

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION AS STIPULATED UNDER THE UK'S MARKET ABUSE REGULATION. UPON THE PUBLICATION OF THIS ANNOUNCEMENT, SUCH INSIDE INFORMATION IS NOW CONSIDERED TO BE IN THE PUBLIC DOMAIN

17 January 2025

DIGITAL 9 INFRASTRUCTURE PLC

("D9" or the "Company" and, together with its subsidiaries, the "Group")

Divestment of Aqua Comms for net proceeds of 48m (c.£40m)

The Board, advised by Goldman Sachs International, announces that D9 has signed a binding agreement with EXA Infrastructure¹, a portfolio company of funds advised and/or managed by I Squared Capital ("EXA") for the divestment of the Atlantic and Irish Sea subsea fibre business, Aqua Comms (the "Transaction"). This follows the recent divestment by the Company of EMIC-1 announced on 31 December 2024. The Transaction is subject to multi-jurisdictional regulatory approvals, including competition & merger clearance, which are expected to take approximately 12 months. Under the terms of the Transaction and a completion accounts mechanism, D9 will continue to manage Aqua Comms and will benefit from any interim distributions that occur between signing and completion, with the final Transaction price dependent on the balance sheet at completion.

The equity value of the Transaction is 54m, representing a 28% discount to the valuation of 75m as at 30 June 2024. After deduction of 5.4m transaction costs, the net proceeds, based on the current balance sheet, would be 48m, representing a 36% discount (equating to c. 2.6p per share) to the valuation incorporated in the NAV as at 30 June 2024. The Aqua Comms valuation reported to the market as at 31 December 2023 was 283m. The 208m write down of the Aqua Comms valuation to 75m as at 30 June 2024 principally reflected the inability to fund the Asian growth projects as well as the other factors set out below. It also reflected the indicative interest received pursuant to the sales process for Aqua Comms at the time of 30 June 2024 NAV publication. Since then, the market backdrop for selling Aqua Comms has softened as further reflected in the Transaction price achieved.

Taking into account the combined subsea business (i.e. including EMIC-1 at 49.6m), the discount to the Company's 30 June 2024 valuation of these investments, would be 21% (c. 2.6p per share) pre-transaction costs and 28% (c. 3.3p per share) post-transaction costs.

The Board recognises that the equity value of the Aqua Comms transaction represents a material discount to the 30 June 2024 valuation and has been advised that delaying a sale is unlikely to result in a materially higher price within the timescale of the wind-down and carries significant uncertainty. Initiated by the previous Board, the sale is the product of a thorough 9-month competitive auction process conducted by Goldman Sachs International.

The Aqua Comms business has been severely impacted by numerous factors since the Company's initial investment, including an inability to deliver on its intended global growth strategy and ongoing price compression across the global subsea fibre market, especially in the Atlantic. Key contributing factors include:

- (i) **Asian growth projects:** Inability to capitalise on accretive expansion plans into Asia, and to restrictions under the Group's Revolving Credit Facility ("RCF") covenants resulting in these projects not being capable of being funded (meaning pipeline projects historically valued by the Company could not be delivered);
- (ii) **Margin compression:** Overbuild of subsea cable capacity in all markets, including the Atlantic market, where despite rapidly growing demand, build-out is outpacing demand growth and increasingly compressing margins. This has been driven by hyper-scalers and technological improvements that have led to a consistent c. 15% per annum decline in pricing over the past 5 years. This decline is expected to persist meaning that any extended hold period by the Company would have presented a high risk of further value erosion for shareholders;
- (iii) **EMIC-1:** The indefinite delay to the project due to ongoing conflicts in the Red Sea (meaning no foreseeable opportunity for capital appreciation or earnings growth from EMIC-1 which could be realised as part of combined sale with Aqua Comms); and
- (iv) **M&A market conditions:** The shift in the rate environment, coupled with macro-economic and geopolitical volatility, has led to a reduction in transaction activity across infrastructure and private equity. This has contributed to a reduction in the buyer universe for this asset and impacted the pricing secured.

