

TITULO: KKR and Telefónica launch US\$1 billion fibre optics venture in Chile				
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### KKR and Telefónica launch US\$1 billion fibre optics venture in Chile

Frederik Karlsson | 03 March 2021



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US private equity investor KKR has hired three Simpson Thacher & Bartlett LLP offices and CMS Carey & Allende in Santiago to pay some US\$1 billion for a majority stake in Telefónica Chile's fibre optic network, through which both companies will launch the country's first open access wholesale fibre optics venture.

Telefónica turned to Latham & Watkins LLP in Madrid, New York and Los Angeles and Chile's Guerrero Olivos. The deal was announced last week.

To finance the deal, KKR obtained a US\$416 million loan that included a US\$55 million VAT facility. A separate team from CMS Carey & Allende advised KKR, while Simpson Thacher is understood to have helped the company on the financing too, but this could not be confirmed prior to publication.

The group of lenders enlisted Allen & Overy LLP in New York and Philipp Prietocarrizosa Ferrero DU & Uría (Chile).

The companies will turn Telefónica Chile's existing fibre optic network – the largest in Chile – into the country's first wholesale digital infrastructure network open to all telecom operators in Chile. To manage the assets, the companies have set up a new entity in which KKR will hold a 60% stake, with Telefónica owning the remainder. Only a limited number of operators had access to Telefónica Chile's network prior to the deal.

Fibre optic technique offers greater reliability and speeds from 10 to 1000 times faster than cable and other legacy telecoms networks.

KKR and Telefónica intend to expand broadband coverage to 3.5 million Chilean households by 2023, up from 2 million currently, and provide wholesale services to more than 40,000 businesses and telecoms towers. They will also expand coverage to remote and under-served areas of Chile.

This is not Telefónica's first billion-dollar sale in Latin America this year. In January, it announced a US\$9.4 billion divestment of Telxius, its communication tower division, to American Tower, in a deal that included assets across Argentina, Brazil, Chile and Peru.

The company's latest deal with KKR comes a year after Chile confirmed its first covid-19 case in early March last year. The pandemic has substantially increased the need for faster and more stable broadband and telecoms services, as demand from home offices, schools and hospitals and others have increased.

Chile is at the forefront in Latin America in terms of covid-19 vaccination. As of 28 February, the country had administered nearly 18 doses per 100 residents, which puts it substantially ahead of any other Latin American country. Brazil comes second with 4 doses per 100 residents.

#### For the acquisition

##### Counsel to KKR

Simpson Thacher & Bartlett LLP

Partner Breen Haire and associates Ana Sanchez, Michael Spirtos and Braxton Pitts in Houston; partners Todd Crider, Adam Shapiro and Nancy Mehlman, and associates Karen McClendon, Alexander Gonzalez Castillo, Pauline Patat, William Smolinski, Robert Meyer and Humberto Romero Carrillo in New York; and partner Étienne Renaudeau in London

CMS Carey & Allende

Partners Jorge Allende Destuet and Ignacio Errazquin, and associates Ricardo Celedón and Sebastián Barros in Santiago

##### Counsel to Telefónica

In-house counsel to Telefónica Hispam - Diego Colchero

In-house counsel to Telefónica Chile - Gladys Fuentes and Claudio Monasterio

Latham & Watkins LLP

Partner Ignacio Pallarés and associates Carmen Esteban and María del Pilar Villanueva in Madrid; partners Tony Del Pino and Guido Liniado, and associates Alan Rozen, Carlos Ibaranguetia in New York; and associate Noemí Abastá-Vilaplana in Los Angeles

Guerrero Olivos

Partner Jorge Delplano and associates César Gálvez, Sebastián Marambio, Roberto Burgos, Santiago Bustos, Matias Ríos and Daniela Ahumada in Santiago

#### For the financing

##### Counsel to KKR

CMS Carey & Allende

Partner Jorge Allende Destuet and associate Enrique Vergara in Santiago

**Counsel to The Bank of Nova Scotia; Scotiabank Chile; Banco de Crédito de Inversiones, BTG Pactual Chile, Banco Consorcio, Banco Internacional and Banco Santander Chile**

Allen & Overy LLP

Partner Todd Koretzky and associates Ally de Padua, Daniel Resnick and Erica Aghedo in New York

Philipp Prietocarrizosa Ferrero DU & Uría (Chile)

Partner Marcelo Armas and associates Daniel Parodi, Macarena Soto and Santiago Mesias in Santiago

Practice area: Corporate and M&A, Telecoms & media

Country: Chile, International

Industry: Telecoms