

Digital infrastructure – trends, opportunities and our capabilities in an emerging asset class

The rapid digitalisation of the economy, and the resulting increase in demand for connectivity, technology and data storage and transit, is driving the attractiveness of digital infrastructure.

Physical assets which underpin this digital economy, and the increasing predictability and certainty of cashflows associated with them, present an array of new opportunities for capital deployment.



Digital Infrastructure - Key Trends



The last two years has demonstrated, more clearly than ever before, the critical importance of digital infrastructure to business, government and individuals alike. An exponential increase in demand for connectivity, technology and data storage is being driven by changes in our work and lifestyle patterns and the business models of companies. The maturing of the sector has resulted in an influx of private capital seeking long-term, secure returns.

DIGITAL INFRASTRUCTURE GROWTH DRIVERS AT A GLANCE



Global cloud storage market size predicted to increase by CAGR of 26.2% to 2028. Data Centre spending in 2022 to be 10% higher than in 2020.



Global internet traffic doubling every 3 years with a 100 fold increase since 2002. Mobile data traffic in SE Asia and Oceania predicted to increase by 34% CAGR to 2027.



Over 90% of SMEs in Australia expected to operate via the cloud, and over 80% of medium-sized and large data centres will outsource their data centre operations by 2023.



Australian space sector planned to be worth A\$13b per annum by 2030.

LEGAL TRENDS IN DIGITAL INFRASTRUCTURE

Digital infrastructure increasingly offers the same essential services and secure revenue characteristics of more traditional infrastructure assets. It also presents opportunities for both long and shorter term capital. To make the most of these opportunities, stakeholders need to successfully navigate a complex legal landscape.

- 1 Competitive investment landscape for Australian digital infrastructure assets and high valuation multiples driving bespoke deal structures and a search for new opportunities in new areas.
- 2 Increasing scrutiny by FIRB on digital infrastructure means investor equity structures play a critical factor in sale processes.
- 3 Evolving and complex regulatory landscape, with multiple regulators and overlapping regimes including new requirements in relation to security of critical infrastructure.
- 4 Strong deal focus on long-term contracted revenue arrangements, bankability of terms and conditions and counterparty, and contracted growth opportunities.

HOW WE CAN HELP

We are the market leaders in digital infrastructure. We know the sector, and offer clients a seamless 'one stop shop' service combining leading experts in M&A, telecommunications, technology and data, foreign investment regulation, projects and infrastructure.

Our team assists all players in the digital infrastructure space, including funds and other investors, telecommunications companies, data and cloud services providers.

We:

- Successfully **manage M&A processes** on both sell and buy side and work with vendors, buyers and their advisors to achieve the best outcomes that meet their commercial needs.
- Advise on the **complex and changing regulatory landscape** for telecommunications, data and critical infrastructure.
- Maximise data use cases while complying with **privacy laws and mitigating cybersecurity risks**.
- Navigate increased **regulatory scrutiny** in relation to **foreign investment**.
- Manage **competition and consumer law exposure** when it comes to engaging in digital infrastructure, acquiring targets and engaging with **ACCQ inquiries**.



Telecommunications



Market observations and opportunities

Sub-sea Cables

- Demand for international sub-sea bandwidth is growing substantially, particularly driven by hyperscale operators. Amazon, Facebook, Google and Microsoft now account for more than 50% of all global subsea cable capacity.
- Construction is also growing to facilitate expanded redundancy, and to mitigate risks of regional security concerns in certain parts of the globe.
- In June 2021, it was estimated that there is US\$8 billion in global sub-sea cable investment expected for 2022 – 2024, with 36 cables in the planning stages, including 19 newly-announced projects that will add more than 103,000 kms to global sub-sea lengths.
- Highly concentrated construction market: Subcom, ASN and NEC reported to account for more than 90% of all new construction since 2017.



Recent Australian activity: Australia, United States and Japan agree to jointly fund new Pacific subsea cable network.



Experience: Advised Natixis as the project financier of the Hawaiki Submarine Cable Project between New Zealand, Australia and the United States – the second telecommunications cable project across the Pacific.

