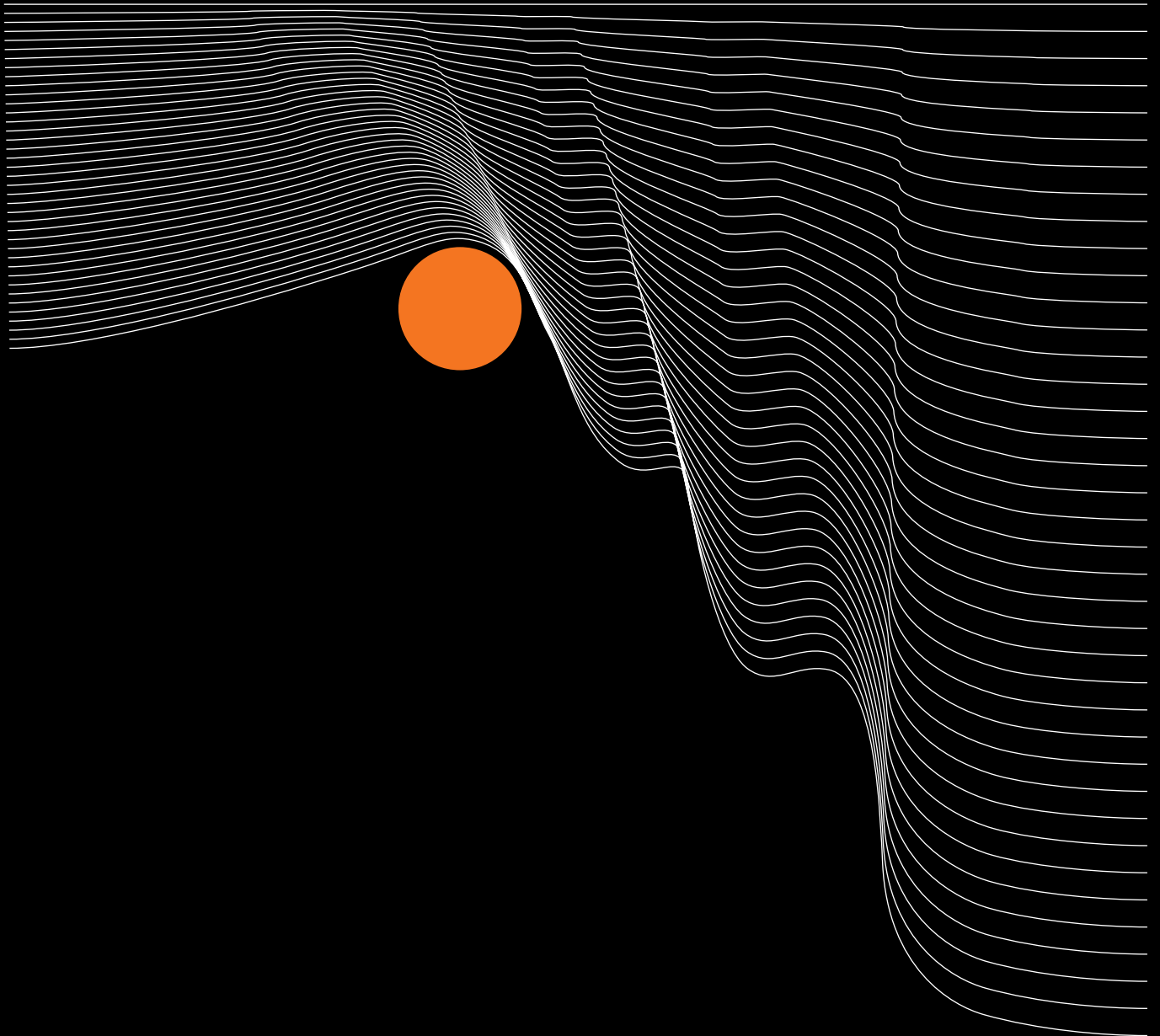


CAPITAL CURRENTS

Europe's Telecom
Industry Should Prepare
for a Big M&A Shake-Up



TRENDS IN FOCUS

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Capital Currents is a cross-industry series focused on distilling the key trends in M&A and identifying how management teams can capture value.

