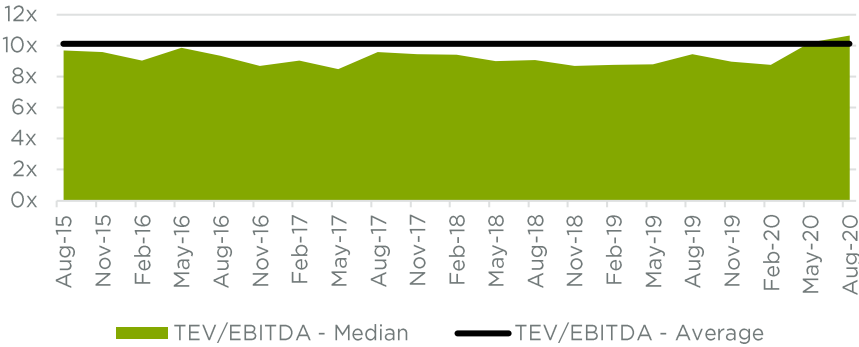
Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Sparklight	12,613	597	1,253	13.7%	-	47.7%	10.1x	21.1x	2,224	564
Liberty Global (UK)	17,903	4,242	11,422	-1.5%	71.8%	37.1%	1.6x	4.2x	20,200	565
BCE	60,775	6,795	17,353	-1.9%	50.8%	39.2%	3.5x	8.9x	52,000	334
Broadcom	158,856	9,380	22,597	8.4%	55.2%	41.5%	6.9x	16.1x	19,000	1,189
Charter Communications	206,863	16,728	46,645	4.4%	36.8%	35.9%	4.4x	12.4x	95,100	490
T-Mobile (US)	228,419	14,079	51,723	16.6%	60.2%	27.2%	4.4x	16.2x	53,000	976
Verizon Communications	370,003	43,379	129,726	-1.0%	59.1%	33.4%	2.9x	8.5x	135,300	959
AT&T	405,703	53,395	175,138	-4.6%	54.3%	30.5%	2.3x	7.6x	244,000	718
Average	182,642	18,574	56,982	4.3%	55.5%	36.6%	4.5x	11.9x	77,603	724
Median	182,859	11,730	34,621	1.7%	55.2%	36.5%	4.0x	10.7x	52,500	642

