

THE AFRICAN DATA CENTER RISES

HOW THE RACE TO THE
CLOUD IS TRANSFORMING
AFRICAN COLOCATION
MARKETS

REPORT SUMMARY,
TABLE OF CONTENTS
& SAMPLE PAGES



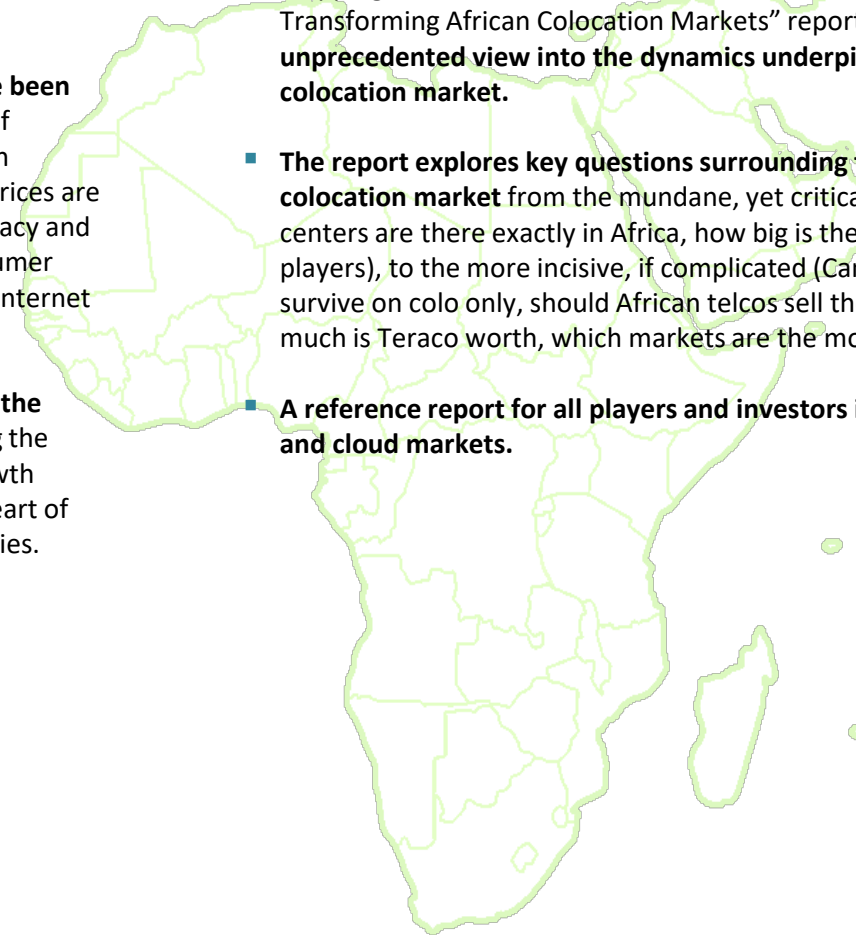
JUNE 2017



Report Summary: The African Data Center is Still Rising



- **The African Multi-Tenant Data Center (MTDC) market has entered a new phase of growth**, one that should see deeper adoption in core markets, and a broader, more distributed data center service penetration beyond the core.
- **The harbingers of this impending data center market growth have been building up for years.** African broadband is booming; the number of connections has passed the 200 million mark and should grow by an average of nearly 20% over the next five years. Fiber connectivity prices are declining, workload migration to the cloud is accelerating, data privacy and sovereignty concerns are gaining ground, and a new breed of consumer and enterprise digital natives are putting new demands on African Internet networks.
- **These and other factors are driving the race to bring the brains of the African Internet back to the continent**, in the process transforming the African data center colocation business into one of the hottest growth segments in the African ICT market. This transformation is at the heart of this report, the second edition of our “Africa Data Center Rises” series.
- Leveraging months of research, dozens of interviews, extensive data collections and new analytical tools for data center analysis and geo-mapping, the “African Data Center Rises – How the Race to the Cloud is Transforming African Colocation Markets” report **provides an unprecedented view into the dynamics underpinning the African MTDC colocation market.**
- **The report explores key questions surrounding the African MTDC colocation market** from the mundane, yet critical (how many colo data centers are there exactly in Africa, how big is the market, who are the key players), to the more incisive, if complicated (Can African colo players survive on colo only, should African telcos sell their data center assets, how much is Teraco worth, which markets are the most attractive, etc.)
- **A reference report for all players and investors in the African colocation and cloud markets.**



Sample Key Points Explored in this Report

The insights derived from our research on African data center colocation markets are distilled in this report, covering critical key questions and points, including:

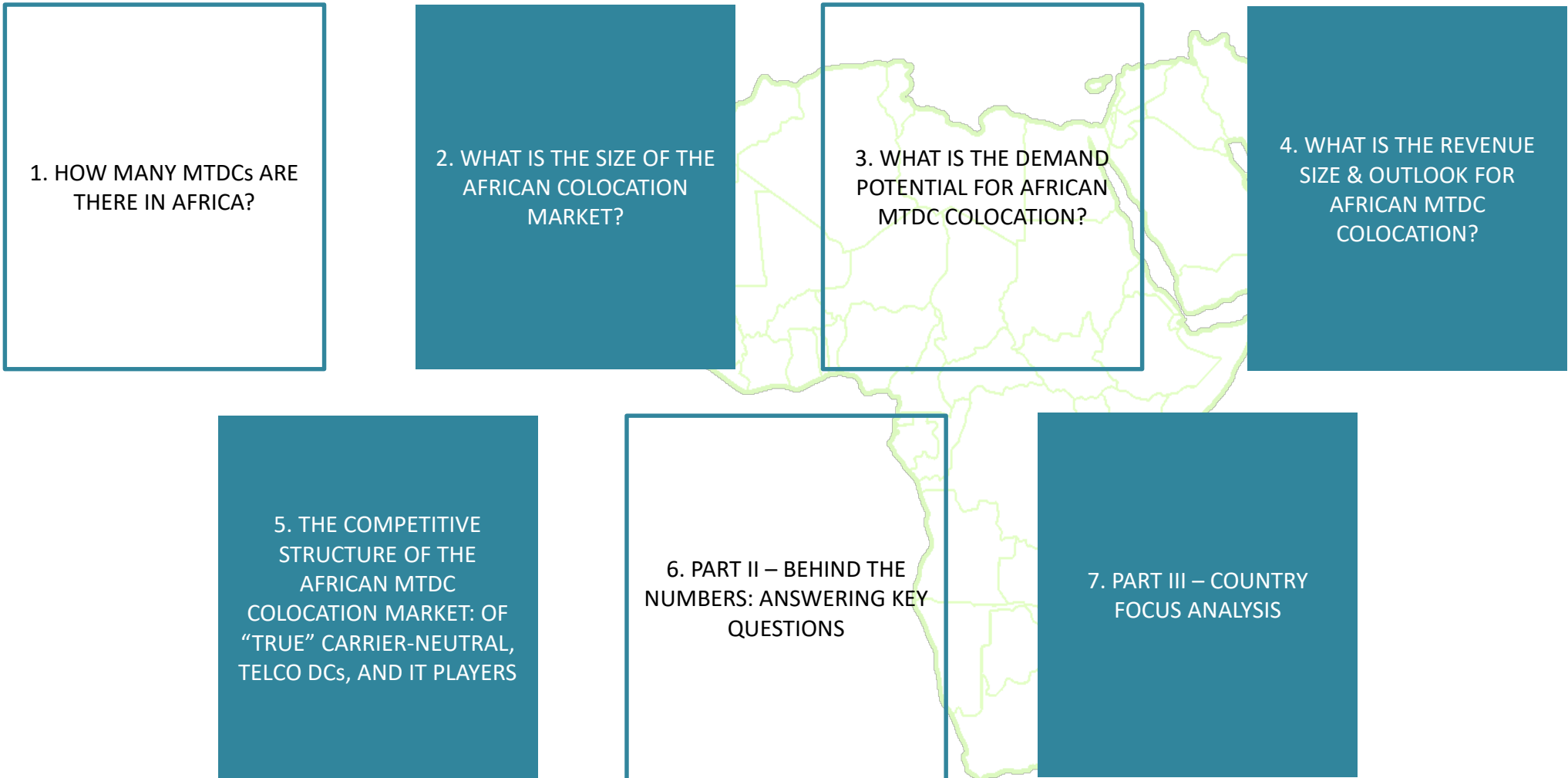
- Why we say that the African colocation market is really, primarily, about 7 core markets – and what those countries are;
- Why we say that almost half of African MTDC facilities are really built to do other things – and why that is;
- Why we say that less than 10% of African MTDC facilities are “True” Carrier and Vendor-Neutral MTDCs – and what the implications are;
- Why we say that outside of the South African market, Africa has low levels of “realized demand”;
- Why we say that power supply remains a challenge for African colo players; but argue that connectivity is the bigger problem;
- Why we say that MTDC colocation is one of the hottest growth segments in the African ICT market;
- Why we say African colo markets are small and complicated – but carry substantial upside for those who will dare take them on;
- Why we say that power supply challenges do distort African data center economics – and hamper the long-term margin upside of this business;
- Why we say that African colocation isn’t a case of build it and they will come. You may build it, but absent other critical conditions, it will stay empty;
- Why we say that African telcos should consider selling their data center assets – though doing so will have no material impact on their balance sheets;
- Why we say, about South Africa’s Teraco – “Show them the Money”;
- Why international colo operators are not here yet – and why they are coming;
- And more..



