



Digital Infrastructure

Market Update and Debt Financing Themes



27 October 2020

NIBC - Digital Infrastructure

NIBC Infrastructure offers a comprehensive range of financing solutions and expertise within the Digital Infrastructure market

PRODUCTS WE OFFER

CORPORATE LENDING

— Origination for own balance sheet —

Asset, Cash Flow & Acquisition Finance

— Origination for institutional investors —

Originate-to-Manage

ADVISORY

Merger & Acquisitions

Equity/Debt Capital Markets



Leading digital infrastructure debt provider in North-West Europe



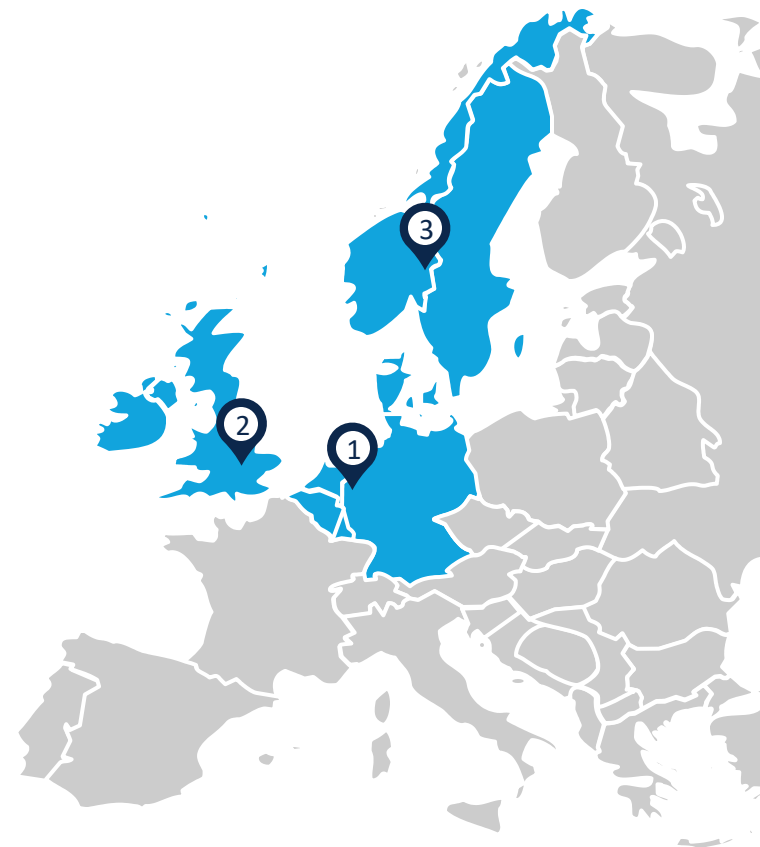
Strong track record and extensive knowledge of the industry

NIBC'S PRESENCE IN THE DIGITAL INFRASTRUCTURE MARKET

① Benelux and Germany

② UK and Ireland

③ Nordics



Content

I. Defining Digital Infrastructure

II. Market Commentary:

- Data Centers
- Fixed Line Communication
- Wireless Communication

III. Fibre Financing– Case Study

IV. Future of Digital Infrastructure from a Banking Perspective

“

Communication infrastructure and data centres are at the heart of a world that is digitally transforming

”