share price as of 10Aug20

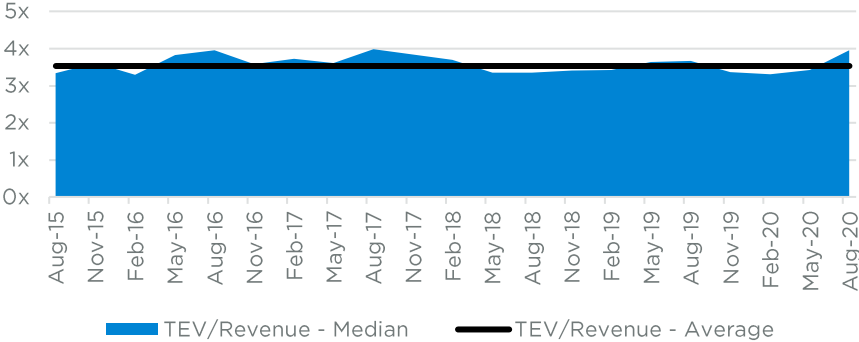
# Public Basket



Public EBITDA Multiples over Time

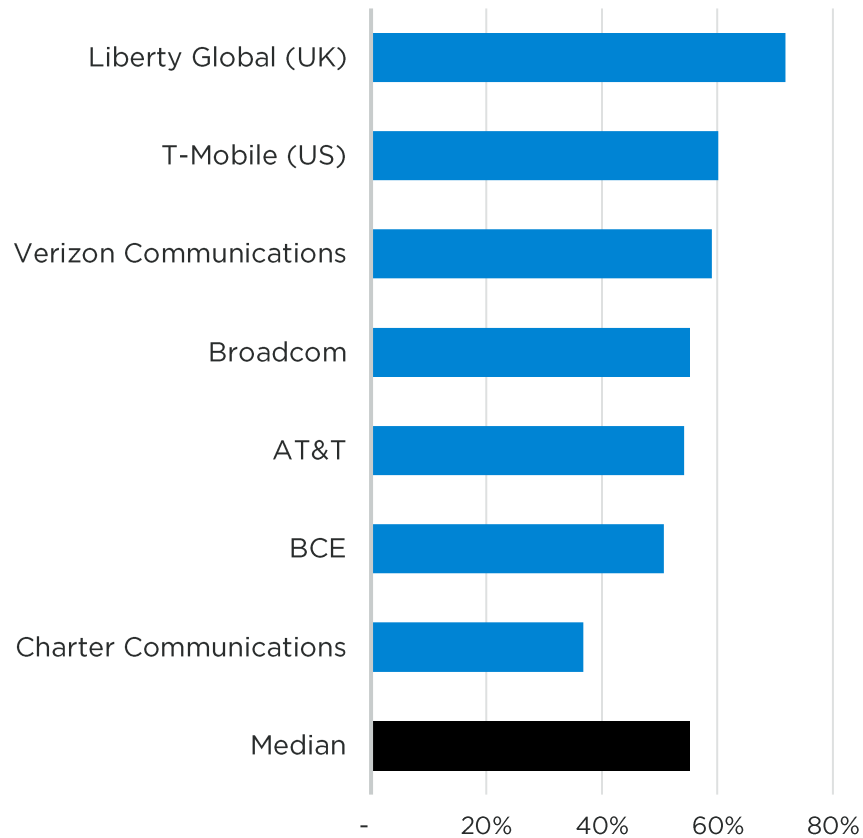


Public Revenue Multiples over Time

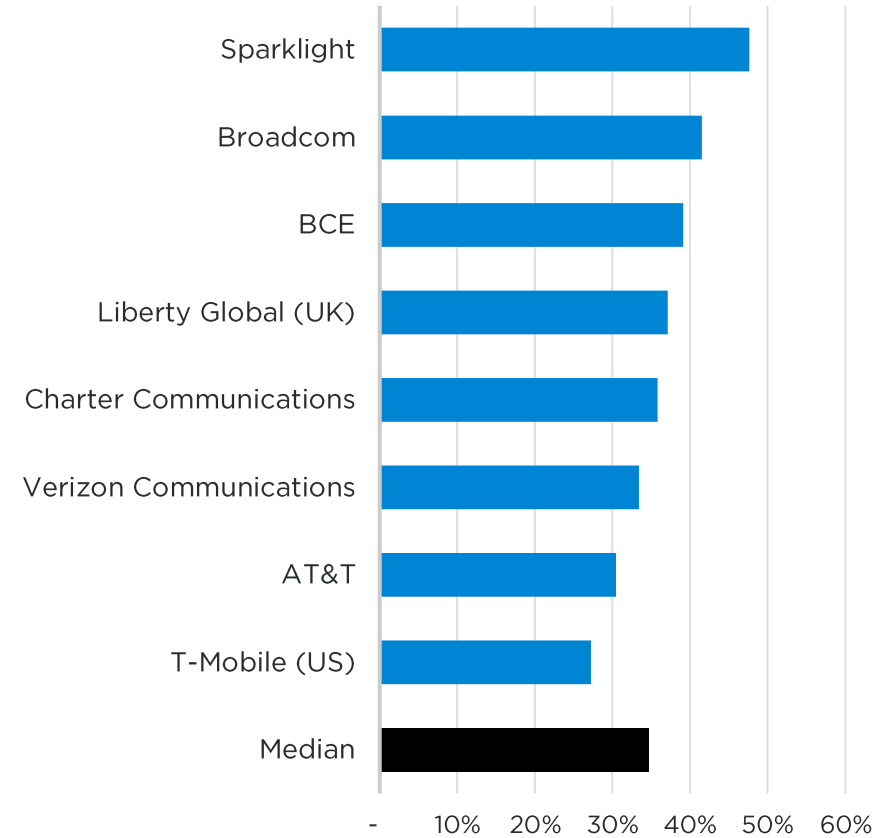


# Operational Metrics

LTM Gross Profit Margin %

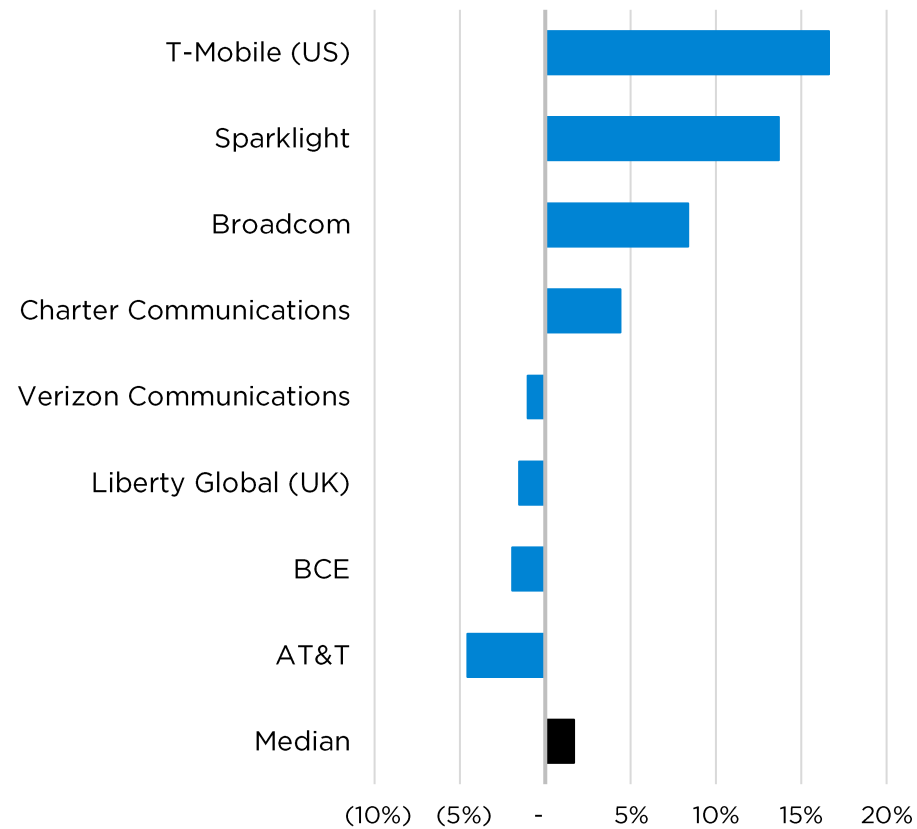


LTM EBITDA %

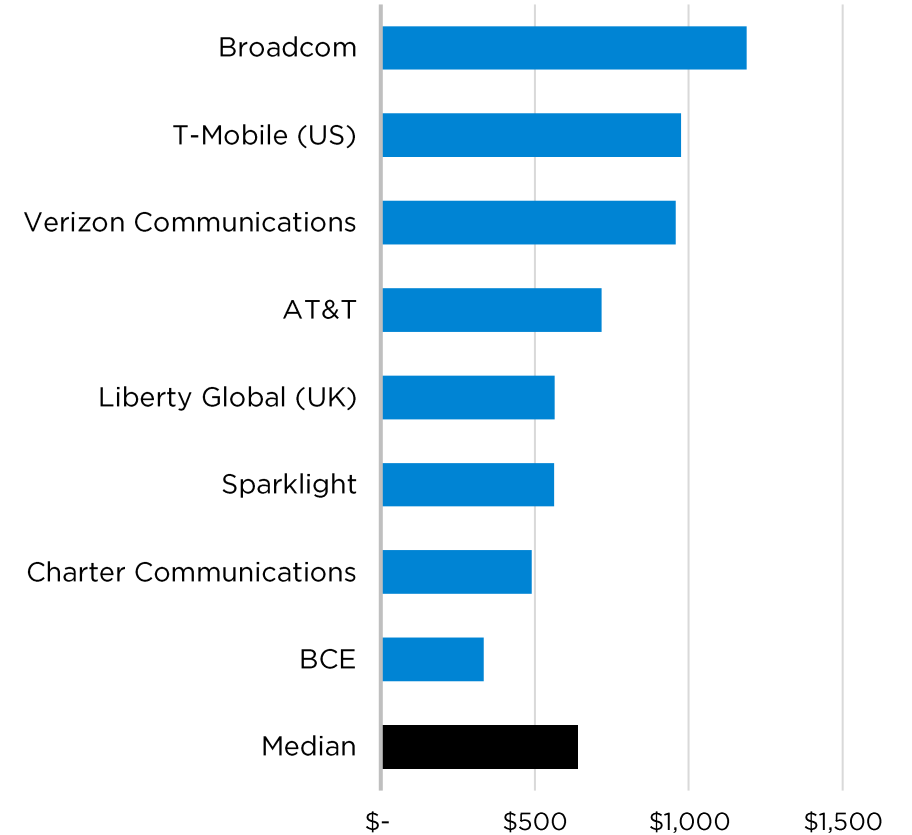


# Operational Metrics

LTM Revenue Growth %



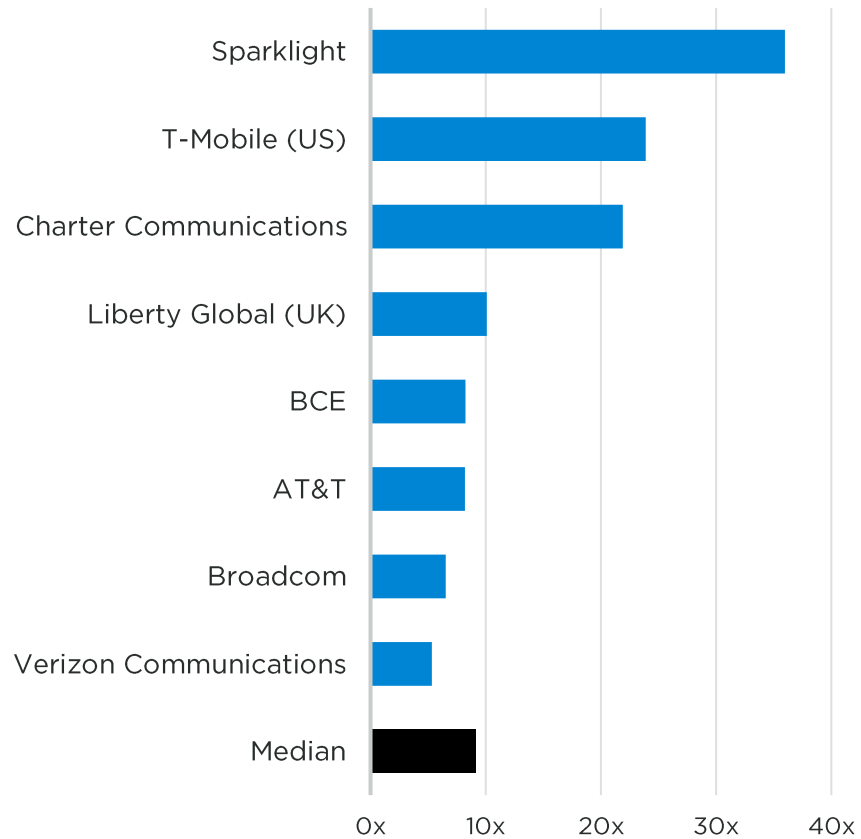
LTM Revenue per Full Time Employee x 000's