The Corporate/Premium version of this report includes more than 50+ supporting charts and data points in Excel format (See Report Specs).



Report Structure Overview



Markets & Companies Covered

This report focuses on Africa at a broad level, with countries covered at varying levels of depth. Countries and players covered are as follows:

Markets Covered with Good Depth

- The core analysis of the report is driven by insights and data generated primarily from these markets;
- We provide a country-focused analysis of colo market size, key players, estimated market share, revenue outlook
- Specific country-focused profile, key trends, projections and other analysis:

- South Africa
- Kenya
- Nigeria
- Morocco
- Tunisia

Other Markets Covered

- The core analysis of the report is driven by insights and data generated primarily from these markets;
- At a minimum, some top line numbers and projections are provided in specific colo size tables;
- Key trends and dynamics are explored and highlighted throughout the report - but no specific country profiling

- Ghana
- Egypt
- Ivory Coast
- Cameroon
- Mauritius
- Angola
- Tanzania
- Zambia
- Mozambique
- Senegal

Companies Mentioned

- | | | | |
|---------------------------|----------------------|---------------------|--------------------|
| ▪ Amazon Web Services | ▪ GPX | ▪ MainOne/MDXi | ▪ Raya Data Center |
| ▪ BCX | ▪ Hetzner SA | ▪ Maroc Data Center | ▪ Safaricom |
| ▪ CenturyLink | ▪ Hostoweb | ▪ Microsoft | ▪ Telecom Egypt |
| ▪ Dataxion | ▪ IBM | ▪ MTN Business | ▪ Telkom SA |
| ▪ Digital Realty | ▪ iColo | ▪ N+One | ▪ Teraco |
| ▪ East Africa Data Center | ▪ Internet Solutions | ▪ Ooredoo Tunisia | ▪ T-Systems SA |
| ▪ EO Data Center | ▪ Interxion | ▪ Orange Group | ▪ Verizon |
| ▪ Equinix | ▪ Liquid Telecom | ▪ Rack Africa | ▪ Vodacom Business |
| ▪ Etx Everywhere | | ▪ RackCentre | ▪ Windstream |





EXECUTIVE SUMMARY: THE AFRICAN DATA CENTER IS STILL RISING

PART I – THE NUMBERS

HOW MANY MTDCs ARE THERE IN AFRICA?

- MTDCs in Africa: ~150+ and Rising
- Separating “Real” Multi-Tenant Data Centers from the Other Sort
- Where they Are: Africa MTDC Map
- How they Break Down: Africa MTDCs by Size and Type
- How they Break Down: Pure-Play Colo Facilities vs. Multi-Purpose Facilities
- How they Break Down: (Almost) Everybody Is Tier III – Or are They?

WHAT IS THE SIZE OF THE AFRICAN COLOCATION MARKET?

- The African Colo Market: ~80k Square Meters of Available White Space
- The African Colo Market: Power and Rack Capacity
- The African Colocation Market: A Map Review
- South Africa, North Africa, the KiNG Markets and Everyone Else
- Africa’s Top Metro Colocation Markets

WHAT IS THE DEMAND POTENTIAL FOR AFRICAN MTDC COLOCATION?

- The African Colocation Demand Universe: Service Providers and Digital Natives
- The African Colocation Demand Universe: Financials, SME, Enterprise and Government
- Africa’s Colo Demand Hotspots – A Segment View
- Africa’s Potential Colo Demand: ~200k Square Meters, and Probably More
- Assessing Realized Demand: Between Upside and Skepticism

WHAT IS THE REVENUE SIZE & OUTLOOK FOR AFRICAN MTDC COLOCATION?

- Data Center Colocation – One of the Hottest Segments in the African ICT Market
- Market Outlook: The Rise of the Cloud Makes Us Bullish on African Colo
- The African Colo Market Will Double in Size
- African Colo Market Outlook: A Segment View

THE COMPETITIVE STRUCTURE OF THE AFRICAN MTDC COLOCATION MARKET: OF “TRUE” CARRIER-NEUTRAL, TELCO DCs, AND IT PLAYERS

- Who Controls Africa’s Colo Space? A Macro View
- Not Alike: Colo Market Competitive Structure in South, North Africa
- Not Alike: Colo Market Competitive Structure in the KiNG Markets, Rest of Africa
- “True” Carrier-Neutral vs. “Not Really” Carrier-Neutral
- The Rise of the “True” Carrier Neutral Colo
- Africa’s Top 25 Largest Colocation Data Centers
- From Teraco to Emtel: Africa’s Top 20 Colocation Players

PART II – BEHIND THE NUMBERS: ANSWERING KEY QUESTIONS

- Which African colo markets are most attractive?
- Should African Telcos Sell Their Data Center Assets?
- Can the African Data Center Survive the Continent’s Power Supply Problems?
- Why Are the Global Colo Players Not Here Yet? Will They Ever Come?
- Africa MTDC M&A Targets: There’s Teraco, Then There’s Everybody Else
- From Teraco to MDXi and Dataxion: Identifying Africa’s Most Attractive Data Center M&A Assets
- Teraco: Show Them the Money
- Teraco: A Growth Story in Key Charts
- Can Government Data Centers Change the African Supply Picture?





