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CMS Network Sharing 3.0

Infrastructure sharing and investment 2017

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Foreword

CMS is delighted to be presenting this third edition of its study on the sharing of telecommunication networks in the EU and selected territories around the world. The first edition was highly influential and received a great deal of interest; the second edition added further depth to our analysis, covered several more countries and was also widely quoted and referred to.

This third edition expands in scope again. Firstly, our growing network of offices has allowed us to consider local developments in a greater number of territories than before. Secondly, we now consider the broader gamut of telecommunications-related cooperation and deals; this reflects the wide range of cooperation visible in a world where fixed – mobile convergence is a reality.

This is particularly important in the context of 5G, which is on a trajectory to become the first telecommunications standard that traverses both the existing ‘fixed’ and ‘mobile’ infrastructure worlds. It is striking that while 5G has received little mention with respect to many of the transactions covered by this report, operators’ strategic repositioning is unmistakable as they prepare to implement a very expensive, network-dense technology with an unclear business case.

Against this backdrop of change, viable commercial and legal structures are essential, as is clear regulatory guidance. We hope that this study proves to be a valuable resource in considering those objectives.



Chris Watson
Global Head of Technology,
Media & Communications



Dóra Petrányi
Managing Director,
Central Eastern Europe

Introduction

In 2014 and 2016, we published sequential studies into the main characteristics of network sharing deals concluded during the calendar years 2013 to 2015. The reports were very well received, including by the European Commission which asked us to consider in greater detail certain aspects of network sharing deals, in particular any varying geographic coverage of deals across countries.

Observing the expected 'saturation' of classic mobile network sharing deals, we have decided to expand and slightly amend the scope of our study for this edition. As operators position themselves to prepare for the roll-out of the next generation of mobile and wireless technology, we were interested in capturing a broader set of transactions, including how operators were deciding to manage different classes of infrastructure assets.

The study also has a wider geographic scope to reflect the broadening footprint of our network and communications sector expertise.

It is interesting still to see a significant number of the 'classic' type of mobile network sharing transactions which we reviewed in our previous studies (both in terms of new transactions and extensions of existing ones). Such models are proving attractive in emerging markets, but we have also observed new deals in mature Western European markets.

A substantial number of these transactions relate to 4G and there are already a few which relate to 5G. The substantial roll-out costs of these newer technologies, compared to 2G and 3G, in a context of increasing indebtedness and declining margins for the traditional telco operators, are instrumental in ensuring that network sharing and co-investments continue to have an important role. We expect 5G to further this trend as operators struggle to make out a sure-fire business case for the roll-out of 5G-ready infrastructure.

We have also reviewed transactions relating to the sharing of fixed infrastructure as well as M&A transactions of particular note. We continue to see a significant number of convergence-driven deals and the picture is increasingly one of blurred lines between services and infrastructure, with on the one hand new entrants in infrastructure (such as OTT providers) and on the other telco operators seeking to exit or limit the

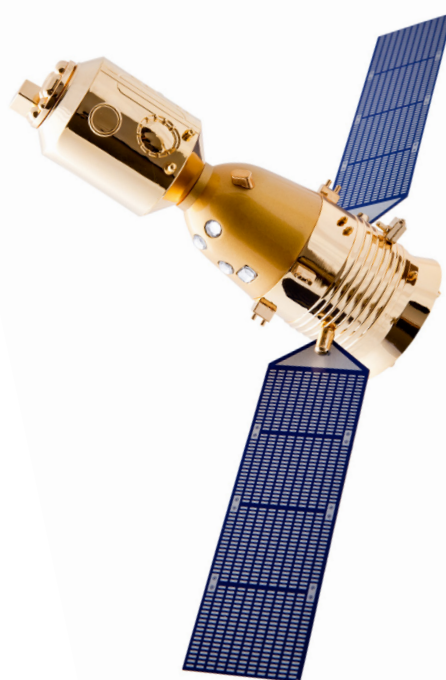
extent to which they retain ownership of all infrastructure assets. We noted in our last study that financial investors have appetite for steady but low-return infrastructure assets. With the emergence of multi-utility infrastructure funders, owners or providers, we expect to see this trend continue.

Regulatory scrutiny has intensified, particularly in respect of mergers, although we have also seen antitrust investigations of sharing arrangements in the period covered by this study. This does not however alter our main message which is that network sharing transactions are probably easier to navigate through the regulatory process than M&A in a context of increasing consolidation.

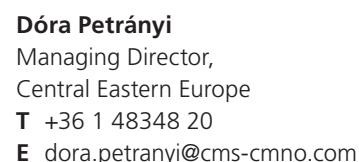
In light of all of the above, we do not expect that this edition of the study will be the last.

We hope that this third study will be helpful to those reviewing and analysing this innovative sector of a market undergoing rapid change.

