

INVESTMENT OPPORTUNITY

PROJECT NAME	OPPORTUNITY SECTOR
Datacenters	<i>ICT</i>

Opportunity Background:

Global Market Trends:

- Globally the demand for datacenters is being driven by the migration to network-centric computing, growth in internet traffic, the adoption of IP-based services, and increased IT outsourcing
- Fortune 500 enterprises, SMEs, Internet players, content companies and carriers are all customers of datacenter services and diversifying the demand over multiple industries
- Consolidation of datacenters is taking place in the global market through mergers, acquisitions and alliances
- There is increasing demand for outsourcing of datacenter operations due to:
 - The increasing power and cooling demand of datacenters, meaning total cost of ownership calculations favor outsourcing
 - The increasing complexity of datacenter facilities, which makes workers increasingly more expensive to train and pay (and harder to find, given skilled labor shortages)
 - Green Datacenter Initiatives, which specialist players are better placed to plan and run

Industry Input

- Capital intensive industry with multi-million dollar investment needed to open a datacenter
- Trained IT personnel to keep the storage and communication equipment up and running
- Increasing energy demand for power and cooling: large datacenters rival aluminum smelters for electricity needs, and electrical power is often the limiting factor for expansion
- Security of the site, and of network and energy connections, is extremely important

Value Proposition:

- The Economic Cities in Saudi Arabia provide an interesting investment opportunity for datacenter services generating an annual revenue of USD 41 MM
- The global datacenter market is expected to show strong growth, driven by the migration to network-centric computing, growth in internet traffic, the adoption of IP-based services, and increased IT outsourcing – trends which will be reflected in the Economic Cities
- This drives the need to establish datacenters for enterprises and the public sector, based on the wholesale, retail and managed services business model – to serve the cities and demand in the country as a whole (from financial institutions, government bodies, etc...)
- Public sector initiatives create baseline demand for datacenter services e.g. by offering an online billing portal for all public services in the Economic Cities
- Direct connectivity to the international backbone from KAEC enables allows a center based there to serve an international market, developing a regional platform for datacenter services
- Cost of electricity and land is highly favorable in Saudi Arabia, decreasing the operational cost by up to 30% of net income compared to more expensive locations
- The ECs will offer some of the most secure locations worldwide with advanced security features in an area with few natural hazards
- The government's CADRE initiative for the Economic Cities will guarantee the availability of skilled labor for semiconductor manufacturing, should that be required

Detailed Value Proposition:

- Cost of electricity and land is highly favorable in KSA decreasing the operational cost by up to 30% of net income compared to datacenters in the US
- The cost of software engineers in KSA is 50% lower than in the US
- Industrial land rent in KSA is 93% lower than in the US
- The corporate tax rate in KSA is 50% lower than in the US

Project/Investment Characteristics:

Investment location: <i>KAEC</i>	Project Timeline:	Potential Job Creation: <i>50-100</i>
Investment Size: <i>25 million USD</i>	Estimated Turnover: <i>Pay Back Period = 10 years (estimate)</i>	

COST OF DOING BUSINESS

INVESTMENT OPPORTUNITY

The OPEX of a datacenter in KSA is up to 70% lower than in USA

Target Investors criteria

MNCs like Equinix and SAVVIS

Project Leader:

Abdullah Taha

Status: