



MERCURY
CAPITAL
MANAGEMENT

Helios Towers PLC

LSE: HTWS

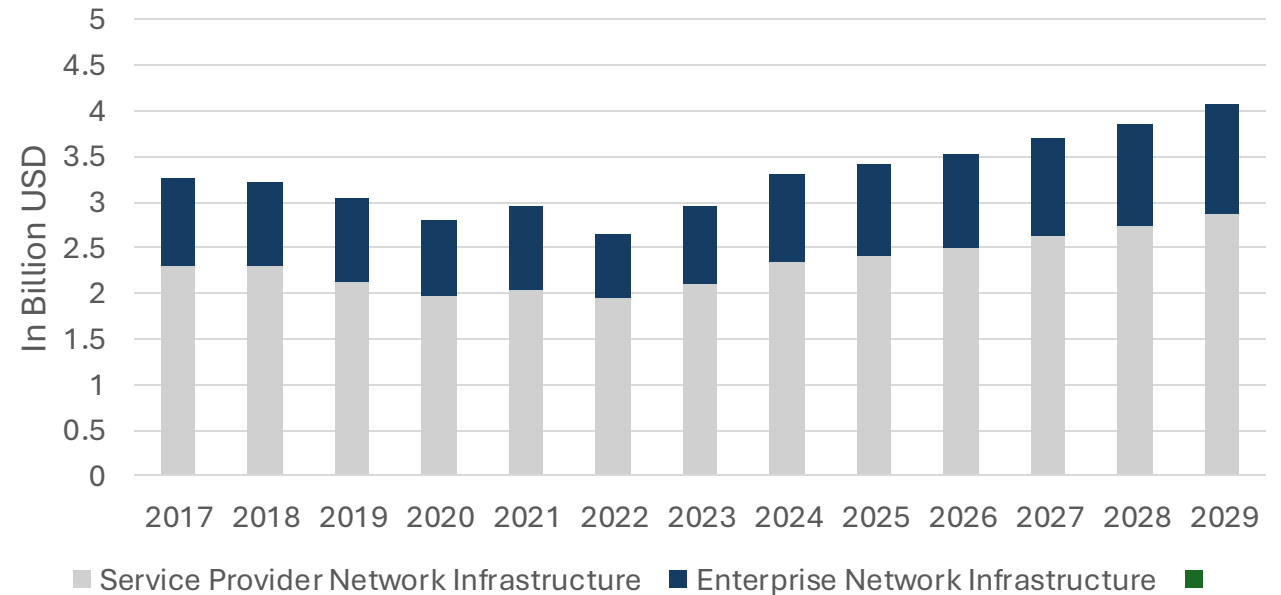
Team: Franco Kanaan (Head), Jett Green (Head), Alana Yurchenko, Adit Nikhil, Finlay Beattie, Gregorio Ricci, Lareina Yang

Helios is part of the telecommunications infrastructure industry, which mainly includes companies that own and develop cell towers, telecom sites, and data centers.

Opportunity and Importance

- Rise of mobile and internet penetration
- Shift to online services – 5G rollout investments
- Shift to tower sharing
- Analysts project a 4.44% CAGR in Africa and 4.03% in the Middle East (2025-2029)

Predicted Revenue Growth of Network Infrastructure in Africa



Company Overview

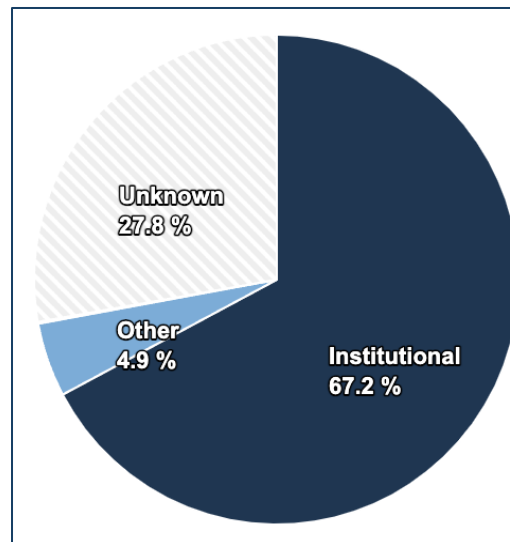
Company Description

- Helios Towers is a United Kingdom-based telecommunications infrastructure company that acquires and builds telecommunications towers across Africa and the Middle East
- Founded in 2009 with headquarters in London, UK
- Listed on the LSE as HTWS
- Their IPO happened in October 2019. Its IPO price was £1.15 and had about 1B shares outstanding

Company Mission

Helios hopes to drive the growth of mobile communications in high-growth markets by providing high-quality, sustainable, and efficient telecommunications infrastructure solutions.