Digital Infrastructure

NIBC categorises digital infrastructure in 3 segments



Stable / predictable
cash flows



Strategic niche market



Strong growth



Resilient towards
potential correction



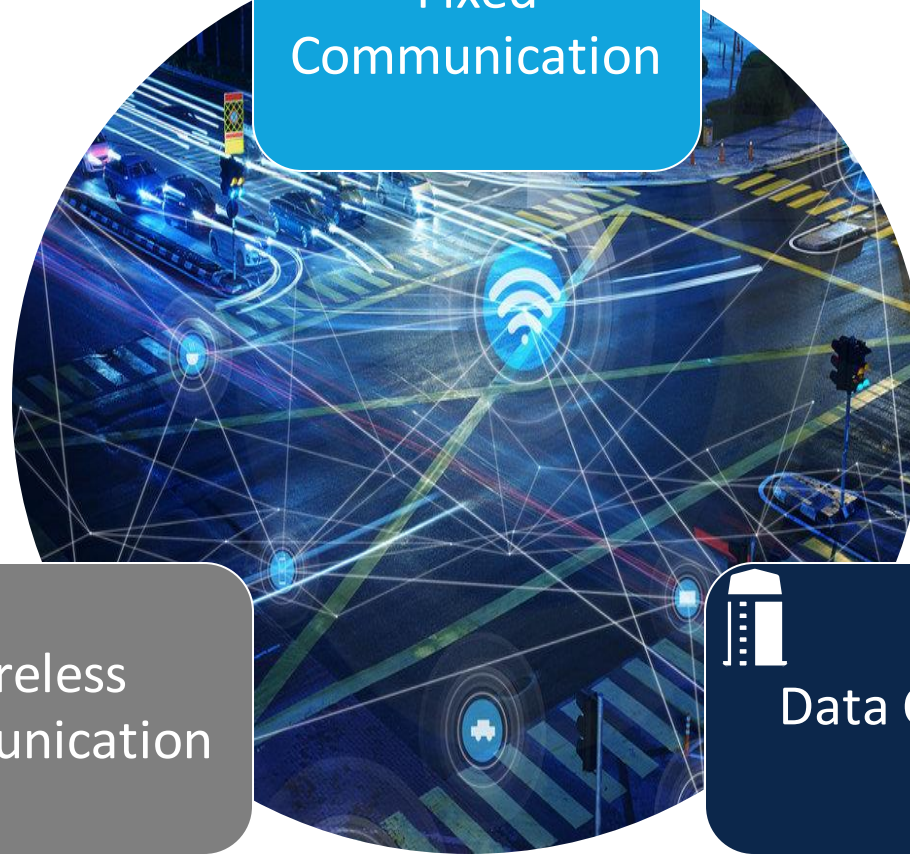
Fixed
Communication



Wireless