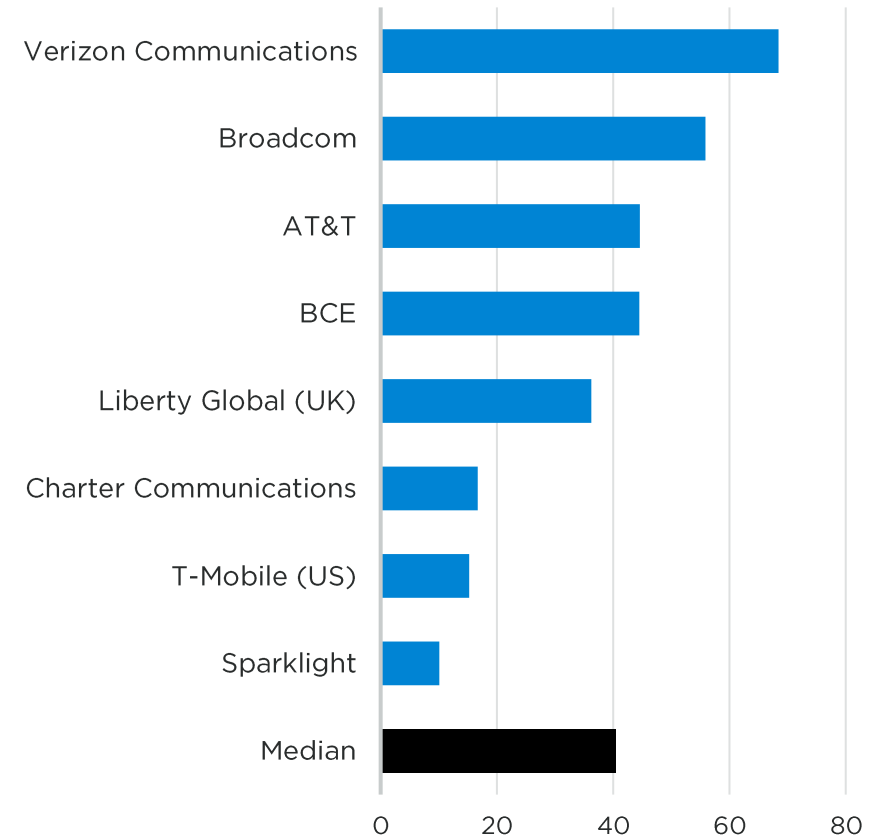


# Operational Metrics

## Accounts Receivable Turnover

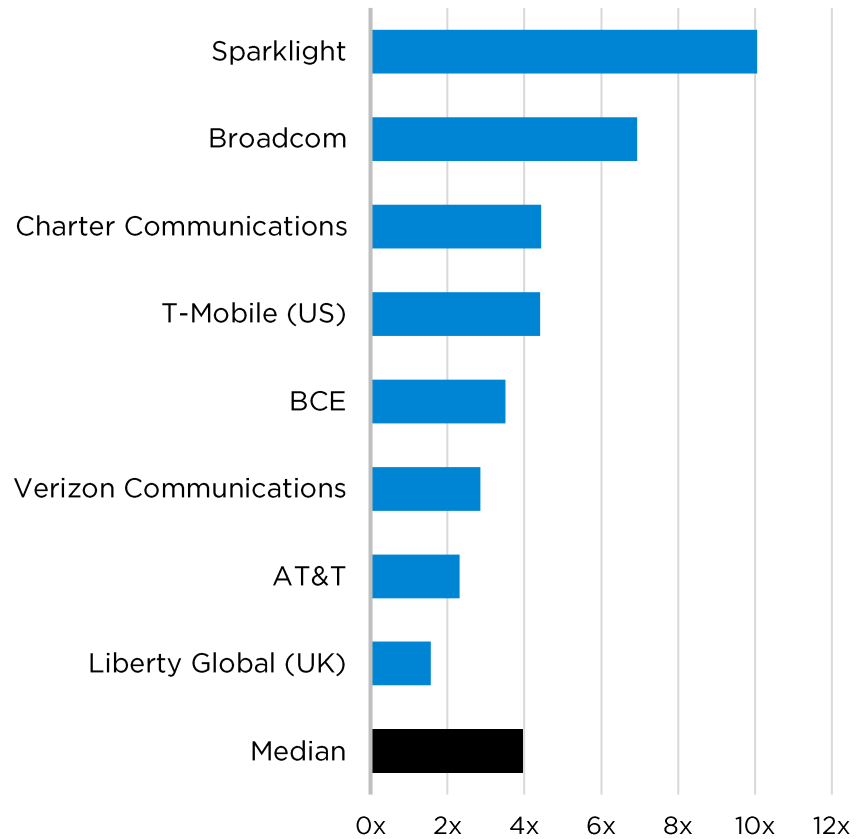


## Average Days Sales Outstanding

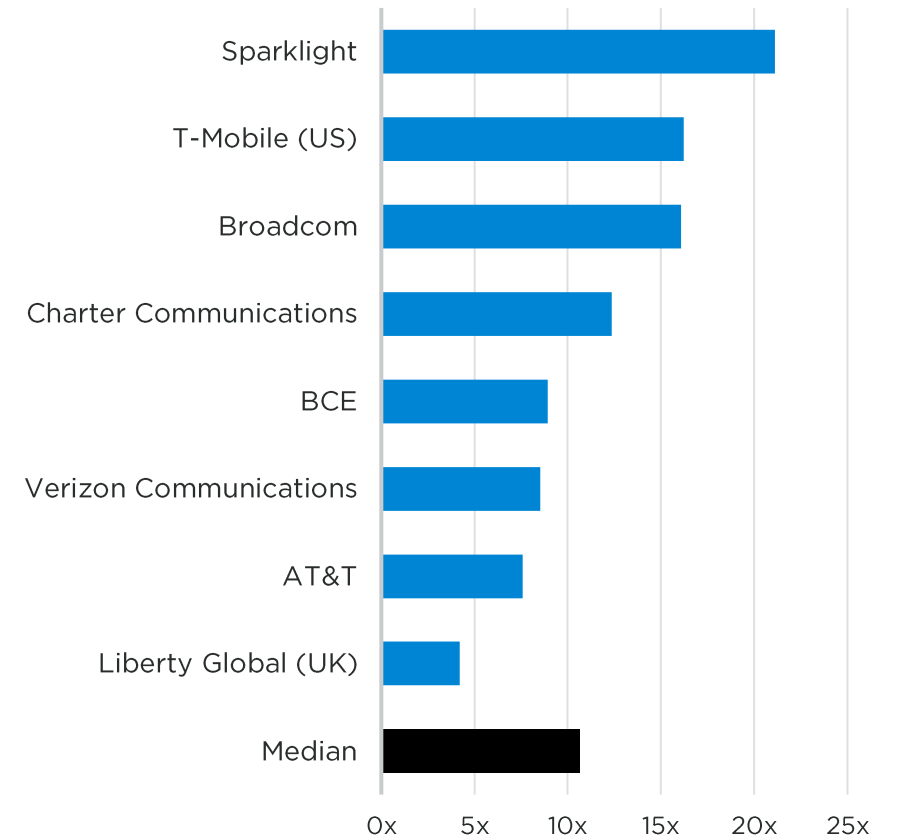


# Valuation

TEV / LTM Revenue

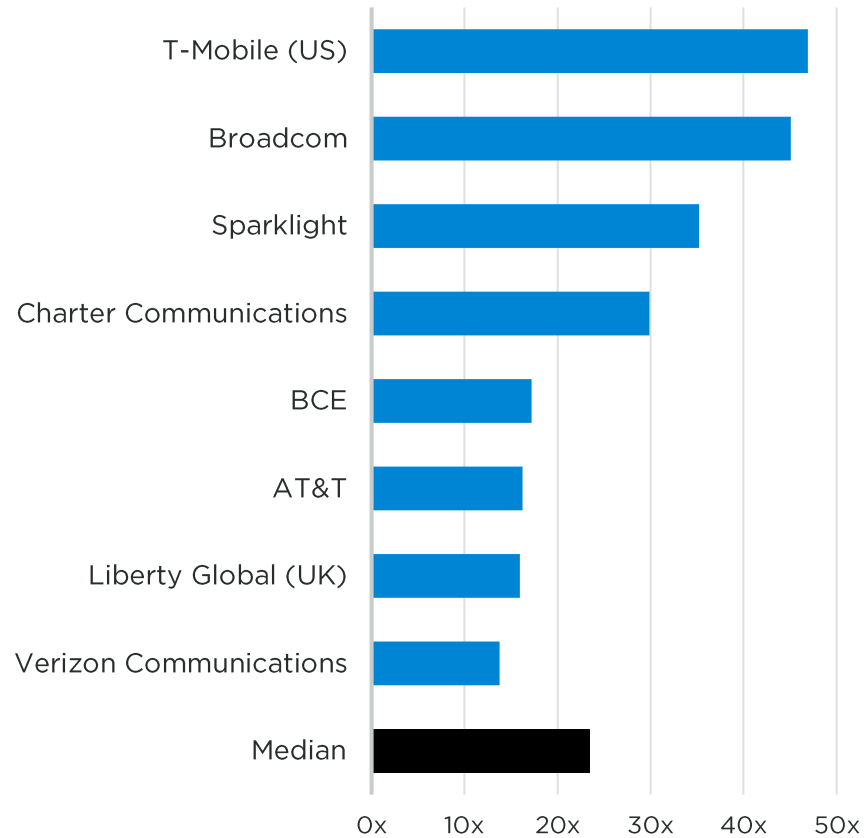


TEV / LTM EBITDA

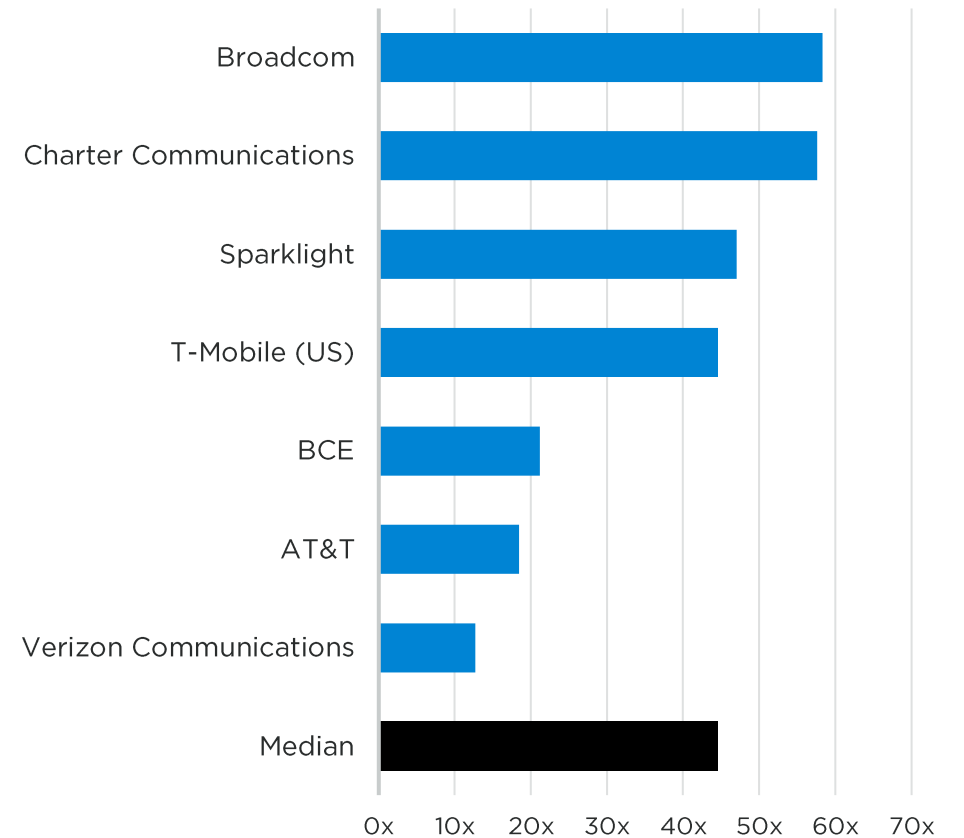


# Valuation

TEV / LTM EBIT

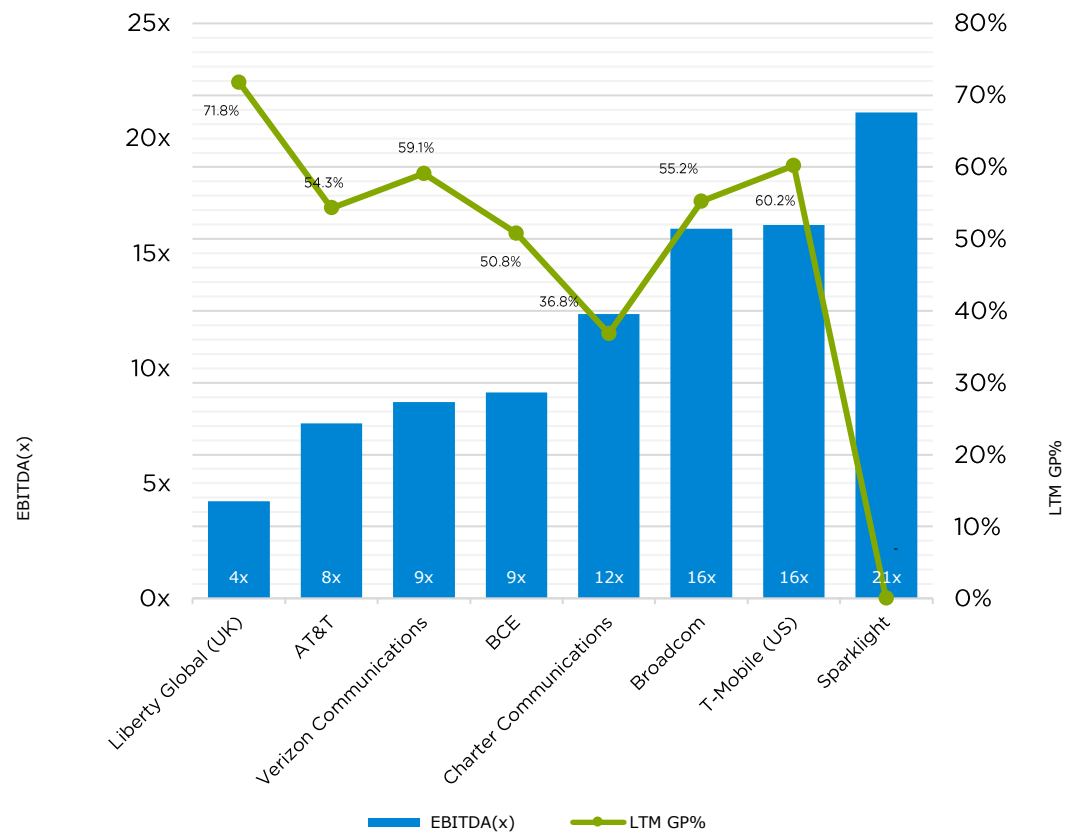


Price / LTM Earnings

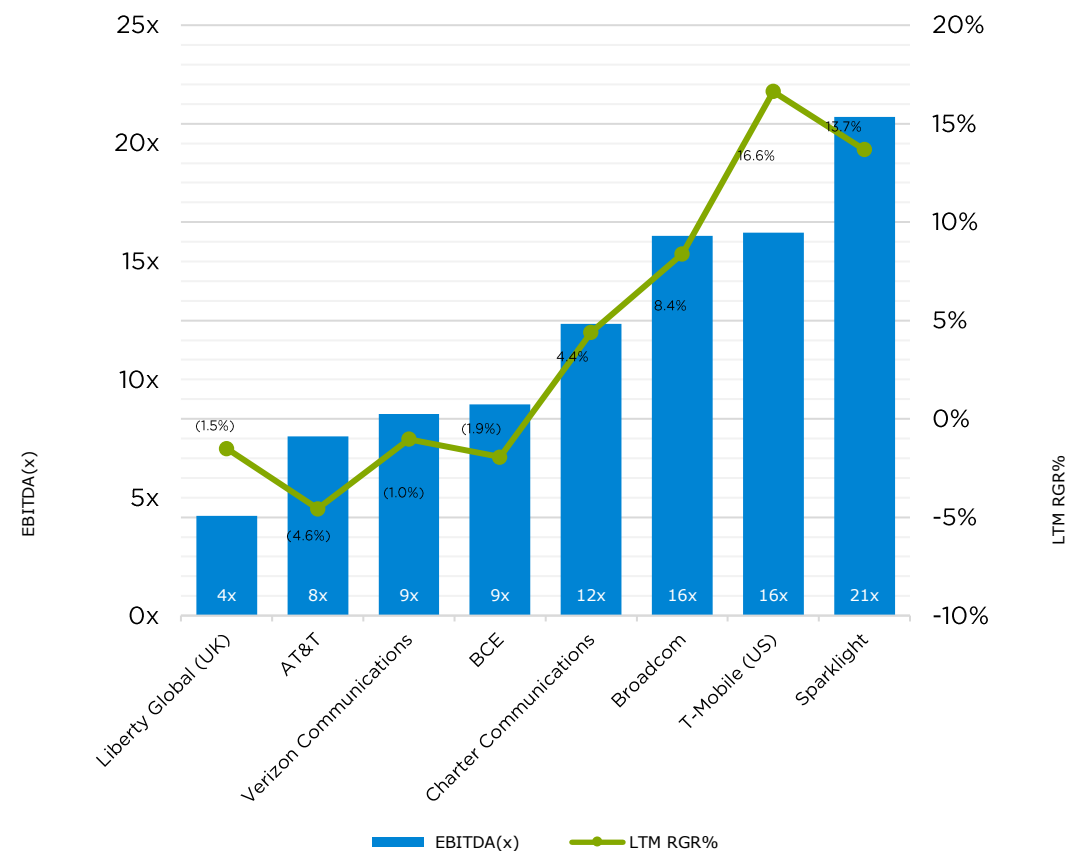


# Valuation

## Historical Valuation Multiples versus Gross Profit



## Historical Valuation Multiples versus Revenue Growth Rate



# Recent Transactions

Date	Target	Buyer / Investor	Total Transaction Value	Target Revenue	TEV / Revenue	TEV / EBITDA
06-Aug-20	GCI Communication	Liberty Broadband	-	912.80	-0.62	-0.45
04-Aug-20	CSL DualCom	ECI Partners	-	-	-	-
31-Jul-20	Bigblu Broadband (European Satellite Broadband Activities)	Eutelsat Communications	48.07	-	-	-
31-Jul-20	Vivacom	BC Partners	1373.37	-	-	-
29-Jul-20	Community Fibre	Amber Infrastructure Group	-	-	-	-
27-Jul-20	Otelco	Oak Hill Capital	40.60	62.43	1.70	4.75
24-Jul-20	Datri	Youfone Netherlands	-	-	-	-
