

IJInvestor Awards 2022 – Digital Infrastructure, APAC

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The Morrison & Co-led acquisition a 49% stake in Telstra Towers – the largest mobile telco infrastructure business in Australia – wins the APAC Digital Infrastructure Deal of the Year at the IJInvestor Awards 2022.

Morrison & Co led a consortium of Australia's Future Fund, the Commonwealth Superannuation Corporation and Australian Retirement Trust on the A\$2.8 billion acquisition that closed in June 2021.

The judges were impressed with the deal with one saying: “There is huge growth prospects for 5G and broader prospects for this transaction.” Another added that it was “a very good deal for the vendor with an increase in the stock prices as a direct result”.

For Morrison & Co, this was an important deal as it reinforced one of its highest-conviction investment themes and cemented its position as a global leader within the telecoms and digital infra sector.

The transaction was negotiated exclusively on a bilateral basis, ahead of the proposed competitive process. This was enabled by the quality of the relationship formed with Telstra over time, Telstra’s acknowledgment of Morrison & Co’s expertise in digital infrastructure, and the high quality and long-term orientation of the consortium partners.

Impressively for the Australian market, it didn't leak to the media, despite the exceedingly high-profile nature of the transaction.

Telstra described the transaction as its most significant change since the federal government started privatising the company in 1997. It had been conducting a transformation plan to provide greater transparency of its infrastructure assets, to improve the efficiency of the management of those assets, and to provide optionality in an evolving industry. It had been expected to run a competitive process in late 2021.

Telstra retained 51% of the business and entered into long-term service agreements with the towers business to secure continued access to services for its market-leading presence in mobile and data services.

The announcement was received favourably by shareholders with Telstra's share price rising 4% on the day of the announcement.

This was a sizable and complex financial transaction; one of the largest digital transactions in the Australian market in recent history.

Telstra had signalled a competitive auction would occur later in the year, and this had prompted significant media and investor interest.

With both Optus and TPG Telecom also looking to divest their mobile towers businesses, there was huge public interest

around towers transactions in Australia. This put additional pressure on the investment teams to maintain strict levels of confidentiality across multiple banking and deal teams, in one of the most leak-prone markets in the world.

Securing a high calibre consortium of domestic investors was essential for the success of the transaction. It also introduced complexity in terms of coordination and alignment for Morrison & Co's team.

A further complexity in the deal structure was the negotiation of a long-term master services agreement with Telstra, which enabled the telco to reinforce its mobile network leadership.

Securing a commercial outcome for both parties was essential to the successful bilateral nature of the negotiations, and the ability of the consortium to take a long-term view of the business created a unique opportunity to reach mutually agreed terms.

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