

## Lebanon Cloud Data Center Project

### Progress Report #1

October 1, 2018

#### I- Background

- In February 2018, the HCP was mandated to tender the Lebanon Cloud Data Center project on a PPP basis.
- Project Steering Committee:
  - HCP Secretary General: Mr. Ziad Hayek.
  - Representative of the Minister of Telecommunications: Mr. Jamal Fakhoury.
  - Chairman of Ogero: Mr. Imad Kreidieh.
  - Representative of the Minister of Finance: **Not appointed yet.**
- Project Working Group:
  - HCP: Ms. Maya Chamli - Project Manager.
  - Ogero: Dr. Imad Abou Rached and Eng. Ahmad Itani.
  - Telecommunications Regulatory Authority (TRA): to be appointed.
  - Ministry of Finance: **Not appointed yet.**
- Project Advisors:
  - KPMG France as lead transaction advisor.
  - Solon Management Consulting as technical / commercial advisor.
  - Dechert LLP / Abousleiman & Partners as legal advisors.

#### II- Progress since May 2018

- Data collection
  - 27 meetings were held in Beirut with potential anchor tenants (Ogero, MIC1, MIC2), government agencies (General security, OMSAR, TRA, TSEZ, EdL), and potential bidders and users from the private sector.
  - 5 site visits took place (Ras Beirut, Arbenieh, Dekweneh, Jouret el Ballout, TSEZ).
- Investors' Interest
  - Expressed by several major players, some of which made presentations about business, legal and technology considerations and others provided technical and commercial input.
- Clients' Interest
  - Private sector: The CIO Leb Association (which includes companies across all industries) expressed interest in being potential users.



- Banking sector
    - Several banks expressed interest in being potential users.
  - Public sector: wide variance in interest in- and the understanding of- data center services.
- Technical due diligence completed - preliminary findings:
- Size: considering a minimum of two separate facilities providing a total of:
    - 1,600 m<sup>2</sup> of net technical space, 2,800 m<sup>2</sup> of building shell
    - 500 racks
    - 6MW
  - Specs: at least Tier III + to be certified by Uptime Institute (design, construction and operation), target design PUE 1.6, to be likely based on Openstack architecture.
  - Two sites shortlisted. One of them for disaster recovery. An additional 3<sup>rd</sup> secure site (as yet unidentified) is being contemplated.
  - Power: Tier IV level redundancy (2N) given the uncertainty surrounding EdL's ability to provide 24/7 power on an "exceptional" basis.
  - Connectivity: Redundant / diverse high-bandwidth connections, based on full FTTx deployment by mid-2021, new high capacity submarine cable by 2020-2021 (Europa replacing Cadmos) and planned B2B connectivity price reductions.
- Commercial due diligence completed - preliminary findings:
- Lebanese market is constrained in terms of supply, connectivity, power and regulation.
  - Increasing supply and relieving the connectivity and power hurdles would create demand for colocation, hosting, IaaS, private and hybrid cloud services.
  - Survey shows interest in migration to data center services with use cases mostly directed towards big data analytics, disaster recovery and archival storage.
  - Target customers: all types of Lebanese end-customers across industries in addition to potential customers from neighbouring countries (e.g. Jordan, Egypt, Turkey).
- Financial due diligence initiated
- Legal Framework
- Currently undertaking a comparison of the e-transaction law recently enacted by Parliament and the laws of other countries (GDPR and other) to identify additional laws and regulations that might be needed to lead to a successful project.
  - Identified members of a committee to draft specific legislation to be proposed.



- Legal due diligence – progress:
  - Title due diligence initiated for the Tripoli Special Economic Zone (TSEZ).
  - Data collection underway for Arbenieh and Dekweneh locations.

### III- Plan for next month (October)

- Secure site investigation
- Legal due diligence
  - Complete title due diligence.
  - Prepare term sheet of leasing agreement to be entered into by the anchor tenant.
- Financial due diligence
  - Finalize financial model for multiple scenarios
    - T.III+, T.III+ with a section on T.IV, T.IV
    - TSEZ’s tax incentives, rental cost, and sizing for DR.
- Request for EoI
  - Prepare project description and prequalification criteria.
- Project marketing
  - Meet with the CIO Leb Association to discuss E-transaction law (Oct. 26).
  - Prepare a detailed teaser on the opportunity.

### IV- Project indicative timeline as of end September 2018



### V- Key Issues Requiring Immediate Attention

- The appointment of the representative of the Minister of Finance.
- Identification of key requirements for the banking sector through discussion with BDL’s Governor.