

CONSTRUCTION OF A DATA CENTER IN ARMENIA

Company: Data Safe LLC
Location: Yerevan, Armenia
Project cost: USD 21M

General information about the initiator of the project:

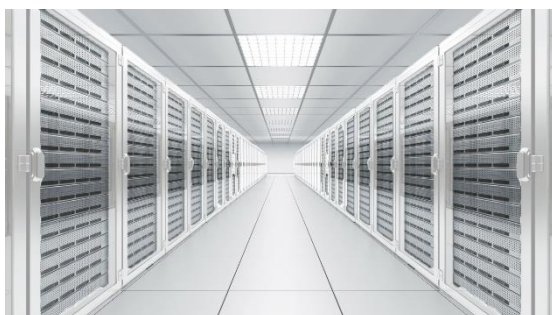
The project involves the construction of a data center in Armenia by a group of investors with success stories in telecommunications (wireless and fiber-optic) and successful startup management team with more than 15 years of experience in ICT.

The investors of the project are renowned for having founded one of the leading telecommunication companies in Armenia GNC-ALFA CJSC where they currently hold a stake. Particularly, GNC-ALFA CJSC was founded in 2007 and in February 2012 the company became a member of Rostelecom PJSC group of companies and provides telecommunication services in RA under the brand of "Rostelecom" as a subsidiary company. The network of Rostelecom Armenia is solely based on fiber-optic cable (FOC) infrastructure covering 80% of the territory of RA and spreading for over 3000km. It is connected to region's main terrestrial networks and largest traffic exchange nodes as well as international channels of Iran and Georgia.

As one of the leading telecommunications companies of Armenia GNC-ALFA CJSC provides a wide range of services to physical bodies, corporate clients and operators including Internet access, Fixed telephony and new generation IP TV services.

The Government of Republic of Armenia, State institutions and International organizations, Corporations, local Commercial Banks and Financial institutions, operators are listed as corporate clients of GNC-ALFA CJSC.

Project description:



Within the scope of the project it is planned to build the first ever Tier3 carrier neutral data center in Armenia with a capacity of 500 Racks (300 in Stage 1 and 200 in Stage 2).

The project will allow the provision of services from A to Z including

colocations, clouds, IT security, caching of data content (Google, Akamai etc). The Services are targeted to both domestic and International markets. During the first years of implementation of the project it is expected that 71% of sales will be generated from International markets, including:

- *Iran – 60%*
- *Middle East – 30%*
- *Eurasian Economic Union – 10%*

Increase in the share of domestic revenue is expected starting from Y3 related to the expected growth of the local market both in B2G (E-Governance projects) and B2O (local traffic increase requiring large upgrades in data storage and mirroring capacities).

The main advantages of implementing the project in Armenia are as follows:

- Favorable geopolitical position which allows the company to become a gateway for multinationals for cloud services for Iran and Middle East and countries of Eurasian Economic Union.
- Existence of multiple path fiber-optic backbone connectivity with Georgia and Iran and ultimately the shortest terrestrial route connecting Europe with Asia (using local Investor's telecommunication infrastructure).
- Existence of nuclear energy as well as fast growing alternative energy sector (solar) with the possibilities of cheaper and green energy.
- Liberal data storing laws in the country.
- Existence of highly qualified ICT professionals in the country.

Project financial indicators:

The main financial indicators of the project are presented below:

| | |
|-------------------|--|
| Investment | USD 21M |
| Sales | 1.1 M (first operational year) 3.2 M (second operational year) 4.9 M (third operational year) 7.2 M (fourth operational year) 9.7 M (fifth operational year) |
| EBITDA | 0.6 M (first operational year) 1.1 M (second operational year) 2.4 M (third operational year) 4.3 M (fourth operational year) 6.4 M (fifth operational year) |
| Net Profit | (1.6) M (first operational year) (0.2) M (second operational year) |

| | |
|-----------------------|---|
| | (0.9) M (third operational year) 2.2 M (fourth operational year) 3.8 M (fifth operational year) |
| IRR | 23% |
| Payback Period | 7 months |

