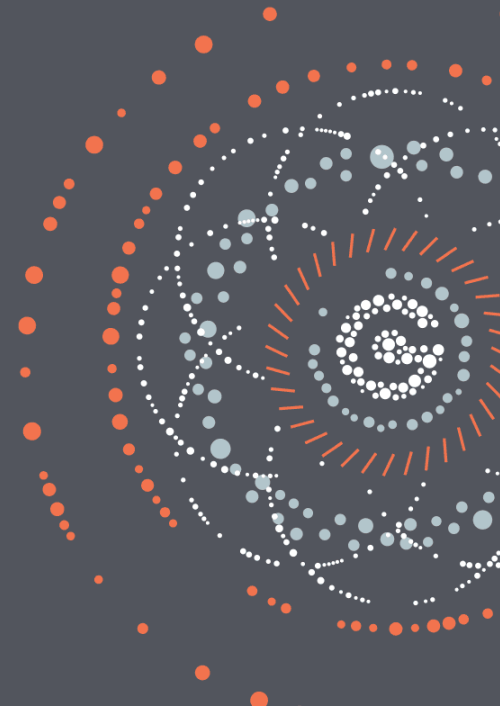


Investment perspective on SA Connect

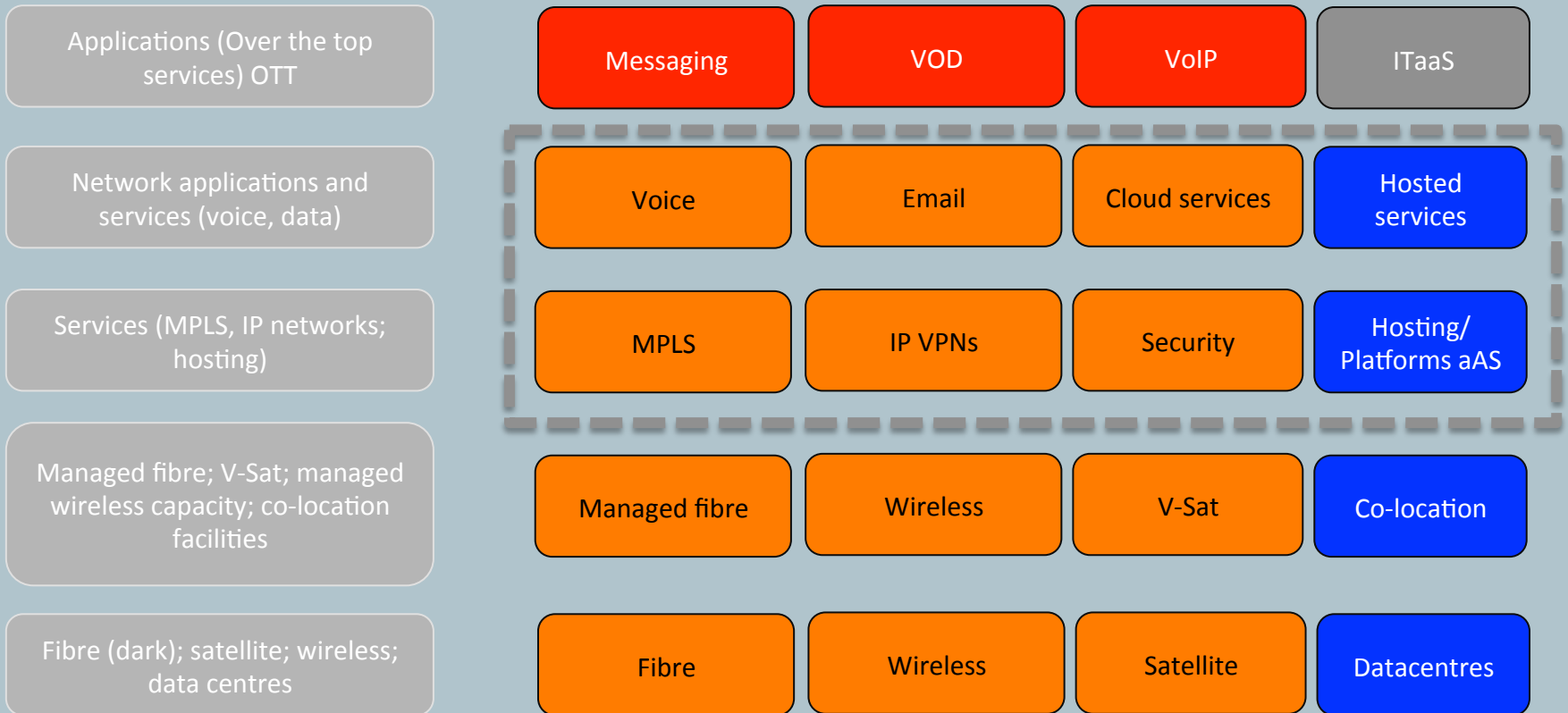
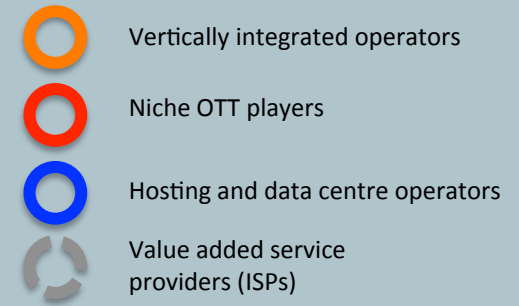
Envir Fraser

Date: 19 July 2015

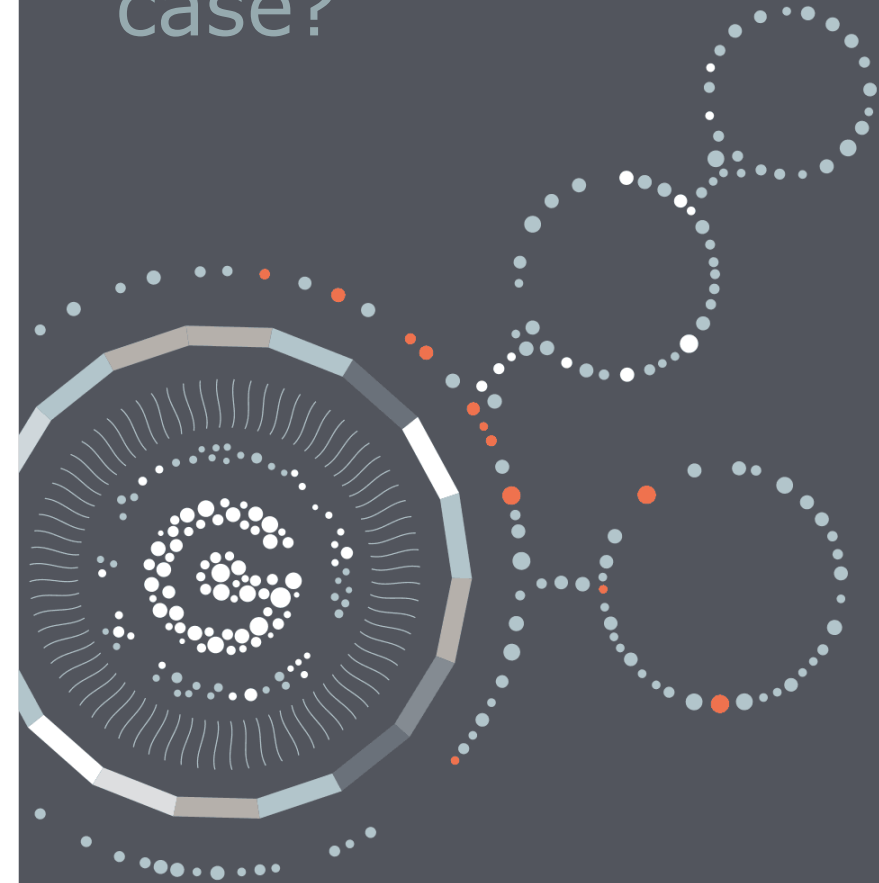


Market structure

- Remains largely vertically integrated despite policy and regulatory interventions
- Competitive landscape changing



Implications for SA Connect investment case?