Communication



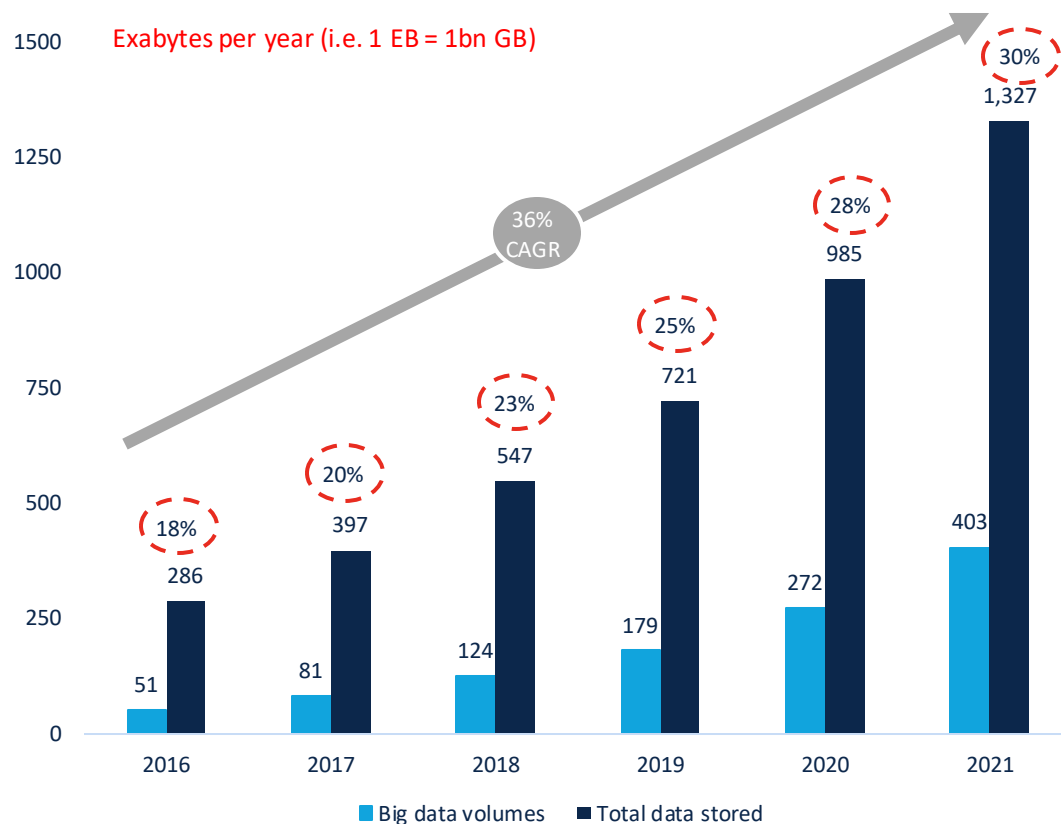
Data Centers



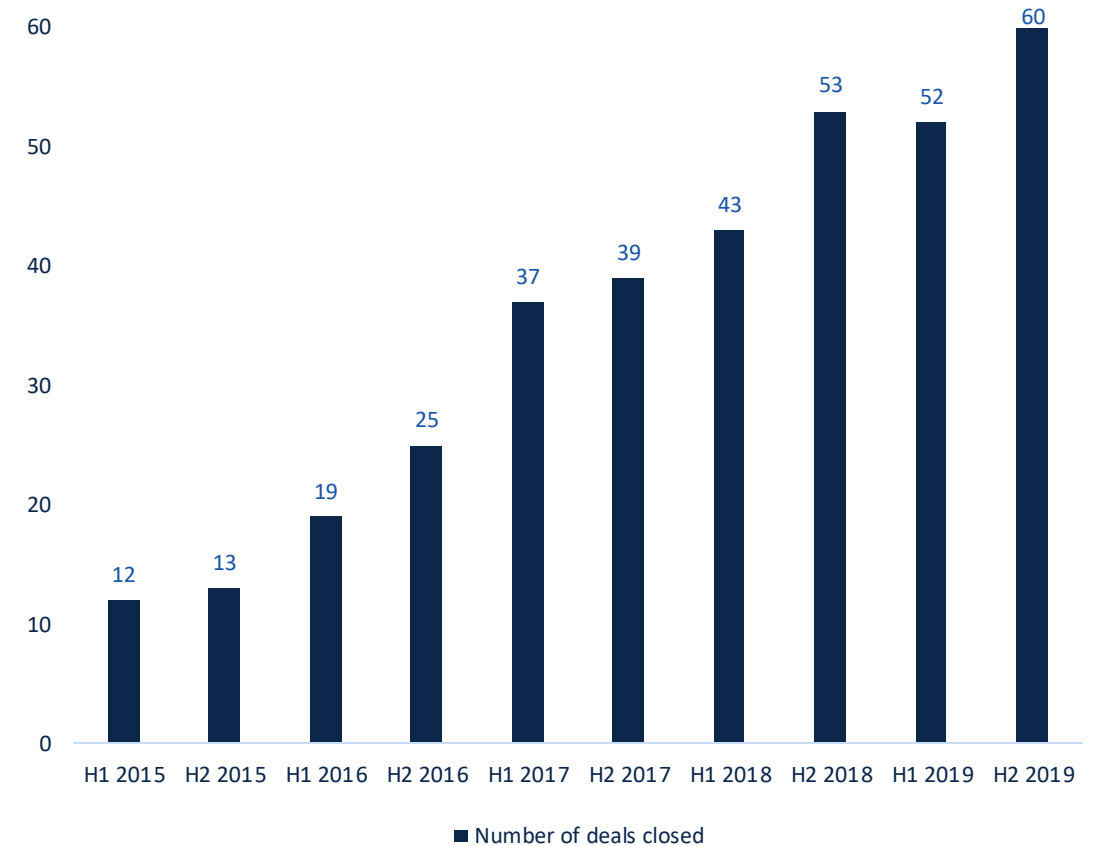
Market Commentary: Data Center Activity

In 2015-2020, over 350 deals closed with an aggregate value over \$75bn. Merger deals in Q1-20 alone approach \$15bn.