Europe's telecommunications industry must brace itself for transformation as a new era of mergers and acquisitions (M&A) is set to begin. We believe that, during the next decade, four catalysts will fundamentally reshape the telecom landscape:

- Many markets are currently mature and offer limited organic growth prospects
- Each market's telecom landscape is fragmented and requires consolidation for players to scale
- Calls for national sovereignty in critical communications infrastructure demand more consolidation
- Regulators are now more favorable to consolidation

Together, these catalysts are creating a compelling environment in which strategic M&A can unlock substantial value across the industry.

In response to these dynamics, we identify five distinct deal archetypes that will define the future of telecom M&A:

- In-market consolidation designed to strengthen market health and realize fixed- cost synergies
- Cross-border consolidation to capture scale and achieve global reach
- Portfolio rebalancing to optimize asset and service mix
- Growth engine acquisitions adjacent to the core business that drive profitable and sustainable growth supported by a strong right-to-win
- Digital infrastructure consolidation to build scale economies and optimize returns on capital

Each archetype offers unique opportunities to enhance value, whether through operational synergies, market health, or adjacent market growth.

This paper outlines the specific value drivers within these deal frameworks and provides a strategic playbook that equips telecom executives with actionable insights to navigate and capitalize on the next wave of M&A activity.



THE FOUR CATALYSTS DRIVING TELECOM M&A IN EUROPE

The telecom sector in Europe is entering a pivotal phase driven by four principal catalysts that are set to redefine the M&A landscape. Together, these forces align to unlock new strategic opportunities and value creation potential for industry players poised to navigate this evolving environment.

1. MATURE TELECOM CONSUMER MARKETS REQUIRE CONSOLIDATION

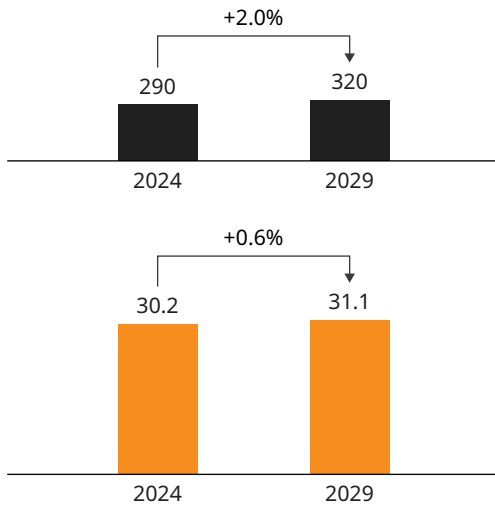
The European telecom consumer market is characterized by maturity. Growth across both mobile and fixed segments is minimal or stagnant. The presence of established low-cost competitors and saturated subscriber bases limits the value creation potential from traditional “land grab” or aggressive acquisition tactics. In such a context, indiscriminate chasing of market share risks destroying value rather than creating it.

Implication: M&A can be leveraged as a strategic mechanism for market repair and bottom-line value accretion — focusing on operational efficiencies, customer base value creation, and portfolio optimization rather than mere low value share expansion.

Exhibit 1: Limited market growth in fixed and mobile communication services in Europe

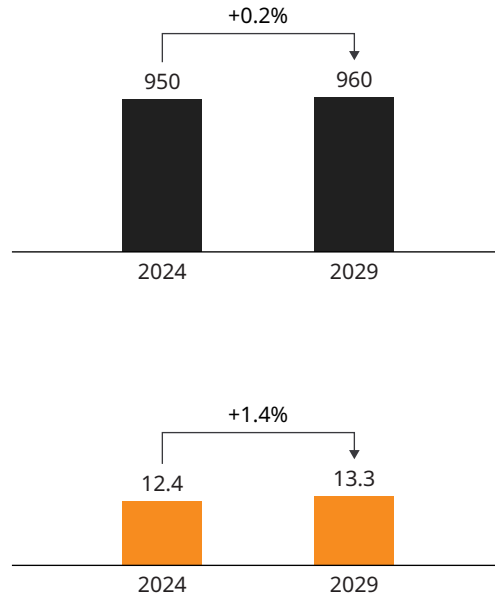
Fixed connectivity

Europe, million connections, € per month, 2024-2029



Mobile connectivity

Europe, million connections, ARPU € per month, 2024-2029



■ Connections ■ ARPU¹

1. Average Revenue Per User, constant currency

Source: Oliver Wyman analysis

2. THE FRAGMENTATION OF EUROPEAN MARKETS HAS PREVENTED PLAYERS FROM ACHIEVING SCALE

Compared to the United States, where the telecom landscape exhibits a few large-scale players, the European landscape remains highly fragmented with numerous national telcos. The average EU telecom operator serves only 5 million subscribers, compared with 107 million subscribers served by the average US telco and 467 million subscribers by the average Chinese player. This fragmentation hinders the ability of European telecom companies to unlock large economies of scale and reinvest cash flow from matured and commoditized consumer markets into high-potential segments, particularly digital overlay services in B2B.