PART III – COUNTRY FOCUS

SOUTH AFRICA: THE PLACE OF (DATA CENTER) GOLD

South Africa MTDC Colocation Market – Five-Point Summary
South Africa: Africa’s Colo Behemoth
Gauteng: The Place of (Data Center) Gold
Cape Town: More than Nice Views
South Africa – A Deep Demand for Cloud Services
The Supply-Side: An IT/Enterprise Provider Market
South Africa MTDC Colocation – Key Player Assessment
Revenue Outlook – South Africa

KENYA: READY FOR TAKE-OFF

Kenya MTDC Colocation Market – Five-Point Summary
East Africa’s Internet Gateway
Strong Fundamental Drivers of Colo Demand
An Increasingly Ripe Demand for Cloud Services
Colo Demand - Growing, but Still Underpenetrated
The Supply-Side: No Tier 1 Telco Domination Here
Kenya MTDC Colocation – Key Player Assessment
Excellent Fundamentals – with a Minor Terrestrial Fiber Concern
Revenue Outlook – Bullish on Kenyan Colocation

NIGERIA: THE GIANT IS STILL SLEEPING

Nigeria MTDC Colocation Market – Five-Point Summary
Africa’s Third Largest Colocation Market
Excellent Broadband Growth Potential
A Deep – Still Underexploited – Colo Demand Potential
A Highly Underpenetrated Demand
The Supply-Side: Could Use More Carrier-Neutral Options
Nigeria MTDC Colocation – Key Player Assessment
Strong Growth Fundamentals, and a Connectivity Problem
Revenue Outlook – Promising, but Could do Substantially Better

MOROCCO: PROMISING, BUT STILL CONSTRAINED

Morocco MTDC Colocation Market – Five-Point Summary
A Slow Awakening to Colocation
Strong Fundamental Drivers
Morocco – Cloud Services Demand is Still Constrained
The Supply-Side: Highly Fragmented
Morocco MTDC Colocation Market Supply
Morocco MTDC Colocation – Key Player Assessment
Morocco MTDC Colocation – Pricing & Service Portfolio
Revenue Outlook – Strong, but Can be Better

TUNISIA: AFRICA’S BEST HIDDEN COLO SECRET

Tunisia MTDC Colocation Market – Five-Point Summary
North Africa’s Fastest Growing Market
An Excellent Broadband Growth Potential
Tunisia – Demand for Cloud Services only Emerging
The Supply-Side: Carrier-Neutral Domination
Tunisia MTDC Colocation – Pricing & Service Portfolio
Revenue Outlook – Market Size Projected to Triple



List of Exhibits (1)



PART I – THE NUMBERS

Broadband is Here - Broadband Subscriber Base in Africa – 2015-2020
 The Fiber Capacity is Here: Africa Subsea Lit Capacity – 2015-2020
 The Cloud is Here – Cloud Data Center Workloads vs. Traditional DC Workloads in the Middle East and Africa (2015-2020)

Number of Multi-Tenant Data Centers in Africa – Top Line View*
 Number of Multi-Tenant Data Centers in Africa – View by Market Grouping
 African MTDCs - Based on Building Type, Specifications and Certifications
 African MTDCs - Based on the Primary Purpose/Function of the Facility***
 Where they Are: Africa MTDC Map*
 Distribution of African MTDCs by Size - (2017E)
 Distribution of African MTDCs by Primary Purpose - (2017E)*
 MTDC Facilities by Type of Operator – 2017 F
 MTDC Facilities Dedicated to Colocation - by Type of Operator – 2017 F
 MTDC Facilities by Tier – Based on Specifications Claims
 MTDC Facilities by Tier – Based on Actual Uptime Institute Certifications

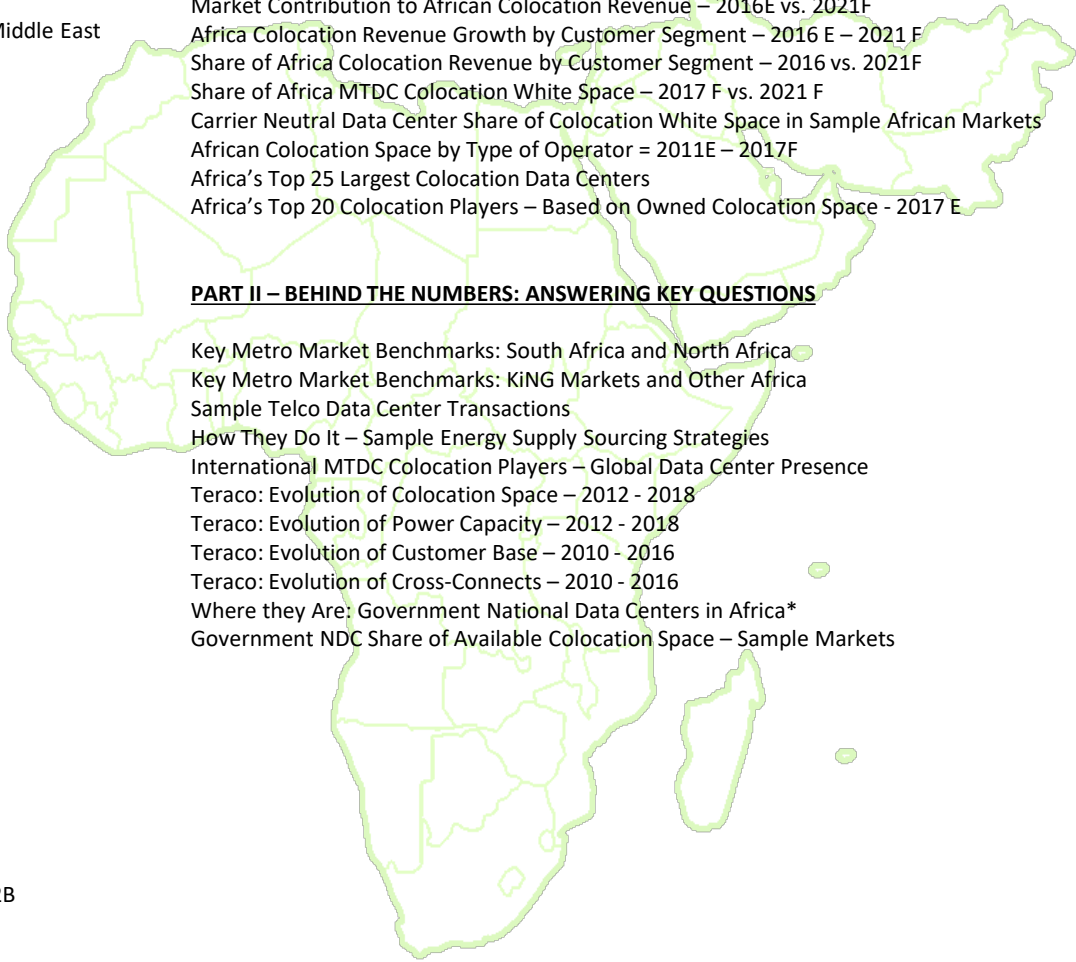
Africa Share of Global Population, GDP, Mobile Broadband and Colo Space
 Evolution of Africa MTDC Colocation White Space
 Africa Colocation Space vs. Sample Major Colocation Markets
 Evolution of Africa MTDC Colocation Capacity – Rack Units
 Evolution of Africa MTDC Colocation Capacity – Power Supply
 Africa’s Top 10 Colocation Markets (Countries)*
 Africa Colo Space by Core Market Grouping (2017 E)
 Africa’s Top 10 Colocation Metros / Regions

Estimated Potential Demand in Key African Colocation Markets
 Distribution of Potential Demand by Key Segment
 Available Data Center Space Supply as % of Potential Demand
 Utilized Data Center Space as % of Potential Demand
 Available Data Center Space Supply as % of Potential Demand
 Utilized Data Center Space as % of Potential Demand
 Revenue Growth Over the Past 2 Years (2014-16) in Sample Markets – Colocation vs. B2B ICT/Wholesale
 Evolution of Africa MTDC Colocation Revenue - 2011 E – 2016 E
 Africa MTDC Colocation Space Forecast - 2016 E – 2021 F

Colocation Revenue as a Share of B2B ICT + Wholesale Revenue – Sample Markets - 2016E
 Africa MTDC Colocation Revenue Outlook – 2016 E – 2021 F
 Market Contribution to African Colocation Revenue – 2016E vs. 2021F
 Africa Colocation Revenue Growth by Customer Segment – 2016 E – 2021 F
 Share of Africa Colocation Revenue by Customer Segment – 2016 vs. 2021F
 Share of Africa MTDC Colocation White Space – 2017 F vs. 2021 F
 Carrier Neutral Data Center Share of Colocation White Space in Sample African Markets
 African Colocation Space by Type of Operator = 2011E – 2017F
 Africa’s Top 25 Largest Colocation Data Centers
 Africa’s Top 20 Colocation Players – Based on Owned Colocation Space - 2017 E