Ownership



Source:
<https://uk.marketscreener.com/quote/stock/HELIOS-TOWERS-PLC-68970718/company-shareholders/>

Institutional Shareholders	No. of Shares	Ownership
Newlight Partners LP	138.6M	13.17%
IFC Asset Management Co.	40M	4.5%
Helios Investment Partners LLP	39.3M	3.7%
The Vanguard Group, Inc.	33.6M	3.2%

Geographical Origin of Shareholders

Most of their shareholders come from the US (38.67%) and the UK (20.4%). The Netherlands and the UAE also both have around 3% holdings as well.

Competitive Advantage

Helios has been able to foster multiple competitive advantages that set it apart from other telecom infrastructure companies. These include an early move into emerging markets, its industry having high barriers to enter, and Helios' sustainability focus.

Early Mover into EMEA

- First-mover benefits
- Competitors are primarily focused on established markets
- Many MNOs in Africa still own their tower, meaning HWTS can acquire them

High Barriers to Entry:

- High Capital Costs and regulatory Challenges
- Protects Helios' market position
- Long-term contracts ensure predictable revenue

Sustainability Focus:

- Investing more to reduce fuel costs and carbon emissions
- Solar and hybrid power reduce their operating costs
- Regulatory compliance and investor appeal

Investment Thesis

Rising Demand
for Telecom Infrastructure

- Mobile data consumption in Africa expected to grow 4x in the next 5 years.
- Expected to acquire 30,000 new towers by 2030.
- Over \$5 billion contracted leading to long-term revenue visibility.

Tenancy Growth
Driving Returns

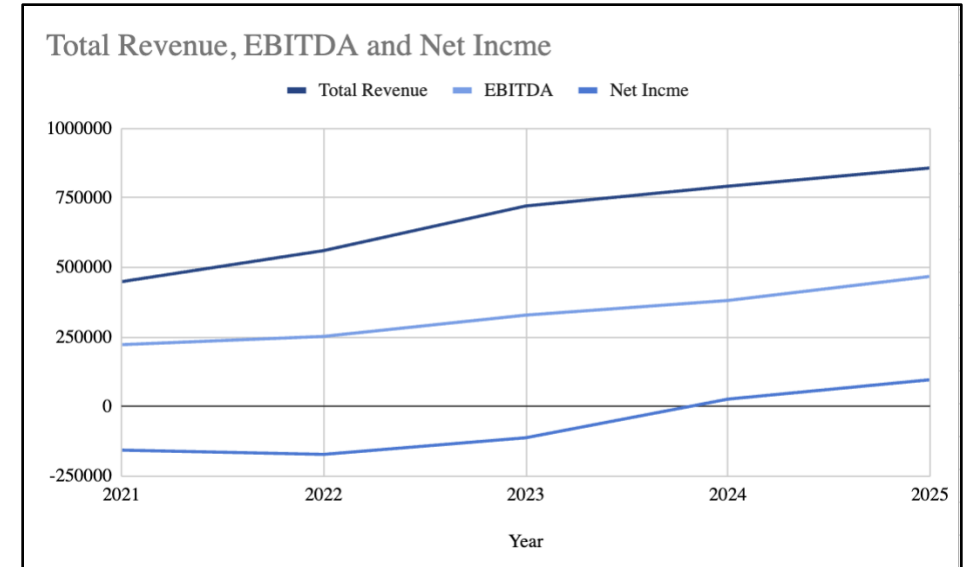
- Targeting higher tenancy ratios and operational efficiencies through AI.
- Helios has reached a tenancy ratio of 2.1X, boosting EBITDA.
- ROIC increases to 34% per tenant enhances intrinsic value over time.

Risk of FX Volatility

- Operating in emerging markets exposes Helios Towers to currency volatility.
- 70% of EBITDA is hard currency-based, mitigating risk.
- Expected to reduce net leverage to 3.5X from 4.0X in 2025.

Performance Analysis

FY (\$000s)	2021	2022	2023	2024	2025E
Total Revenue	449,100	560,700	721,000	792,000	857,587
Change in Rev. (%)		24.8%	28.6%	9.8%	8.3%
EBITDA	222,700	252,400	328,900	381,500	467,911
Net Income	(156,200)	(171,500)	(111,800)	27,000	96,625
Net Debt	948,500	1,678,000	1,797,700	1,789,800	1,725,830
Change in Net Debt (%)	36.99	76.91	7.13	(0.4)	(0.36)
Return on Assets (%)	2.93	3.07	4.24	6.87	3.42
Return on Equity (%)	(104.73)	(157.75)	(2070.37)	(2076.92)	178.98
Diluted EPS	(0.15)	(0.16)	(0.10)	0.03	0.09

