

IJInvestor Awards 2022 – Digital Infrastructure, Americas

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KKR's acquisition of a 60% stake in Telefónica's fibre-to-the-home (FTTH) infrastructure business in Colombia and a 60% stake of its fibre optic network in Chile win the Americas Digital Infrastructure Acquisition of the Year in the IJInvestor Awards 2022.

The new joint ventures – Colombia FiberCo and ON*Net Fibra in Chile – are market leaders in the fibre operating industry in their respective countries.

Under the agreement with Telefónica Chile, KKR acquired a majority stake in Telefónica Chile's existing fiber optic network, the largest fibre optic network in that country, and make that network open access through a newly established independent Chilean company with assets managed locally.

Telefónica retains a 40% stake in the business and the newly-formed enterprise serves as Chile's first wholesale digital infrastructure network open to all current and future telecom operators in the country, creating a competitive marketplace benefitting consumers and businesses.

Colombia FiberCo is on a mission to bring greater broadband access across Colombia, expanding availability of ultra-fast fibre optic internet across the country.

As part of the agreement, KKR acquires a majority stake in Telefónica's existing fibre optic network, the largest in Colombia, and make the network open access through a newly-established independent entity, which KKR will control as the majority shareholder. Telefónica will be a minority shareholder in the new company, with a 40% stake.

One of the judges said: "Rural broadband is a tricky business model where the economics are not that clear, but in this case they have an impressive plan for growth and this deal looks set to transform digital infrastructure in 2 countries that really need to be brought up to date."

Even though the transactions were carried out within the Telefonica's group's "active portfolio management policy" – which is based on divestment in non-strategic assets to reduce leverage – the telco retained a minority stake in both newly-incorporated JVs.

The fact that the strategic partnerships of KKR and Telefonica in Chile and Colombia were structured as joint ventures to drive growth and bring access to new markets and service offerings posed one of the unique challenges of negotiating and drafting not 50/50 JV transaction documents.

To finance the deal, KKR obtained a \$416 million loan including a \$55 million VAT facility with the long-term plan to turn Telefónica's existing fibre optic network into the country's first wholesale digital infrastructure network open to all telecom operators in Chile.

As an open FTTH wholesale platform, ON*Net Fibras in Chile is uniquely positioned to unlock the potential of the Chilean broadband market, contributing to the country's social, economic and digital development.

This landmark transaction establishes Chile's first wholesale digital infrastructure network open to all current and future telecom operators in Chile, creating a competitive marketplace benefitting consumers and businesses across the country.

Colombia FiberCo will be in charge of starting up "the most ambitious project for the deployment of a neutral fibre optic network" in the country, from which all market operators can benefit.

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