PART II – BEHIND THE NUMBERS: ANSWERING KEY QUESTIONS

Key Metro Market Benchmarks: South Africa and North Africa
 Key Metro Market Benchmarks: KING Markets and Other Africa
 Sample Telco Data Center Transactions
 How They Do It – Sample Energy Supply Sourcing Strategies
 International MTDC Colocation Players – Global Data Center Presence
 Teraco: Evolution of Colocation Space – 2012 - 2018
 Teraco: Evolution of Power Capacity – 2012 - 2018
 Teraco: Evolution of Customer Base – 2010 - 2016
 Teraco: Evolution of Cross-Connects – 2010 - 2016
 Where they Are: Government National Data Centers in Africa*
 Government NDC Share of Available Colocation Space – Sample Markets



List of Exhibits (2)



PART III – COUNTRY FOCUS

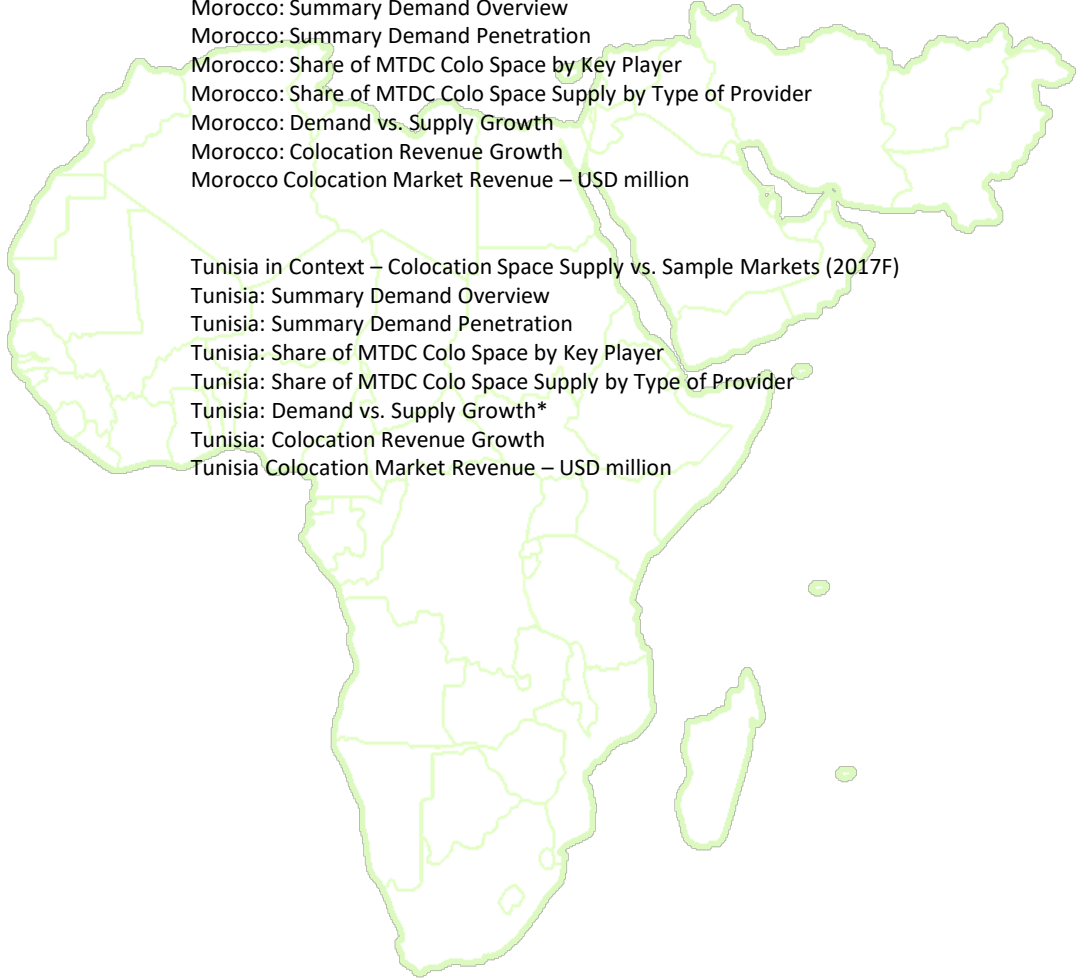
South African Share of African Colocation – Sample Indicators (2017 E)
 Gauteng and the Others: SA Colocation Space by Key Region
 Cape Town in Context – Colocation Space Supply vs. Sample Markets (2017F)
 South Africa: Summary Demand Overview
 South Africa: Summary Demand Penetration
 South Africa Share of MTDC Colo Space by Key Player
 South Africa Share of MTDC Colo Space Supply by Type of Provider
 Share of Utilized MTDC Colo Space by Type of Provider
 South Africa: Demand vs. Supply Growth
 South Africa: Colocation Revenue Growth
 South Africa Colocation Market Revenue – USD million

Kenya in Context – Colocation Space Supply vs. Sample Markets (2017F)*
 Mobile Broadband Growth in Kenya – 2015-2021
 Kenya: FTTH Penetration of Households
 Kenya: Summary Demand Overview
 Kenya: Summary Demand Penetration
 Kenya: Share of MTDC Colo Space by Key Player
 Kenya: Share of MTDC Colo Space Supply by Type of Provider
 Kenya: Demand vs. Supply Growth
 Kenya: Colocation Revenue Growth
 Kenya Colocation Market Revenue – USD million

Nigeria in Context – Colocation Space Supply vs. Sample Markets (2017F)
 Mobile Broadband Growth in Nigeria – 2015-2021
 Nigeria: FTTH Penetration of Households
 Nigeria: Summary Demand Overview
 Nigeria: Summary Demand Penetration
 Nigeria: Share of MTDC Colo Space by Key Player
 Nigeria: Share of MTDC Colo Space Supply by Type of Provider
 Nigeria: Demand vs. Supply Growth
 Nigeria: Colocation Revenue Growth
 Nigeria Colocation Market Revenue – USD million

Morocco in Context – Colocation Space Supply vs. Sample Markets (2017F)
 Morocco: Summary Demand Overview
 Morocco: Summary Demand Penetration
 Morocco: Share of MTDC Colo Space by Key Player
 Morocco: Share of MTDC Colo Space Supply by Type of Provider
 Morocco: Demand vs. Supply Growth
 Morocco: Colocation Revenue Growth
 Morocco Colocation Market Revenue – USD million

Tunisia in Context – Colocation Space Supply vs. Sample Markets (2017F)
 Tunisia: Summary Demand Overview
 Tunisia: Summary Demand Penetration
 Tunisia: Share of MTDC Colo Space by Key Player
 Tunisia: Share of MTDC Colo Space Supply by Type of Provider
 Tunisia: Demand vs. Supply Growth*
 Tunisia: Colocation Revenue Growth
 Tunisia Colocation Market Revenue – USD million



