

The Deal

Colony Buys Out Partner Digital Bridge

Real estate investment firm Colony Capital is making a deeper commitment to technology investments and laying groundwork for a leadership change with the \$325 million purchase of Digital Bridge.

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By Chris Nolter
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Real estate investment firm Colony Capital Inc. (CLNY) is making a deeper commitment to technology investments and laying groundwork for a change in leadership with the \$325 million purchase of telecom infrastructure investor Digital Bridge Holdings LLC.

Shares of Colony gained 1.7% to \$5.30 on Thursday after the firm said it would buy out its partner in the recently formed vehicle Digital Colony Management LLC.

Colony has had tension with Jason Aintabi's Blackwells Capital LLC. The Deal reported July 19 that Blackwells, which holds a roughly 2% stake, may nominate a dissident slate of directors soon.

Alongside the announcement of the Digital Bridge deal, Colony said that CEO Tom Barrack Jr. will step down from that role but continue to serve as executive chairman in 2021. Digital Bridge boss Marc Ganzi will succeed him as CEO.

"We see this update as consistent with our overall thesis that [Colony] is moving toward an investment manager model and that asset sales should unlock value and allow shares to trade closer to NAV [net asset value]," B. Riley FBR Inc. Randy Binner wrote in a Thursday note. Colony has traded around 0.7 times NAV, Binner observed, while the market values a group of its peers at 1.1 times NAV.

Roughly two-thirds of the payout is in cash, with the other third in equity structured as limited partnership interest in Colony's operating partnership units.

Digital Bridge and Colony Capital Inc. (CLNY) launched Digital Colony Management last year. The firm initially targeted \$3 billion for its inaugural Digital Colony Partners LP fund, but upsized the offering to \$4.05 billion by its May close.

Ganzi told The Deal in June that the fund is the first of its kind to focus solely on telecom infrastructure.

Digital Bridge manages nearly \$20 billion of telecom infrastructure investments through its own stakes and the Digital Colony partnership with Colony. The sum includes the blockbuster \$14.3 billion purchase of fiber company Zayo Group Holdings Inc. (ZAYO) by Digital Colony and EQT AB.

Colony's purchase of Digital Bridge follows a broader investment trend. Real estate and infrastructure firms such as Brookfield Infrastructure Partners LP, Macquarie Infrastructure Partners, Stonepeak Infrastructure Partners, European firm Antin Infrastructure Partners and others have been placing big bets in telecom infrastructure such as data centers, wireless towers and fiber networks.

Ganzi has a strong track record telecom infrastructure dealmaking. The executive founded Boca Raton, Fla.-based Global Tower Partners in 2003, and sold the business to American Tower Corp. (AMT) a decade later for for \$4.8 billion. After exiting Global Tower Partners, Ganzi co-founded Digital Bridge with Ben Jenkins, founder of Dering Capital and a former senior managing director at Blackstone Group.

Mark Bradley, Jared Weinstein and Ryan Irwin advised Digital Bridge, which retained a Morgan, Lewis & Bockius LLP team led by Robert Goldbaum and Nate Pusey.

Colony received counsel from Clifford Chance US LLP lawyers including David Brinton, Richard Catalano, Roger Singer and Clifford Cone. Colony Chief Legal Officer Ronald Sanders was a partner with Clifford Chance before he joined the company in 2004.