

# Blackstone Minority Investment In Deutsche Telekom: Expanding Opportunities for Both Entities

Clickbait titles often capture our attention, promising something extraordinary or mind-blowing. In the case of the Blackstone Group's minority investment in Deutsche Telekom, it genuinely is an exciting development that can revolutionize both companies' futures.

Blackstone, one of the world's leading investment firms, announced its plan to invest \$3 billion for a minority stake in Deutsche Telekom, the renowned German telecommunications giant. This significant partnership opens up countless opportunities for growth, innovation, and expansion for both entities.

## Introducing Blackstone Group:

Before we delve into the details of this remarkable investment, let's first understand what makes the Blackstone Group such a force to be reckoned with. With over four decades of experience, Blackstone has established itself as a powerhouse in the investment industry.



## Blackstone's minority investment in Deutsche Telekom: Was Deutsche Telekom undervalued when Blackstone acquired its minority stake?

by Faizaan Ahmed (Kindle Edition)

★★★★☆ 4.5 out of 5

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Boasting an impressive portfolio comprising private equity, real estate, credit, and hedge fund assets, Blackstone manages over \$600 billion in assets worldwide. Its expertise lies in creating value for its investors, partners, and the companies it associates with.

### **Deutsche Telekom's Legacy:**

Deutsche Telekom, a household name across Germany and Europe, is one of the largest telecommunications companies globally. With a rich history spanning more than 25 years, the company has successfully expanded its services to millions of customers worldwide.

As the parent company of the renowned T-Mobile, Deutsche Telekom has a solid footing in the telecommunications industry. It provides a wide range of services, including mobile communications, fixed-network communications, internet services, and more.

### **The Perfect Match:**

With their impressive track records and complementary strengths, the partnership between Blackstone and Deutsche Telekom is a match made in heaven. The strategic minority investment by Blackstone in Deutsche Telekom will undoubtedly bring immense value to both parties.

For Blackstone, this investment serves as a conduit to tap into the vast potential of the telecommunications industry. With Deutsche Telekom's extensive customer base and global reach, Blackstone can leverage its expertise in generating

returns and creating value. It opens up avenues for collaboration and innovation in areas such as infrastructure development, technology advancements, and strategic acquisitions.

On the other hand, Deutsche Telekom benefits from Blackstone's financial expertise and global network. Through this partnership, the telecommunications giant gains access to additional capital, which can be used to finance expansions, research and development, and cutting-edge technological investments.

Blackstone's strategic guidance will further enhance Deutsche Telekom's ability to navigate the ever-changing telecommunications landscape.

### **Expanding Opportunities:**

With a clickbait title like "Blackstone Minority Investment In Deutsche Telekom Propels Companies Towards Untold Prosperity," we inherently expect there to be a revolutionary impact from this partnership. Simply put, that expectation is well-founded.

This investment sets the stage for both Blackstone and Deutsche Telekom to explore new markets, expand their service offerings, and drive innovation. The telecommunications industry is constantly evolving, and this partnership positions both entities at the forefront of these changes.

Together, Blackstone and Deutsche Telekom can embark on ambitious projects that could potentially reshape the industry. From the development of cutting-edge 5G networks to advancements in Internet of Things (IoT) technologies, the possibilities are limitless.

Furthermore, by combining their resources and expertise, Blackstone and Deutsche Telekom can collectively pursue strategic acquisitions and partnerships. This enables them to strengthen their market position and better serve their

customers by offering a wider range of comprehensive telecommunications solutions.

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It is evident that the Blackstone Group's minority investment in Deutsche Telekom signifies a pivotal moment for both entities. This groundbreaking partnership presents an array of opportunities for growth, expansion, and innovation.

As Blackstone and Deutsche Telekom embark on this transformative journey together, the future of telecommunications holds great promise. This partnership not only benefits the stakeholders involved but also paves the way for advancements in technology, connectivity, and global communication.