DATA STORAGE VOLUMES



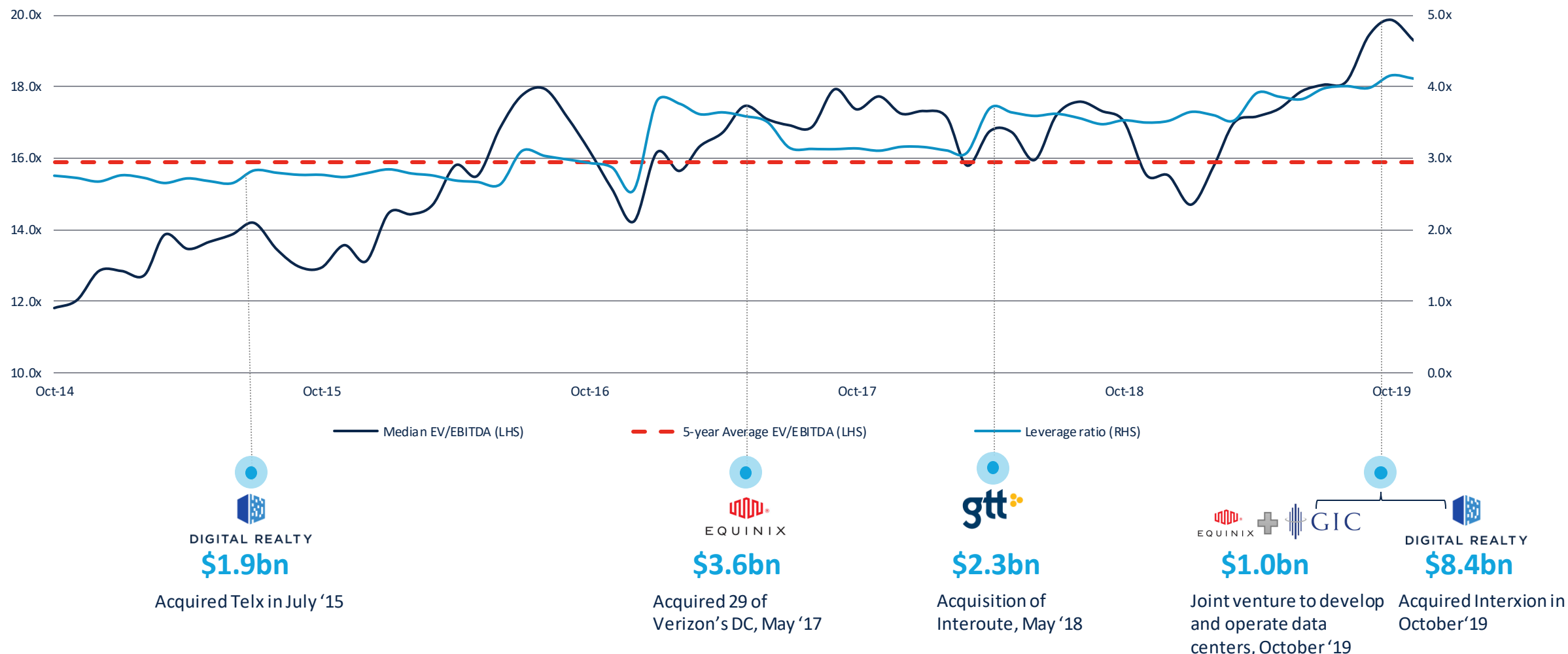
DATA CENTER M&A ACTIVITY



Market Commentary: Data Center Valuations

Listed datacenter companies currently trade significantly above the 5-year historical median EV/EBITDA of 15.9x