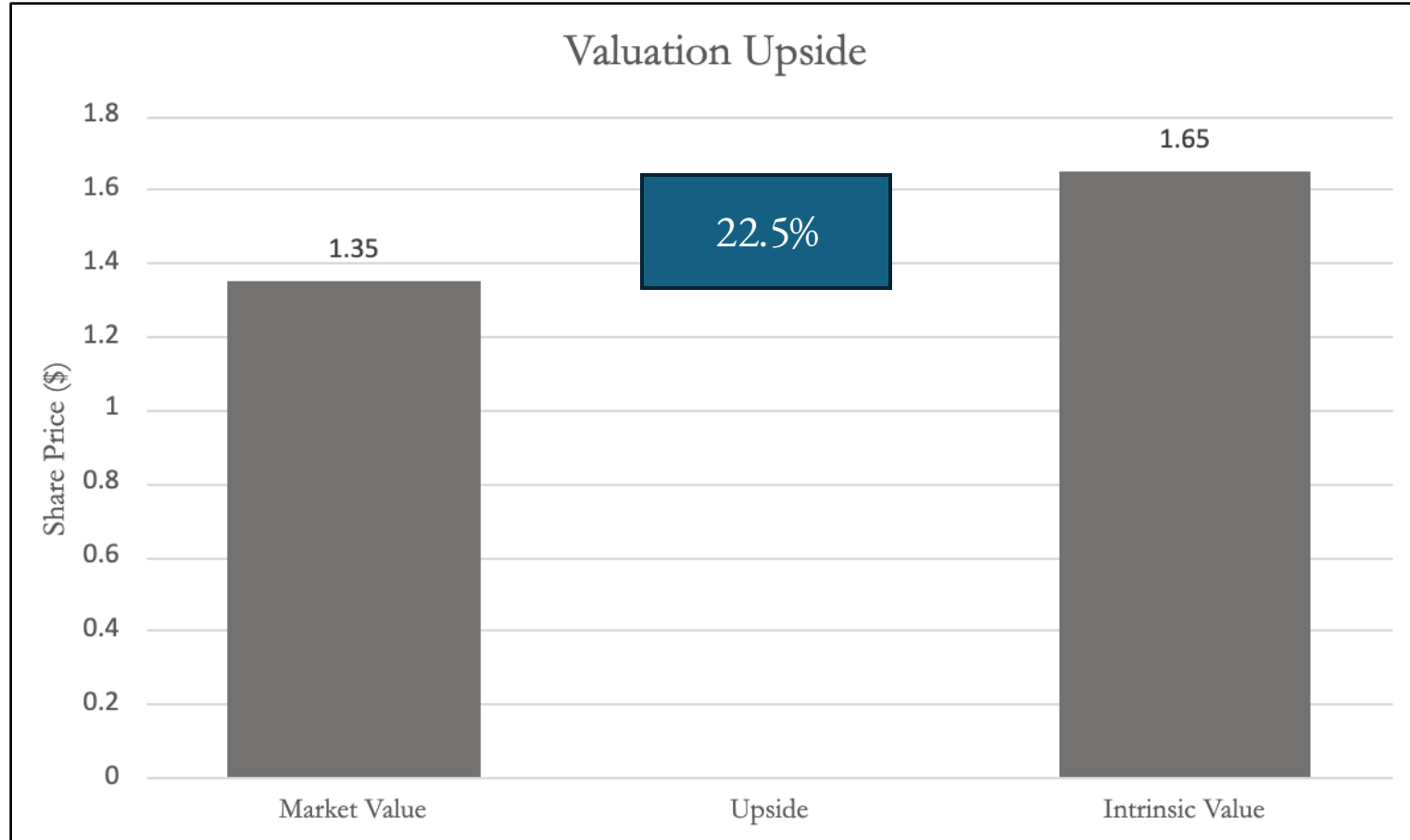


Intrinsic Valuation

WACC Calculation	\$mm
Debt	1,950.8
% Debt	56%
Cost of Debt	8.86%
Tax Rate	17.2%
Equity Value	1,417.5
% Equity	44%
Cost of Equity	9.44%
Risk Free Rate	4.32%
Beta	0.80
Equity Risk Premium	6.4%
Debt + Equity	3,368.3
WACC	9.1%