So, get ready to witness an era of unprecedented possibilities as Blackstone and Deutsche Telekom join forces to shape the future of telecommunications – a future that promises endless opportunities and boundless connectivity.



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Seminar paper from the year 2011 in the subject Business economics - Investment and Finance, Harvard University, course: Behavioral and Value Investing, language: English, abstract:

On 24 April 2006, the private equity company Blackstone acquired 4.6% of the shares of publicly listed German telecom incumbent Deutsche Telekom (DT) at a share price of €14 for a total of €2.7bn. According to Blackstone, DT was undervalued when compared to European peers.

This paper has three objectives:

- 1) To apply various established value investing valuation techniques to assess whether DT was indeed undervalued at Blackstone's entry.
- 2) To explore which operational and share price performance Blackstone might have anticipated for DT in order to reach a typical private equity IRR of 25% over five years.
- 3) To review subsequent events and DT's performance since Blackstone's entry and to specify what would need to happen to at least recover Blackstone's investment.

## 1.1 Company and shareholder overview

Deutsche Telekom is the German telecom incumbent and was Europe's largest telecom operator with sales of €59.6bn in 2005. The company generated 57% of its sales in Germany, another 22% in other European countries (mainly the United Kingdom) and the remaining 20% in North America. In terms of business areas, mobile communications accounted for 48% of its revenues, broadband/fixed network made up 36% and business customers 15%.

DT's largest shareholder was the German government which held 15.2% of DT's shares directly and controlled another 17.3% via the German state-owned bank

Kreditanstalt für Wiederaufbau (KfW). The remaining 63% were held by a fragmented institutional and private investor base.

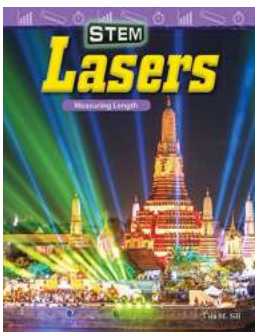
## 1.2. Transaction details

Blackstone bought its stake directly from KfW at a 2.6% premium to DT shares' trading price of €13.65, implying a total market capitalization of €58.8bn and an enterprise value of €97.4bn. In the fifth largest private equity investment ever observed in Germany, Blackstone agreed to a lock up period of two years to show its commitment as a long term investor. In return, it received one seat on DT's supervisory board and KfW agreed not to sell any further DT shares within one year. 85% of Blackstone's total investment was financed with a margin loan provided by Deutsche Bank.



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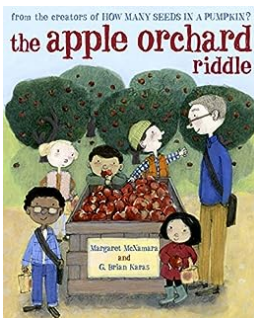
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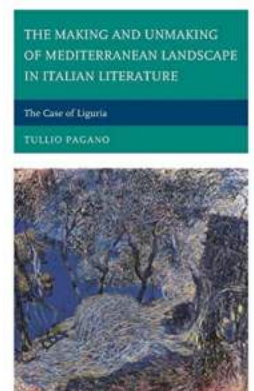
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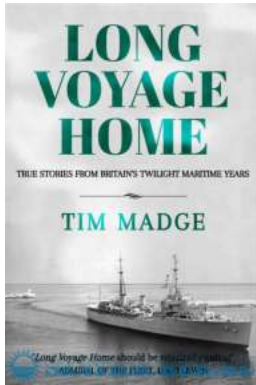
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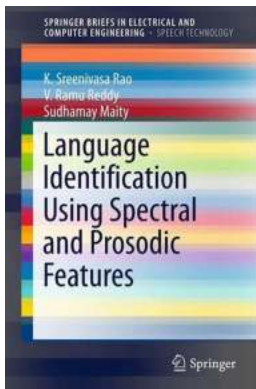
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