

Global telecom tower industry

An analysis of the sector, its major players and deal activity

September 2014

- 65 page report
- Overview of key industry trends
- Analysis by region
- Profiles of 18 major players
- Data on deal activity over the last four years

ABOUT THE AUTHOR

This report is published by Heernet Ventures Limited. The company provides research, analysis and advisory services to the global media industry and operates the media industry research website, G2Mi.com. For further details on Heernet Ventures, please visit the company website, heernet.com.

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Key observations

- **Simple business model with companies building multi-tenanted towers on land (leased or bought) and then leasing space to telecom carriers and broadcasters through long term contracts**
- **Sector is highly attractive to investors: recurring, stable revenue streams; long term contracts with low churn; relatively benign competitive environment; also gives exposure to telecoms sector without risks specific to carriers**
- **A number of telecom operators and broadcasters have or are in process of divesting stakes in their tower operations**
- **Growth in infrastructure sharing (China's leading telecom operators merged their tower operations in 2014 to form a new company with 600,000 tower sites*)**

Growth outlook

- **Organic growth: Roll-out of 4G LTE, acquisition of additional spectrum and addition of DAS sites**
- **Room for consolidation remains in developed markets in USA and Europe – offers scope for significant operational efficiencies**
- **Emerging markets offer attractive growth prospects and have been focus of both corporate M&A and private equity attention**

The telecom tower industry offers an attractive combination of long term organic growth and strong opportunities for transformational deals – particularly in emerging markets

Asset-backed business model offers stable cash flows to investors

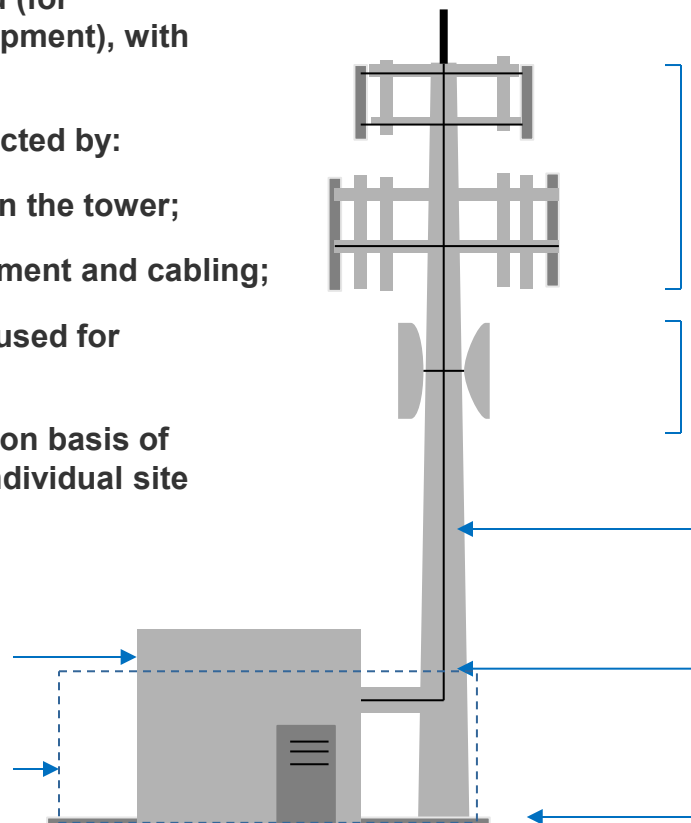
- Tenants lease space on the tower (for antennae) and ground (for communications equipment), with leases of 5-15 years
- Pricing typically impacted by:
 - Vertical space on the tower;
 - Weight of equipment and cabling;
 - Area of ground used for equipment;
- Contracts negotiated on basis of portfolio (not on an individual site basis)

Shelter

- Houses tenants' equipment

Space

- For security and back-up generators



Antenna array

- Owned and deployed by tenant
- Transmit signal between the tower and mobile devices

Microwave antenna

- Used for point-to-point communications
- Also wireless backhaul

Coax cabling

- For signal transmission between antennae and base station

Steel tower

- Typically has capacity for approx. 4 tenants

Land

- Owned or leased by the tower company

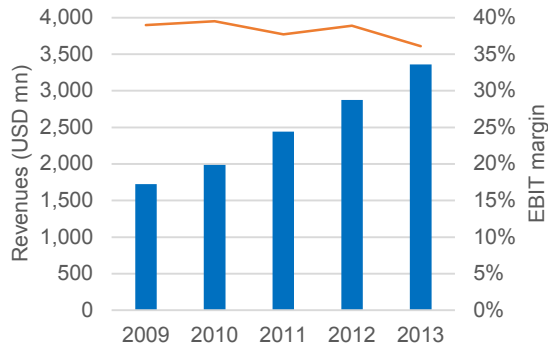
Future growth driven by data demand and emerging markets