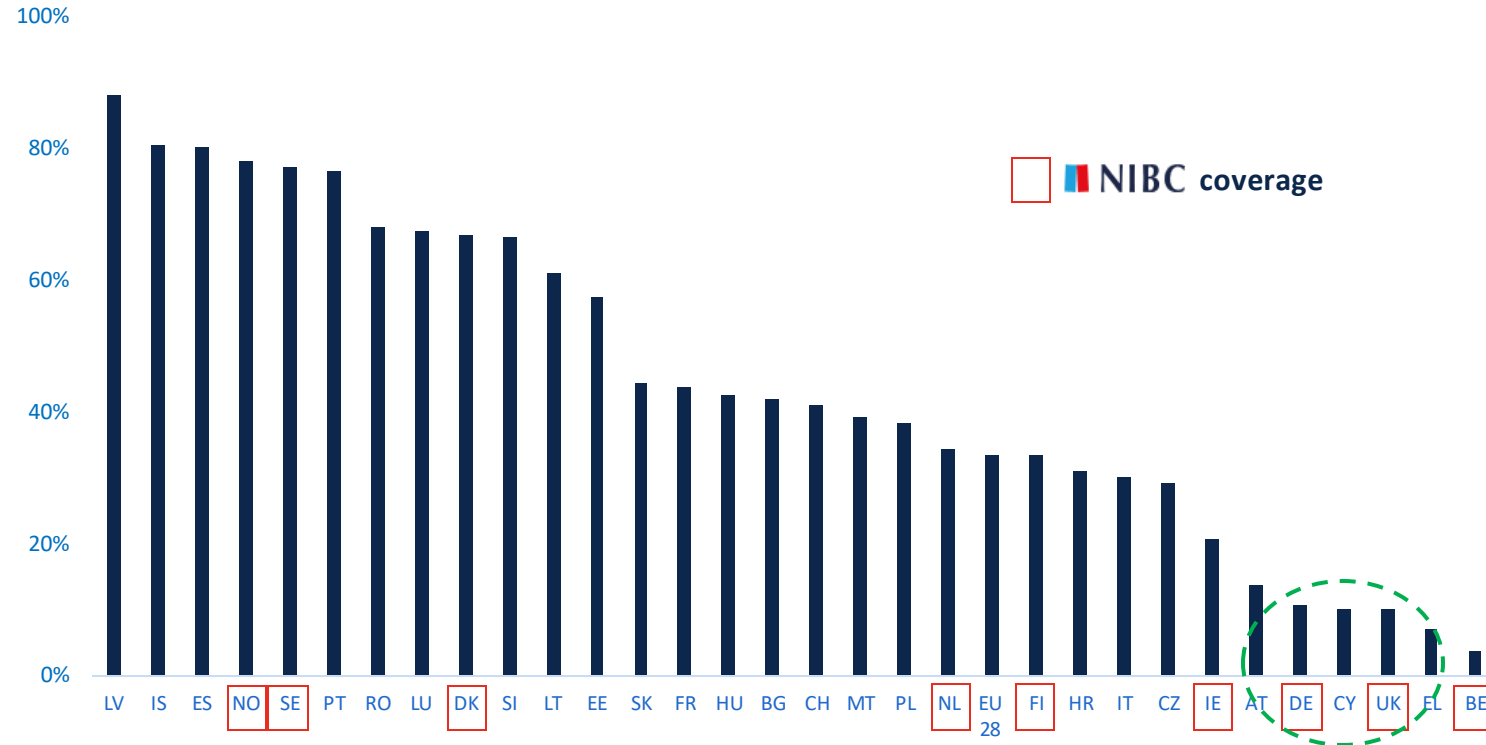
FORWARD LOOKING EV/EBITDA MULTIPLES THROUGH TIME (5 YEARS) AND LEVERAGE RATIO DEVELOPMENT^{1,2}



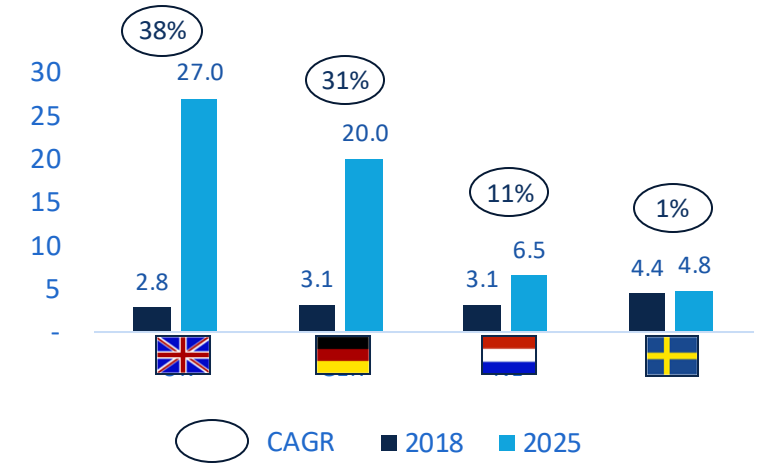
Market Commentary: Fixed Line Communication