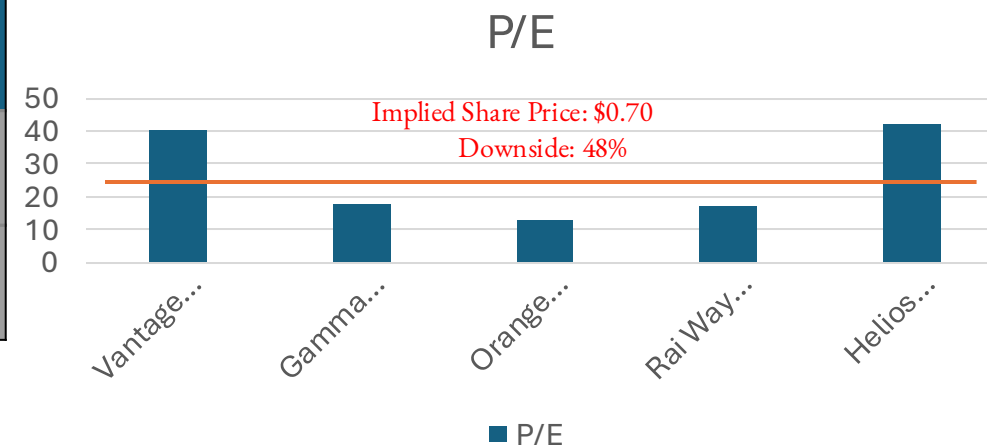
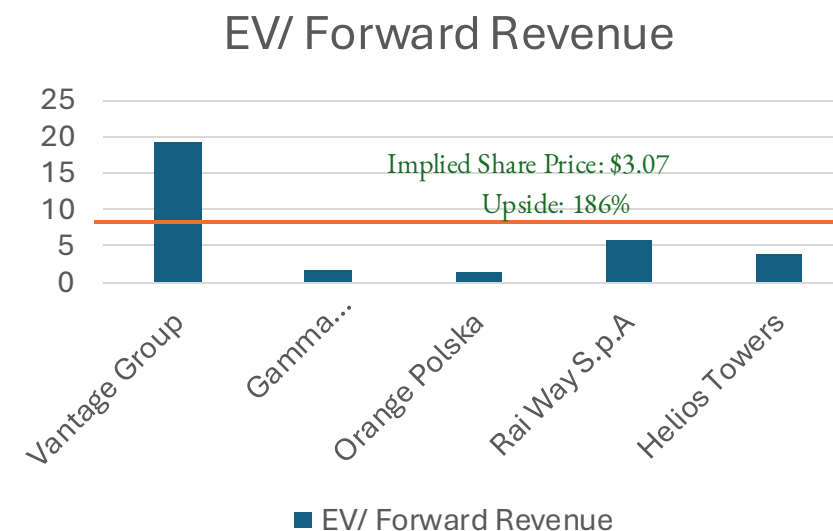
DCF Model	\$mm
WACC	9.1%
Perpetual Growth Rate	3%
PV of Terminal Value	2,759.9
Sum of PVs of FCFs	766,494
Enterprise Value	3,526.4
Cash and Cash Equivalents	161,000
Debt	1,950.8
Equity Value	1,736.6
Shares Outstanding	1.05 bn
Implied Share Price (\$)	1.65
Current Share Price (\$)	1.35
Discount Under Implied Share Price	22.5%

Intrinsic Valuation



Comparables

Company	Mkt Cap (mn \$)	EBITDA Margin (%)	EV/Forward Revenue	P/E	Revenue Growth(%)
Vantage Group	20,183	57.14	19.38	40.06	7.04
Gamma Communications	1,575	19.07	1.62	17.72	11.06
Orange Polska	2,978	23.25	1.39	12.65	-1.83
Rai Way S.p.A	1,661	66.32	5.85	17.2	1.52
Helios Towers	1,436	48.17	3.86	42.4	9.85
Median	1,661	48.17	3.86	17.72	7.04
Mean	5,566	42.79	6.42	26.01	5.53



Physical Infrastructure Vulnerabilities

Hybrid Power Systems, Climate-Resilient Design, 24/7
Monitoring

Cybersecurity

ISO 37001 Certification, Third-Party Vetting, EthicsPoint
Hotline

Supply Chain Disruptions

Supplier Diversification, Local Sourcing

Regulatory Fragmentation

Centralised Compliance Hub, Government Partnerships

Technological Obsolescence

Modular Upgrades

Recommendation: Buy

Strong Financial Growth & Profitability

+10% YoY revenue to **\$792m**

+14% YoY Adj. EBITDA to **\$421m**

+\$100m YoY free cash flow expansion to **\$19m**

Robust Operational Execution & Market Expansion

+2,481 **tenancy** additions (+9%), driven by Tanzania and Oman

+0.1x YoY tenancy ratio expansion to **2.1x**

Expanded presence in **9 countries**, covering **151m** people

Improving Financial Health & Returns

Net leverage reduction of -0.4x YoY to **3.98x**

+1ppt YoY **ROIC expansion** to **13%**

Inflection to profitability with **\$27m profit after tax**, compared to a loss in the previous year