The tower outsourcing market

Growth, procurement strategies and green power adoption and challenges for towercos

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Community: http://www.linkedin.com/groups/TowerXchange-4536974

Research: www.towerxchange.com

Introducing TowerXchange

Tower Xchange

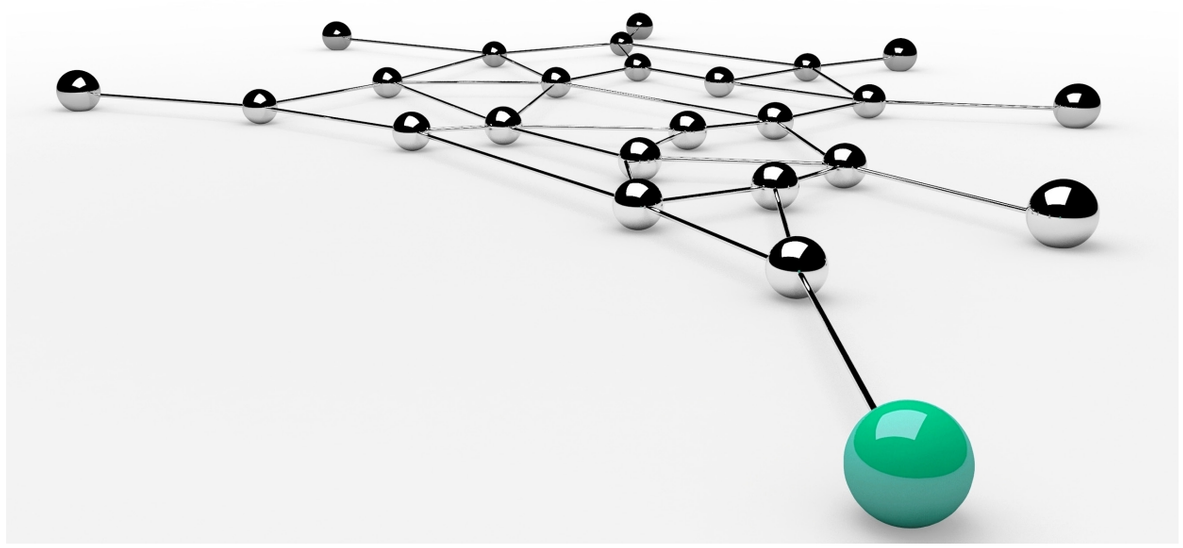
Your community for the emerging market tower industry