SAMPLE PAGES

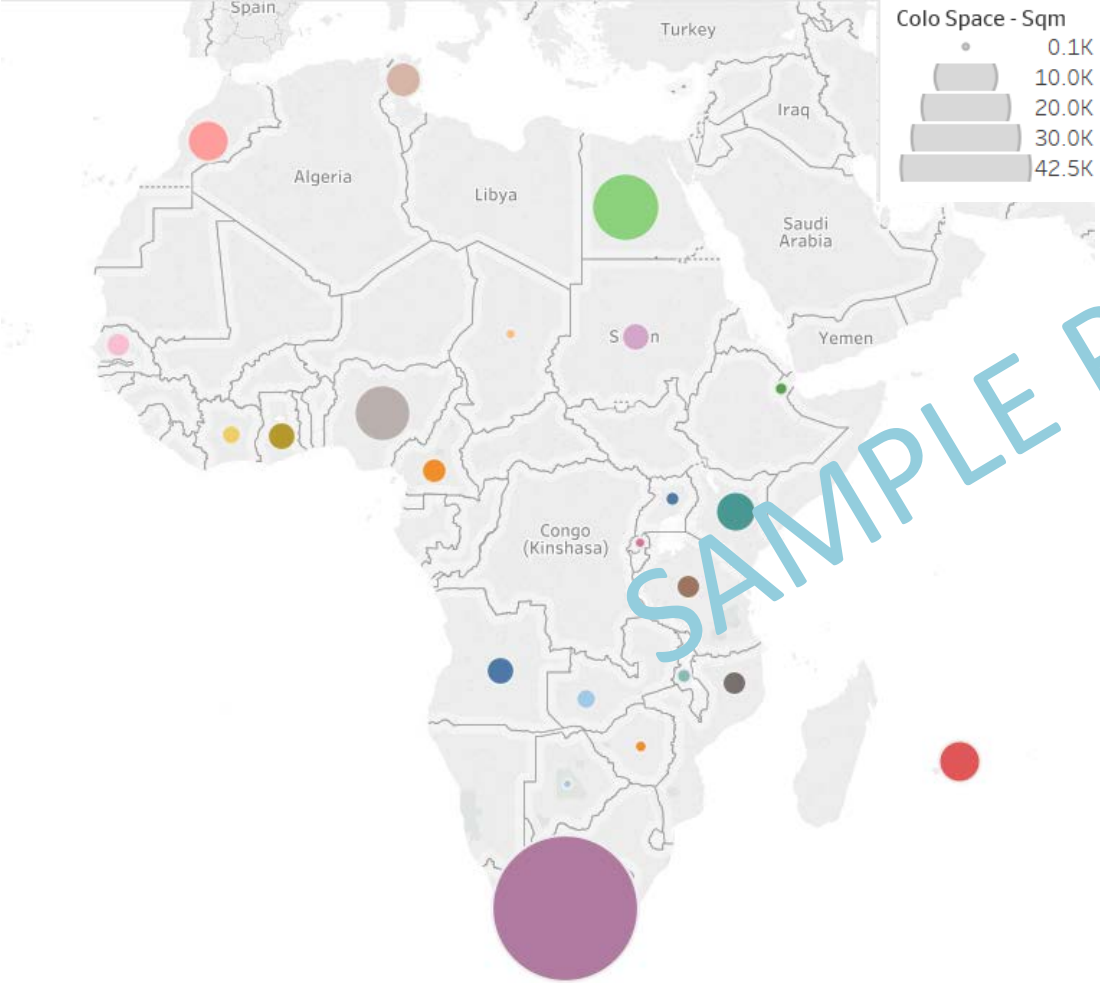
The following are sample pages for this report, provided for indicative purposes only, with edits, and in no particular order.



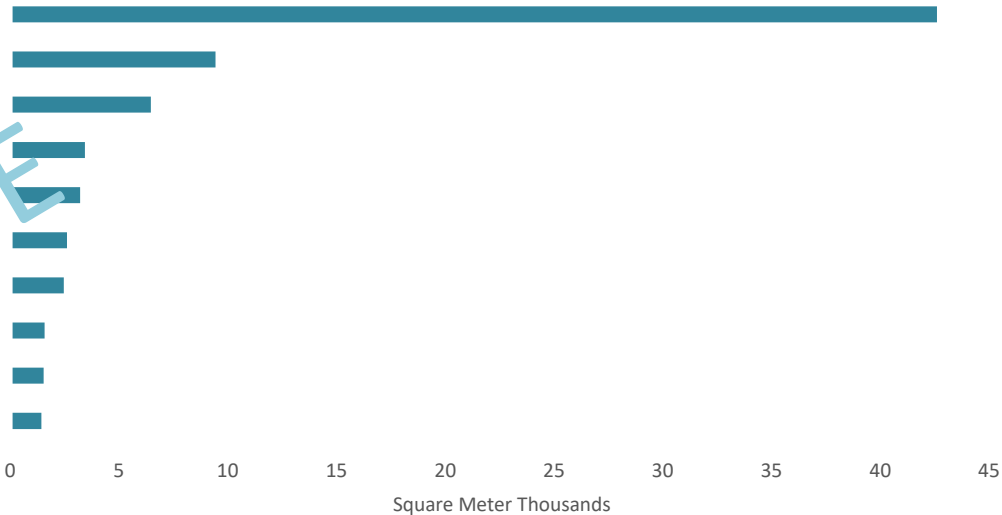
Our Views in 10 Questions – And Where to Find Them

<p>How Many Data Centers are there exactly in Africa?</p>	<p>How big is the African colocation market?</p>	<p>What's the demand potential?</p>	<p>Which African colo markets are the most attractive?</p>	<p>Which players control the African colocation market?</p>
<p>Between XXX and XXX, depending on the count and definitions. But only ~XXX are “Real”, purpose-built MTDC facilities, to Tier III or Tier IV specifications; and of those, only XXX are “true” Carrier and Vendor-Neutral MTDCs.</p> <p>See Pages 16-17</p>	<p>~XXX Square meters of space, ~XXX MW of power capacity, ~\$XXXm in revenue. Growing at ~XXX% annually, projected to double in size over the next five years.</p> <p>See Pages 16-17</p>	<p>~XXXk square meters, ~XXXk with more aggressive demand assumptions. Outside of South Africa, less than XXX% of this potential demand actually uses colocation services.</p> <p>P. 32-33</p>	<p>South Africa stands alone. On a colo space basis, it is larger than the next 20 African markets combined.</p> <p>7 markets account for ~90%+ of colocation revenue: XXX, XXX, XXX, XXX, XXX, XXX and XXX. Several other markets have good demand potential, but unattractive supply-side conditions.</p> <p>P. 32-33, 49-50</p>	<p>IT/Cloud Enterprise-focused players control ~XXX% of Africa’s colo space; carrier-neutral providers manage XX% of the facilities but control ~XXX% of the space. XXX is Africa’s largest colo provider and XXX is the only traditional telco in the Top 5.</p> <p>P. 40-47</p>
<p>But What about Africa’s deficient power supply infrastructure?</p>	<p>Why are the global colo players not here yet?</p>	<p>What are Africa’s best targets for colo M&A?</p>	<p>Can government data centers fundamentally change African colocation markets?</p>	<p>Should African telcos sell their data center assets?</p>
<p>We say it’s a challenge – not an unsurmountable obstacle. We even say the cost of metro connectivity is a bigger obstacle than power supply availability. Still, the power challenge creates a distortion of the African colocation model and will make it difficult to maximize long term margins</p> <p>P. 54 – 56.</p>	<p>African colo markets are complicated, just haven’t been big enough, and the paths to market entry have been narrow. But things are changing, and the global colo players are likely coming.</p> <p>P. 57-59</p>	<p>There are a few, from XXX to XXX. Teraco is unquestionably the best of the lot; acquiring it would be expensive. But from the baseline evidence in this report, few African tech businesses would be as worth the money as this one.</p> <p>P.62-63</p>	<p>We do not believe so. But they’ll have some (limited) use.</p> <p>P. 64-66</p>	<p>While there is a good operational and strategic rationale for selling, XXX, XXX, XXX</p> <p>P.51-53</p>

The African Colocation Market: A Map Review



Africa's Top 10 Colocation Markets (Countries)*



Estimates include data centers in construction and expected to launch in 2017
 Source: Xalam Analytics Research

