



18 July 2022

## **Vodafone to sell its passive mobile tower assets alongside Infratil reinvestment**

Vodafone New Zealand Limited ('Vodafone NZ'), together with shareholders Infratil Limited ('Infratil') and Brookfield Asset Management Inc. ('Brookfield'), announce the sale of Vodafone NZ's passive mobile tower assets for \$1,700 million to funds managed, or advised, by leading global investors InfraRed Capital Partners (40%) and Northleaf Capital Partners (40%). This represents a FY2023 pro-forma EBITDA multiple of 33.8x<sup>1</sup>.

As part of the transaction, Infratil will reinvest to hold 20% in the new TowerCo.

The new TowerCo business comprises 1,484 wholly owned mobile towers and will be the largest New Zealand towers business, covering over 98% of New Zealand's population.

Under the terms of the deal, which is subject to Overseas Investment Office approval and completion of certain reorganisation steps, the new TowerCo will enter into a 20-year master services agreement with Vodafone NZ (with extension rights) providing Vodafone with access to both existing and new towers, and a commitment from TowerCo to build at least 390 additional sites over the next ten years to enhance Vodafone's relative coverage and capacity position.

Vodafone will continue to own the active parts of its network, including the radio access equipment and spectrum assets, maintaining an industry leading mobile coverage and network position.

The new TowerCo structure allows for separate and specialised ownership of the passive mobile towers, providing strong incentives to drive better capital efficiency, which will include increased co-location of equipment on common tower assets. This is essential as demand for data and connectivity continues to grow year on year, driving the importance of more intensified digital infrastructure to meet community needs. It will allow Vodafone to focus on its core strategic objectives, accelerating the roll out of active network technology.

Infratil Chief Executive Jason Boyes said, "We are delighted with this outcome, which highlights again why Vodafone is an excellent Infratil investment. We have unlocked a significant portion of the value of our original equity invested in Vodafone, whilst retaining that investment and a 20% stake in TowerCo. InfraRed Capital Partners and Northleaf Capital are high-calibre investors who share our vision for what the new TowerCo can deliver across New Zealand. The transaction is a win-win for Infratil shareholders."

Brookfield Infrastructure Managing Director Udhay Mathialagan said, "This transaction is a material milestone in the execution of our strategic program to increase use of assets at Vodafone NZ, releasing capital from the network when it makes sense and conditions are supportive and through targeted partnerships around infrastructure. This partnership will enhance site choices for wireless operators in New Zealand whilst supporting a strong return on our equity invested in Vodafone NZ three years ago"

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<sup>1</sup> FY23 forecast EBITDA shown on a cash basis and not adjusted for IFRS 16.

Vodafone CEO Jason Paris said, “We’re pleased at the outcome of the process, which attracted significant interest. Infratil, InfraRed Capital Partners and Northleaf Capital are outstanding investors who share our vision for Aotearoa New Zealand and will help us to accelerate the roll out of critical infrastructure for our customers.”

“This is a move that will further increase the coverage, capacity and speed of our network for our customers, making our Smart Network even smarter, which was recently awarded #1 mobile network in New Zealand by independent benchmarking company Umlaut.”

Morrison & Co’s Chief Investment Officer and Global Head of Digital and Connectivity, Will Smales, noted that, “TowerCo represents a great opportunity for Infratil to invest in a unique, established, and hard-to-replicate national tower network with strong partners.

“What makes this an attractive Infratil asset is that while it has long-term, inflation linked cashflows, it is also a platform with significant growth opportunities including macro tower growth, capacity for future co-tenancy, increased demand for new points of presence and step out opportunities such as small cells.”

The transaction is expected to complete in the fourth quarter of the 2022 calendar year, subject to receipt of Overseas Investment Office approval.

### **Estimated impact on FY2023 Guidance**

On 19 May 2022, as part of its full year results announcement, Infratil provided an FY2023 Proportionate EBITDAF guidance from continuing operations of between \$510 million and \$550 million.

This included Infratil’s 49.95% share of Vodafone’s statutory EBITDAF of between \$490 million and \$520 million from continuing operations. This is not expected to materially change due to the accounting treatment of the lease payments to TowerCo, which will be recognised in interest and depreciation.

### **Shareholder Returns**

In May 2019, Infratil and Brookfield each acquired a 49.95% stake in Vodafone NZ for NZ\$1,029.7 million. Based on the 31 March 2022 independent valuation Infratil expects to have generated a 26.7% IRR on its investment in Vodafone following completion of the transaction.

No incentive fees are payable to Infratil’s manager Morrison & Co in relation to the investments in Vodafone NZ or Aotearoa Towers Group LP.

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