Terrestrial Fixed Line Telecoms Networks

- Similar growth in demand for long-haul fibre connectivity as for sub-sea cables, driven by hyperscale operators and cloud and content traffic.
- Existing Australian terrestrial inter-city fibre network is aging, and near full capacity.
- Demand for increased number of POPs in regional areas to stimulate regional economic growth. Existing inter-city footprint is difficult to re-engineer to create more POP break-outs
- Opportunities for existing telco operators to seek external investment into fibre divisions, and/or to spin fibre divisions into separate corporate structures.
- Potential for future sale / sell-down of NBN Co.



Recent Australian activity: Inligo Networks has finalised negotiations with the Northern Territory Government to build a new A\$200m terrestrial cable linking Darwin to Adelaide. Bevan Slattery's HyperOne embarking on development of its new national fibre network. Telstra also committing \$1.4bn to \$1.6bn to build a new national inter-city fibre network.

Mobile Telecommunications Towers

- Mobile network operators have been divesting stakes in tower assets to realise capital for reinvestment in spectrum and 5G network upgrades.
- 5G and future technologies likely to require densification of network coverage by MNOs, meaning demand for sites is expected to continue to increase.
- Infrastructure investors are currently moving quickly to secure Australian mobile tower portfolios while the cost of capital remains at a historical low. NZ towers also on the block.
- Impact of future active sharing models is a key investment consideration; potential for Government regulatory intervention for 6G or future technology roll-out.



Experience: Advised Morrison & Co and a consortium led by the Future Fund Board of Guardians including Commonwealth Superannuation Corporation and Sunsuper Superannuation Fund on the acquisition of a 49% interest in Telstra Corporation's telecommunications network tower business (Amplitel). Advised AustralianSuper on its acquisition of a 70% interest in Australia Tower Network, the Optus mobile site portfolio.

Satellite Assets

- LEO satellite broadband constellations now achieving bandwidth levels capable of competing with terrestrial networks.
- Increasing investment in satellite communications to provide connectivity to rural and remote areas.
- Nano/micro satellite constellation launches occurring at pace: requires the full range of satellite infrastructure from build, launch and TT&C.
- Australia's geographic location is highly appealing to satellite and other space-sector businesses, as it allows them to effectively monitor their services and offer global coverage.



Recent: Telstra entering into a long-term contract with Viasat to build all ground-based infrastructure for the Viasat-3 GEO global satellite constellation.



Experience: Advised a global satellite operator on the acquisition of its ground base station infrastructure. Advised a global strategic satellite operator on the proposed acquisition of the Optus Satellite division from SingTel.

Telecommunications



Our experience

We have acted for participants in every sector of the telecoms industry, including investors, carriers, resellers, internet service providers, equipment suppliers, and large users of telecoms services.

General Telecoms M&A and Financing Experience

Vodafone Hutchison Australia / TPG Telecom	Acting on successful proceedings against the ACCC to facilitate the merger between VHA and TPG, on various other aspects of the merger process completed in July 2020 and on the pre-merger re-financing arrangements.
Vocus	Advised Vocus group on its acquisition by scheme of arrangement by MIRA and Aware Super, and prior to that on its A\$1.225 billion and NZ\$135 million syndicated bank debt facilities, M2's \$3bn merger with Vocus Networks, its acquisition of NextGen Networks and other entities and advising on its takeover defence in response to approaches by EQT and Origin energy.
NBN Co	Advised on: initial equity funding arrangements with the Cth government; two rounds of debt funding arrangements with the Cth; \$6.1bn debt arrangements with an Australian and international banking syndicate; and on its credit rating process.
Aware Super	Advised on all aspects of its proposed acquisition of Opticomm (ASX:OPC), the last-mile network builder and operator.
Confidential	Advised on potential proposed acquisitions of both the telecommunications and energy businesses of Amaysim.
Macquarie Capital	Advised on all aspects of the establishment of the NuMobile MVNO business.