Meetup Africa 2014

September 30 & October 1, Jonhannesburg



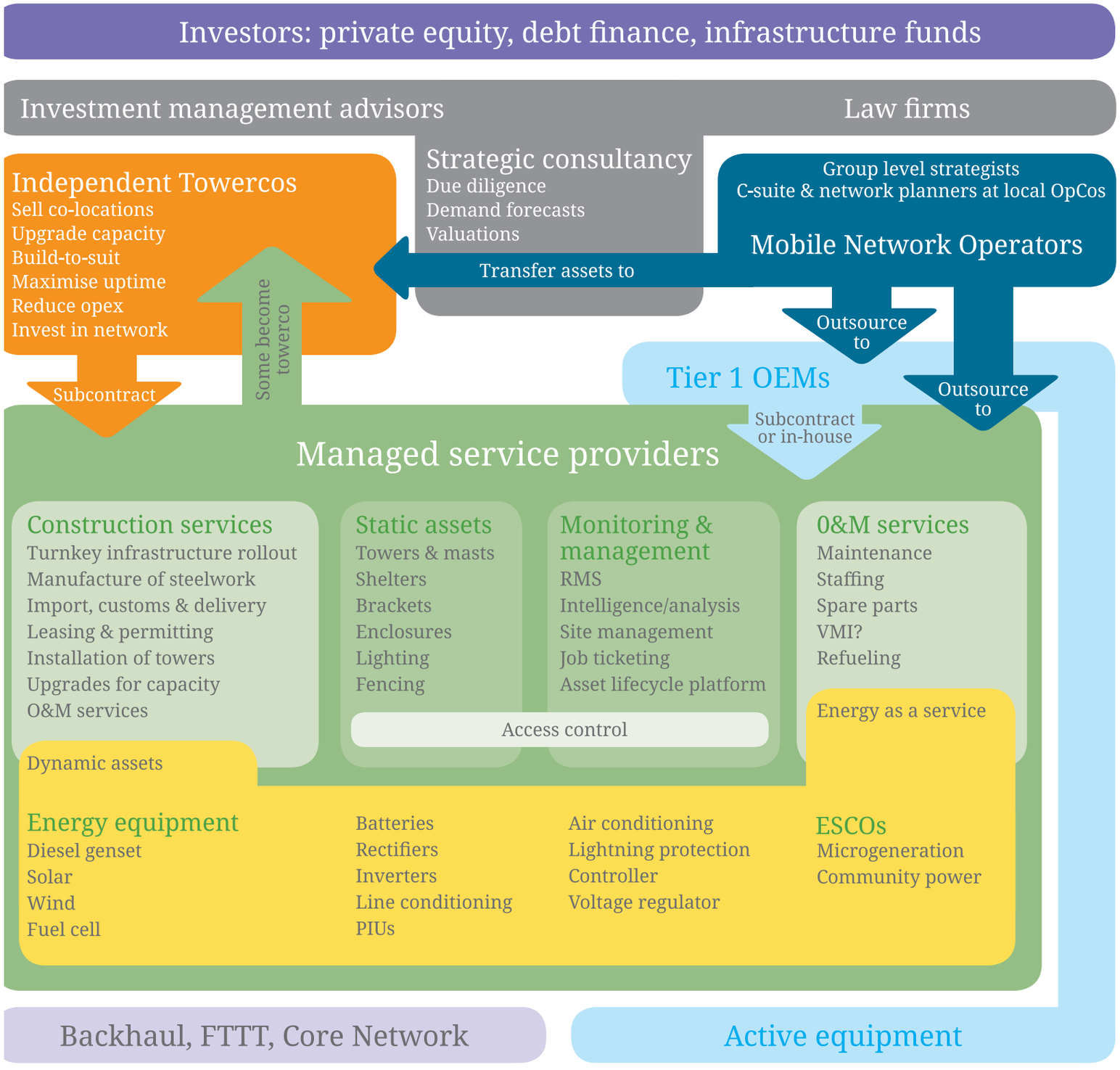




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Tower Xchange

Tower Industry Value Chain

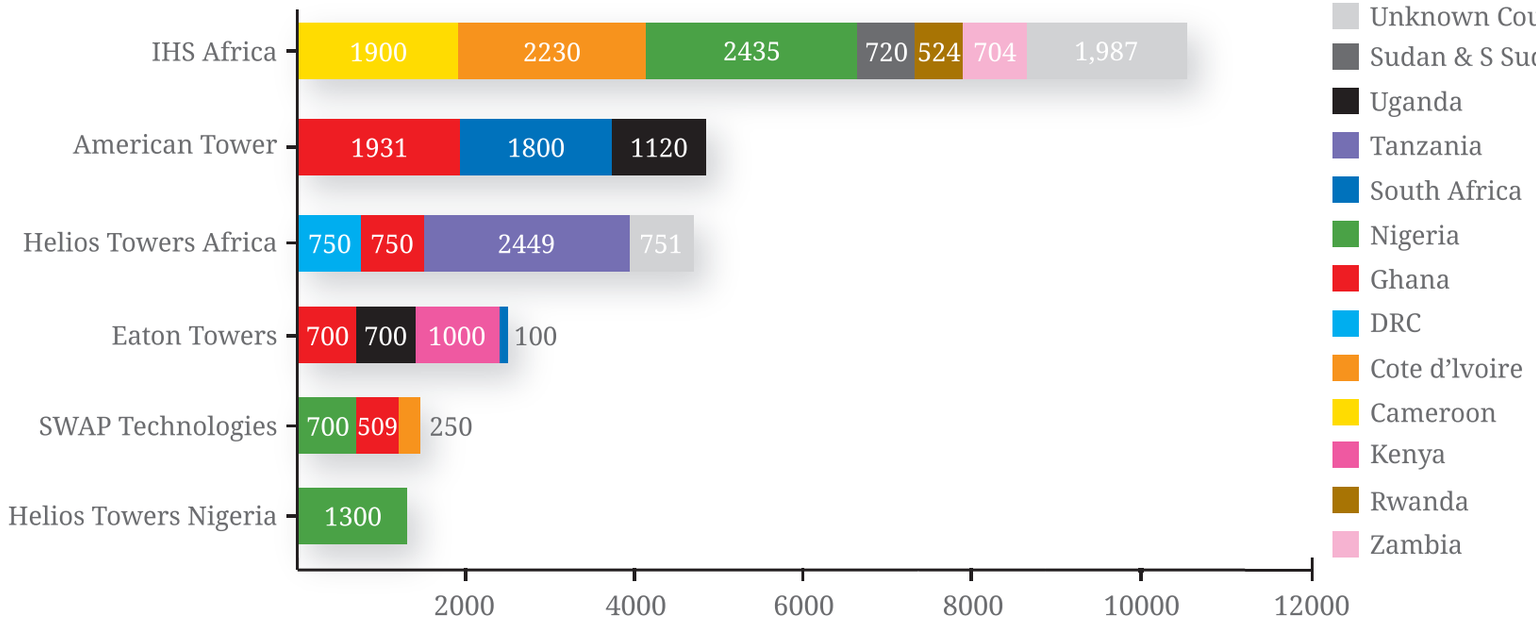


- Faciliting the transfer of assets from operators to towercos, and accelerating to market investible infrastructure assets
- Sharing best practices for the effective deployment of network capex and reduction of opex