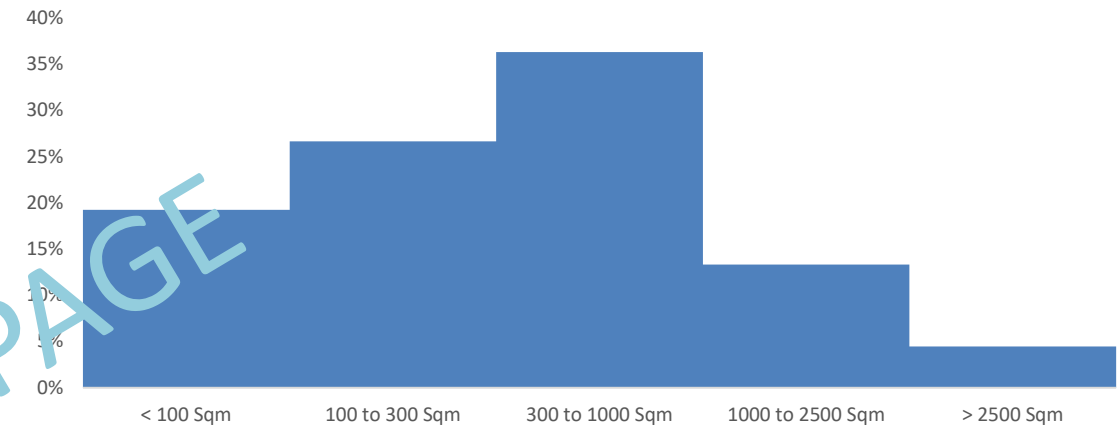
Bubble size represents relative colo space size
 Source: Xalam Analytics Research

How they Break Down: Africa MTDCs by Size and Type

A Predominantly Small MTDC Base

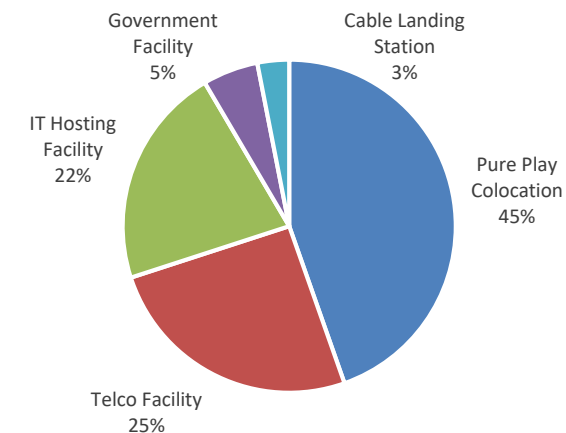
- On the whole, African data centers are small; the median size of an African MTDC is around XXX square meters and about a fifth of the MTDCs are smaller than 100 square meters – in essence, more or less well-equipped server rooms.
- The sweet spot is nonetheless higher – the *average* MTDC size is close to XXX square meters, and around a third of all African MTDCs fall in the XXX-XXX square meter bracket;
- Some of the MTDCs are relatively sizeable: ~XXX African data centers have available white space above XXXX sqm, and XXX are larger than XXXX sqm.
- XXX of Africa’s XXX largest data centers (4 of the Top 5) are in South Africa; XXX of the top XXX are in Egypt, with XXX and XXXX slotting one each in the Top 15.
- ~XXXXX% of African MTDCs are built for a primary purpose other than commercial colocation.

Distribution of African MTDCs by Size - (2017E)



*based on overall equipped, usable space; actual space dedicated to third-party colocation may be smaller.

Distribution of African MTDCs by Primary Purpose - (2017E)*



Types of Colocation Facilities in Africa*

	Data Center Core Purpose
Pure-Play Colocation DC	The data center facility was built primarily to offer colocation services.
Telco Facility	The primary purpose of the facility is to house telecom company equipment; excess space is then used to offer colocation services.
IT Equipment Hosting Facility	The primary purpose of the facility is to house IT firm/other equipment; excess space is then used to offer colocation services
Government Facility	The primary purpose of the facility is to house servers from government and public institutions; excess capacity is sold to the private sector on a commercial basis.
Cable Landing Station	The primary purpose of the facility is to house submarine carrier equipment landing on the coast; some extra capacity available to other providers.

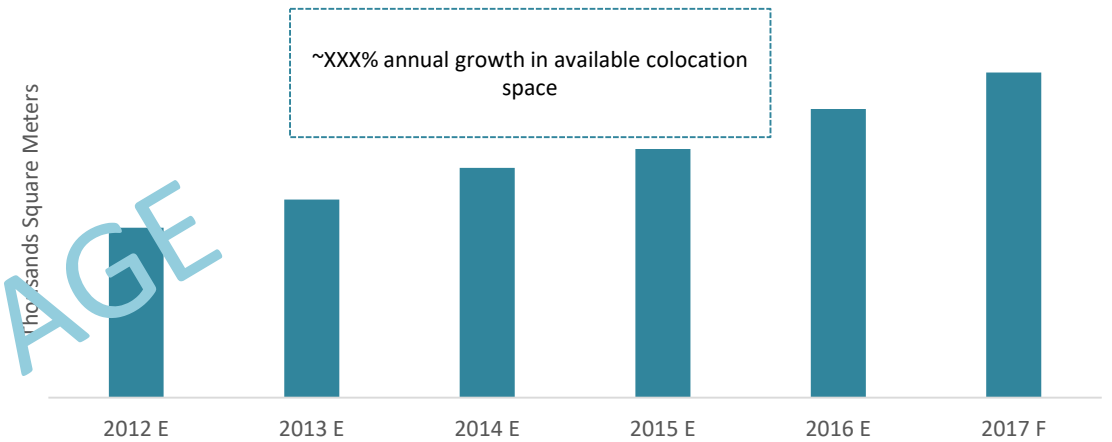
*Focus here is on the primary purpose of the facility, rather than the strategic focus or type of owner; Kenya’s East Africa Data Center, for example, is owned by a fiberco; but its primary commercial purpose is to offer third party colocation services; it would fall under “pure play colocation” in this chart. Based on data as of May 2017. Sources: Xalam Analytics Research, the Companies

The African Colo Market

African Colocation – Growing Fast, but Still Small on a Global Scale

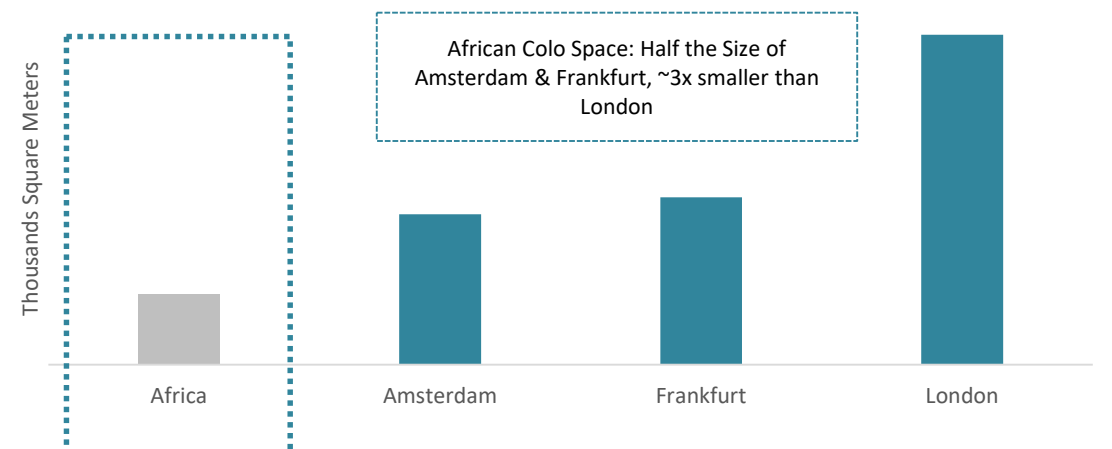
- We estimate African colocation white space supply at around XXXX Square meters in 2017 (including new space coming to market during the 2017 year). Overall available white space has doubled over the past five years and has been growing by an average of around XXX% annually.
- In relative terms, the African colocation market is small, a reflection of the small weight of the continent on global Internet traffic – and perhaps one of the most glaring signs of an Internet marketplace still predominantly turned towards its external borders.
- The African market is around half the size of Amsterdam, and 3.5x smaller than London.
- These comparisons show that ultimately, Africa (with the notable exception of South Africa) is a different type of colocation market; colo facilities are smaller, market maturity levels are low and in many markets, supporting infrastructure is suboptimal. On the flip side, low penetration levels mean that there is substantial upside for those who will dare take it on.

