

ASX ANNOUNCEMENT (UWL)

COMPLETION OF VELOCITY & SOUTH BRISBANE EXCHANGE ASSETS ACQUISITION

- *Acquisition of Telstra Velocity® & South Brisbane Exchange (Acquisition) completed*
- *\$85M upfront consideration¹ funded via significantly oversubscribed \$50M institutional placement issued at a 1.4% premium² at \$1.50 and \$50M increase in existing debt facilities*
- *Share Purchase Plan (SPP) launched to raise \$10M at lower of \$1.50 or 2.0% discount to 5-day VWAP up to and including closing date (20 January 2021).*
- *~13% EPS accretive³ and increases FY21 pro forma EBITDA by more than 20%⁴ to \$116M*
- *Telstra to become a Retail Service Provider on Uniti-owned fibre networks*
- *License Fee income of \$21.6M per annum, payable to Uniti by Telstra, effective immediately*
- *Net debt to FY21 pro forma EBITDA reduces from ~2.3 times ratio at announcement of Acquisition⁵ to ~2.2, assuming strong SPP participation from Uniti shareholders*

24 December 2020: Uniti Group Limited (ASX: UWL) (**Uniti**) is pleased to announce the successful completion of its acquisition of certain fibre-to-the-premises (FTTP) assets owned by Telstra Corporation Ltd (ASX: TLS) (**Telstra**) deployed to provide high speed broadband to the Telstra Velocity® estates and South Brisbane Exchange regions (**Velocity**).

Settlement of the acquisition occurred today with the payment of upfront consideration of \$85M to Telstra, funded through a significantly oversubscribed institutional placement and an increase of \$50M in Uniti's existing debt facilities. The remaining \$55M of deferred consideration, of the total \$140M purchase consideration, will be funded from Uniti's operating free cash flow and liquidity as and when future payments are due. The majority of the deferred consideration is not payable until approximately 3 years from now.

Uniti launched a SPP to shareholders yesterday to raise up to a further \$10M at the lower of the placement price of \$1.50, or a 2.0% discount to the 5-day VWAP of UWL shares up to and including the closing date (expected to be 20 January 2021).

¹ Upfront consideration of \$85 million excludes transaction costs of approximately \$10 million including stamp duty.

² Placement Price of \$1.50 per share compared to Uniti's last close of \$1.48 on 15 December 2020.

³ Accretion excludes impact of SPP. Based on management unaudited financials, FY21 EPS accretion as if the acquisition was effective on 1 July 2020 and presented pre-integration costs, transaction costs and acquisition related amortisation.

⁴ Uniti's pro forma FY21 EBITDA of \$95 million excluding noncash share-based remuneration costs comprised of \$86 million pro forma EBITDA for Uniti including OptiComm, \$3 million for Harbour ISP and \$6 million of run-rate cost synergies expected to be achieved from the OptiComm acquisition as at 30 June 2021 (out of a total of \$10 million).

⁵ Pro forma net debt of approximately \$261 million, reflective of current net debt of \$226 million plus additional net debt of \$45million (\$50 million in new debt less \$5 million in cash to balance sheet) to partially fund the upfront consideration. Pro forma FY21 EBITDA of \$116 million, comprised of Uniti's pro forma FY21 EBITDA of \$95 million excluding non-cash share-based remuneration costs plus c. \$21 million EBITDA contribution from Telstra Velocity®.



Following completion of the acquisition, Uniti expects to maintain significant balance sheet flexibility with pro forma FY21 net leverage of approximately 2.2x, allowing for the expected receipt of up to \$10 million of additional proceeds from the SPP.

The acquisition of Australia's second largest private FTTP network (after Uniti's FTTP network, including OptiComm) at an attractive valuation is highly strategic for Uniti and completes its transformation into the leading FTTP challenger. This transaction is compelling with c. 13% EPS accretion in FY21 and providing a ~20% uplift in FY21 pro forma EBITDA.

Telstra has also committed to become a Retail Service Provider (**RSP**) on Uniti's FTTP network. Securing Telstra as an RSP is expected to enhance developer relationships, deepen penetration of the FTTP greenfield market and increase utilisation rates in connected premises.

Finally, the acquisition is expected to have minimal impact on Uniti's current operations and integration activities in light of customer migration and network refresh not expected to commence in earnest until mid-2022. In the intervening period, Uniti will receive a license fee from Telstra of \$21.6M per annum for its use of the Velocity assets.

Uniti CEO and Managing Director, Michael Simmons stated, *"The acquisition of Velocity completes a transformative year for Uniti. It is consistent with the very core of our strategy to deliver high quality, high speed telecommunication services, at attractive margins, and strong cash generation. The acquisition of these assets and arrangements with Telstra further consolidate our market position. Importantly for our supportive shareholders, the acquisition of Velocity is expected to deliver strong and growing annuity earnings and positive cash flows to provide sustainable shareholder returns."*

This announcement was authorised for release by the Board.

- ENDS -

FURTHER INFORMATION

Ashe-Lee Jegathesan – Company Secretary

P - 03 9034 7897

E – investors@unitigrouplimited.com

W – <https://investors.unitigroup.com/>



ABOUT UNITI GROUP

Uniti Group (ASX: UWL) is a diversified provider of telecommunications services, with 'three pillars' of strategic growth; Wholesale & Infrastructure (W&I), Consumer & Business Enablement (CBE) and Specialty Services.

Uniti Group listed on the Australian Securities Exchange in February 2019 and has a stated strategy of becoming a market-leading constructor, owner and vertically integrated operator of privileged fibre infrastructure, and a provider of value-added telecommunications services in identified profitable niche markets.

Uniti Group has brought together an experienced Board and Executive team, to support the identification, execution and integration of the sizeable pool of identified opportunities, across the three growth pillars.

In the time since its listing, Uniti has made a number of acquisitions, each aligned to the three pillars stated above. Notably, since mid-2019 Uniti has consolidated the majority of the 'challenger' participants in the greenfield fibre broadband networks market, to make the Uniti W&I business today the definitive challenger in greenfield markets.

At the core of Uniti Group is a commitment to deliver high quality, high speed telecommunications networks and associated services to its customers, in order to produce strong and growing annuity earnings and, in turn, exceptional long term returns to its shareholders.