21-Jul-20	IELO Group	DIF	-	-	-	-
20-Jul-20	gnTel	Gamma Communications PLC	-	-	-	-
07-Jul-20	Seaborn Networks	Partners Group	5.50	-	-	-
03-Jul-20	OneWeb	Bharti Airtel	1000.00	-	-	-
01-Jul-20	Ahí+	#ENTITYNOTFOUND	146.29	-	-	-
01-Jul-20	Netllar	MÁSMÓVIL Group	4.50	-	-	-
01-Jul-20	Trimaxx	ZeroPlex	-	-	-	-
30-Jun-20	Conterra Ultra Broadband	APG Group	-	-	-	-
26-Jun-20	Euro-Information Telecom	Bouygues Telecom	960.01	-	-	-
26-Jun-20	Lake Technologies	Babble cloud	-	-	-	-
25-Jun-20	Enhanced Telecommunications (Indiana)	Grain Management	-	-	-	-
17-Jun-20	Ice Danmark	Agilitas Private Equity	-	-	-	-
12-Jun-20	Netconnect (Swiss Telecom)	Nexphone	-	-	-	-
12-Jun-20	ValuNet Fiber	Sparklight	-	-	-	-
11-Jun-20	Bothnia Broadband	Jakobstadsnejdens Telefon Ab	-	-	-	-
10-Jun-20	Flash Networks	Volaris Group	-	-	-	-
10-Jun-20	Xplornet Communications	Stonepeak Infrastructure Partners	2000.00	-	-	-
08-Jun-20	Source Photonics	Jiangsu Huaxicun	135.00	-	1.09	-
05-Jun-20	Least Cost Routing Telecom	Aire Networks	33.42	-	1.21	8.09
03-Jun-20	Akado Telecom	-	207.61	-	0.70	-
03-Jun-20	BestWeb (New York)	Antin Infrastructure Partners	-	-	-	-
02-Jun-20	Blue Stream	GI Partners	-	-	-	-

