

## Vodafone Group: Upcoming IPO of Vantage Towers

*Sep 6, 2020 | By Alex Gavrish, Etalon Capital Ltd; author of "Story Investing"*

July 24th, 2020, Vodafone Group plc announced that Vantage Towers is on track for an IPO in early 2021. Vodafone intends to retain a majority stake in Vantage Towers post IPO, given the strategic nature of the tower infrastructure and the potential value creation opportunity

According to [Bloomberg](#), Vantage Towers IPO plans were already announced last year and company was expected to raise EUR 2 bil at a valuation of between EUR 10 bil and EUR 20 bil.

Vantage Towers is Europe's largest and most geographically diversified tower company, with over 68,000 sites across 9 markets - it holds a #1 or #2 market position by sites in almost all of them. It will have a controlling interest in 8 markets: Germany, Spain, Greece, Portugal, Czech Republic, Romania, Hungary, and Ireland ("Consolidated Vantage Towers"). Vantage Towers will also own a 33.2% equity stake in Infrastrutture Wireless Italiane S.p.A ("INWIT") in Italy, with co-control rights under the terms of a shareholder agreement with Telecom Italia. The Cornerstone Telecommunications Infrastructure Limited ("CTIL") portfolio, with 14,300 sites in the UK, may be added with the inclusion of Vodafone's 50% equity stake in CTIL.

Vodafone's stake in Bharti Infratel (28.2%) is currently valued at about GBP 1.7 bil, while 33.2% stake in INWIT (part of Vantage Towers above) is valued at about GBP 2.3 bil

At a 5% FCF Yield, Vantage Towers could be valued at about GBP 11.5 bil. Adding to this the value of Bharti Infratel stake would bring the total amount to GBP 13.2 bil. We think this valuation is both reasonable and leaves plenty of upside optionality in the form of possible CTIL inclusion (GBP 54 mil EBITDA), as well as possible upside from 5G implementation and developments. Value of a stake in Bharti Infratel could also rise as time passes.

As can be seen, tower companies can unlock a potential value of GBP 13.2 bil and possibly even more. This represents a 20% of Vodafone Group's current Enterprise Value of GBP 65.9 bil or 47% of company's current market capitalization.

We think that combined with a dividend yield of 7.5%, these restructuring initiatives could unlock significant shareholder value.