InfraRed Capital Partners ("InfraRed") has independently performed a bottom-up evaluation of the Aqua Comms business to validate the terms offered by EXA. The evaluation considered points (i) - (iv) above by: removing Asian growth projects from the pipeline; acknowledging margin compression in the Atlantic market (and consequent revision of terminal value assumptions); removing any capital appreciation or earnings growth on EMIC-1; and revising the discount rate to reflect current market conditions. The conclusion reached was that the Transaction represents fair value for Aqua Comms (post-divestment of EMIC-1), with the alternative of holding the business over the medium-term being a higher risk option for the Company and its shareholders.

As reported on the recent EMIC-1 disposal, the transaction costs are predominantly an allocation of fees payable on the completion of the Company's Subsea cable assets, which were committed to by the previous Board at the commencement of the sales process in early 2024. These fees are contingent on the completion of the Transaction.

Once received, the proceeds (net of transaction costs) of the Aqua Comms and EMIC-1 transactions will be used to repay any balance remaining on the RCF. As announced on 31 December 2024, the Company is discussing options with the RCF lenders, to extend the remaining balance of the RCF beyond the current maturity date in March 2025. Incremental proceeds over and above the RCF balance will be returned to shareholders in due course, along with proceeds from other potential value realisations and optimisations the Company is progressing in tandem.

Eric Sanderson, Chairman of Digital 9 Infrastructure plc, commented: *"While the pricing outcome for Aqua Comms is extremely disappointing and less than might have been expected for the Company, a complete and far-reaching auction process has been run over a period of nine months, to fully market test the value of this business. Given the current market conditions and business specific factors, we are confident this Transaction represents the best option for shareholders in the context of the orderly wind-down."*

ENDS.

Contacts

Digital 9 Infrastructure plc
Eric Sanderson

via FTI Consulting

InfraRed Capital Partners Limited
James O'Halloran
Mohammed Zaheer

+44 (0) 207 484 1751

Panmure Liberum Limited (Financial Adviser to the Company)
Chris Clarke
Darren Vickers

+44 (0) 203 100 2222

J.P. Morgan Cazenove (Corporate Broker)
William Simmonds
Jérémie Bimbaum

+44 (0) 20 7742 4000

FTI Consulting (Communications Adviser)
Mitch Barltrop
Maxime Lopes

dei9@fticonsulting.com
+44 (0) 7807 296 032
+44 (0) 7890 896 777

Goldman Sachs International (Financial Adviser on Aqua Comms)
Alexandre Lucas
Owain Evans
Fabrice Francois

+44 (0) 20 7774 1000

LEI Code: 213800OQLX64UNS38U92

The person responsible for arranging the release of this announcement on behalf of the Company is Helen Richardson, Company Secretary.

About Digital 9 Infrastructure plc

Digital 9 Infrastructure plc (DGI9) is an investment trust listed on the London Stock Exchange and a constituent of the FTSE All-Share, with the ticker DGI9. The Company's investment objective is to undertake a Managed wind-down of the Company and realise all existing assets in the Company's portfolio in an orderly manner. For more information, please visit www.d9infrastructure.com

About InfraRed Capital Partners (Investment Manager to D9)

The Investment Manager to D9 is InfraRed Capital Partners Limited ("InfraRed") which has successfully invested in infrastructure projects since 1997. InfraRed is a leading international investment manager, operating worldwide from offices in London, New York, Seoul, Madrid and Sydney and managing equity capital in multiple private and listed funds, primarily for institutional investors across the globe. InfraRed is authorised and regulated by the Financial Conduct Authority.

The infrastructure investment team at InfraRed consists of over 100 investment professionals, all with an infrastructure investment background and a broad range of relevant skills, including private equity, structured finance, construction, renewable energy and facilities management.

InfraRed implements best-in-class practices to underpin asset management and investment decisions, promotes ethical behaviour and has established community engagement initiatives to support good causes in the wider community. InfraRed is a signatory of the Principles of Responsible Investment.

Further details can be found on InfraRed's website www.ircp.com

¹About EXA Infrastructure

EXA Infrastructure is a dedicated digital infrastructure platform operating throughout Europe, connecting North America and Asia via the Middle East with over 20 years of experience of building networks.

Important Notices

Neither Goldman Sachs International ("GSI") nor its affiliates, nor their respective partners, directors, officers, employees or agents are responsible to anyone other than D9 for providing the protections afforded to clients of GSI or for providing advice in connection with the transaction described in this announcement or for any other matters referred to herein.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact ms@seq.com or visit www.ms.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

DISGPUWWGUPAGPM