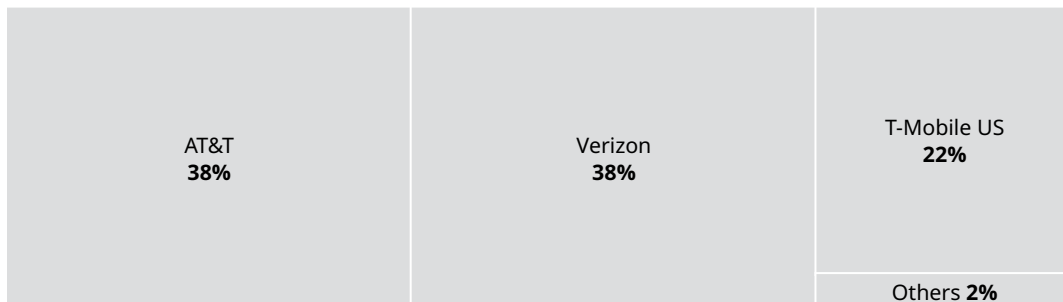
Implication: Further consolidation and cross-border scale can enable the creation of competitive platforms in adjacent markets with sufficient scale that guarantees competitiveness and sustainable economics.

Exhibit 2: Telecom fragmentation in Europe versus United States

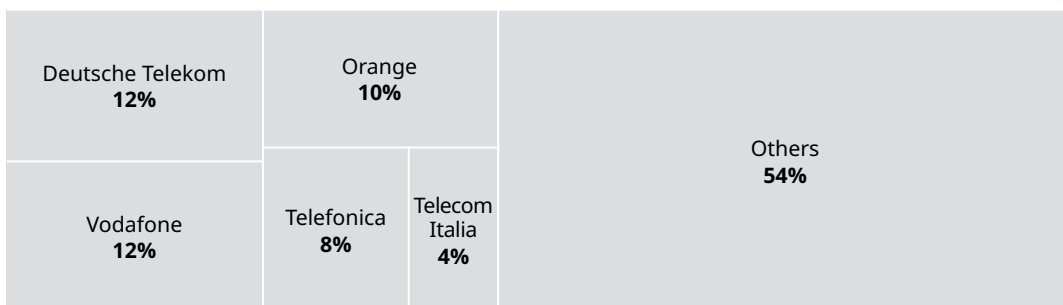
Mobile market share

USA, Europe, 2024 estimates, % market share

United States



Europe



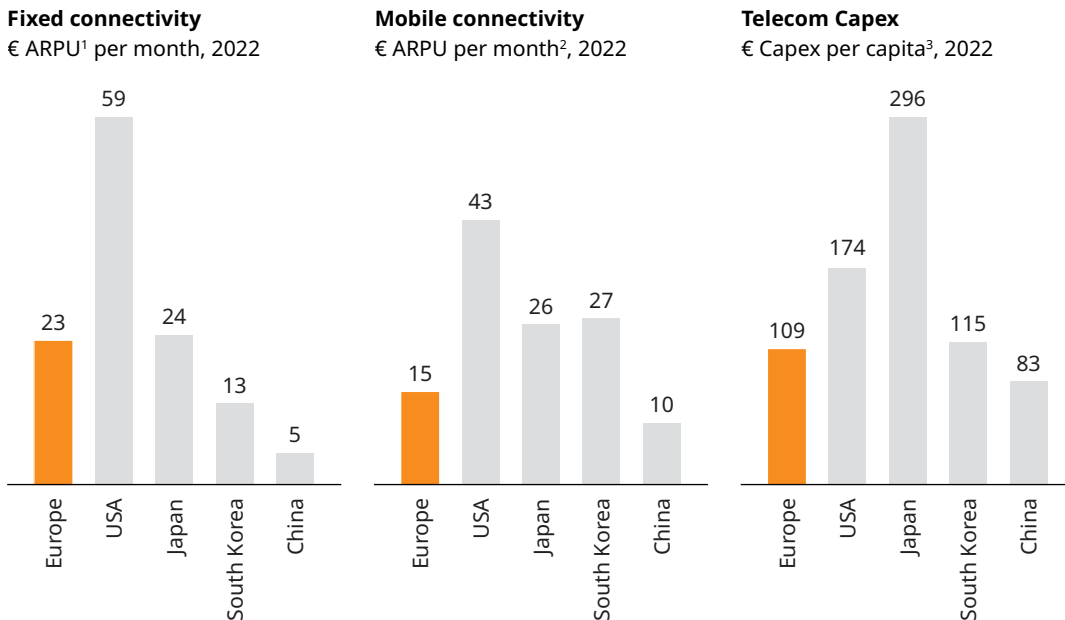
Source: Oliver Wyman analysis

3. DATA SOVEREIGNTY DRIVES NATIONAL INVESTMENTS IN DIGITAL INFRASTRUCTURE

Geopolitical and economic complexities have persuaded national governments and key institutional bodies across Europe to focus on safeguarding critical digital infrastructure, achieving data sovereignty, and investing in scalable AI compute capabilities. Massive inflows of private capital have already been deployed to reinforce the foundational layers of digital infrastructure. Yet, beyond the passive infrastructure layer, there remains a sovereign imperative for telecom operators to sustain and accelerate investments in the active layers of mobile and fiber networks. When looking at investment levels across geographies, it is clear that Europe lags behind. The capital expenditure per capita is €109 in Europe, versus €174 in the United States (Exhibit 3).

Implication: M&A consolidation in the telecom sector is becoming not only a commercial imperative but also a strategic enabler for digital sovereignty. Through consolidation, operators can secure the scale and capital necessary to sustain and advance investments in next-generation sovereign infrastructure layers, such as standalone 5G networks, fiberized access for business and consumers, and other overlay services such as sovereign clouds and domestic AI compute platforms. The demand for national digital resilience gives telcos the backing to consolidate in their respective markets.

Exhibit 3: Comparison of investment levels across key geographies



1. Average Revenue Per User; 2. Excluding IoT SIMs; 3. Adjusted for GDP/Capita as reported by Draghi/Letta reports
 Source: Draghi and Letta reports, Oliver Wyman analysis

4. EUROPE'S REGULATORS ARE BECOMING MORE FAVORABLE TO CONSOLIDATION

A significant shift is underway in the regulatory approach to telecom mergers, marked notably by the influence of reports by Mario Draghi and Enrico Letta on regulatory reform in Europe. Regulators have begun recalibrating their criteria for evaluating proposed consolidations, signalling a more accommodating posture toward large in-market transactions. This evolving stance reflects a recognition of the