



Telstra to acquire Digicel Pacific in partnership with the Australian Government

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Acquisition

- Telstra will acquire the Digicel business in the South Pacific region for US\$1.6 billion, plus up to an additional US\$250 million subject to business performance over the next three years
- Financial and strategic risk management support from the Australian Government

Funding and Preferred Return

- Telstra is contributing US\$270 million of equity to the US\$1.6 billion purchase and will own 100 per cent of the ordinary equity
- The Australian Government, through Export Finance Australia (EFA), is investing the remaining US\$1.33 billion through a combination of non-recourse debt facilities and equity like securities
- Telstra is entitled to receive a preferred return of US\$45 million per annum for the first six years

Value Accretive

- The Digicel Pacific business generated EBITDA of US\$233 million for the financial year ended 31 March 2021, with a strong margin
- The transaction is expected to deliver an attractive IRR and exceeds all Telstra M&A criteria – EPS accretive, ROIC above WACC and more accretive than a share buyback. The transaction implies a multiple of 5.8¹-6.9x FY21 EBITDA for the acquisition of Digicel Pacific
- Medium to long-term capex to sales is expected to be around 15 per cent

Strategic Alignment

- Consistent with the Australian Government's interest in encouraging quality investment in the Pacific
- Strengthens Telstra relationship with the Australian Government and the Pacific region
- No Telstra exit before end of year six

Legal Structure

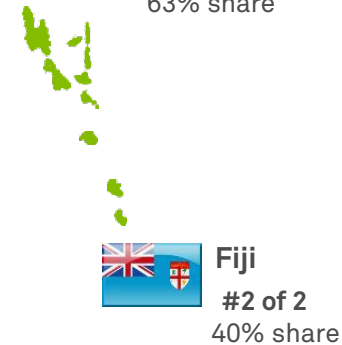
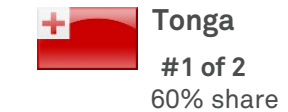
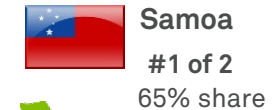
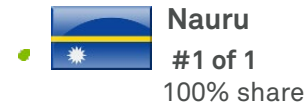
- Digicel Pacific investment will be held by Telstra International. Telstra International will be a subsidiary of the new Telstra holding company, following the previously announced corporate restructure
- The Digicel Pacific business will be overseen by a Telstra controlled board which will also include current owner Denis O'Brien and two independent directors

¹ Estimated transaction multiple adjusted for transaction structure

The leading telecommunications operator in the region with 2.5m subscribers



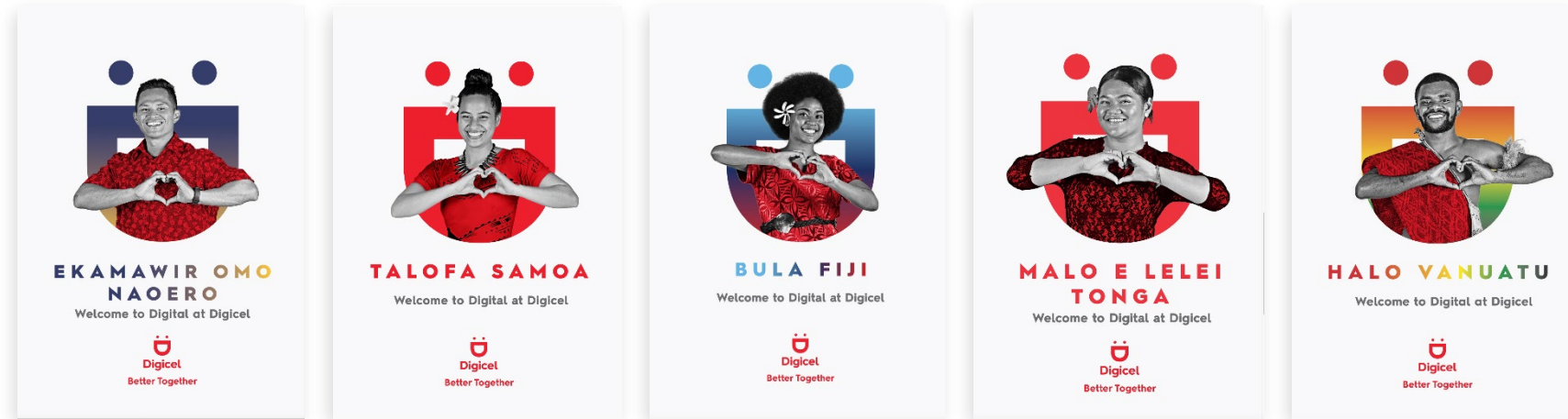
Hub Markets



Source: Company information.

