



14 May 2019

Infratil announces NZ\$3.4 billion acquisition of Vodafone New Zealand

A consortium comprising Infratil Limited ("Infratil") and Brookfield Asset Management Inc. ("Brookfield") today announced it had executed a conditional agreement to acquire Vodafone New Zealand Limited ("Vodafone NZ") from Vodafone Group Plc for an enterprise value of NZ\$3.4 billion (the "Acquisition")¹.

Acquisition overview

The Acquisition of New Zealand's leading mobile telecommunications company² is transformational for Infratil and significantly strengthens the cash generative core of the portfolio. Vodafone NZ increases Infratil's exposure to long-term data and connectivity growth and complements the acquisition of Canberra Data Centres. Following the recently announced divestments³, the simplified Infratil portfolio will now hold substantial positions across renewable energy, data, retirement and aged care, and airports.

Vodafone NZ generated revenue of NZ\$2.0 billion and Underlying EBITDA of NZ\$463 million for the 12 months to 31 March 2019. The Acquisition value implies an enterprise value to FY2020F Underlying EBITDA multiple of 6.9x – 7.4x and is expected to deliver strong cash flow to support current and future growth opportunities.

"Telecommunications is critical infrastructure for New Zealand and Vodafone NZ is an integral part of everyday Kiwi life. The quality and availability of its networks have a direct bearing on New Zealand's competitiveness and future growth prospects. We are very excited to be a part of Vodafone NZ's next stage of development," said Infratil Chairman Mark Tume. "The Acquisition is strategically compelling for Infratil and validates our ability to generate proprietary investment opportunities for our shareholders. Infratil has already successfully demonstrated its ability to reinvigorate a standalone New Zealand entity that was formerly owned by a multinational corporation and create value for our shareholders in the process. Our 2010 acquisition of Shell's New Zealand downstream assets (now Z Energy) is an example of our ability to enhance a significant New Zealand infrastructure business."

"This is a unique opportunity for Brookfield to invest in a large-scale, high-quality data infrastructure business with one of New Zealand's most experienced infrastructure managers," said Stewart Upson, Managing Partner, Brookfield and CEO Asia Pacific. "Data has been one of the fastest growing commodities in the world. We expect this rapid growth to persist for the foreseeable future, driven by greater smartphone penetration, increasing video consumption, the advent of 5G networks and new and evolving uses."

Vodafone NZ CEO, Jason Paris, welcomed Infratil and Brookfield's investment and involvement in the business, saying: "We have a lot of respect for both Infratil and Brookfield and we are very pleased to have these two experienced global infrastructure investment partners on board. Infratil

¹ The purchase price is subject to post completion adjustment for working capital, net debt and capital expenditure as at completion of the Acquisition

² By mobile subscriber market share. New Zealand Commerce Commission Annual Telecommunications Monitoring Report – 18 December 2018

³ Announced sale of ANU student accommodation concession and NZ Bus. Announced strategic review of Perth Energy

brings extensive knowledge and experience of the sector. I believe Marko Bogoevski's professional background in the sector will be valuable and I look forward to working closely with him and the Infratil team moving forward."

"Similarly, Infratil's investments in Trustpower, RetireAustralia and Wellington Airport mean it is acutely aware of the customer focus of our business. The closer proximity of capital providers and operators will result in a more pragmatic and responsive approach to investing in the business. We look forward to their support in continuing our customer experience enhancement initiatives and extending our strong track record of growth through innovation and strategic acquisition."

Completion is conditional on Overseas Investment Office approvals and Commerce Commission clearance. Infratil anticipates that these conditions will be satisfied by August, and completion will occur by 31 August 2019. The conditions must be satisfied within eight months of signing. Given the competitive nature of the fixed broadband market, Infratil believes there is a very strong basis for Commerce Commission clearance to be granted. If Infratil cannot obtain Commerce Commission clearance, the Acquisition agreement would require Infratil to divest its interest in the Vodafone transaction, or failing that divest its stake in Trustpower by the eight-month deadline. The Commerce Commission clearance condition could also be satisfied if Trustpower had sold its retail business in the required time. Trustpower will remain free to pursue its successful multi-utility retail strategy.

The acquisition is supported by a strong investment rationale

"The Vodafone NZ Acquisition is consistent with our plan to reshape our portfolio and maintain a balanced growth profile. It also significantly increases our exposure to high conviction trends surrounding data and the infrastructure required to deliver future communication models," said Marko Bogoevski, CEO of Infratil.

"Vodafone NZ has been rigorously assessed over the past several months. We have done an extensive amount of work to ensure we understand the opportunities available to the business, in particular, the ability to use next generation 5G technology to significantly enhance network capability and future services to Vodafone NZ customers. We expect that this Acquisition will create strong, long-term value for Infratil shareholders."

