

ExteNet Systems Acquired by Digital Bridge

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ExteNet Systems, a builder and operator of DAS and small cell systems, is set to become part of Digital Bridge Holdings, the investment group that owns Vertical Bridge and Mexico Tower Partners. Along with Stonepeak Infrastructure Partners, Digital Bridge is set to acquire ExteNet's current investors, including SBA Communications. The purchase price is expected to be more than \$1 billion, but the companies did not specify the exact amount.

"They're making a lot of capital available," said ExteNet co-founder Ross Manire, who will continue as president and CEO. Manire added that he is excited about the experience the Digital Bridge team brings. "They've got good insight into the business because they've lived it," he said.

Digital Bridge CEO Marc Ganzi, who ran Global Tower Partners before selling it to American Tower, will become chairman of ExteNet. Warren Roll of Digital Bridge, and Trent Vichie and Brian McMullen of Stonepeak will also join ExteNet's board of directors.

"Marc has been in the business for more than 20 years," said Manire. "He knows the space well and he knows our customers well, and he knows distributed networking."

Manire said that ExteNet and Digital Bridge will be able to leverage one another's relationships, and that the tower business and the DAS business are highly complementary. In both businesses, asset owners lease infrastructure to wireless carriers.

"We believe ExteNet has about 10,000 nodes deployed or under construction including some Wi-Fi access points and could add about 2,000 nodes per year," said analyst Kevin Smithen of Macquarie Securities. "Ninety-nine percent of ExteNet's fiber network is owned. As a reminder, monthly leases are \$700-\$800 per tenant with 10- to 15-year leases and carriers pay for 25% to 40% of the network construction costs."

SBA Communications exits

SBA Communications, the tower company that has owned almost 20% of ExteNet since 2010, is selling its stake, making it the only major tower operator without a significant presence in DAS and small cells. On the other hand, SBAC's investors will probably be pleased with the return the tower company earned on its investment.

"We believe that SBA will record approximately \$150 million profit on its initial \$43 million investment in 2010," said Smithen.

All of ExteNet's current investors are exiting. In addition to SBAC, these include Columbia Capital, Centennial Ventures, Sevin Rosen Funds, CenterPoint Ventures, Palomar Ventures and Quantum Strategic Partners, a private investment vehicle managed by Soros Fund Management.

"We've had venture investors in the deal since August of 2004 so it was really time to find a liquidity event for them," Manire said. "So this actually worked out and was a good result."