

ASX ANNOUNCEMENT (UWL)

UNITI ACQUIRES TELSTRA VELOCITY® & SOUTH BRISBANE EXCHANGE ASSETS Adds ~50,000 Active FTTP Services. Telstra to become a RSP of Uniti. Highly Accretive.

- *Telstra Velocity® & South Brisbane Exchange is Australia's second largest private FTTP network ~ 68,000 premises passed, ~ 65,000 FTTP connected premises, ~50,000 active premises*
- *Telstra to become a RSP on Uniti's national FTTP network (including OptiComm)*
- *Purchase Price of \$140M, \$85M payable on completion, \$55M deferred with \$20M payable over 3 years and \$35M on completion of migration of the assets and services, with an ability to adjust the total purchase price subject to the size of the customer base at the time of migration*
- *Uniti commits to \$70M spend for a 10-year term with Telstra Wholesale for essential backhaul, duct and exchange access to support delivery of services following customer migration being completed*
- *Forecast annual EBITDA contribution to Uniti of \$21M, commencing from early January 2021 and potentially increasing post migration of assets and services*
- *~13% EPS accretive¹ and increases FY21 pro forma EBITDA by more than 20%² to \$116M*
- *Acquisition funded by mix of debt, underwritten equity placement and share purchase plan*
- *Uniti's net debt to FY21 pro forma EBITDA³ ~2.3 times ratio at completion*

16 December 2020: Uniti Group Limited (ASX:UWL) (**Uniti**) is pleased to announce that it has entered into a binding agreement to acquire 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**). Telstra will become a Retail Service Provider (**RSP**) of the Uniti FTTP business (including the Velocity network), which recently adopted the OptiComm branding (following Uniti's acquisition of OptiComm Ltd).

Detail is provided below regarding Velocity, Uniti's strategic rationale, transaction specifics and funding.

About Telstra Velocity®

Velocity is Telstra's optical fibre network that uses FTTP technology to deliver high speed broadband, phone and pay phone, subscription TV and free-to-air services amounting to approximately 55,000 services, across 128 residential housing estates in all mainland Australian states as well as the South Brisbane Exchange region (a region previously serviced by Telstra copper before the sale of the exchange) currently serviced by FTTP networks. Approximately 68,000 premises are passed with the Velocity FTTP network in these estates and regions and Velocity is the sole FTTP network in the vast majority of these estates. Approximately 50,000 superfast broadband carriage services are active today.



Why Velocity / Strategic Rationale

Scale and reach: The Velocity assets will add considerable additional scale and national reach to Uniti's Wholesale & Infrastructure (**Uniti W&I**) FTTP network, increasing active premises by approximately 40% to over 170,000 and further strengthening Uniti W&I's position as the definitive challenger in the FTTP greenfield housing markets, encompassing broad-acre estates and multi-dwelling unit (**MDU**) developments.

Highly accretive: The acquisition of the Velocity assets is highly synergistic and is forecast to be materially earnings accretive for Uniti, delivering an increase in Earnings Per Share (**EPS**) of ~13% (excluding the impact of the SPP), with annual incremental EBITDA contribution expected to be not less than \$21M effective from completion of the acquisition, a greater than 20% increase in Pro forma FY21 EBITDA to \$116M.

The sole in-area FTTP network: Velocity is the sole FTTP network provider in the vast majority of the estates it services. Acquisition of the Velocity assets will see Uniti W&I be the primary wholesale provider of fixed network superfast broadband services in these estates, which is expected to deliver long term annuity revenue and earnings.

Enhanced retail competition: More than 40 RSPs on Uniti W&I's wholesale network will have the opportunity to compete for the supply of superfast broadband services to residential customers in the Velocity estates with the transition to Uniti's ownership and wholesale services, delivering enhanced competition to the market as Telstra was previously the dominant RSP to Velocity estates. There will be a managed transition process designed to minimise customer disruption. End user customers will be able to transition to the Uniti RSP of their choice, including Uniti-owned RSPs (operated under a functional separation undertaking with the ACCC).

Telstra as a RSP: Uniti W&I will welcome Telstra, for the first time, as a RSP on its national FTTP network in areas, where Telstra is able to utilise the RSP arrangements. Having Australia's largest and most recognised retail telecommunications provider join its expanding RSP community provides Uniti W&I with an enhanced ability to compete for business from greenfield property developers, certain of which regard having Telstra as a RSP an important factor when choosing a FTTP network builder / operator.

Transaction Specifics

Purchase Consideration: Purchase consideration of \$140M for the Velocity assets, comprised of \$85M payable upon transaction completion, \$20M payable in 3 equal instalments over 3 years and \$35M payable upon completion of migration of the assets.

The purchase consideration is subject to an adjustment on a pro-rata basis on the number of active services at the completion of migration.

License Fee: Following completion, Telstra will pay Uniti a License Fee of \$21.6M p.a. for the continued use of the Velocity assets whilst Uniti W&I and Telstra complete detailed transition planning for, and implement, the transfer of customer services. Uniti also intends to undertake a network 'refresh' concurrently with the migration of customers, to increase maximum broadband speeds available to Velocity estate premises, including through the intended deployment of the Uniti XGS-PON technology to a large proportion of Velocity premises. The transition planning and network and IT integration activities are expected to start from March 2021, given the preparatory work the parties need to undertake. Following the IT and network integration between Uniti and Telstra the customer transition nationally is anticipated to commence in July 2022 and take approximately 12-15 months to complete.



