

CASE STUDY:

METROFIBRE NETWORKX (PTY) LTD



THE COMPANY:



- Company:** MetroFibre Networkx (Pty) Ltd ("MetroFibre")
- Region:** Southern Africa
- Country:** South Africa
- Sector:** Digital Infrastructure
- Technology:** Open access fibre network operator
- Size:** ZAR1.2b (USD86.7m)
- Investors:** AIIF3 & IDEAS Managed Fund
- Investment:** Equity

IMPACT HIGHLIGHTS

- AIIM's funding supports MetroFibre's capital expansion programme to connect an additional 300,000 homes across South Africa by 2024.
- AIIM prioritised the strengthening of MetroFibre's empowerment credentials through the introduction of Rali Mampeule and Kameel Keshav as strategic partners. As the CEO and CFO of the South African Housing & Infrastructure Fund, both individuals bring years of experience in the South African real assets investments.

METROFIBRE'S STORY

Launched in 2010, MetroFibre is a South African owned and managed high-growth player in the Fibre-To-The-Home ("FTTH") and Fibre-To-The-Business ("FTTB") markets. Based in Gauteng, it is one of the largest FTTB providers in the province.

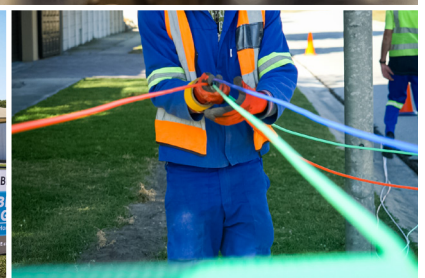
MetroFibre owns and manages its core network which is a globally compliant Carrier Ethernet 2.0 open access fibre network with 144,000 homes passed and 50,500 active connections (at the time of AIIM's investment). Over the last ten years, MetroFibre has expanded its service offering to both residential and corporate customers in line with its strategic objective of being a diversified operator.

Its full suite of service offerings include:

- High Speed Broadband Network Connectivity (up to 200Gbps)

- Voice Over IP (Telephone, PBX), Video Conferencing
- Data (VPN), Off-site Data Recovery/ Data-Backup
- Email/Application Hosting
- Cloud Computing
- Internet and CCTV Security Monitoring.

All of which is delivered on the back of a single MetroFibre Networkx fibre installation.



THE COMPANY VIEW

Steve Booyesen, CEO of MetroFibre said:

“The successful capital raise will enable MetroFibre to continue with its growth strategy and explore acquisition opportunities, connecting customers with the global economy through a reliable and fast connection. In addition to our organic growth plan, the successful capital raise ensures that MetroFibre is well placed to play a leading role in the sector’s consolidation process, given our strong leadership and operational teams, as well as significant shareholders of reference.”



THE ROLE PLAYED BY PRIVATE EQUITY

Despite material investment in recent years, the FTTH and FTTB sectors continue to see significant deficit in last-mile fibre connectivity in second tier towns across South Africa. Fibre networks underpin the growing demand for fast and reliable home internet and are crucial in supporting the accelerating learning-from-home and working-from-home reality.

MetroFibre had an ambitious programme to address this shortfall through a ZAR3 billion (c. USD200m) plan to connect an additional 300,000 homes across the country over three years. However, it was in need of funding to execute the plan as the majority of existing shareholders were capped out from an investment perspective. In addition, it was essential that any new equity sourced, maintained or enhanced the existing Historically Disadvantaged Group equity ownership levels.

Therefore, an innovative funding solution was utilised. AIIM, an incoming shareholder via its AIIF3 and IDEAS Managed Funds, facilitated the transaction by establishing the “Digital Infrastructure Investment Holdings Pty Ltd” platform and brought on board the founders of the South African Housing & Infrastructure Fund, Rali Mampeule and Kameel Keshav, as empowerment partners via their newly incorporated Digital Infrastructure Consortium (“DIC”). Existing shareholder,

STOA, also provided incremental funding as part of the transaction. The result was:

1. A ZAR1.5b rights issue was structured as an irrevocable undertaking for subscribers to provide funding when called upon by the MetroFibre board, with the remaining shares held in Trust and drawn down over a period of 2.5 years.
2. The structure provided full governance rights to shareholders for both the shares issued and those held in Trust, but limits the cash drag for both MetroFibre and investors by only drawing down capital as required, providing a material “war chest” for MetroFibre to continue to rollout the network.
3. The AIIM-managed funds, together with STOA, extended a cumulative preference share facility of ZAR215m to DIC to support its entrance as a strategic investor.

The total ZAR1.5b equity funding facilitated by the transaction enhanced MetroFibre’s empowerment positioning, unlocked additional debt funding of ZAR1.7b and supports MetroFibre’s capital expansion programme to connect to an additional 300,000 homes.

A FORCE FOR GOOD

Africa’s digital economy is growing exponentially. Between 2010 and 2019, more than 300 million Africans gained access to the internet, marking a shift towards digital processes and lifestyles. The Covid-19 pandemic has further demonstrated the need for digital infrastructure investment, with 75% of the population expected to have access to the internet by 2025.

As a result of AIIM’s investment, MetroFibre can now bring an additional 300,000 households online across South Africa, as part of efforts to diminish the barriers to technological advancement.

AIIM has also implemented an environmental and social action plan with actions undertaken to further strengthen MetroFibre’s environmental, social, health and safety management systems. As of December 2020, MetroFibre employed a total of



345 employees.

Moreover, in furtherance of the empowerment mandate of the AIIM-managed funds, AIIM prioritised the strengthening of MetroFibre’s empowerment credentials. Rali Mampeule and Kameel Keshav (CEO and CFO of the South African Housing & Infrastructure Fund, both of whom bring years of experience in the real assets sector) were introduced as strategic empowerment partners.