Notes: #: Market Position of Total Market Participants. %: Share Represents Subscriber Market Share. As at March 2021.

A strong brand in the Pacific region

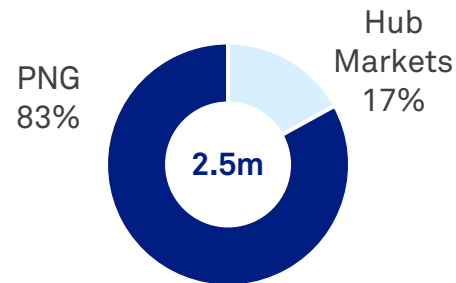


Three complementary revenue streams

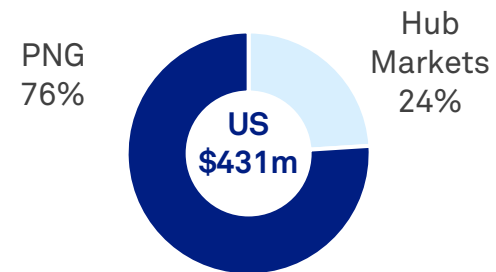


KPIs by Market

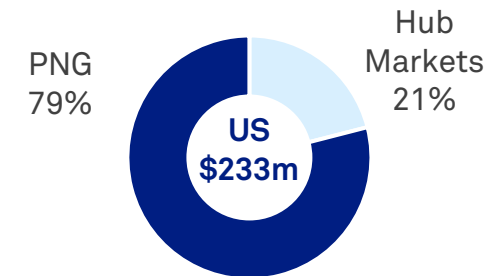
Subscribers



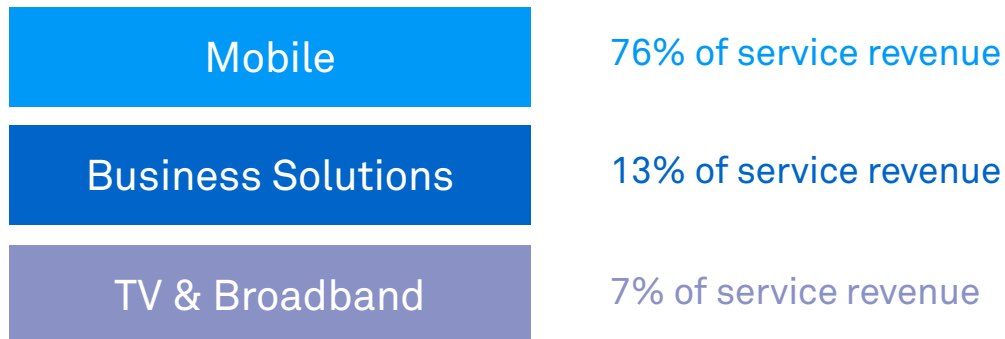
Service revenue



EBITDA



Revenue by Segment



Source: Company information.

Notes: Information based on the financial year ended 31-March-2021.

Capital structure



US\$m Comments

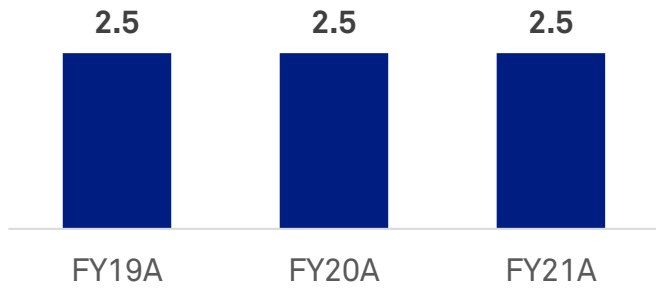
Government EFA funding	Debt	720	<ul style="list-style-type: none"> Non-recourse debt facilities provided by EFA 10 year term with options to extend No guarantees or other support provided by Telstra
	Equity like securities	610	<p>A combination of two non-voting equity like securities</p> <ul style="list-style-type: none"> US\$360m to be issued with discretionary distributions; and US\$250m to be issued that ranks behind Telstra's ordinary equity with limited rights to distributions
Telstra	Ordinary equity	270	<ul style="list-style-type: none"> Ordinary equity held by Telstra with entitlement to receive a preferred return of US\$45 million per annum for the first six years After year 6, priority is given to senior debt repayment
		1,600	

