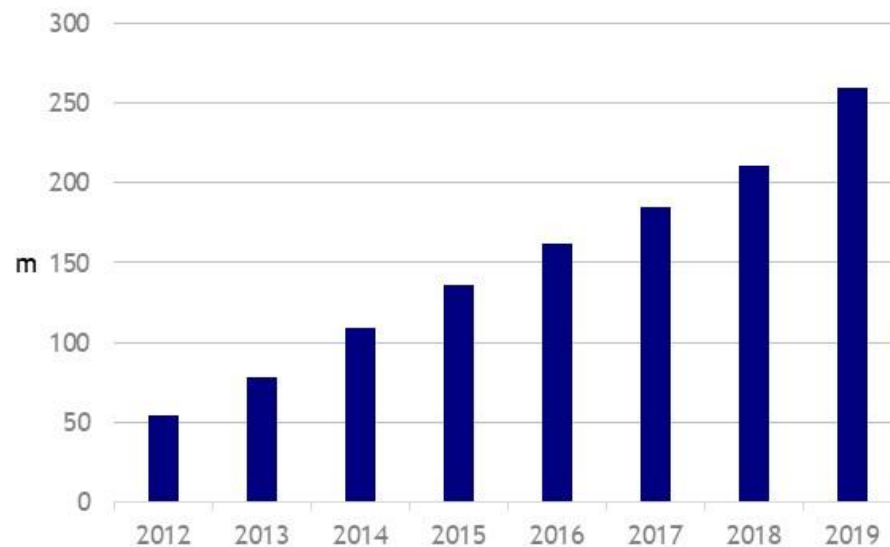


- The FT reports Facebook is in negotiations with Jio to acquire a 10% stake. We think this likely reflects the importance of India to FB (now their biggest market by customers) and desire for a strong local partner to help navigate what is an increasingly high risk market from a regulatory/judicial perspective.
- Reports are that FB has discussed buying 10% of Jio at “over \$60bn”, although negotiations have stalled due to Covid-19.
- From Jio’s perspective a deal makes sense, given increasing evidence the company is looking to monetize its sizeable investment in Indian mobile (est \$50bn). A high reference price would also be positive in the run into Jio’s IPO which we believe is planned for the end of this year, or early 2021.
- From Facebook’s perspective we think the deal should be seen through the lens of both the regulatory/judicial troubles other large foreign investors (such as Vodafone) in the tech/telco space have found themselves in in India, and the specific problems FB has faced in the country, for instance with their (now banned) Free Basics programme, and other mis-steps. India is now FB’s largest market in terms of users, and therefore key to the companies’ long term future. Securing a partner with the proven ability to successfully negotiate India’s regulatory/political/judicial landscape is a key benefit.
- From Bharti’s perspective a deal is structurally negative as it implies increased capital into India, and reduces pressure on Jio to lift prices. However, we think very negative outcomes involving an exclusive deal between Jio and FB are unlikely though both for regulatory reasons and because that goes against what FB stands for (inclusion/extending internet and specifically FB access to the widest population possible). And, as we wrote ([HERE](#)), a valuation of Jio of \$60-70bn implies a read-across share price for Bharti of INR 650-790 per share.
- We remain strong buyers of Bharti. A deal between Jio and FB is structurally negative but would highlight the value of Indian mobile which is not reflected in Bharti’s current share price. Our pt is INR 810 and our recommendation is Buy.

1. Facebook India customer base (m)



2. Readacross per share valuation of Bharti from Jio transaction value

		Jio valuation (US\$bn)				
		60	70	85	95	105
Jio premium to Bharti	10%	799	916	1,091	1,209	1,326
	20%	740	848	1,009	1,116	1,223
	30%	691	790	938	1,037	1,137
	40%	648	740	878	970	1,062

Source: Company accounts, Bloomberg, New Street Research estimates

Relevant research

[Bharti Airtel: Covid-19 stress test; risks manageable, Buy pt INR 810.](#)

[Bharti Airtel Q3, Buy, pt INR 780: Strong numbers, driven by volumes which suggests price increase will have a stronger effect in Q4](#)

[Indian Telcos: What is Bharti worth at INR 300 ARPU? PT to INR 810 \(+53%\), Buy](#)

[Jio valuation: all interests aligned in higher prices; bullish Bharti](#)

[Indian Mobile - Bharti could beat near term EBITDA by c. 30%](#)

[Indian bankruptcy rules; VIL unlikely to emerge intact](#)

[Indian Telcos - Supreme Court rejects telco's review petition on AGR dues.](#)

[Indian Mobile: Despite the rally Bharti could still double](#)

[Asian Tower Trends, Indonesia Strong, China & India disappoint: Q3 19 Review](#)

[Indian telcos: Price hikes, fines, spectrum holiday, large Airtel profit upgrade, pt to INR 650, Q2 review](#)

[Time to Buy Vodafone for, rather than despite, India? Buy Bharti too](#)

[Indian mobile price rises announced; history repeats - Buy Bharti Airtel, pt INR 600](#)

[Indian mobile - Past dues implications](#)

[Bharti Infratel - Q2 20: Some improvements but still under pressure, and VIL remains a risk](#)

[Indian Mobile - Heads I Win, Tails You Lose, Bharti Airtel pt to INR 600, negative Infratel](#)

[Indian Mobile: VIL to try cash conservation? Positive Bharti Airtel \(pt to INR 570\), negative Infratel \(pt to INR 230\)](#)

[Bharti Airtel, Inflection Point](#)

[Vodafone IDEA profit collapse is a game-changer](#)

[Bharti Infratel: Upgrade to Neutral, pt to INR 270](#)

[Vodafone IDEA: Prices need to rise 55% to be sustainable, Reduce, pt INR 16 from INR 30, -46%](#)

[Bharti Airtel, Buy, \\$4.5bn rights issue/perpetual bond implications; Buy; pt INR 580](#)

[Indian Mobile: What not to expect in 2019](#)

[Bharti Infratel \(Reduce\), pt INR 200 from INR 220 \(-29%\). Implications of Vodafone IDEA merger and possible exit](#)

[Vodafone IDEA post -investor day, can kicked](#)

Disclosures

12 month historical recommendation changes are available on request

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