- Examining the impact on the supply chain and evangelising innovations in managed services, remote monitoring, site management, hybrid and renewable energy

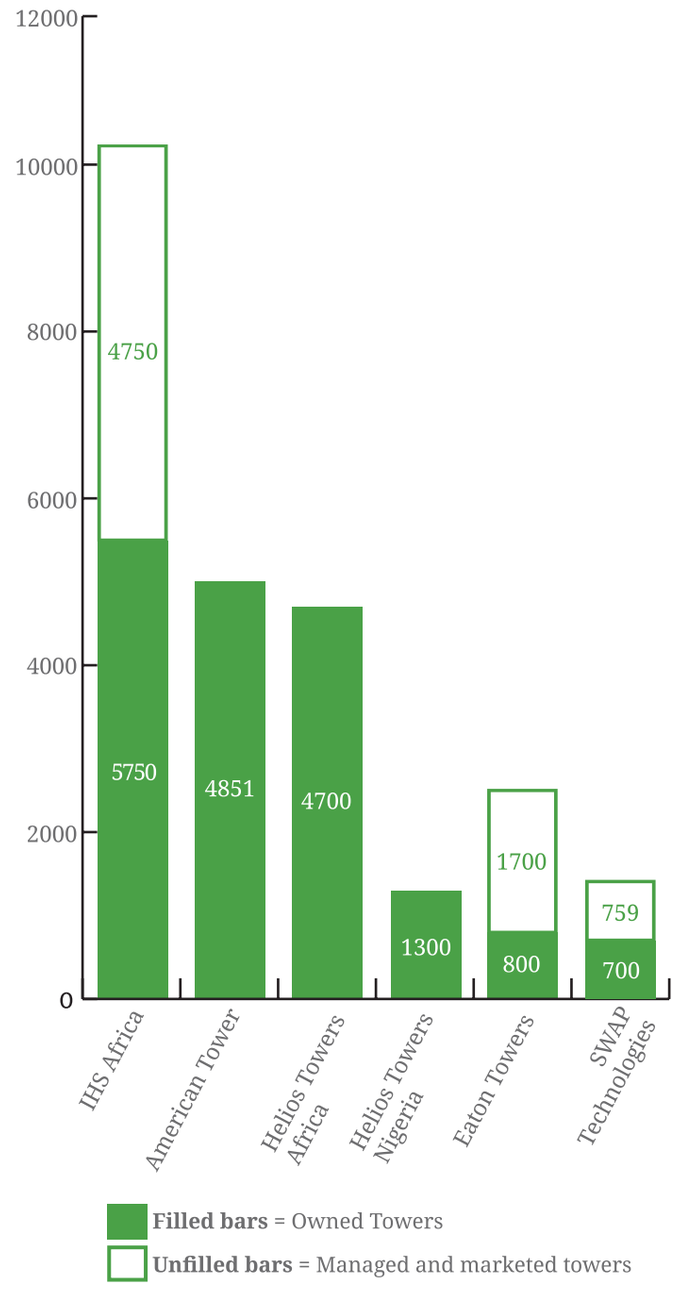
TowerXchange tower count

Estimated number of towers owned or managed by towercos in Africa

Source: TowerXchange research, quarterly filings, site lists



Count differentiating towers that are owned from those that are managed and marketed by towercos