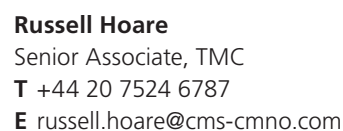
If you would like to discuss any aspect of this study, do get in touch with your country contact listed at the back of the report.



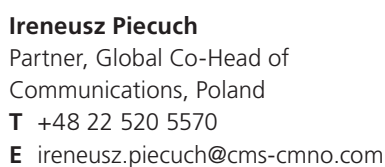
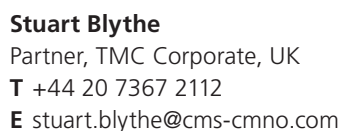
Editors-in-Chief



Jacqueline Vallat
Associate, TMC
T +44 20 7367 2819
E jacqueline.vallat@cms-cmno.com



Other key CMS communications contacts



Country communications contacts

Albania

Mirko Daidone

T +355 4 430 2123

E mirko.daidone@cms-aacs.com

Austria

Johannes Juranek

T +43 1 40443 2450

E johannes.juranek@cms-rrh.com

Belgium

Dirk van Liedekerke

T +32 2 6748570

E dirk.vanliedekerke@cms-db.com

Bosnia & Herzegovina

Nedžida Salihović-Whalen

T +387 33 94 4610

E nedzida.salihovic-whalen@cms-rrh.com

Brazil

Ted Rhodes

T +55 21 3722 9831

E ted.rhodes@cms-cmno.com

Chile

Ramón Valdivieso

T +56 2 24852038

E ramon.valdivieso@cms-ca.com

China

Nick Beckett

T +86 10 8527 0287

E nick.beckett@cms-cmno.com

Colombia

Andrés Márquez Acosta

T +57 4 604 04 33

E andres.marquez@cms-racla.com

Czech Republic

Tomáš Matějovský

T +420 2 96798 852

E tomas.matejovsky@cms-cmno.com

France

Anne-Laure Villedieu

T +33 1 4738 4019

E anne-laure.villedieu@cms-bfl.com

Germany

Jens Neitzel

T +49 89 23807 301

E jens.neitzel@cms-hs.com

Hungary

Dóra Petrányi

T +36 1 48348 20

E dora.petranyi@cms-cmno.com

Iran

Amir Kordvani

T +971 4374 2815

E amir.kordvani@cms-cmno.com

Italy

Italo de Feo

T +39 06478151

E italo.defeo@cms-aacs.com

Mexico

Derek Woodhouse

T +52 55 2623 0552

E dwoodhouse@wll.com.mx

Netherlands

Simon Sanders

T +31 20 3016 371

E simon.sanders@cms-dsb.com

Oman

Ben Ewing

T +968 2439 9905

E ben.ewing@cms-cmno.com

Peru

Ursula Cedrón

T +51 1 513 94 30

E ursula.cedron@cms-grau.com

Poland

Ireneusz Piecuch

T +48 22 520 5570

E ireneusz.piecuch@cms-cmno.com

Portugal

José Luís Arnaut

T +351 21 09581 00

E joseluis.arnaut@cms-rpa.com

Romania

Horea Popescu

T +40 21 4073 824

E horea.popescu@cms-cmno.com

Russia

Maxim Boulba

T +7 495 786 4023

E maxim.boulba@cmslegal.ru

Singapore

Jeremy Tan

T +65 97301190

E Jeremy.Tan@HolbornLaw.sg

Serbia

Radivoje Petrikić

T +381 11 3208 900

E radivoje.petrikic@cms-rrh.com

Slovakia

Petra Čorba Stark

T +421 940 637 825

E petra.corbastark@cms-cmno.com

Slovenia

Aleš Lunder

T +386 1 620 52 10

E ales.lunder@cms-rrh.com

Spain

Javier Torre de Silva

T +34 91 4519 321

E javier.torredesilva@cms-asl.com

Blanca Escribano

T +34 91 451 9287

E blanca.escribano@cms-asl.com

Sofia Fontanals

T +34661595152

E sofia.fontanals@cms-asl.com

Switzerland

Alain Raemy

T +41 44 285 11 11

E alain.raemy@cms-vep.com

Turkey

Alican Babalioglu

T +90 212 40142 60

E alican.babalioglu@cms-cmno.com

Ukraine

Olga Belyakova

T +38 044 391 3377

E olga.belyakova@cms-cmno.com

United Kingdom

Chris Watson

T +44 20 7367 3701

E chris.watson@cms-cmno.com

Stuart Blythe

T +44 20 7367 2112

E stuart.blythe@cms-cmno.com

United Arab Emirates

Rob Flaws

T +971 4 374 2807

E rob.flaws@cms-cmno.com

Why CMS

We know the communications sector

We have an expert international communications practice with top-rated individuals advising on major commercial transactions and regulatory issues. We are go-to experts in this space and are regularly asked to speak at industry leading events, such as ECTA and Mobile World Congress.