strategic importance of enabling scale and investment in a highly competitive and capital-intensive industry. Early indications include the adoption of “soft remedies” rather than outright blocking, allowing deals to proceed while addressing competitive concerns — mostly retail prices and investment commitments — through measured conditions. Moreover, the European Union is considering accelerating the implementation of the Draghi and Letta recommendations, aiming to achieve them by 2028 instead of 2030.

Implication: As a result of the evolving mindset of European telco regulators, even substantial in-market M&A initiatives are more likely to receive a favorable treatment. This will make it possible for telecom operators to pursue consolidation as a tool to become more efficient and competitive, and create the healthy economic foundations that support the required reinvestment in active networks. In previous in-market consolidations, regulators introduced remedies that led to the creation of new large market players, resulting in a reduction of market synergies (e.g., avoidance of price wars). The new regulatory stance appears to move away from such an approach, marking an important change that allows for the full realization of synergies

Exhibit 4: Soft remedies to large mergers are becoming the norm

Outline of merger remedies (selected examples)

M&A	Market structure and access	Consumer protection and quality commitments	Regulatory oversight and compliance
Spain	Orange MásMóvil Enable Digi's shift from MVNO to full MNO and access to merged network Ensure competitive service terms	Provide Digi with infrastructure access to offer 5G services	Regulatory scrutiny by the CNMV to ensure adherence to pricing and access obligations
United Kingdom	Vodafone Three UK Commitment to maintain competitive conditions for smaller operators	Preserve coverage and service speeds	Regulatory scrutiny by the CMA to ensure adherence to pricing and access obligations
Italy	Vodafone Fastweb Ensure continued access for third-party operators Eliminate exclusivity clauses in contracts	Ensure equal access to information for competitors in public procurement	Independent monitoring trustee Ensure compliance with commitments

Source: Oliver Wyman analysis

MAIN ARCHETYPES DRIVING M&A IN THE TELECOM SECTOR

The European telecom sector is now experiencing distinct transaction patterns that will define current and future waves of M&A activity. Understanding these five primary deal archetypes provides critical insight into how telecom operators and investors are repositioning themselves to capture value and competitive advantage in a rapidly evolving market.