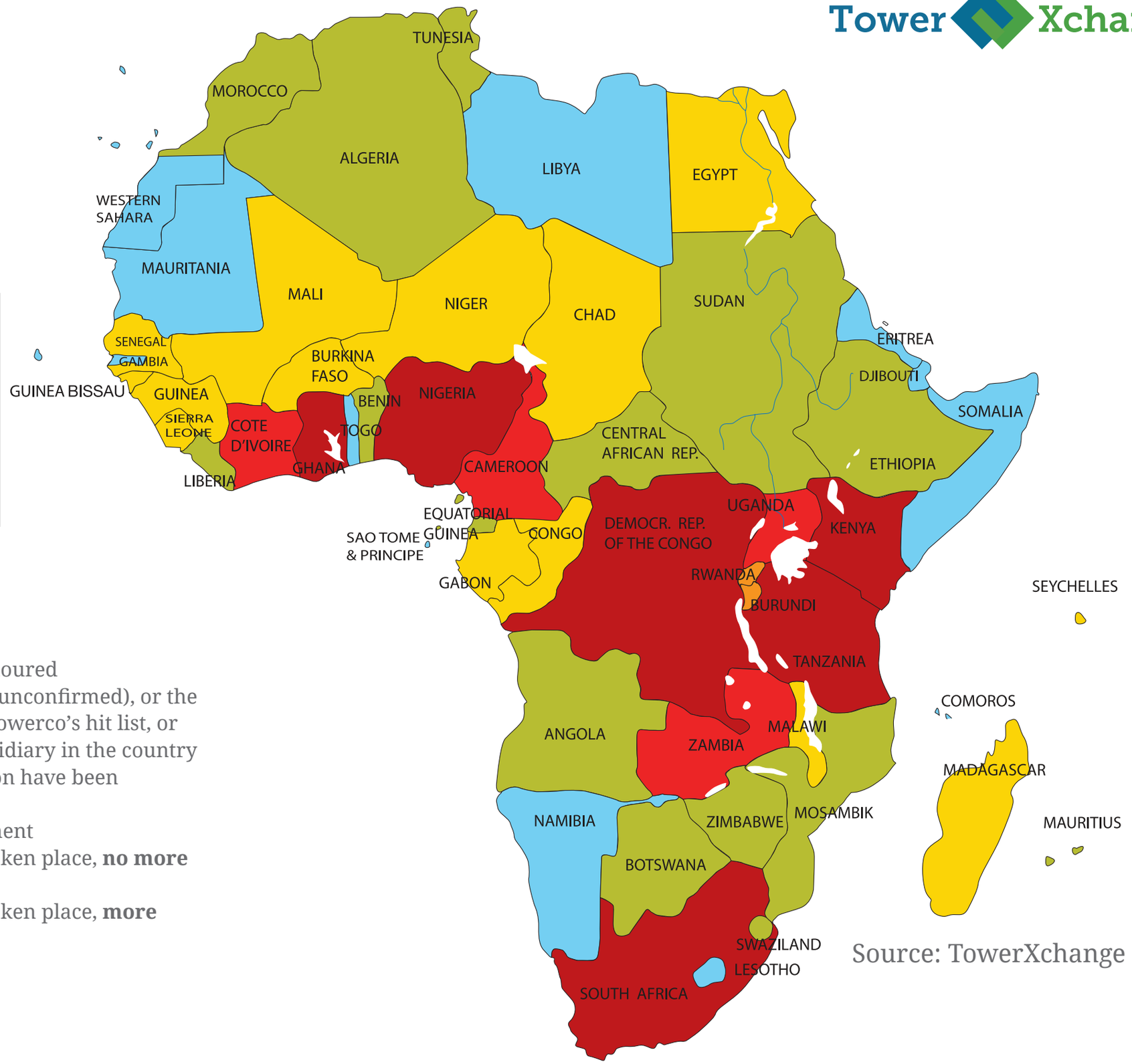
African tower transactions to date

Year	Operator	Country	TowerCo	Est. # of towers	Publicly stated purchase price	Deal structure
2010	Millicom / Tigo	Ghana	Helios	750	$54m for 60%	Joint venture
2010	Vodafone	Ghana	Eaton	750	Not applicable	Operational lease
2010	Cell C	South Africa	American	1,400*	$430m	Sale and leaseback
2010	MTN	Ghana	American	1,876	$218.5m for 51%	Joint venture
2010	Starcomms	Nigeria	SWAP	407	$81m	Sale and leaseback
2010	Millicom / Tigo	DRC	Helios	729	$45m for 60%	Joint venture
2011	Millicom / Tigo	Tanzania	Helios	1,020	$80m for 60%**	Joint venture
2011	MTN	Uganda	American	1,000	$89m for 51%	Joint venture
2012	Orange	Uganda	Eaton	300	Unknown	Sale and leaseback
2012	Warid	Uganda	Eaton	400	Unknown	Sale and leaseback
2012	MTN	Cameroon	IHS Africa	827	$143m	Sale and leaseback
2012	MTN	Cote d'Ivoire	IHS Africa	931	$141m	Sale and leaseback
2013	Orange	Cameroon & Cote d'Ivoire	IHS Africa	2,000+	Unknown	Managed services
2013	Orange/Telkom Kenya	Kenya	Eaton	1,000+	Unknown	Managed services
2013	Vodacom	Tanzania	Helios	1,149	"$50-75m for 75.5%"	Joint venture
2013	MTN	Rwanda & Zambia	IHS Africa	1,228	Unknown	Sale and leaseback

***Cell C deal included 1,400 existing towers plus additional towers under construction**

****Millicom/Tigo's stake in Helios Towers Tanzania reduced to 24.5% after Helios acquired towers from Vodacom Tanzania in 2013**