Macro trends impacting SA Connect

- Shared infrastructure
- Demand driven by video and social media
- IoT, big data analytics
- Consumerisation of IT
- Mobility
- Margin & price decline (rapid and dramatic)

Changing market structure

Past Paradigm

Technology centric

Mobile



Fixed



ISP

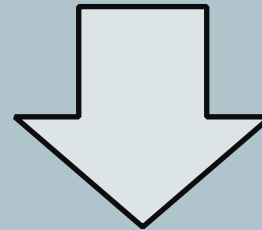


Broadcast



Drivers

- Convergence of technology
- Regulatory changes
- Customer demands and expectation of anywhere, always connected



Current Paradigm

Market segment centric

Enterprise



Consumer

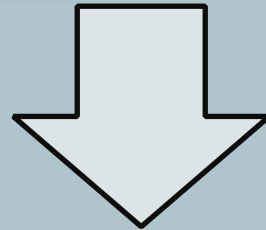


Wholesale



Changing market structure

Emerging Paradigm



Services centric



Cloud



Mobility



Security

Communications



Social



Infrastructure



Drivers

- Mobility
- Net neutrality
- Consumerisation of IT/BYOD
- Cloud
- Security

Outcomes:

- Internet of things
- Big data & privacy
- Telco operators wanting to be closer to end user
- Social media

Bottom-line: network-centric present required to meet the requirements of services-centric future

Changing market dynamics

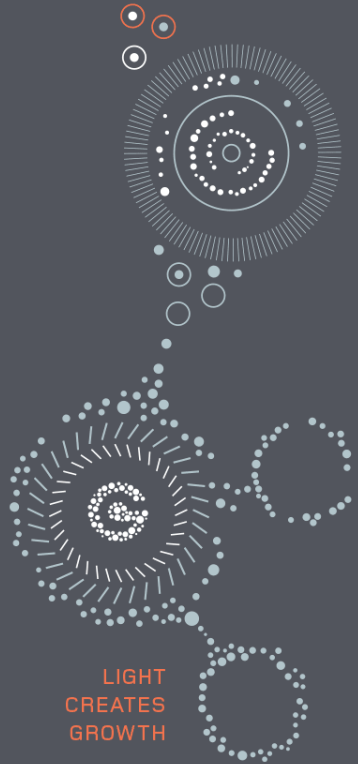
- Wholesale open access models and tiered market players the future of communications networks globally

Cases study:

- Colt Technology Services in Europe presents interesting case study on how market could evolve and the opportunity for B2B players in competitive market
- Facing reality of converged market where telecommunications is meeting IT and content
 - Own extensive fibre and wireless networks across Europe
 - Use shared infrastructure in markets where not present
 - Converged offering independent of technology choice, customers are agnostic as to the medium of connectivity
 - Services/customer focused

What is the investment case?

- Open access wholesale market
- Public-private partnerships (including aggregation of Government demand) – NBN?
- Market dynamics – implications for investors and investment (existing players in the market)
- Policy and regulatory certainty
- Sizing the requirement:
 - Fibre
 - Wireless
 - Mobile (LTE and future thereof)
 - Other wireless
 - Satellite



CONVERGENCE PARTNERS

Tel +27 11 550 5320 • Fax +27 11 550 5321

www.convergencepartners.com

info@convergencepartners.com

3rd Floor, 30 Jellicoe Ave, Rosebank,
Johannesburg, South Africa

Connect with us:



<http://goo.gl/Y4ZNe3>



https://twitter.com/convergence_



www.youtube.com/user/ConvergencePartners