1. IN-MARKET COMMUNICATION SERVICE PROVIDER CONSOLIDATION

The first foundational trend reshaping European telecom markets is the ongoing consolidation among communication service providers (CSPs) within national borders. European markets have historically had five to six players, but this fragmented competitive landscape is now poised to evolve toward greater concentration. The anticipated market structure is likely to compress to three or four dominant players, driven by the need for scale, operational efficiency, and enhanced investment capacity. This wave of consolidation aims to strengthen competitive positioning and reduce market overcapacity, which should improve profitability and long-term sustainability. However, these types of deals are complex and face lengthy antitrust processes with uncertain outcomes, which also typically result in some form of asset divestment and sharing commitments.

For mobile network operators (MNOs), larger markets with four or more MNOs are likely to experience consolidation. In smaller markets, there is the opportunity to further consolidate from three to two MNOs. In Exhibit 5 we outline the structure of different markets. Recent transactions in this space include the mergers of Vodafone and Three in the UK, MasMovil and Orange in Spain, and Fastweb and Vodafone in Italy.

Exhibit 5: Consolidation potential in the mobile industry

Market size	Market structure			
	2 MNOs	3 MNOs		4+ MNOs
Large markets (>10 MN people)		United Kingdom Netherlands Czech Republic		Germany Poland France Romania Italy Belgium Spain
Medium markets (5-10 MN people)		Portugal Greece Hungary	Austria Bulgaria Finland	Sweden Denmark Slovakia
Consolidation potential	No	Low	Medium	High

Source: Oliver Wyman analysis

2. PORTFOLIO REBALANCING

Large telecom groups are increasingly engaged in strategic portfolio optimization. This involves divesting non-core assets — whether by geographic region or service offering — to sharpen focus on areas closely aligned with core capabilities and market growth potential. By shedding peripheral or underperforming units, these groups seek to reallocate resources more effectively toward segments that have more strategic relevance. This rebalancing act helps operators streamline operations and sharpen their competitive edge in targeted, higher-value domains.

We observe two main types of transactions: First, exiting telco operations with low profitability in highly competitive markets (for example, Vodafone Group exiting Spain and Italy, and Deutsche Telekom exiting Romania). Second, exiting unsuccessful diversification assets that are too far from the core (for example, Orange selling OCS to Canal+).

3. CROSS-BORDER CONSOLIDATION

Beyond domestic consolidation, a growing number of telecom operators are pursuing cross-border expansion by exporting their business models and operational expertise into new markets. Through strategic acquisitions, these firms aim to capitalize on attractive growth prospects abroad while leveraging their established capabilities to transform and scale acquired operations aimed at replicating success in markets with favorable regulatory, economic, and competitive conditions. For example, Digi group has leveraged its model for building low-cost fiber in Romania and successfully exported into Spain, with prospects of launching in Belgium.

Usually, single cross-border mergers yield limited “hard” synergies, and the upside comes from a clear value and performance enhancement plan for the target company. However, moving forward there is a real option value in building a European platform. Following the Draghi and Letta reports, there is momentum to build a stronger European single market in the communications sector. A regional telecommunication platform will be able to extract more substantial synergies if such initiatives start to materialize.

4. GROWTH ENGINES NEAR THE CORE

Leveraging their foundational strength in connectivity, large telecom operators are proactively moving “up the stack” by targeting acquisitions of overlay digital services and capabilities. This shift focuses primarily on expanding the B2B segment, where operators can enhance value propositions through cloud services, IoT, cybersecurity, and other digital offerings that complement core network infrastructure.

Recent examples include the acquisition of B2B communications provider Daisy Group by VMO2 in the UK and the acquisition of cybersecurity firm ENSEC in Switzerland by Orange.










5. INFRASTRUCTURE CARVE-OUT AND CONSOLIDATION

The telecom infrastructure space has witnessed significant carve-out activity, particularly in towers and fiber assets. This trend is entering a new phase characterized by consolidation among infrastructure companies. Expect to see continued aggregation of national fiber companies and alternative network providers, as well as cross-border mergers of tower companies to create regional or pan-European conglomerates. Additionally, the potential formation of active network companies and joint ventures signals a strategic move toward infrastructure sharing and collaboration, optimizing capital deployment and operational scale.