TowerXchange tower transaction heatmap - current state

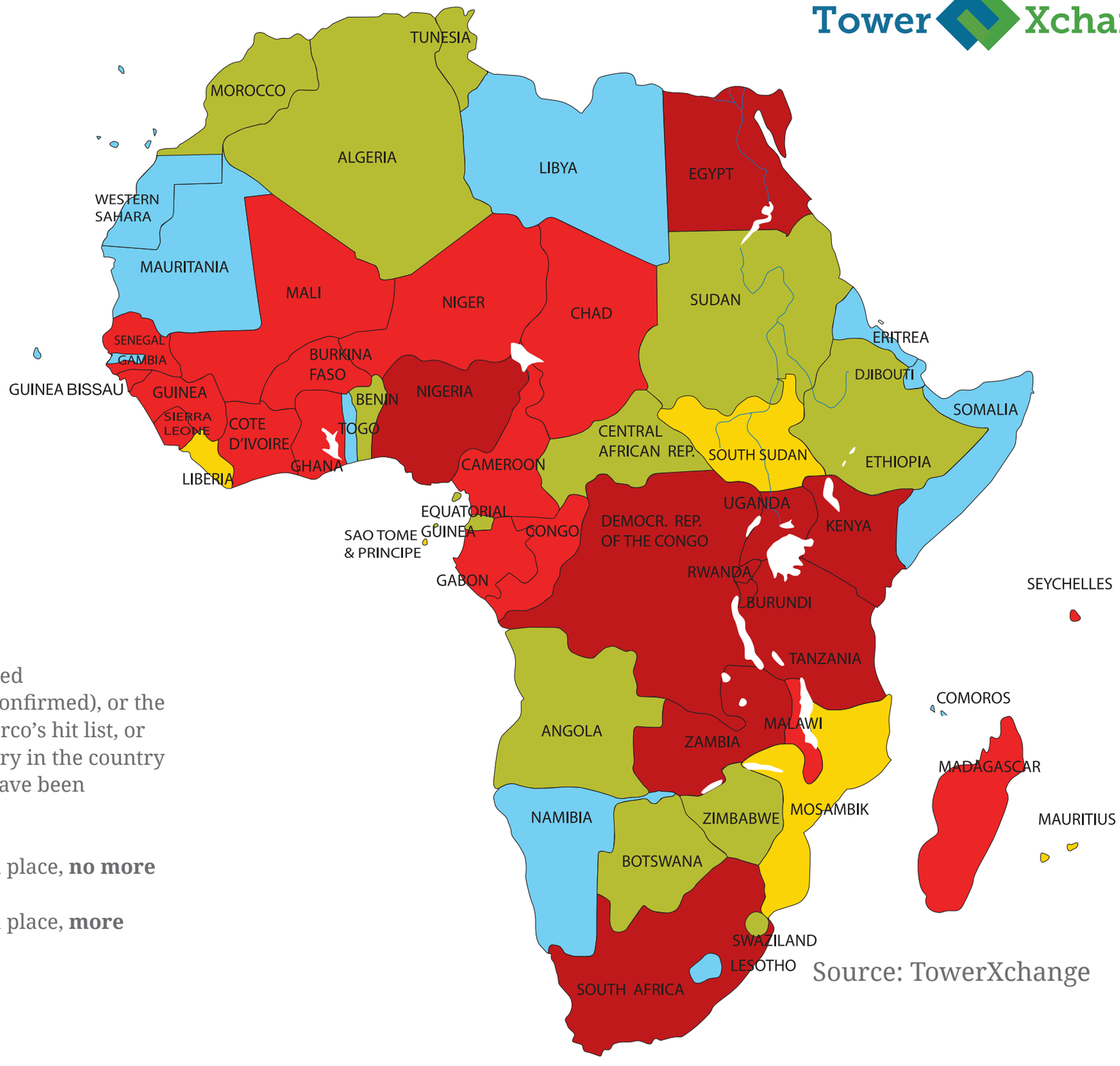


Source: TowerXchange

Legend

- No tower transaction completed or rumoured
- Either rumours of a tower transaction (unconfirmed), or the country is known to be on at least one towerco's hit list, or there is a registered Africa Towers subsidiary in the country
- Rumours of a potential tower transaction have been confirmed by TowerXchange
- Tower transaction believed to be imminent
- One or more tower transactions have taken place, **no more** transactions expected imminently
- One or more tower transactions have taken place, **more** transactions are expected imminently

TowerXchange tower transaction heatmap - end of 2014 forecast



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Source: TowerXchange

TowerXchange's top 8 tower deals most likely to close before the end of 2014

28,500 towers coming to the independent towerco market

- Nigeria
- Egypt
- Senegal
- Mali
- Guinea and Guinea Bissau
- Tanzania
- DRC
- South Africa?

- Plus 15,000 owned by Airtel / Africa Towers in 15 countries

Drivers and inhibitors

- First mover advantage drives premiums
- Availability of capital
- Attractiveness of asset class
- Deal complexity
- Tower people

Implications for operators

- Credit worthy anchor tenants should not delay!
- Advice for owners of smaller tower portfolios in higher risk markets
- And if you're not a credit worthy anchor tenant with an established portfolio of assets, maximise your use of co-location to accelerate time to market and minimise opex!

Implications for the supply chain

How towercos improve site level profitability

- Towercos secure BTS programmes with tower deals
- Unlocking pent up maintenance projects