Mobile Towers Experience

Telstra Towers (Amplitel)	Advised Morrison & Co and a consortium led by the Future Fund Board of Guardians including Commonwealth Superannuation Corporation and Sunsuper Superannuation Fund on the acquisition of a 49.9% interest in Telstra Corporation's telecommunications network tower business (Amplitel).
Optus Towers (ATN)	Advised Australian Super on its acquisition of a 70% stake in Australia Tower Network (ATN) – Australia's largest independent tower company and operator of Optus' passive telecommunications tower infrastructure in partnership with Singtel.
Vodafone Hutchison Australia	Advised on the strategic review of its mobile tower portfolio; on all aspects of its long-term mobile tower access arrangements with Axicom; its field services arrangements for mobile towers; the establishment, operation and dissolution of the 3GIS mobile network joint venture between VHA and Telstra; its mobile blackspot site grant funding arrangements with the Commonwealth Government and on mobile site funding arrangements with VicTrack.
NBN Co	Advised on a wide variety of telecommunications infrastructure matters, including the procurement of NBN Co's fixed wireless broadband network and its facilities access arrangements for access to towers with each of Telstra and Optus.
NSW Department of Regional Growth	Advising on the 'Gig State' Regional Digital Connectivity project, to build new telecoms and data hub infrastructure in regional NSW.



Telecommunications Cont'd.



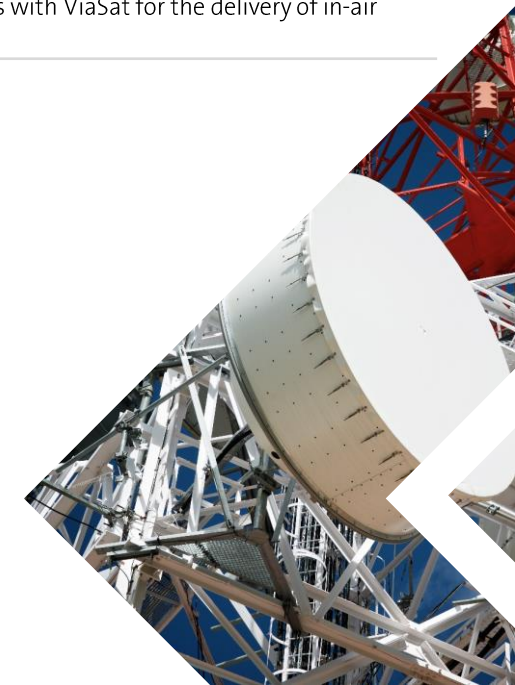
Our experience Cont'd

Sub-sea cables

Hawaiki Submarine Cable Project	Advised Natixis as the project financier of the Hawaiki Submarine Cable Project between New Zealand, Australia and the US – the second telecommunications cable project across the Pacific.
Pacific Light Cable Network Project	Advised Natixis on the financing of the design, engineering, construction and operation of the Pacific Light Cable Network comprising a 144 Tbps submarine telecom cable between Hong Kong and Los Angeles, US, branching units and supporting infrastructure by Pacific Light Data Communication, a Hong Kong based entity, in conjunction with Facebook and Google.
Ochre Services	Advised Ochre Services on a broadband optical fibre cable project that included a terrestrial cable system in Western Australia and a submarine cable between Perth, Jakarta and Singapore. We provided regulatory advice, advised on draft project documents, financing arrangements, prepared due diligence reports and provided legal opinions to financiers and equity investors.
Google	Advised on a variety of matters relating to the Indigo Central and Indigo West cables.
GlobeCast Australia Pty Ltd	Advised on the Pacific TV Services agreement, for the sharing of capacity on submarine cables and fibre, for the transmission of data, but mainly television signals. The network is a backbone for the transmission of television pictures from Sydney to London.
Southern Cross Cables Ltd	Project financing of the construction of a 28,200 km fibre cable running between AU, NZ, Fiji and the USA. This was the first under-sea cable project to be financed through limited recourse debt in the Southern Hemisphere.
Speedcast	Acted for Speedcast on the terms of a submarine cable agreement with Interchange Limited in Vanuatu.
Pirelli Cavi e Sistemi Energia SpA	Advised Pirelli, part of a consortium with Siemens, on the Basslink project, which involved the laying of power and telecommunications cables across the Bass Strait.
Basslink	Advised CitySpring Infrastructure Trust on the financing and acquisition of the A\$1.175 billion Basslink Interconnector and undersea cable.