# Appendix

*Public Basket  
Contact Information*



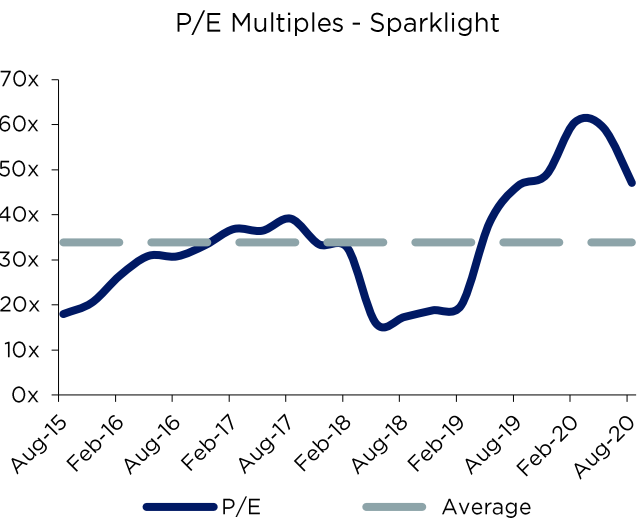
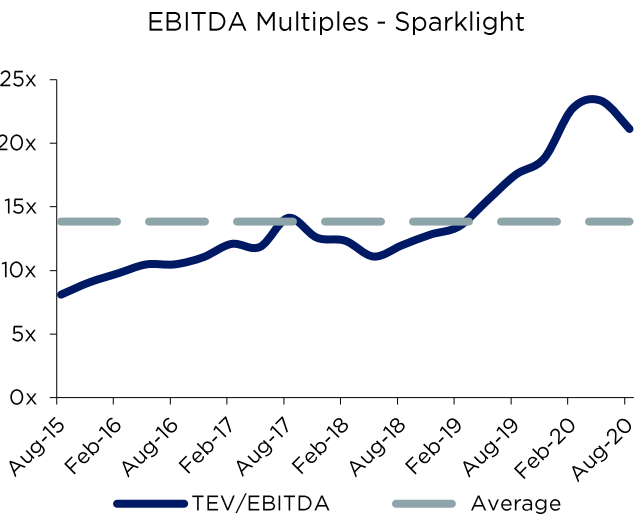
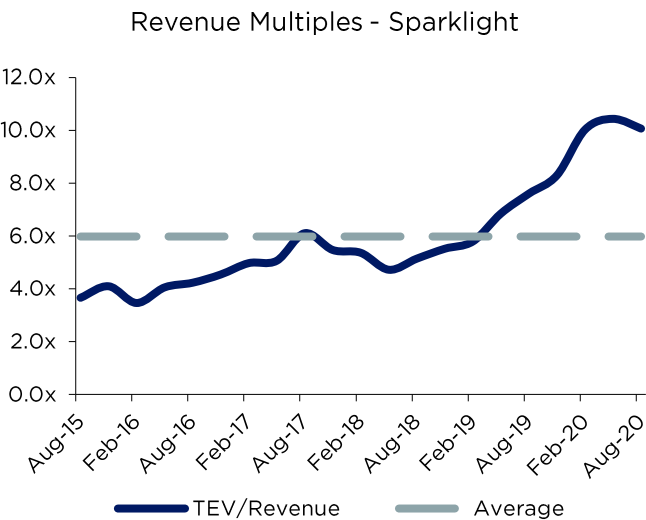
## Sparklight

### **Cable One is a telecommunications company.**

It derives revenue from the provision of broadband, voice, and video services to residential and business customers. From a product perspective, the majority of revenue is sourced from data and video services. This revenue is subscription-based and billed on a monthly basis. Cable One also derives advertising revenue from selling airtime on its video channels. Voice services are offered over Internet protocols. The company owns a telecommunications infrastructure.

# Public Basket

Sparklight



Company Name	Date	Deal Synopsis
ValuNet Fiber	12-Jun-20	The company reached a definitive agreement to be acquired by Cable ONE (NYS: CABO) for an undisclosed amount on June 12, 2020.
Fidelity Communications	01-Oct-19	The company was acquired by Cable ONE (NYS: CABO) for \$531.4 million on October 1, 2019. The Transaction complements and extends Company's footprint in non-urban markets.



## Liberty Global (UK)

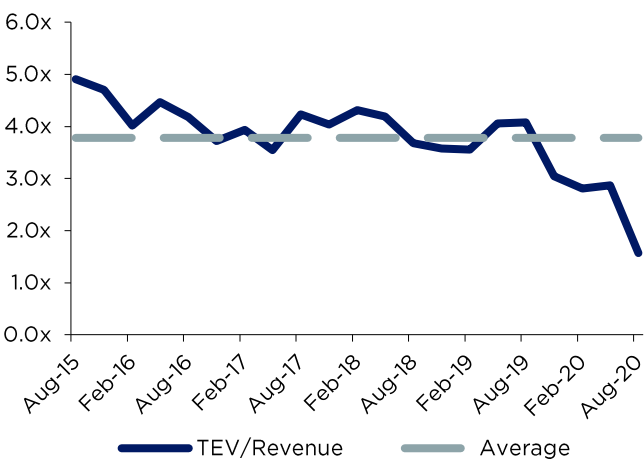
**Liberty Global is one of the largest cable owners in Europe, with operations in the United Kingdom, Switzerland, Belgium (60%-owned), the Netherlands (50%-owned), Ireland, Poland, and Slovakia.**

The firm sold its businesses in Germany, Romania, Hungary, and the Czech Republic to Vodafone in 2019, generating \$11 billion proceeds. An attempt to sell its Swiss business to rival Sunrise fell apart in 2019. The firm serves about 9.4 million Internet access customers across its consolidated footprint and another 3.4 million in the Netherlands, which it does not consolidate in its financial statements. Liberty also serves 6.4 million wireless customers in consolidated markets and 5.1 million in the Netherlands. The firm agreed to merge its U.K. business with wireless carrier O2 in May 2020.

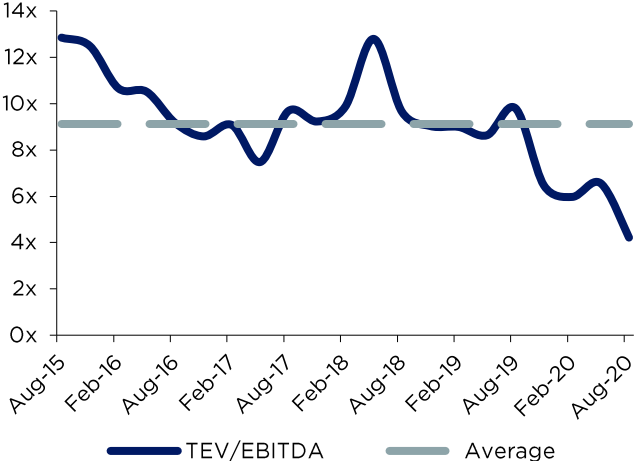
# Public Basket

## Liberty Global (UK)

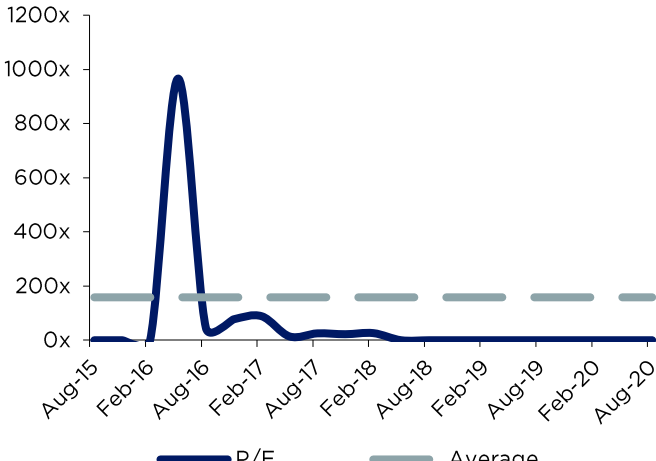
Revenue Multiples - Liberty Global (UK)



EBITDA Multiples - Liberty Global (UK)



P/E Multiples - Liberty Global (UK)



Company Name	Date	Deal Synopsis
Liberty Charge	20-May-20	The was formed was formed as a joint venture between Liberty Global and Zouk Capital on May 20, 2020.
Broadband Network in the U.K. (Virgin Media / O2)	07-May-20	Liberty Global (NASDAQ: LBTYA) and Telefonica (Madrid stock exchange: TEF) have entered into an agreement to form a joint venture of \$39 billion as of May 7, 2020. The joint venture will strengthen to invest in UK digital infrastructure and give millions of consumer, business and public sector customers more choice and value.