FTTP/B considered superior technology given its much greater bandwidth. Accelerated fiber growth is expected in UK and Germany

FIBER COVERAGE PER COUNTRY



HOMES PASSED GROWTH OF KEY MARKETS



- The average coverage of both FTTH and FTTB networks in hit almost 50% of all European households
- FttP coverage highly varies between countries with UK and Germany still lagging behind

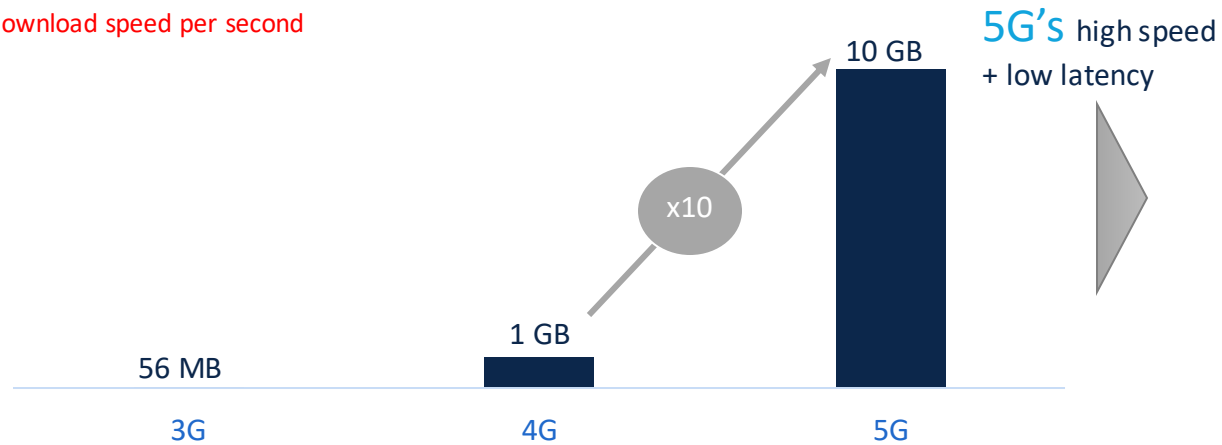


Market Commentary: Wireless Communication

The demand for more connectivity and communication will lead to a higher demand for faster mobile networks

EVOLUTION OF MOBILE NETWORKS

Download speed per second



1

Enhanced Mobile Broadband



Enhanced indoor and outdoor broadband



High speed streaming for in-home, screen and mobile devices

2

Massive Machine Type Communication



Smart cities



Smart home



Internet of Things (IoT)