Key investment considerations include:

- Attractive market dynamics driven by growth in mobile usage and data consumption;
- Established market position (#1 in mobile and #2 in fixed broadband) in the New Zealand telecommunications sector;
- Extensive national infrastructure, including over 1,500 mobile cell sites, spectrum rights and a rural satellite network, over 10,000km of cabling, local fibre in major city centres, Hybrid Fibre Coaxial gigabit network in Wellington and Christchurch as well as access to the Tasman Global Access cable;
- Executive team with a wealth of telecommunications industry experience and a proven track record of delivering growth and improving customer experience through innovation;
- A sensible regulatory environment, with the Government sponsored fibre roll-out initiative and enhancement of rural coverage, provides additional opportunities;
- A cornerstone investment within a simplified Infratil portfolio, that provides stable earnings and strong New Zealand cash flow generation to support current and future growth opportunities;
- Infratil's demonstrated track record of establishing and supporting a standalone New Zealand entity formerly held within a multinational and creating significant value for Infratil shareholders;
- Vodafone NZ will continue to benefit from being a Vodafone Partner Market under long-term service agreements, ensuring the best of "Global and Local" for New Zealanders; and
- Investing alongside an experienced global infrastructure investment partner in Brookfield.

Acquisition funding

The NZ\$3.4 billion purchase price is to be funded via a NZ\$1,029 million equity contribution from each of Infratil and Brookfield, with the balance funded from Vodafone NZ level debt and a portion of equity reserved for the Vodafone NZ executive team.

Infratil's equity contribution is expected to be funded via a fully underwritten equity raising of up to NZ\$400 million, with the remainder to be funded through a combination of NZ\$400 million of debt from a committed acquisition debt facility and the use of existing debt facility headroom.

A significant proportion of any equity raising is expected to be directed towards existing shareholders.

Infratil will continue to evaluate the optimal timing to undertake an equity raising. The timing and structure will be subject to market conditions.

Infratil governance

Infratil notes that Alison Gerry (an independent director of Infratil) was also a director of Spark Limited ("Spark") but resigned as a director of Spark on 13 May 2019. Ms Gerry has not participated in discussions relating to, and has not been provided with access to any information on the Acquisition. Conflicts management protocols were agreed with Ms Gerry following her appointment as a director of Spark to ensure she would not be provided with confidential information concerning developments in the telecommunications sector. These protocols will continue to apply in respect of Vodafone NZ for an appropriate further period after completion of the Acquisition (and these protocols also apply to relevant Trustpower information).

Further information

Further details of the Acquisition are set out in the Investor Presentation also provided to the NZX and ASX today.

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About Brookfield

Brookfield Asset Management Inc. is a leading global alternative asset manager with over US\$365 billion in assets under management. The company has a 120-year history of owning and operating assets with a focus on real estate, renewable power, infrastructure and private equity. Brookfield is co-listed on the New York, Toronto and Euronext stock exchanges under the symbol BAM, BAM.A and BAMA, respectively.

Brookfield's New Zealand investment credentials include Powerco (New Zealand's second largest electricity and gas distribution company – sold in 2013) and C3 (New Zealand's leading provider of forestry aligned logistics). Brookfield also owns the largest tower operator in France with 7,000 towers and active rooftop sites, 5,500km of fibre backbone in France, and 41 data centres globally.

Further information is available at www.brookfield.com

About Vodafone NZ

Vodafone NZ is an integrated telecommunications company and an integral part of everyday New Zealander's lives. It offers a full suite of products (mobile, fixed line broadband & telephone and TV) to service consumer, enterprise and wholesale customers. It also has the #1 market position in mobile⁴, with a focus on retaining and attracting higher revenue customers, and the #2 market position in fixed broadband⁵. Vodafone NZ has an extensive mobile network, providing 98% population coverage, alongside its extensive national infrastructure of mobile towers, spectrum and fibre assets.

Vodafone NZ's management team has a wealth of telecommunications industry experience and a proven track record of delivering growth and improving customer experience through innovation. The management team will continue to execute on strategic initiatives, with customer focus at its core. Vodafone NZ will continue to benefit from being a Vodafone Partner Market and have entered into a suite of agreements governing the provision of services and products from Vodafone Group Plc to Vodafone NZ. This will allow Vodafone NZ to focus on providing the best of "Global and Local" for New Zealanders.

⁴ By mobile subscriber market share. New Zealand Commerce Commission Annual Telecommunications Monitoring Report – 18 December 2018

⁵ By fixed broadband connection market share. New Zealand Commerce Commission Annual Telecommunications Monitoring Report – 18 December 2018