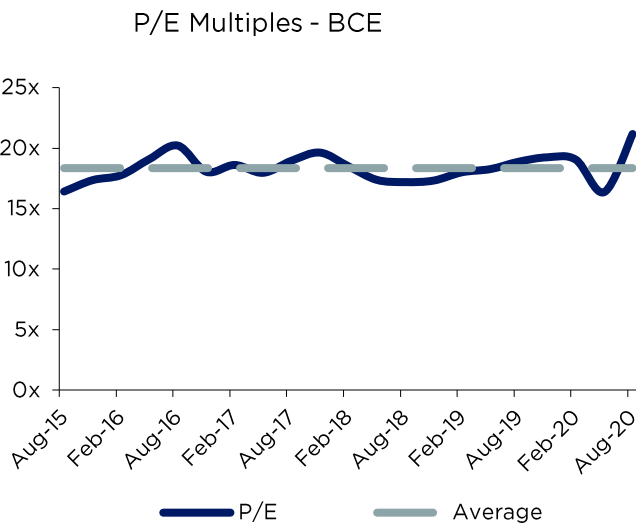
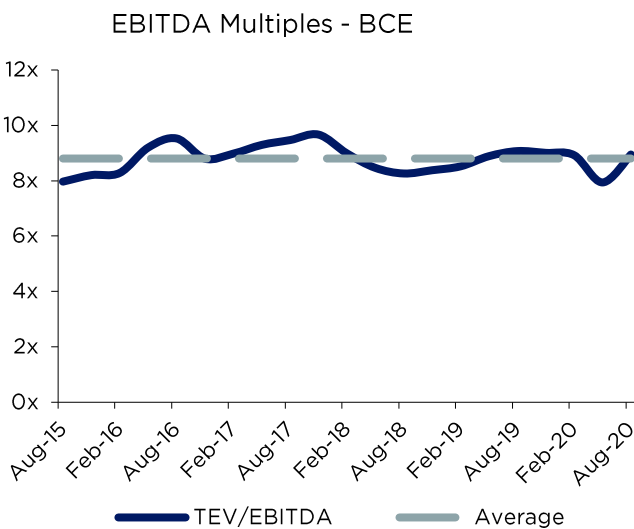
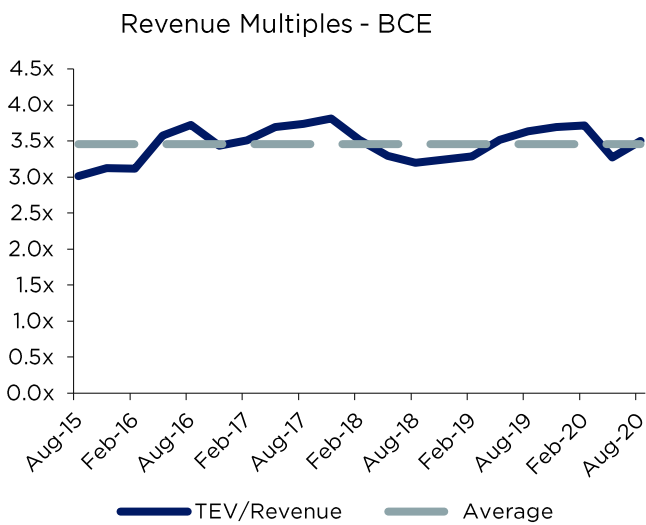
## BCE

**BCE is both a wireless and Internet service provider, offering wireless, broadband, television, and landline phone services in Canada.**

It is one of the big three national wireless carriers, with its nearly 10 million customers constituting about 30% of the market. It is also the ILEC (incumbent local exchange carrier--the legacy telephone provider) throughout much of the eastern half of Canada, including in the most populous Canadian provinces--Ontario and Quebec. Additionally, BCE has a media segment, which holds television, radio, and digital media assets. BCE licenses the Canadian rights to movie channels including HBO, Showtime, and Starz. In 2019, the wireline segment accounted for just over half of total EBITDA, while wireless composed 38%, and media provided the remainder.

# Public Basket

BCE



Company Name	Date	Deal Synopsis
OverActive Media	3/23/20	A undisclosed stake in the company was acquired by BCE for \$10 million on January 27, 2019.
Axia Netmedia	1/6/20	The company was acquired by BCE on September 4, 2018, for an undisclosed amount. The transaction will allow the acquirer to assume all operations of Alberta SuperNet, a government-led initiative providing broadband network connectivity to urban and rural communities in the province.

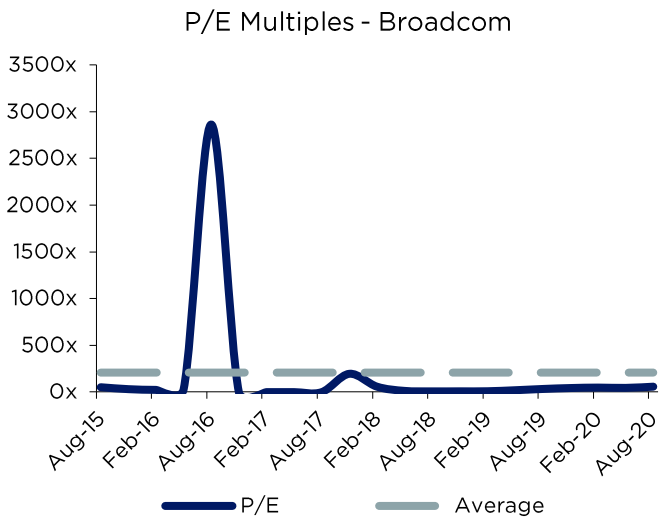
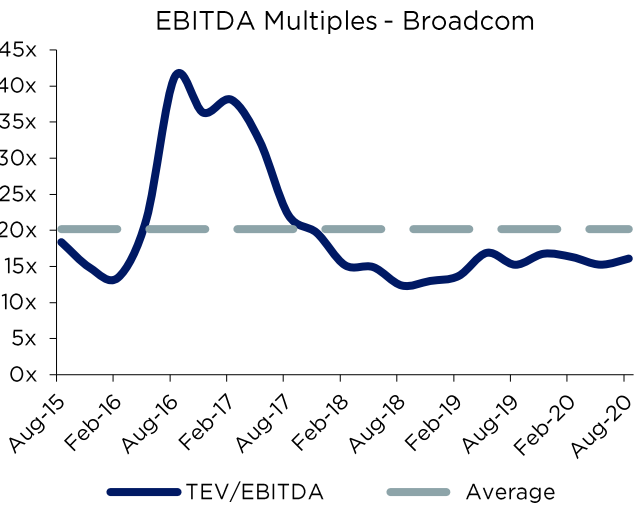
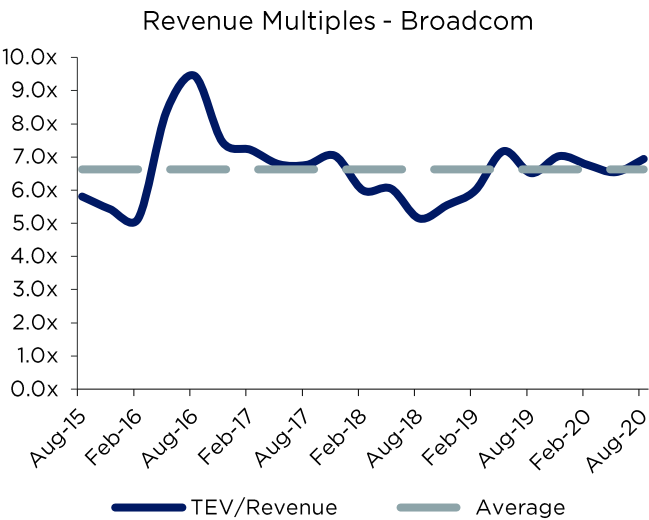
## Broadcom

**Broadcom--the combined entity of Broadcom and Avago--boasts a highly diverse product portfolio across an array of end markets.**

Avago focused primarily on radio frequency filters and amplifiers used in high-end smartphones, such as the Apple iPhone and Samsung Galaxy devices, in addition to an assortment of solutions for wired infrastructure, enterprise storage, and industrial end markets. Legacy Broadcom targeted networking semiconductors, such as switch and physical layer chips, broadband products (such as television set-top box processors), and connectivity chips that handle standards such as Wi-Fi and Bluetooth. The company has acquired Brocade, CA Technologies, and Symantec's enterprise security business to bolster its offerings in infrastructure software and security.

# Public Basket

Broadcom



Company Name	Date	Deal Synopsis
Bay Dynamics	31-Dec-19	The company was acquired by Broadcom (NAS: AVGO) for an undisclosed amount on December 31, 2019.
Symantec (Enterprise Business)	04-Nov-19	The business unit, a subsidiary of Symantec (NAS: SYMC), was acquired by Broadcom (NAS: AVGO) for \$10.7 billion on November 4, 2019. The sale will provide Symantec with some ready cash and breathing room and stems from a need to diversify itself as its main computer chip business.