Sub-sea cables and Satellite

Teleglobe International Corporation	Advised on IRUs on Teleglobe's submarine cable between Australia and New Zealand and the consequent licensing requirements.
Alcatel Cable	Advised on the establishment of a fibre optic telecommunications cable manufacturing joint venture in Jakarta.
Globalstar	Advised on the acquisition by Globalstar of satellite uplink base stations and other satellite network infrastructure based in Australia from Pivotel.
Speedcast and TA Associates	Advised TA Associates and Speedcast on the acquisition of the Australian Satellite Communications business, and then advised the enlarged Speedcast group on multiple acquisitions including PacTel, the NewSat VSAT business and on various capital raises.
NBN Co	Advised NBN Co on its enterprise satellite services arrangements with Speedcast.
NBN Co	Advised NBN Co on its arrangements with ViaSat for the delivery of in-air mobility solutions in Australia.



Data Centres



Market observations and opportunities

Hyperscale Data Centres

- Growth in cloud services and data centre investment exemplified by a large number of colocation service providers building on-ramps in Australia to support significant demand surges from companies.
- Over 90% of SMEs in Australia expected to operate via the cloud, and over 80% of medium-sized and large data centres will outsource their data centre operations by 2023.
- Operational and regulatory preference for data localisation driving rapid increase in Australian domestic capacity.
- Opportunities exist both for shorter-term capital to fund rapid early expansion of new greenfield data centre developments, and for longer-term capital to play a role when long-term anchor tenancy agreements have been established.
- SEA data centre market is also seeing rapid growth, with Indonesia, Malaysia and Thailand expected to attract significant levels of investment in hyperscale data centres from India and Singapore.
- Government panel arrangements and increasingly strict FIRB requirements are key investment factors.



Recent: PGIM Real Estate entered into a A\$770 million hyperscale data centre joint venture with Equinix. Amber Infrastructure acquired a majority stake in iSeek, operator of 5 data centres.



Experience: Advised the lenders to ING and Natixis on the A\$400 million project financing to fund the construction of AirTrunk's flagship, hyper-scale data centres in Sydney and Melbourne. Advised Morrison & Co on the acquisition of Canberra Data Centres on behalf of its clients Infratil and Commonwealth Superannuation Corporation, and subsequently on the Future Fund becoming a co-owner.

Edge & Regional Data Hubs

- Increased investment activity as data centre infrastructure will become more distributed with regional and micro data centres, known as “edge data centres”.
- Demand for investment has increased due to the rise of latency-sensitive applications (e.g. augmented reality, autonomous vehicles, and video gaming).
- The global market for edge data centres is expected to nearly triple to US\$13.5 billion in 2024 from US\$4 billion in 2017.
- State governments currently providing grant funding for edge and regional data hub investments.



Recent: Leading Edge Data Centres secures A\$20 million investment to fund its plans to build new regional data centres.



Experience: Advising on the ‘Gig State’ Regional Digital Connectivity project, to build new telecoms and data hub infrastructure in regional NSW.



Data Centres



Our experience

Allens has a wealth of experience working on a wide range of data centre matters – including financing, acquisitions, lease and licence co-location arrangements, involving many of the major data centre providers operating in Australia.