Recent examples include the creation of two fiber network companies in Spain by Telefonica and Vodafone (Fiberpass) and by MasOrange and Vodafone (Surf). Another example is the creation of GD Towers by Deutsche Telekom in Germany and Austria (incorporating private capital but retaining a 51% equity stake).

Together, these archetypes represent a comprehensive map of the major transaction strategies underpinning the next decade of telecom market evolution in Europe. Each archetype has a unique value creation angle targeting different financial profiles to unlock value.

Exhibit 6: Key metrics¹ and prospects for each deal archetype

Archetype	Average deal value (billion €)	EV/EBITDA (average)	Near-term trend
In market consolidation	 2.1	 11x	↗ Important deal pickup
Cross-border consolidation	 1.0	 13x	→ Similar deal level
Portfolio rebalancing	 1.8	 8x	→ Similar deal level
Growth engines	N.M. ³	 9x	↗ Slight increased focus
Infrastructure carve-out and consolidation	 0.6	 15x	↗ Slight increased focus

1. For deals with reported figures; 2. Deals with outliers were removed; 3. Not Meaningful, low reported # of deals

Source: Oliver Wyman analysis

WHAT VALUE CAN BE UNLOCKED BY EACH DEAL ARCHETYPE?

The five deal archetypes can unlock value in different ways and each has its own financial profile. We have developed an M&A value assessment framework designed to systematically evaluate the impact of each telecom deal archetype. This framework provides executives and investors with a clear structured lens to benchmark potential value drivers, guide deal strategy, and ultimately prioritize actions that maximize both growth and financial performance in the evolving telecom M&A landscape. We present a summarized version in Exhibit 6.

Different deal archetypes can unlock different value across the financial statements, from revenue and profits to cash flows and balance sheet. For example, looking at in-market consolidation, operating expense and capital expenditure synergies drive important deal value. On the other hand, growth engine deals are mostly aimed at revenue upsides, with limited operating expense benefits. Depending on the overarching strategy of telecom operators, certain type of deals will be better suited than others.

Exhibit 7: Value creation by deal archetype

Archetype	Size	Potential	Key value levers		
			Revenue	OPEX	CAPEX
In market consolidation	Very large	Very high	<ul style="list-style-type: none"> ● Market repair ● Value premiumization 	<ul style="list-style-type: none"> ● Network ● IT ● Organization 	<ul style="list-style-type: none"> ● Network ● IT
Cross-border consolidation	Large	Medium	<ul style="list-style-type: none"> ● Business model ● European platform play 	<ul style="list-style-type: none"> ● Scale on shared services 	<ul style="list-style-type: none"> ● Procurement scale efficiencies
Portfolio rebalancing	Medium	Medium	<ul style="list-style-type: none"> ● Refocus on core growth 	<ul style="list-style-type: none"> ● Cost discipline on core 	<ul style="list-style-type: none"> ● Avoiding Capital misallocation
Growth engines	Small — Medium	High	<ul style="list-style-type: none"> ● Cross and upsell on core ● New segments 	<ul style="list-style-type: none"> Limited 	<ul style="list-style-type: none"> ● Asset leverage
Infrastructure carve-out and consolidation	Medium	High	<ul style="list-style-type: none"> ● Wholesale and retail alignment ● Value offering 	<ul style="list-style-type: none"> ● Operating scale efficiencies 	<ul style="list-style-type: none"> ● Investment scale efficiencies ● Capital efficiency

Value potential ● Low ● Medium ● High ● Very high

Source: Oliver Wyman analysis

CASE STUDY: BRAZILIAN MOBILE CONSOLIDATION; A BLUEPRINT FOR EUROPE

The Brazilian mobile market consists of approximately 270 million mobile subscriptions, covers a population of 210 million people and a surface area of more than 8 million square kilometers, and generates roughly €14 billion in annual revenues. In 2016, Oi filed for bankruptcy amid challenging market conditions. In 2020, its mobile assets were divided among the remaining three mobile network operators: TIM (a subsidiary of Telecom Italia), Vivo (a subsidiary of Telefonica), and Claro (a subsidiary of America Movil).

The telco operators, the regulator (Anatel), and the competition authority (CADE) reached an agreement to split assets in a fair and balanced way. TIM, as the player with the lowest market share (22%) prior to the split, received the largest allocation of the customer base (14.5 million subscribers) and 7,200 sites. Claro received 11.6 million customers and 4,200 sites; Vivo, the market leader (34%), took the remaining 10.5 million customers and 2,700 sites. Spectrum assets were allocated following the principle of end-state equilibrium. TIM and Vivo split Oi's spectrum capacity with 53% (49 MHz) and 47% (43 MHz) respectively, while Claro, already at full capacity, was excluded from further spectrum allocation.