Evolution of Africa MTDC Colocation White Space

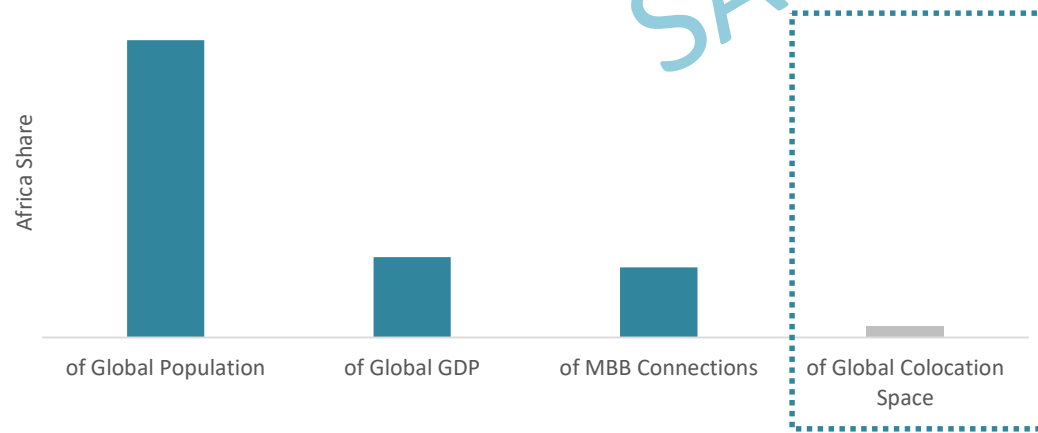


Source: Xalam Analytics Research

Africa Colocation Space vs. Sample Major Colocation Markets



Africa Share of Global Population, GDP, Mobile Broadband and Colo Space

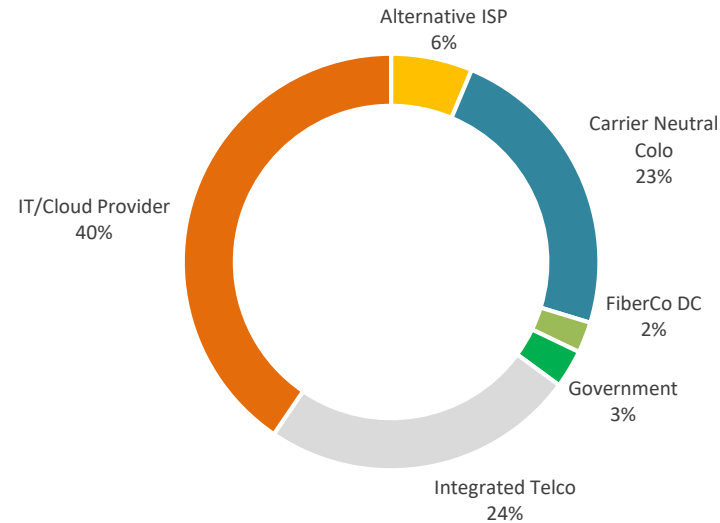


Sources: African data by Xalam Analytics Research; GDP and population data from the World Bank (2016); Global Mobile Broadband Connections from Ericsson Mobility Report (2016); Global colocation numbers are Xalam Analytics estimates

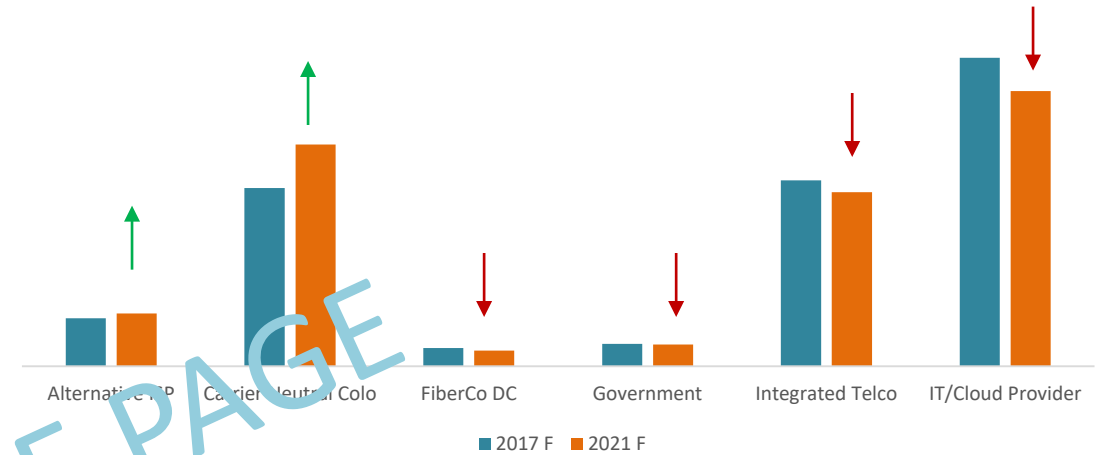
Sources: Africa: Xalam Analytics Research; Amsterdam: Dutch Data Center Association; Frankfurt and London estimated based on CBRE European Market Review (2016)

Who Controls Africa's Colo Space? A Macro View

Who Controls Africa's Colo Space? A Broad Mapping by MTDC Player Type (2017 F)*



Share of Africa MTDC Colocation White Space – 2017 F vs. 2021 F



Market share estimates include data centers in construction and expected to launch in 2017
 Source: Xalam Analytics Research

- **The differences in competitive structure between African markets are stark**, a function of substantial variations in economic structure, maturity of connectivity and industry regulation. Such differences are directly reflected in the competitive structure of African colocation markets, from the strong presence of carrier-neutral players in South Africa and North Africa to their quasi absence in most of the continent (see next page and Country Analysis).
- **At a macro-level, IT and cloud providers have long been the largest owners of African colocation capacity**; they are strong in South Africa, and until recently, were among the few providers of colocation services in many markets; today, they are seeing their turf challenged by ISPs and integrated telcos looking to build a presence in the enterprise and IT services space.

- **Integrated telcos are the second largest group, with about a quarter of Africa's colocation space. Their overall colo space has been increasing in absolute terms, as more telcos build out data center in a bid to develop** a presence in the enterprise and IT services space. In relative terms, however, telcos have been losing share at a macro level, notably due to the fast rise of carrier-neutral options. But telcos are leaders in many individual markets, most notably in the "Other Africa" group where strong, alternative colocation offerings have yet to emerge.
- **Carrier-neutral colocation players are the fastest-growing group.** Led by Teraco, but also players such as GPX (Egypt), Dataxion (Tunisia), N+One (Morocco) or the upcoming iColo data center in Kenya, they have deployed XXXX% of all the white space rolled out in African markets over the past five years (see separate analysis).
- **We are projecting the share of most groups to decline, with one exception – carrier neutral players, whom we expect to drive growth in the main African markets over the forecast period.**

*Based on our definitions; for example, we put Internet Solutions in the IT/Cloud/Enterprise service provider group; others could put IS in the alternative ISP/Connectivity provider group.