- Upgrading tower structures and power solutions for multiple tenants
- Bringing RMS and Site Management systems up to standard
- Quick wins in diesel reduction such as CDC batteries
- A more long term perspective on investments in hybrid and renewable energy

Phases of towerco investment in energy equipment and services

- 0-12 months: refurbishment, maximise grid (PIUs), deep cycle batteries, site management + RMS, access control, passive cooling, O&M contractor evaluation

- 12-24 months: energy optimisation and co-location management

- 24+ months after acquiring sites: longer term payback hybrid and renewable energy

"Any investment towards greener/efficient solutions are based on positive return over 24 months with a hurdle rate of 25% IRR. We calculate Total Cost of Ownership over five years… the opex over a five year period must not be more than double the initial purchase cost." ***- Thomas Jonell, CTO, Eaton Towers***

Why aren’t you buying my stuff?

- The ‘creating chaos phase’ - land-grab, all about new assets and new revenue
- The ‘creating order phase’ - consolidation and optimisation of site level profitability

2020 foresight

The future of the African tower industry beyond 2014

- Towercos achieve economies of scale
- Towercos become the ‘king buyers’ of passive infrastructure
- Beyond passive infrastructure?
- Growing tenancy ratios, proven predictable TCF
- Consolidation? IPO?

Thank you! Questions?

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See you later this year!

TowerXchange Meetup Americas 2014
May 20-22, Orlando

(Co-located with PCIA Wireless Infrastructure Show)

TowerXchange Meetup Africa 2014
September 30-October 1, Johannesburg

TowerXchange Meetup Asia 2014
Q4, Jakarta, Singapore or Bangkok

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