Other support items	<ul style="list-style-type: none"> Competitive pricing and terms on EFA funding Government support for cash repatriation from regions (where required) and FX protections for servicing funding obligations and Telstra's preferred dividend Political Risk Insurance obtained including for certain political and regulatory interventions for six years Any Earn Out payment to be funded on an 80/20 (Government EFA funding/Telstra) basis
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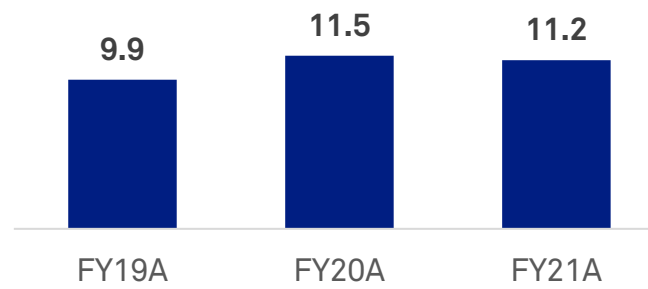
Digicel - financial performance metrics



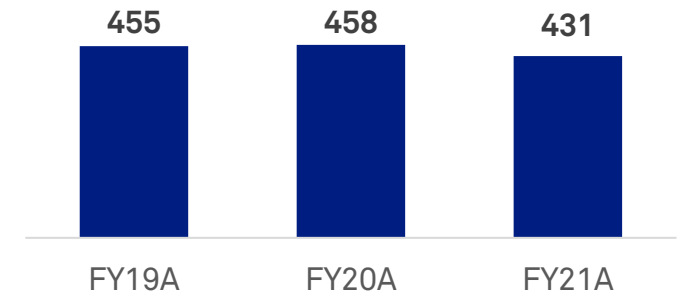
Subscribers (in millions)



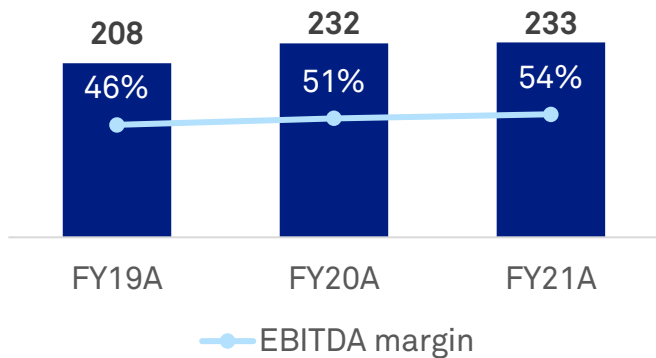
ARPU (US\$)



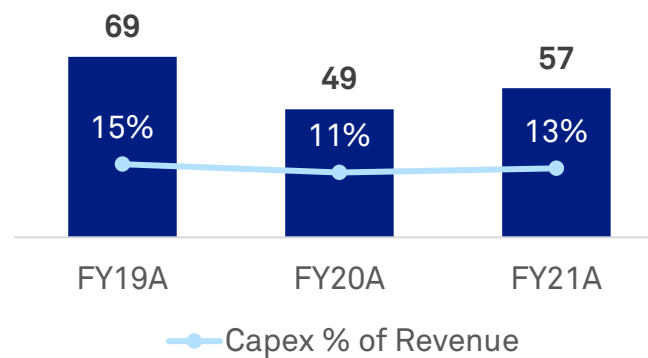
Service revenue (US\$ million)



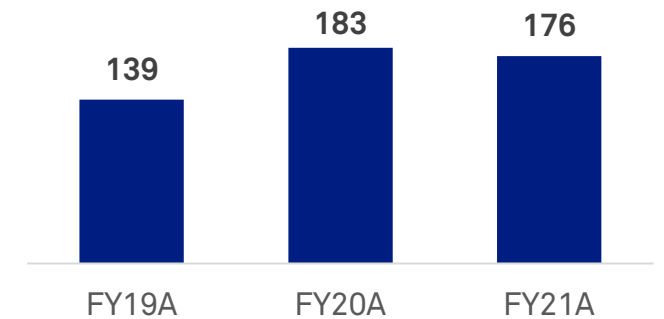
EBITDA (US\$ million)



Capex (US\$ million)



EBITDA less Capex (US\$ million)



Source: Company information.

Notes: Information based on the financial year ended March 2021. IFRS16 adopted for FY20 and FY21 on a prospective basis, i.e. no restatement of FY19