

## ISSUER COMMENT

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## Wendel SE

IHS Towers' potential registered IPO in the US is credit positive for Wendel SE

Yesterday, Wendel SE (Baa2 stable) issued a press release informing the market that one of its investments, IHS Towers (unrated) is exploring a potential registered Initial Public Offering in the US. If successful, the IPO of IHS Towers would be credit positive for Wendel SE as it would (i) increase the liquidity and transparency of Wendel's portfolio adding a new listed asset to the portfolio of investments, (ii) offer a potential exit path after seven years of ownership, and (iii) reduce the amount of capital Wendel and other private co-investors would need to invest in the business to support its strong growth opportunities and aspirations.

Wendel's portfolio of assets was broadly evenly split between private and listed assets as per 30th June 2020 with private assets accounting for approximately 52% of the value of Wendel's portfolio of investments (excluding cash). Wendel does not disclose the value of its private assets by companies but we would expect the share of listed assets to increase to well above 50% pro forma of the IPO of IHS Tower as IHS Towers is one of the largest private investments of Wendel.

A successful IPO would also offer Wendel a possible exit route for its stake in IHS Tower, the leading provider of telecom infrastructure in EMEA with strong market positions on the African continent and in the Middle East. Wendel has built a 19.2% stake in IHS Tower since its first investment in Africa and the telecom infrastructure sector back in 2012. Over its ownership period Wendel has invested \$830 million in IHS Towers. While the IPO cannot necessarily be interpreted as a sign for an imminent exit of Wendel from its investment in IHS Towers, a public listing in the US certainly offers a very good exit path over time.

IHS Towers has seen a strong growth of its business since its inception in 2001 with the number of telecom towers it owns and rents out to telecom operators increasing steadily over the years to reach more than 27,000 towers in 2020. IHS Towers' capex has averaged around 25% of revenue over the last three years with approximately 60% of the capex being discretionary growth capex. In light of the growth dynamics of the telecom sector on the African continent and to a lesser extent in the Middle East, investment requirements will remain high for IHS Tower over the next few years. The IPO should give IHS Towers access to additional equity capital to fund its growth, thereby requiring less investments from its existing private shareholders.

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