From Teraco to Emtel: Africa's Top 20 Colocation Players

Africa's Top 20 Colocation Players – Based on Owned Colocation Space - 2017 E

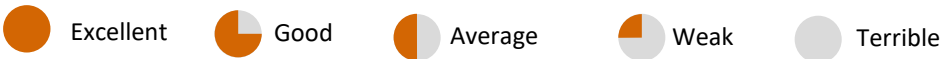


Sources: The Companies, Xalam Analytics Estimates

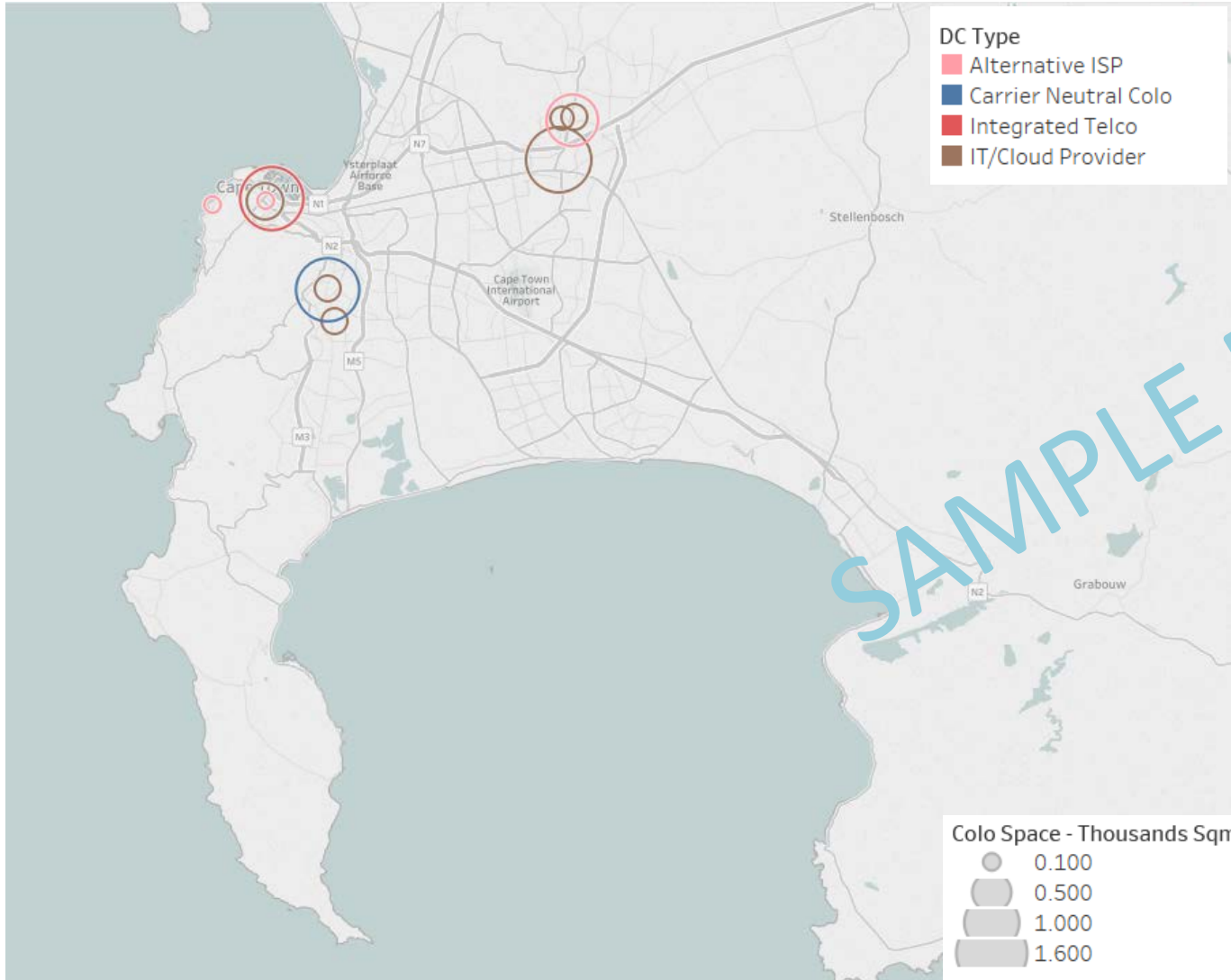
Which African Markets are Most Attractive for Colocation Services?

KING Markets & Other Africa		Size/Depth of the B2B and Carrier Market	Strategic Regional Internet Traffic Hub	Digital Services Provider Ecosystem (IT/Cloud Providers, OTTs, CDN, Video Streaming, Startups, etc.)	Reliability of the Power Grid & Alternative Sources of Power	Availability of Affordable Metro & DLD Fiber Capacity	Availability of Affordable International Fiber Capacity
KiNG Metro Markets	Nairobi	Good	Good	Excellent	Good	Average	Good
	XXXXX	Excellent	Average	Excellent	Average	Terrible	Good
	XXXXX	Average	Average	Average	Average	Average	Good
Other Africa Metro Markets (Sample)	XXXX	Average	Average	Average	Good	Average	Average
	XXXXXX	Average	Average	Average	Average	Average	Average
	XXXXXX	Weak	Weak	Terrible	Average	Terrible	Terrible
	XXXXXXXX	Weak	Terrible	Weak	Average	Average	Terrible

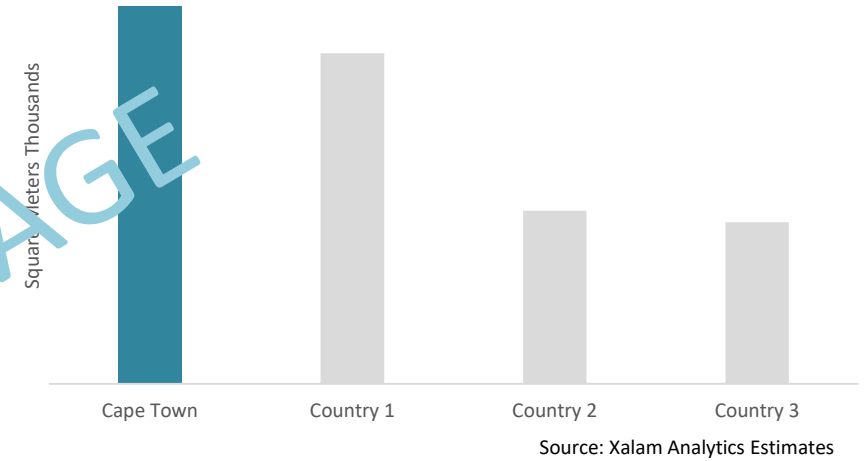
SAMPLE PAGE



Cape Town: More than Nice Views



Cape Town in Context – Colocation Space Supply vs. Sample Markets (2017F)*



- Cape Town accounts for around XXX% of SA’s colo supply capacity. It is Africa’s third largest metro market (only behind Gauteng and Greater Cairo) in terms of available space supply.
- If it were a country, Cape Town would be Africa’s third largest market, slightly ahead of XXX in terms of available supply.
- Besides a strong tourism industry, and the secondary base for South Africa’s corporate customers, the region is home to a large ecosystem of digital startups.

Report Specs: 2 Budget Options



Standard

1-5 Users

US\$ 1,500

Report Delivered in PDF Format

Including:
125 pages
60 Charts & Visuals

Premium

Corporate Licence

US\$ 2,000

Package delivered in PDF, Excel, Winzip or Box, including:

Report in PDF – 125 pages
& 60 Charts & Visuals

A 12 Slide Executive Synopsis

50 Charts with underlying chart data in Excel format





Leveraging research and data analytics to help investors identify opportunities in AME digital transformation.

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