Data Centres

H.R.L Morrison & Co	Advised on the acquisition of Canberra Data Centres on behalf of its clients Infratil and Commonwealth Superannuation Corporation, and subsequently on the Future Fund becoming a co-owner.
ING and Natixis	Advised the lenders on the A\$400 million project financing to fund the construction of AirTrunk's flagship, hyper-scale data centres in Sydney and Melbourne.
Lending syndicate to Metronode	Advised on lending facilities for the construction of A\$180m expansion of the Derrimut, Silverwater and Illawarra data centres owned by Metronode.
State of NSW – Department of Customer Services	Advised on all aspects of the NSW Government's GovDC Data Centre Reform Program. Advice included all construction delivery matters, service arrangements within the two as-built purpose built data centres, financing arrangements and on the ongoing creation of a ground-breaking private cloud marketplace within the two data centres.
Macquarie Telecom	Advised on various planning and property issues associated with new data centre developments.
Global Switch	Advising on various leasing and other commercial matters.
State of NSW – Department of Customer Service	Advising on its RFP for a panel of protected secured data centre co-location services.
Vodafone Hutchison Australia	Acted on a major project to effect the consolidation of all of Vodafone's data centre arrangements from approximately eight data centres into two data centres, one dedicated facility and one on a co-location basis.

Data Centres

Transport for New South Wales	Advised on one of the largest IT infrastructure managed services agreements in Australia for data centre / centralised computing services.
Experian Asia Pacific Pty Ltd	Advising on the negotiation of a virtual private network with Asia Netcom to create the communications link to a data centre. This involved negotiating outsourcing contracts and service level agreements for a network covering offices throughout Asia.
CITEC (QLD Government)	Negotiated and drafted contracts with suppliers for the provision of data centre hardware, software and services including with HP, IBM, Cisco, Microsoft and Symantec and utility providers.
Australian resources company	Advising on the procurement of 'on demand' data centre services from IBM (involving managed 'virtual server' services and managed storage area network services).
Major professional services firm	Advised a major professional services firm in negotiating and drafting a Data Centre co-location and cloud services agreement with a major cloud services provider.
Credit Suisse, HSBC, NAB and Natixis	Acted for the lenders to NEXTDC in relation to a 5 year \$1.5 billion senior debt facility, used to refinance existing debt, fund future acquisitions and capital expenditure and for general corporate purposes.

Alternative Digital Infrastructure



Market observations and opportunities

Smart Meters

- Utility companies increasingly leveraging smart metering and remote sensor technology to streamline operations and deliver cost savings through automation and data generation.
- Increase in electricity demand from commercial and residential sectors, and increase in distributed electricity generation (e.g. solar panels), is further propelling smart electric meter market penetration. Other utilities are likely to follow.



Recent: Brookfield to acquire A\$1 billion stake in Australian smart meters business Intellihub.

Data Registries

- State and Federal Governments privatising or outsourcing the operation and modernisation of digital registry business to private entities under long-term concession arrangements.
- Land titles offices in each of NSW, VIC, SA, WA all now managed under long-term concession arrangements. QLD titles registry also the subject of an outsourced concession arrangement with QIC.
- VIC Roads modernisation concession process is underway and other states may follow.
- Future registry investment opportunities include: motor vehicles; births, deaths and marriages; ASIC registry; Visa processing.
- Investors attracted to long-term secure revenue streams, underpinned by fundamental trends such as population growth.



Experience: Advised the successful bidders on the A\$2.6 billion, 35 year concession to operate the New South Wales land titles and registry business and the similar A\$2.86 billion, 40 year concession in Victoria.

Credit Reporting Bureaus

- Credit bureau market is transforming and expanding service lines, including acquiring and launching new technologies and leveraging additional data sets to enhance robustness of credit decisioning and to maintain a competitive advantage against fintech disruption.
- Inflationary pressures may lead to increased dependency on bureau services.



Recent: Macquarie Capital makes investment into Illion.

Transaction and Data Exchange Platforms

- Increased demand in data and transaction exchange platforms which underpin critical economic transactions and facilitate transactions involving valuable information assets – e.g. electronic lodgement network operators in the property sector.
- Investors attracted to highly-regulated sectors, with high barriers to entry. Growth in the market driven by an increase in digitisation, facilitated by cloud infrastructure.



Recent: Investment by Morgan Stanley Infrastructure in PEXA, and its subsequent IPO on the ASX.

Proprietary Data Suppliers

- Increased growth in the proprietary data supply market, as data suppliers build analytics and insight generation capability, and seek to monetise and increase the value of unique data sources.
- Examples include: financial markets data, defence market analytics, medical sector.