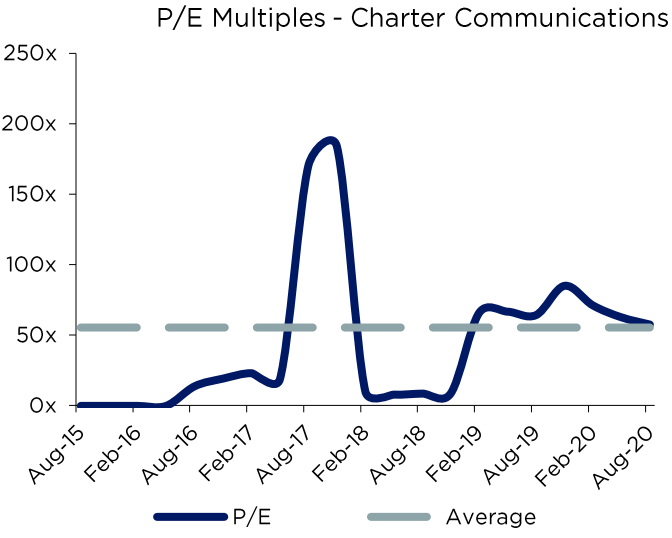
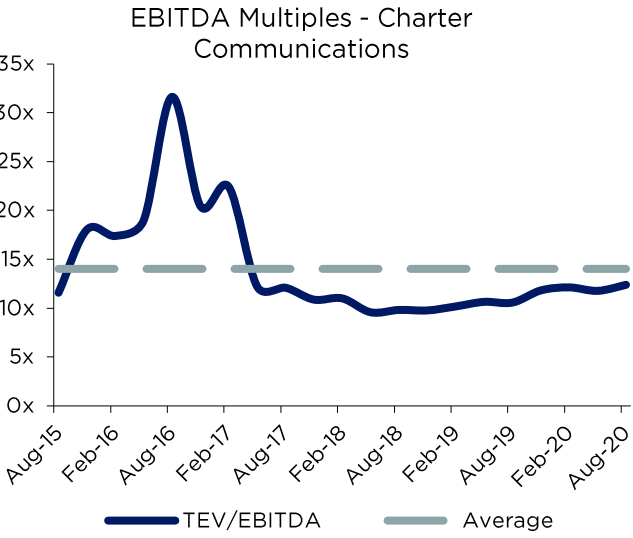
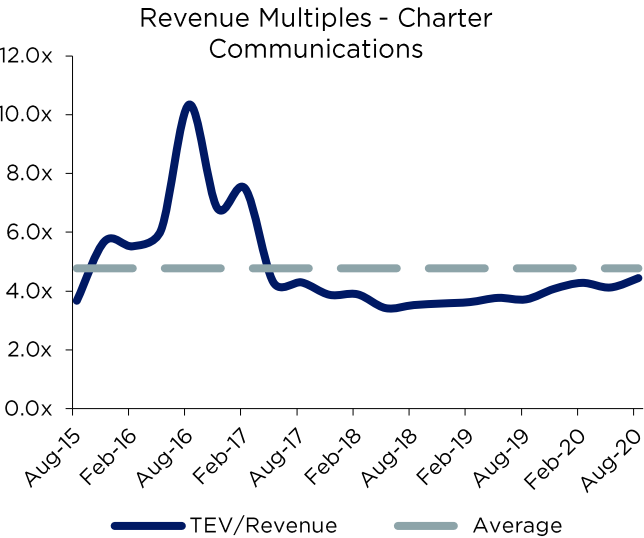
### Charter Communications

**Charter is the product of the 2016 merger of three cable companies, each with a decades-long history in the business: Legacy Charter, Time Warner Cable, and Bright House Networks.**

The firm now holds networks capable of providing television, Internet access, and phone services to roughly 52 million U.S. homes and businesses, around 40% of the country. Across this footprint, Charter serves 28 million residential and 2 million commercial customer accounts under the Spectrum brand, making it the second-largest U.S. cable company behind Comcast. The firm also owns, in whole or in part, sports and news networks, including Spectrum SportsNet (long-term local rights to Los Angeles Lakers games), SportsNet LA (Los Angeles Dodgers), SportsNet New York (New York Mets), and Spectrum News NY1.

# Public Basket

## Charter Communications



Company Name	Date	Deal Synopsis
In Demand	29-May-20	The company was formed as a joint venture between Comcast and Cox Communications and Charter Communications on May 2020.
Plume	26-Feb-20	The company raised \$60 million of Series D venture funding from Charter Communications, Qualcomm Ventures,Service Electric Cablevision and Belkin International on February 26, 2020, putting the company's pre-money valuation at \$450 million.Liberty Global and Shaw Communications also participated in the round. The company also received \$25 million of debt financing in the form of a loan from Silicon Valley Bank and WestRiver Group.



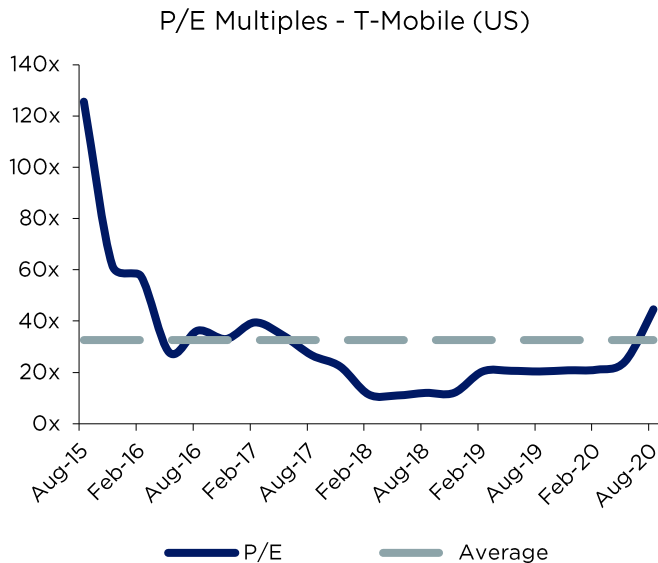
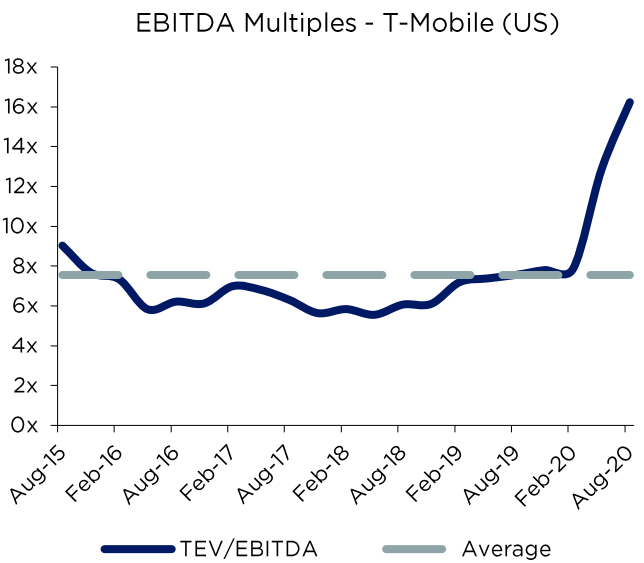
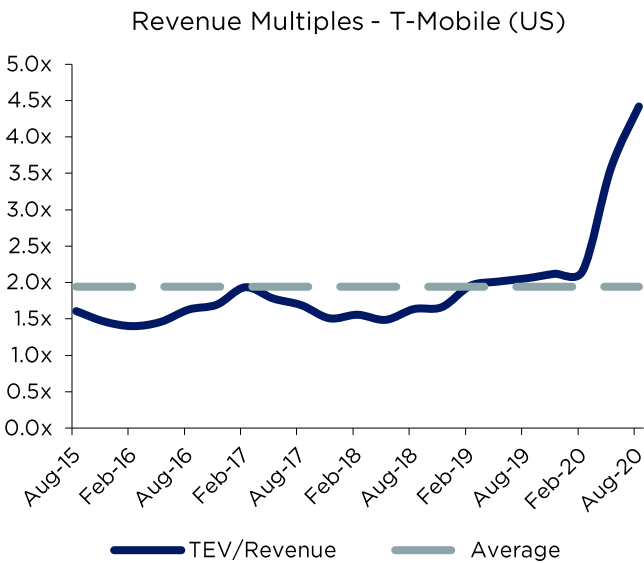
### T-Mobile (US)

## Deutsche Telekom merged its T-Mobile USA unit with prepaid specialist MetroPCS in 2013, creating T-Mobile US.

Following the merger, the firm provided nationwide service in major markets but spottier coverage elsewhere. T-Mobile has spent aggressively on low-frequency spectrum, well suited to broad coverage, and has substantially expanded its geographic footprint. This expansion, coupled with aggressive marketing and innovative offerings, has produced rapid customer growth. The firm serves 40 million postpaid and 21 million prepaid phone customers, equal to about 20% of the retail wireless market. T-Mobile is the third-largest carrier in the U.S., trailing AT&T and Verizon, though it will roughly match AT&T's size with the acquisition of Sprint.

# Public Basket

T-Mobile (US)



Company Name	Date	Deal Synopsis
Sprint	01-Apr-20	The company (NYSE: S) was acquired by T-Mobile (NASDAQ: TMUS) for \$26.5 billion on April 1, 2020. The acquisition will allow T-Mobile to deliver a transformative 5G network.
Cross Carrier Messaging Initiative	24-Oct-19	The company was formed as a joint venture between Sprint, AT&T, T-Mobile and Verizon Communications on October 24, 2019. The joint venture will create the foundation for an innovative digital platform that not only connects consumers with friends and family, but also offers a seamless experience for consumers to connect with businesses in a compelling and trusted environment.