- **Growth in mobile data:**
 - Adoption of internet-enabled devices
 - Growth in cloud-based services targeted at mobile users
 - Consumption of mobile video content
 - Need for increased mobile network speeds
- **Increased network investment by carriers:**
 - Roll-out of 4G LTE services
 - Acquisition of spectrum to enhance network coverage and quality
- **International growth**
 - Africa, Asia and LatAm seeing significant growth in mobile usage
 - As leading carriers expand into emerging markets, they need tower infrastructure that is reliable
 - creates opportunities for established players from mature markets

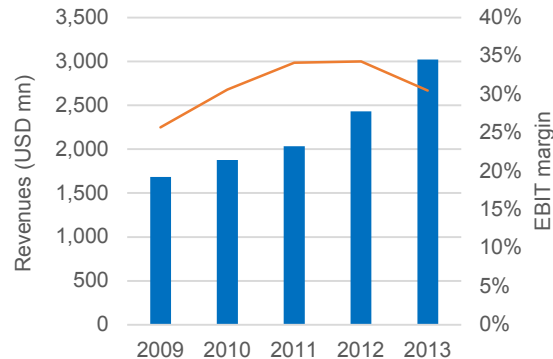
Leading tower companies are 'following' their clients into emerging markets in Asia and Africa

Revenue growth and stable margins among major players

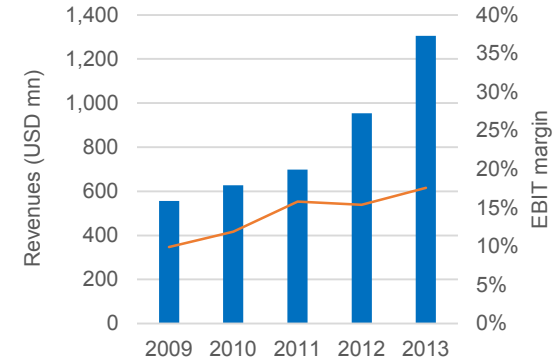
American Tower (USA)



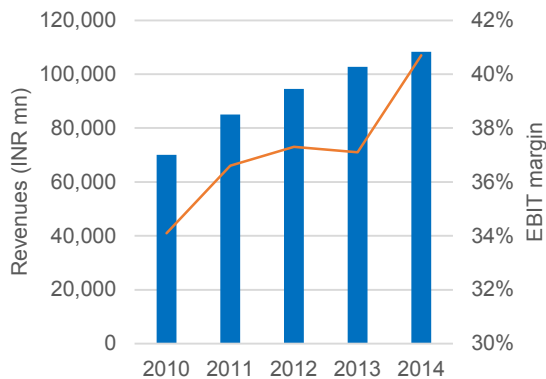
Crown Castle (USA)



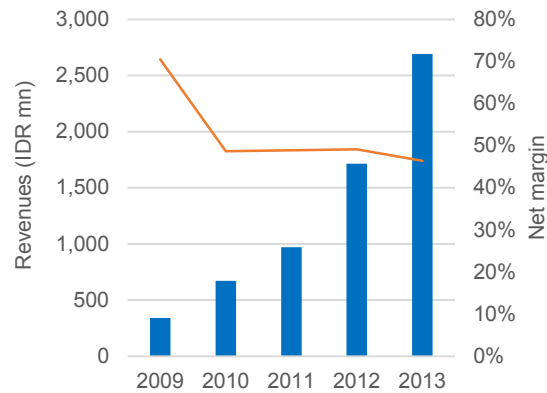
SBA Communication (USA)



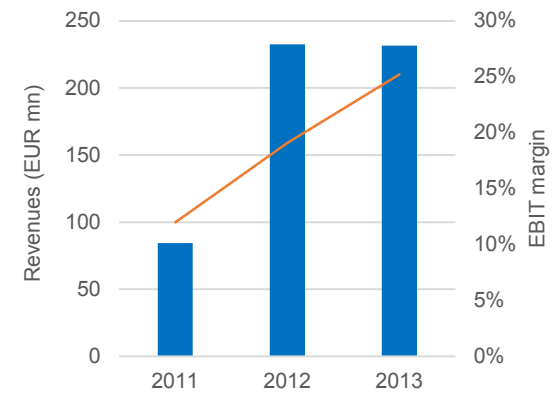
Bharti Infratel (India)



PT Tower Bersama (Indonesia)