Telstra Wholesale Services: Associated with the acquisition of Velocity assets, Uniti W&I have agreed wholesale purchasing arrangements with Telstra (minimum \$7M p.a. for 10 years), for the required facilities and services to ensure Uniti W&I has access to backhaul within Velocity estates and regions, duct access and exchange access essential for the supply of superfast broadband and surety of this supply on competitive commercial terms for these services over the long term.

Telstra as a RSP: Uniti (and its subsidiary OptiComm) and Telstra have agreed terms detailing Telstra's commitment to become a RSP on Uniti W&I's existing national network (now including OptiComm), outside the nbn fixed line footprint and Velocity. The necessary network & IT integration activities associated with enabling Telstra to join our other RSP partners in providing its retail services on the Uniti W&I network will be completed by Telstra prior to the commencement of the customer migration process.

Transaction Funding

Debt Facilities: Uniti has received formal commitments from its existing banking syndicate members (Commonwealth Bank and Westpac) to provide an additional \$50M, to part-fund the Velocity assets acquisition, on commercial terms equivalent to Uniti's existing facilities. In light of the incremental earnings contribution to be provided by Velocity from completion, Uniti's net leverage ratio⁴) remains similar to that prior to this transaction, at approximately 2.3 times after including the \$21M EBITDA contribution from this acquisition (and 2.8 times if deferred consideration is included, noting that the majority of the deferred consideration is payable on or around 3 years following completion).

Underwritten Institutional Placement: Uniti has secured a fully underwritten commitment from Merrill Lynch Equities (Australia) Limited (**BofA Securities**) of \$50M for approximately 33.3M new fully paid ordinary shares in Uniti, to be issued via a fully underwritten institutional placement (**Placement**) (using Uniti's placement capacity under ASX Listing Rule 7.1) at a price of \$1.50 per share, representing a 1.4% premium to the last closing price of \$1.48 on 15 December 2020. The new Uniti shares are being offered to institutional investors during the course of today.

Share Purchase Plan: In order to provide all shareholders with an opportunity to participate in the equity raising, Uniti will offer existing shareholders the ability to acquire up to a maximum of \$30,000 in fully paid ordinary shares in Uniti under a Share Purchase Plan (**SPP**), targeting a maximum raising from the SPP of \$10M. The issue price per share under the SPP will be the lesser of the price offered under the Placement and the volume weighted average price of Uniti shares traded on the ASX during the five trading days up to and including the date the SPP offer closes, less a 2% discount rounded to the nearest cent. The SPP will not be underwritten as its proceeds are surplus to funding requirements for this transaction. In the event that Uniti receives SPP over subscriptions, applications will be scaled back proportionately⁵. Eligible Shareholders are those shareholders who have a registered address in Australia and New Zealand as at 7.00pm AEST on 15 December 2020. The SPP offer period is expected to open on 23 December 2020 and the Company will provide further information on the SPP to shareholders in the coming days.

Working Capital: The Deferred Consideration components will be funded from Uniti's operating free cashflow over this timeframe, including the License Fee and high free cash flow generated from the operations of the remainder of the Uniti Group business, expected to remain at greater than 50% of EBITDA, after funding all growth-related capital expenditure. Uniti also anticipates the Velocity network refresh to be funded from working capital.



Uniti's Managing Director & CEO, Michael Simmons said of the Velocity acquisition:

"This is another remarkable milestone for our young company. To have secured such a large FTTP network aligned to our core strategy which can be integrated quickly to grow our "core plus" infrastructure earnings is a wonderful way to end what has been a completely transformative year for Uniti Group.

The agreement struck with Telstra for it to become an RSP of our W&I business is perhaps the most significant strategic aspect of this transaction, given the large universe of presently untapped greenfield property opportunities it will enable us to target with Australia's largest RSP as part of our FTTP offering and associated range of value added services, such as access control, CCTV and perimeter WIFI services.

Needless to say, with the Velocity transaction adding more than \$21M in annual EBITDA and delivering a ~13% increase in earnings per share, whilst also being highly cash generative to enable deleveraging, we are delighted to have been able to secure these prized FTTP assets, for the long term benefit of all Uniti shareholders."

Further details of the acquisition, the Placement and SPP are set out in the Investor Presentation released on the ASX today. The Investor Presentation contains important information including key risks and foreign selling jurisdictions, and the indicative offer timetable with respect to the Placement and SPP⁶.

BofA Securities is acting as Lead Manager and Underwriter on the Placement. Lander & Rogers is acting as Legal Adviser to Uniti on the acquisition and Issuer's Counsel on the Placement and SPP.

WEBCAST / CONFERENCE CALL

A webcast / conference call will be held at 10:30am (AEST) on 16 December 2020 for investors and analysts. Participants can view the webcast via our investor website <https://investors.unitigroup.com/>.

If you wish to ask a question, you will be required to pre-register for the call, either at the following link: <https://s1.c-conf.com/diamondpass/10011503-kdizlw.html> or via our website.

This announcement is authorised for release by the Board.

¹ 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.

² 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).

³ Pro forma net debt of approximately \$271 million, reflective of current net debt of \$226 million plus additional net debt of \$45 million (\$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. Approximately 2.8x net leverage including deferred consideration of \$55 million.

⁴ (net debt to FY21 Pro forma EBITDA, inclusive of OptiComm and Harbour ISP earnings contribution and assuming only \$6M of OptiComm cost-only synergies by June 2021

⁵ Uniti reserves the right to increase or decrease the size of the SPP and / or scale back applications under the SPP at its discretion.

⁶ Full details of the SPP are contained in the SPP offer booklet, which will be sent to eligible Uniti shareholders in due course.

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FURTHER INFORMATION

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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.

