

# The increasing use of spin-offs highlights an alternative B2B growth strategy that operators should consider

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Telstra announced, in August 2025, that it had sold a 75% stake in Versent Group, its cloud services and digital transformation unit, to Infosys. This is one of the latest examples of telecoms operators spinning off B2B or digital service divisions into separate entities. Other examples include AT&T, which spun off its cyber-security unit in May 2024, Vodafone, which separated its [IoT unit](#) in April 2024, and Virgin Media O2 (VMO2), which spun-off [its B2B division](#) in May 2025.

The motivations for these spin-offs vary. Telstra's move aligned with its recent [change in strategy](#) to refocus on connectivity. Other operators have used spin-offs to raise the valuation of the unit in question ahead of a future sale, to bring in external investors to fund mergers and acquisitions (M&A) or to provide greater autonomy and agility to accelerate (or revive) revenue growth.

Business services sit between two countervailing trends in telecoms. Some operators see B2B services as a central growth engine, and are [acquiring to bolster this growth](#). Conversely, other operators are [delayering](#) their infrastructure and service layers, and, in some cases, are selling service divisions, in an effort to refocus on a narrow, core competency based on connectivity. Most attention has been given to operators acquiring business assets, but many are also selling, as the recent spin-offs demonstrate.

## Spin-offs can serve several purposes, from strategic separation to acquisition-led growth

There is a variety of reasons why an operator might spin off its B2B unit. The main motivations are as follows.

- **To gain operational agility.** Operating as an independent unit can enable greater financial freedom in terms of where to invest, quicker decision-making for product development and M&A, and flexibility to explore new business models or partnerships (for example, Vodafone IoT has the ability to be 'MVNO-like' and source IoT connectivity outside of Vodafone's networks and existing agreements).
- **To bring in external investment.** SK Telecom and stc publicly listed their IT and semiconductor unit and IT services unit, respectively, and used them as vehicles for M&A. Other operators have brought on financial institutions or other strategic investors to support M&A.
- **To increase the unit's valuation ahead of a future sale.** Some operators still own 100% of their spun-off entity, but the spin-off activity may be the first step towards a future sale or IPO. BT's creation of BT International as a standalone unit is a recent example of this. Spin-offs can provide greater visibility on a high-growth business unit's performance and allow it to be valued independently from the core telecoms business, potentially at higher multiples.
- **To revive a struggling business unit.** [VMO2 spun off its entire B2B division and merged it with Daisy Communications](#) to create a player with greater scale and independence than VMO2's original unit.

- **To refocus on connectivity.** AT&T’s spin-off of its cyber-security division aligns with the operator’s wider strategy to refocus on connectivity. It has also sold off its media assets (such as DirecTV in July 2025 and WarnerMedia in 2022) and its digital advertising unit, Xandr (in 2022). Telstra outlined a similar ambition in May 2025 to “double down on connectivity”. It has made significant job cuts to Telstra Purple, its IT and technology services division (parts of which are [included in the Versent Group divestment](#)), and reportedly put its fleet management subsidiary, MTDData, up for sale in May 2025. The divestment of Versent Group is likely to be followed by other divestments or spin-offs.
- **To generate funds.** Operators that sell a stake in their business unit may wish to generate cash to invest in other areas of the business or to pay off debt (this was likely to have been a factor for AT&T).

Figure 1 provides examples of operator spin-offs of B2B units, the resulting ownership structures and the motivations behind the moves.<sup>1</sup>

**Figure 1: Selected examples of B2B unit spin-offs**

Business unit type	Operator	Details	Ownership structure	Motivation
B2B	VM02	VM02 spun off its entire B2B division and merged it with Daisy Communications in May 2025.	70% owned by VM02, 30% owned by Daisy Communications’ previous shareholders	Revive a struggling business unit
IT	SK Telecom	SK Telecom spun off several of its ICT and semiconductor businesses into a newly formed investment company, SK Square, in November 2021.	Publicly listed on the Korea Stock Exchange; SK Telecom retains a minority stake	Bring in external investment and gain operational agility
	stc	stc spun off and listed 20% of the shares of its IT services division, Solutions by stc, in September 2021.	stc retains a 79% stake, 20% is floated on the stock exchange and 1% is owned by the Saudi Treasury	Bring in external investment and gain operational agility
IoT	Vodafone	Vodafone spun off its IoT connectivity business into a separate company, Vodafone IoT, in April 2024.	100% owned by Vodafone as of August 2025, but it has indicated it is open to external investment <sup>2</sup>	Gain operational agility and bring in external investment
Cloud/digital services	Telstra	Telstra sold a 75% stake in Versent Group, its cloud services and digital transformation unit, to Infosys in August 2025.	75% owned by Infosys, 25% by Telstra	Refocus on connectivity
	Telefónica	Telefonica created Telefónica Tech in 2019, a dedicated business unit focused on cloud, cyber	100% owned by Telefónica but it has indicated that it is open to external investment	Gain operational agility and increase valuation ahead of a future sale

<sup>1</sup> We have focused on spinoffs of B2B units but several operators have also spun off mobile money and fintech divisions. Airtel, Globe and MTN are all planning IPOs of their spun off divisions.

<sup>2</sup> Microsoft announced an intention to invest in Vodafone IoT in January 2024, but the investment has not been confirmed as of August 2025.

Business unit type	Operator	Details	Ownership structure	Motivation
		security, and IoT and big data.		
Cyber security	AT&T	AT&T spun off its cyber-security division in 2024. It formed a joint venture (LevelBlue) with WillJam Ventures, a private equity firm.	Exact terms not disclosed but AT&T holds a minority stake	Refocus on connectivity and generate funds

Source: Analysys Mason

## More operators should consider the merits of spin-offs

These spin-offs are not without risk. Executing a spin-off can be operationally complex (for example, there is complexity in separating IT systems, allocating staff and creating legal structures) and time consuming. It could also lead to reduced synergies between the core connectivity business and the spun-off unit (particularly for IT services, as we [previously noted](#)).

Nonetheless, operators should be open to the possibility. Those that are refocusing on connectivity can use spin-offs to retain some financial upside relative to simply selling off the unit. Other operators should consider whether some of their B2B sub-divisions could benefit from the autonomy, decision-making speed and access to external funding that they may not be able to provide within their wider business.