The deal involved certain remedies to mitigate competition concerns. These included temporary radio access network (RAN) sharing agreements on pre-established terms to new market entrants, allocation of secondary usage rights of spectrum in underutilized municipalities, new reference offers for roaming coverage to competitors on an isonomic and non-discriminatory basis, and fair offers to mobile virtual network operators (MVNOs). Importantly, an initially agreed divestment of approximately half of the base transceiver stations (BTS) acquired from Oi was not realized due to the absence of qualified buyers.

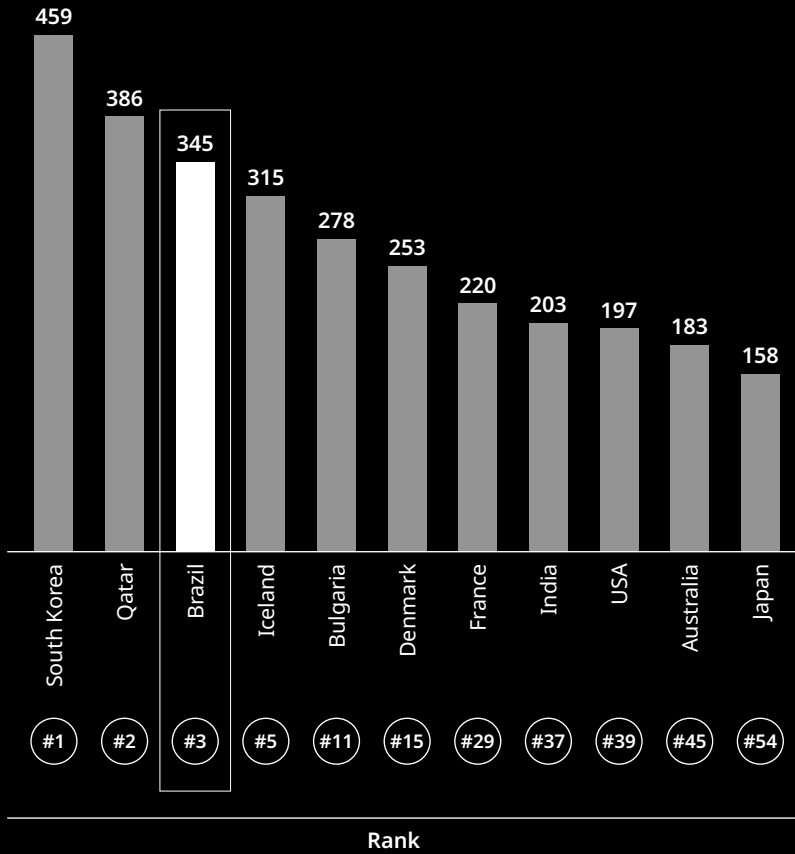
But more important than remedies was the agreement reached at the following spectrum auction in 2021. The three operators successfully bid for 5G spectrum in the auction, and investment commitments were prioritized over upfront spectrum license payments. All three players simultaneously launched 5G standalone networks in Brazil, and as a result the rollout of 5G accelerated, adding more than 27,000 5G sites between 2023 and 2025.

The outcome of the merger and investment commitments has resulted in a very positive result both for consumers and telecom operators. Brazil is now the third best country for 5G download speeds in the world, and mobile operators have been able to restore market health by providing additional value to consumers. This is reflected in mobile's average revenue per user growth of approximately 4% CAGR between 2021 and 2024.

Exhibit 8: Brazil as a successful blueprint for European consolidation

5G download median speed

Selected countries, Q2-2025, Mbps



Mobile ARPU

2021-2024, € per month



Source: Opensignal, Oliver Wyman analysis

HOW TO ACTIVATE M&A IN TELCO? PREPARE YOUR M&A PLAYBOOK

To be at the forefront of this M&A transformation, telecom management teams must adopt a disciplined and strategic approach to dealmaking, ensuring that every acquisition or divestiture aligns with broader organizational goals and the realities of the market landscape.