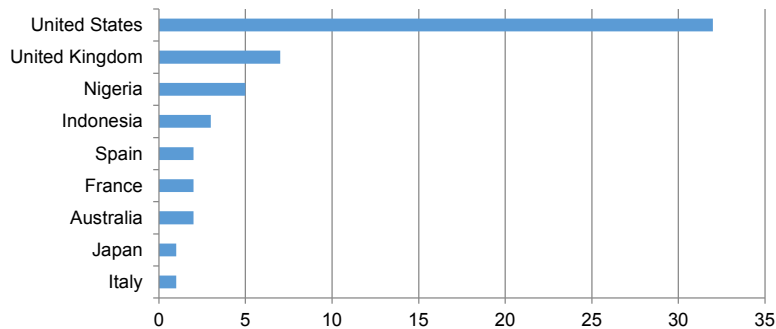
EI Towers (Italy)



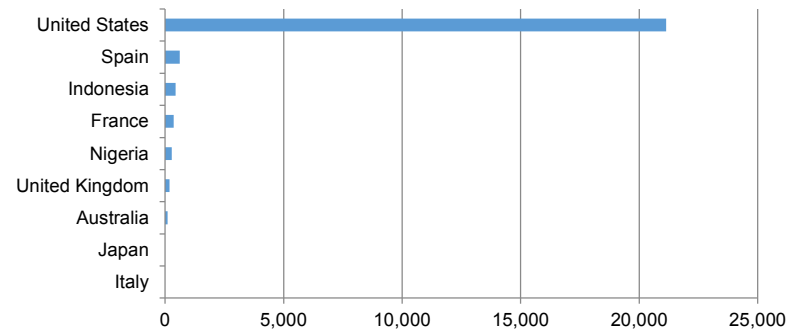
Notes Reported company data sourced from company reports

US players dominate deal activity including growth into emerging markets

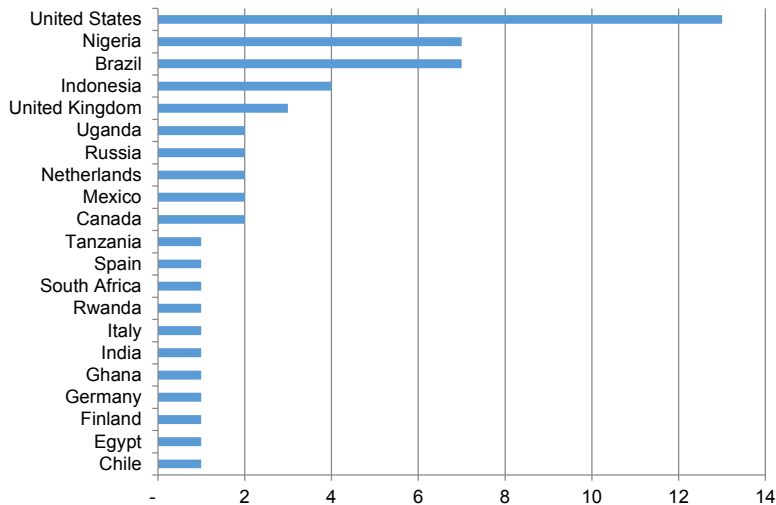
No. of deals by country of acquiror



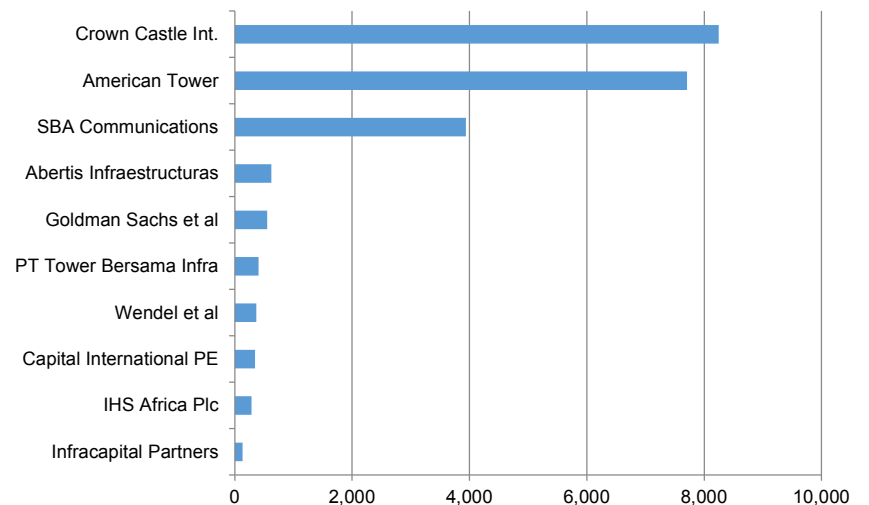
Deal value by country of acquiror (USD mn)



No. of deals by country of target



Deal value by acquiror/investor (USD mn)



Notes Deal activity covers period 2011 to August 2014; Sourced from G2Mi transactions database

Covers both M&A activity and private equity investments

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