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Infratil announces strategic investment in Console Connect in partnership with HKT

Infratil Limited ('Infratil') (NZX/ASX: IFT) is pleased to announce that it has executed a conditional agreement with HKT Trust and HKT Limited ('HKT') (SEHK:6823), a leading telecommunications company in Hong Kong, to establish a strategic partnership to accelerate the growth of its Console Connect business ('Console Connect').

Console Connect is a top-3 global software-defined interconnection platform offering next-generation automated connectivity solutions. The Console Connect platform makes connecting to data centres, partners, clouds, and other applications simple and secure, with fully automated switching and routing.

Console Connect owns its global IP network which has been developed over many years and has been a top 10 Tier 1 network globally for the last 5 years, serving ~17% of all internet traffic and reaching over 150 countries. Integration with an owned Tier 1 IP network, as well as long-term integrated access to a global backbone network, provides a clear point of differentiation for Console Connect given its extensive network coverage and superior unit economics.

Infratil will initially acquire an 80% stake in Console Connect from HKT for US\$160 million. Infratil will also enter into a strategic partnership with HKT, with both jointly investing up to US\$295 million over a 2-year period following completion of the acquisition to accelerate Console Connect's growth through:

- Joint sales and marketing via an HKT-supported approach to offer critical fibre infrastructure and IP access to its existing and new enterprise & wholesale customers.
- Investment in new subsea cable systems and network development to increase Console Connect's network capacity, resiliency, and reach.
- Continued investment in research and development ('R&D') of Console Connect's technology platform to expand and enhance its product offerings.

Following this initial period of growth investment, Infratil will own between 60-80% of Console Connect, with HKT holding the remainder. Ultimate ownership stakes will reflect the relative equity contributions of each party over this initial 2-year period. As the majority investor, Infratil will have governance rights consistent with its interest and, working alongside HKT, will continue to drive the development and growth of the business.

Infratil's initial investment implies a 3.4x EV / FY2022A revenue multiple for Console Connect, with target returns of 15 – 25% over 10 years. The purchase price includes an earnout and is subject to usual completion adjustments for cash, net debt, and net working capital.

Infratil CEO, Jason Boyes, said the investment in Console Connect builds Infratil's presence in Asia and is complementary to its digital infrastructure investments globally, which include CDC Data Centres, One NZ, Kao Data in the United Kingdom, and Clearvision Ventures in the US.

"Console Connect is a leading global software-defined interconnection platform, and this acquisition is a continuation of our conviction in the tailwinds of the digital infrastructure sector. It enables us to invest in building a next generation platform to support underlying growth in the demand for digital infrastructure and global connectivity solutions by enterprise and wholesale users".

“Our partners in HKT have built a highly attractive software-defined interconnection platform over the past several years and we look forward to investing alongside them to accelerate the growth of Console Connect”.

HKT’s Group Managing Director, Susanna Hui, said: “Over the past few years, the team at Console Connect has successfully developed it into a world leading platform. We are pleased to have found a like-minded partner in Infratil who is excited about the potential opportunities to continue growing Console Connect. Our partnership around Console Connect, investing in the platform as a standalone operation, will deliver material benefits to the business as well as to HKT shareholders through unlocking value and further developing economies of scale.”

Completion of the acquisition is conditional on telecommunication, foreign investment regulatory approvals and merger approvals in Australia, France, Germany, Greece, Hong Kong, Italy, Japan, Mozambique, the Netherlands, Singapore, South Africa, and the USA. Assuming those approvals are granted, completion is currently expected by Q3 2024.

Advisors

Bank Street acted as exclusive financial advisor and Herbert Smith Freehills acted as legal counsel to Infratil. Moelis acted as exclusive financial advisor and Gibson Dunn acted as legal counsel to HKT.

Further information

Further details of the investment in Console Connect are set out in the Investor Presentation provided to the NZX and ASX today.

Any enquiries should be directed to:

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About Console Connect

Console Connect is a platform for the software-defined interconnection of applications and infrastructures. It allows users to self-provision private, high-performance connections among a global ecosystem of enterprises, networks, clouds, SaaS providers, IoT providers and applications providers.

Console Connect carries ~17% of all internet traffic and reaches over 150 countries and is the only digital platform that is underpinned by one of the world's largest private networks and a Tier 1 global IP network that is ranked in the top 10 for IPv4 and IPv6 peering, delivering higher levels of network performance, speed, and security to meet the digital needs of today's interconnected users and communities.

Accessible from 850+ data centres in 50+ countries worldwide, the platform is integrated with all major hyperscale cloud providers, including AWS, Google Cloud, IBM Cloud, Microsoft Azure, Alibaba Cloud and more. Through the Console Connect portal or via its API, users can access a broad range of native and third-party solutions.

In addition, Console Connect offers a wide range of security, voice, mobility, SD-WAN, colocation and managed network solutions that complement its Automated Services.

To learn more about Console Connect, please visit <https://www.consoleconnect.com/>.

About HKT

HKT is a technology, media, and telecommunication leader with more than 150 years of history in Hong Kong. As the city's true 5G provider, HKT connects businesses and people locally and globally. HKT's end-to-end enterprise solutions make it a market-leading digital transformation partner of choice for businesses; whereas HKT's comprehensive mobile communication and smart living offerings enrich people's lives and cater for their diverse needs for work, entertainment, education, well-being, and even a sustainable low-carbon lifestyle. Together with HKT's digital ventures which support digital economy development and help connect Hong Kong to the world as an international financial centre, HKT endeavours to contribute to smart city development and help its community tech forward.

For more information, please visit www.hkt.com.

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