Recent: Blackstone investment into, and then sale together with Thomson Reuters of Refinitiv to London Stock Exchange Group for US\$27 billion.

Lottery concession operators, revenue streams and lottery infrastructure providers

- Long-term (15-20 year) nature of lottery concessions present secure revenue opportunities for operators.
- Government lottery receipts provide potential securitisation opportunities.
- Providers of underlying lottery infrastructure generally lock-in their supply arrangements for the duration of the concession – this creates a similar secure revenue flow.



Recent: Brookfield agrees to acquire global lotteries services business SG Lottery for US\$6 billion.

Alternative Digital Infrastructure

Telecoms

Data Centres

Alternative Digital Infrastructure

Allens has market-leading experience working on a variety of newer non-traditional digital infrastructure opportunities. We were the leading firm on the privatisation processes run by State governments in relation to land titles functions and we also have a depth of knowledge on long-term, secure technology and data led platform businesses.

Data Registries

Hastings Funds Management and Aware Super	Advising on its successful \$2.6 billion bid for a 35 year concession to operate the New South Wales land titles and registry business.
Australian Registry Investments	Advising on the \$1.7 billion refinancing of its financing facilities.
New South Wales Land Registry Services	Advising on all aspects of the operation of the private concession, including the launch of a new data products business and its relationship with the NSW State and the Office of the Registrar General.
Aware Super	Advising on its successful bid for the 40 year, \$2.8bn concession to operate the Victorian land titles and registry business.
Secure Electronic Registries Victoria (SERV)	Advising on all aspects of the operation of the private concession, including the launch of a new data products business and its relationship with the Victorian State and the Registrar General.
QIC	Advising on all aspects of QIC assuming operational control of Queensland Titles Registry, under a long term concession arrangement with the QLD government.
Confidential	Advising an unsuccessful bidder on its bid for the South Australia Land Registry business.
Confidential	Advising a potential bidder on the assessment of structure and bid options for the Western Australia land registry concession.
Confidential	Advising a bidder on the potential acquisition of ASIC Registry, prior to the Commonwealth Government halting its sale process.



Alternative Digital Infrastructure Cont'd.

Telecoms

Data Centres

Alternative Digital Infrastructure

Smart Meters, Data Platforms, Data Suppliers, Credit Bureaus

Lenders to Intellihub	Acted for the lenders to Intellihub on a refinance of their facilities and a sell down by Pacific Equity Partners.
Pacific Equity Partners (PEP)	Advised PEP on the acquisition of WINconnect, a leading owner and operator of 'last mile' network infrastructure within multi-tenanted residential and commercial buildings across Australia. WINconnect's business operates and maintains a range of infrastructure assets under long term contracts. We also advised PEP on the sale of WINconnect's electricity embedded network meters and retail contracts to Origin and sale of WINconnect's remaining infrastructure assets to Intellihub as part of a series of inter-conditional transactions between Origin, WINconnect, Intellihub, Pacific Equity Partners and Brookfield.
AGL	Advised AGL Energy Limited on the sale of its digital metering subsidiary, Active Stream Pty Ltd, to Ausgrid.
Morgan Stanley Infrastructure	Advised on its acquisition of an equity interest in PEXA, the incumbent electronic lodgement network operator which facilitates eConveyancing transactions.
Equifax Inc.	Advising on its \$2.5 billion takeover of Veda Group and on a number of major matters thereafter.
Macquarie Capital	Advising on its investment into Illion (Owned by Archer Capital) in 2020.
Experian	Advising on various commercial and data platform related matters.
Australian Securities Exchange (ASX)	Advising on the establishment of DataSphere, the ASX's new financial markets data platform.
Sympli	Advising the 50:50 JV between ASX and Infotrack on all aspects of the launch of a new entrant Electronic Lodgement Network Operator.
MedicalDirector	Advising on all aspects of its practitioner software business, and on the establishment of a new healthcare data analytics and insights business called OneNil.
Fluence (a Siemens and AES JV)	Advising on its acquisition of digital intelligence platform AMS, the leading provider of AI-enabled optimized bidding software for utility-scale storage and generation assets.



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