3

Ultra-Reliable and Low Latency Communication



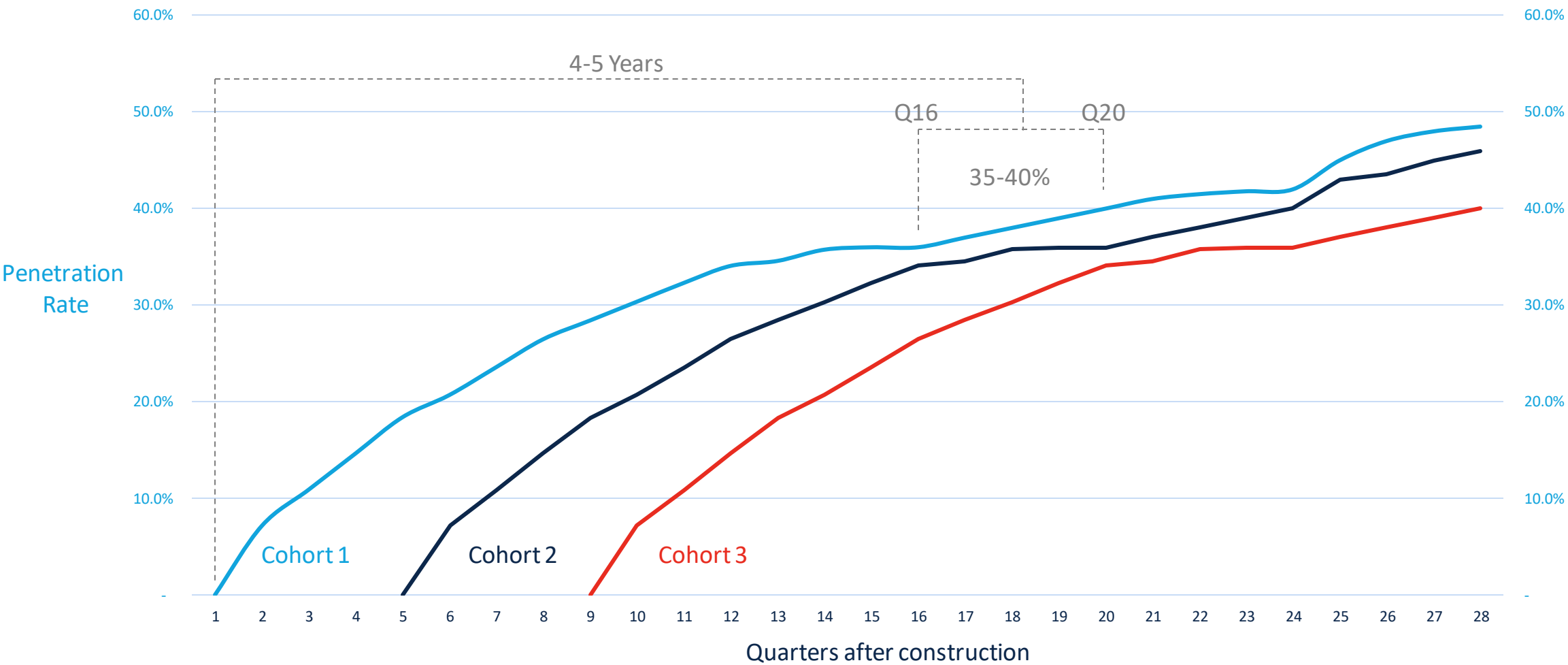
Intelligent transport systems (e.g. autonomous vehicles)



Remote patient monitoring and telehealth

Case Study – Fibre Financing

Understanding the growth story. Being comfortable with the risk.



Case Study – Fibre Financing

What does a Fibre Financing look like? How do the banks get comfortable with the asset?

TYPICAL TERMS

- Tenor: 3 to 7 years
- Availability Period
- Drawdown Tests:
 - Debt to Network Size
 - Debt to Subscriber Base
 - Penetration Rate
- Financial Covenants:
 - Debt Service / Interest Cover Ratio
 - Leverage Ratio
- Equity Support
- Distribution Limitations
- Information Undertakings

SENSITIVITIES & CREDIT ANALYSIS

Qualitative Analysis

Strategy / USP

Management
Team Track
Record

Competitors &
Overbuild Risk

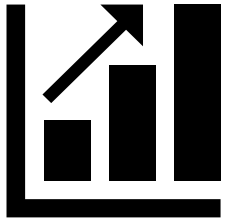
Quantitative Analysis

Revenue
Make-up

Construction
Capacity and
Resilience

Cost Basis

Future of the Digital Infrastructure Market



Growth in Digital
Infra Market



Regulation

Consolidation



Long-Term
Investors

Banks could play a central role in the digital transformation by:

- **Financing** capital intensive constructions such as data centers, network towers and optic fiber networks
- **Advising** clients in strategic M&A deals that creates synergy, and raising funds in the Debt Capital Markets
- **Originating & Managing** loan portfolios for third parties

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