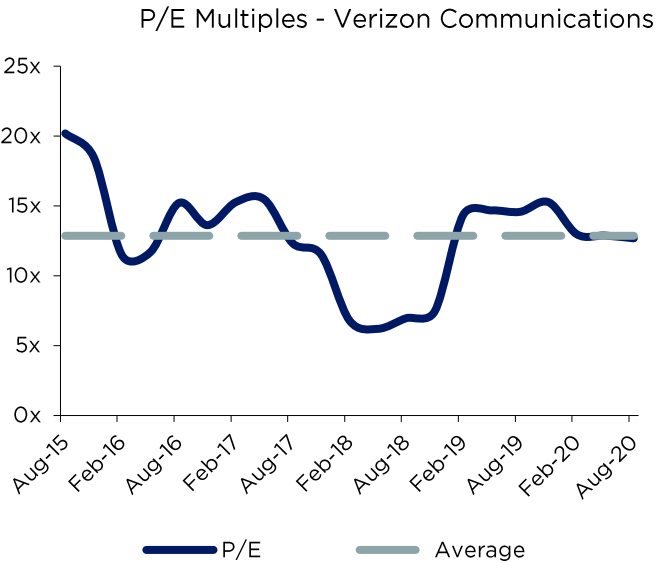
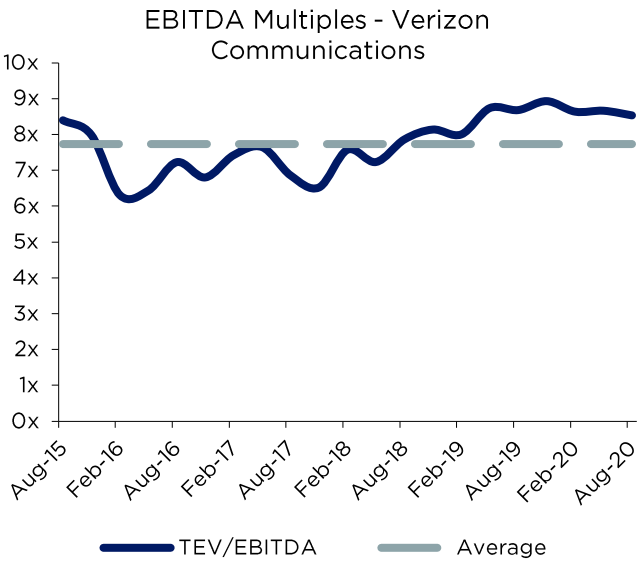
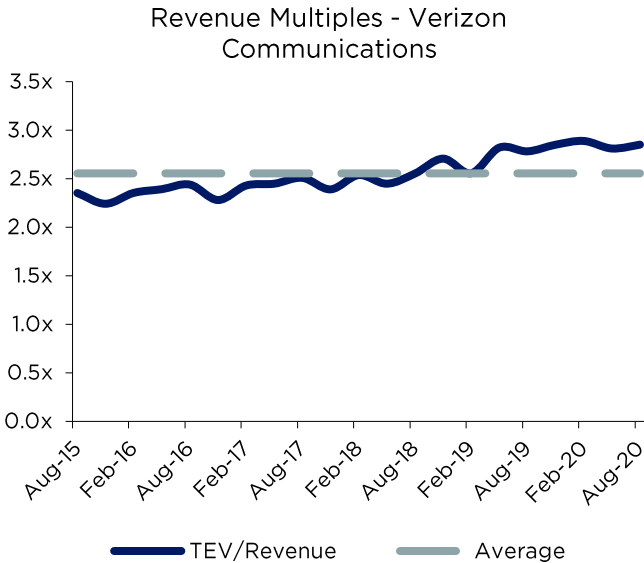
### Verizon Communications

## Verizon is now primarily a wireless business (70% of revenue and nearly all operating income).

It serves about 89 million postpaid and 4 million prepaid phone customers and connects another 24 million data devices, like tablets, via its nationwide network, making it the largest U.S. wireless carrier. Fixed-line telecom operations include local networks (12% of revenue) in the Northeast, which reach about 25 million homes and businesses, and nationwide enterprise services (10%). Recent investments, including fiber network construction, have supported the wireless business in addition to expanding traditional fixed-line capabilities. Verizon Media Group, the online media and advertising firm formed with the acquisitions of AOL and Yahoo, provides the remainder of revenue.

# Public Basket

## Verizon Communications



Company Name	Date	Deal Synopsis
BlueJeans	15-May-20	The company was acquired by Verizon Communications (NYS: VZ) for \$400 million on May 15, 2020.
Cross Carrier Messaging Initiative	24-Oct-19	The company was formed as a joint venture between Sprint, AT&T, T-Mobile and Verizon Communications on October 24, 2019. The joint venture will create the foundation for an innovative digital platform that not only connects consumers with friends and family, but also offers a seamless experience for consumers to connect with businesses in a compelling and trusted environment.

## AT&T

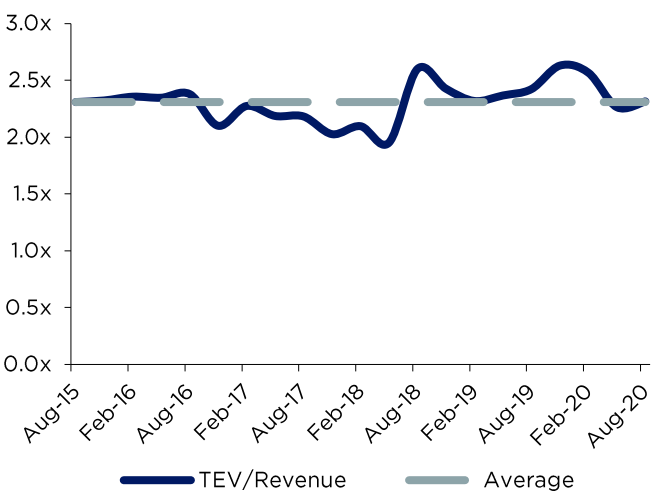
### **Wireless communication remains AT&T's largest business, contributing nearly 40% of revenue.**

As the second- largest U.S. wireless carrier, AT&T connects more than 100 million devices, including 63 million postpaid and 16 million prepaid phone customers. The consumer and entertainment segment (about 25% of revenue) includes the consumer fixed-line and DirecTV satellite television businesses, serving 20 million television and 14 million Internet access customers. WarnerMedia now contributes a bit less than 20% of revenue with media assets that include HBO, the Turner cable networks, and the Warner Brothers studios. Fixed-line business communications (14%), Latin American satellite television (2%), and Mexican wireless services (1%) constitute the remainder of the firm.

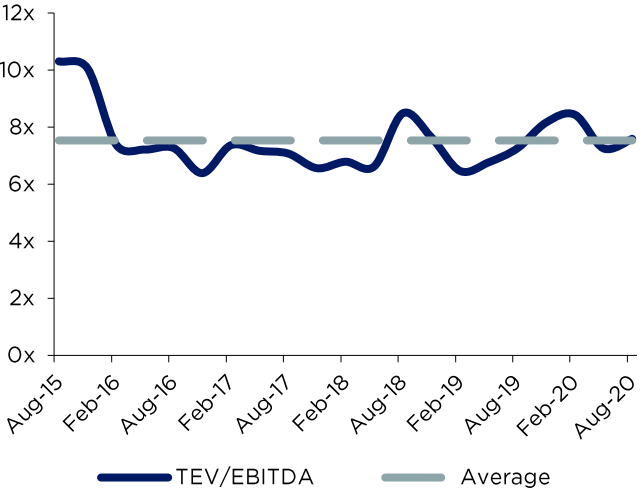
# Public Basket

AT&T

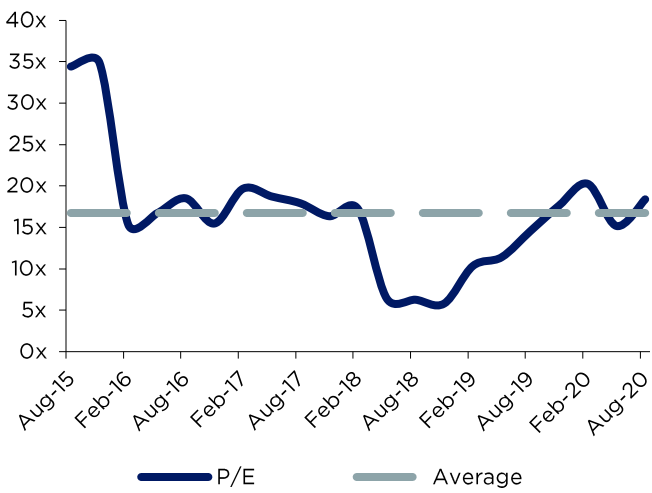
Revenue Multiples - AT&T



EBITDA Multiples - AT&T



P/E Multiples - AT&T



Company Name	Date	Deal Synopsis
AllHere Education	07-Apr-20	The company raised \$3.5 million of seed funding in a deal led by Rethink Capital Partners on April 7, 2020. Boston Impact Initiative, AT&T, Gratitude Railroad, Barbara Clarke and Potencia Ventures also participated in the round. The company will use this funding to accelerate its efforts, at a time when the meaning of school attendance has been thrown into flux.
Cross Carrier Messaging Initiative	24-Oct-19	The company was formed as a joint venture between Sprint, AT&T, T-Mobile and Verizon Communications on October 24, 2019. The joint venture will create the foundation for an innovative digital platform that not only connects consumers with friends and family, but also offers a seamless experience for consumers to connect with businesses in a compelling and trusted environment.

# Contact Info

7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally. We advise on M&A and private capital transactions and provide market assessments and benchmarking.

As a close-knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets. Securities offered through 7M Securities LLC.



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