We propose a comprehensive playbook designed to guide executives through the critical stages of M&A activity, tailored specifically to the five key deal archetypes we've identified. This playbook emphasizes three essential steps for effective execution:

- 1. Understand today's market structure and potential combinations.** Begin with a clear, data-driven assessment of current market dynamics, competitive positions, and plausible transaction scenarios to identify where meaningful consolidation or portfolio transformation can occur.
- 2. Define M&A Priorities based on strategic positioning.** Align deal ambitions with the company's long-term strategic objectives, discerning which archetypes and opportunities offer the greatest potential to enhance value and strengthen core competencies.
- 3. Outline a sequence of moves and trigger points to act.** Establish a pragmatic roadmap for deal execution that includes key milestones, timing considerations, and decision triggers — enabling agile responsiveness to market shifts and regulatory developments while mitigating risks.

Exhibit 9: Telecom M&A playbook

Selected key actions by deal archetype

Archetype	Outline the future market structure	Define the M&A priorities	Outline a sequence of moves
In market consolidation	Clearly outline potential consolidation combinations within the domestic market	Prioritise consolidation combinations in domestic market	Develop an equity story around sovereignty and investment Become strong industry advocates for consolidation
Cross-border consolidation	Evaluate and identify markets with the highest potential for expansion based on home core competencies	Develop a list of targets and assess outside-in the potential	Identify regulatory, market, and partnership trigger points in each geography to time consolidation moves effectively
Portfolio rebalancing	Define the scope of activities pertaining to core, near-core, and far-core assets	Clearly identify asset priorities for divesting	Prepare assets to be sold and define a sequencing and timing
Growth engines	Map value creation through the overlay (tech) by leveraging the underlay (connectivity)	Prioritise the list of potential acquisitions on the key growth areas	Prepare a platform ready for integration and scale in the overlay
Infrastructure carve-out and consolidation	Evaluate asset ownership and capital participation at the infra level	Define opportunities to carve-out infrastructure assets and consolidate existing assets in the market	Develop co-investment frameworks to support each segment of the digital infrastructure footprint

Source: Oliver Wyman analysis

As a critical enabler of all successful M&A activities, telecom companies must proactively prepare across several foundational dimensions to effectively execute and capitalize on merger and acquisition opportunities. Companies must prepare before they attempt to execute any deal by cultivating the right organizational mindset, strengthening financial foundations, and securing flexible funding mechanisms to support strategic moves.

Building an M&A mindset

M&A must evolve into a core strategic imperative that is driven from the highest levels of leadership — not only by the CEO but across the entire executive committee. Developing true M&A muscle is a must.

Preparing the balance sheet

Telecom operators should optimize their balance sheets to ensure the right level of debt leverage, maintain strong credit profiles, and secure access to “fresh” capital — whether through equity, debt, or hybrid instruments. This readiness is essential to capture strategic opportunities when they arise. Additionally, the creation of special purpose investment vehicles and financing mechanisms could be relevant if the targets have a very different valuation, financial, and balance sheet profile. For example, cybersecurity or cloud service assets can trade at EV/EBITDA greater than 20x with an “asset light” profile — very different from telcos, which trade at EV/EBITDA less than 10x with “asset heavy” profiles.

Lining up funding resources

Effective capital allocation is paramount in fueling core M&A initiatives. This includes strategically exiting non-core investments at optimal valuations to free up liquidity for priority deals. Additionally, defining and securing diverse financing mechanisms — such as joint ventures with private equity partners — can broaden capital availability and share risk. Complementing these efforts, telcos should double down on cost-saving measures and maintain rigorous free cash flow discipline as a way to self-fund acquisitions and build resilience against market uncertainties.

Develop critical capabilities to succeed

There are five critical capabilities that telecom operators must possess to successfully execute M&A:

1. Deal assessment that performs a rigorous synergy estimation, leveraging robust financial and operational modeling
2. Ability to plan and execute complex post-merger integration across network harmonization, IT systems consolidation, workforce alignment, and customer base management
3. A robust value-destruction avoidance management framework to manage and control risks across the deal lifecycle
4. A robust plan to navigate regulatory implications, and especially collaborate with policymakers, to reach a common shared view of the desirable market structure that balances competition and investment
5. To address the inherent complexities and regulatory expectations, telecom operators must consider forming consortia or broader market collaborations that facilitate asset distribution to reach a shared vision of the market structure

By adopting this comprehensive preparation approach — anchored in mindset, balance sheet strength, funding agility, and critical capabilities — telecom executives can position their organizations not only to react to M&A opportunities but to proactively shape industry evolution and drive sustainable growth.

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