All-rounders

Not only do we advise communications players, their end-users and their investors and financiers, but we also advise regulators and governments on the development of their national policies.

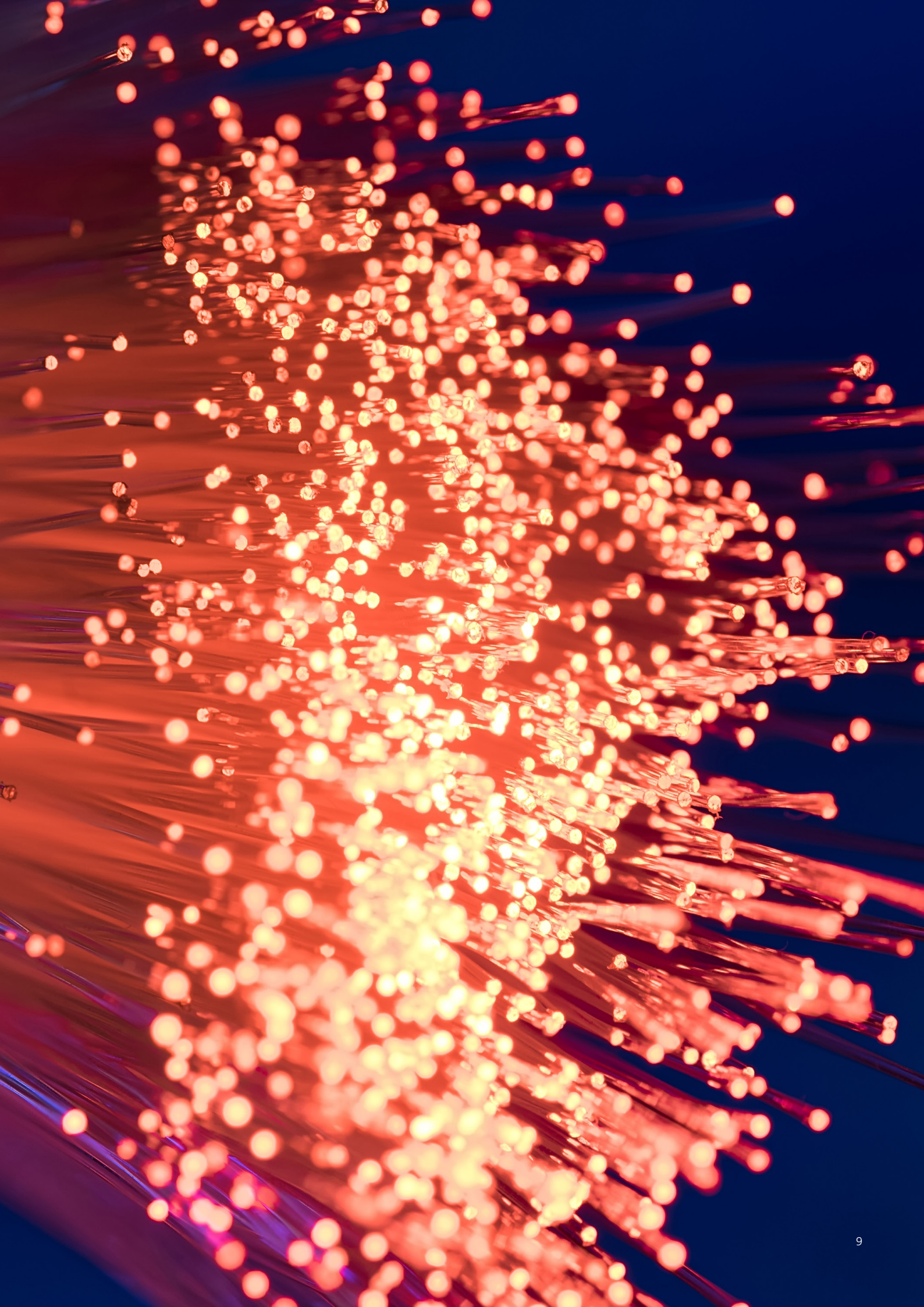
We really know telecoms and offer a holistic view of the market now and where it is going, especially as it converges with technology and media.

Lawyers who have worked in industry

Many of our communications lawyers have in-house experience, bringing precious insight into how communications companies work on the ground. Our advice is truly both legal and commercial. Unusually for a law firm, we also have individuals who have worked on the deployment of communication networks whilst employed within major communication operators, gaining first-hand experience of the business planning and general commercial issues impact construction and operation.

We have unrivalled coverage and work quickly

Our multilingual experts can be found across the world in Europe, Latin America, MENA, and Asia. CMS has a presence in over 40 countries.





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CMS Cameron McKenna Nabarro Olswang LLP
Cannon Place
78 Cannon Street
London EC4N 6AF

T +44 (0)20 7367 3000
F +44 (0)20 7367 2000

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