

DATA CENTERS

INVESTMENT OPPORTUNITY SCORECARD

ICT

JUNE 2021



ICT Data Centers

Public / متاح

High Potential

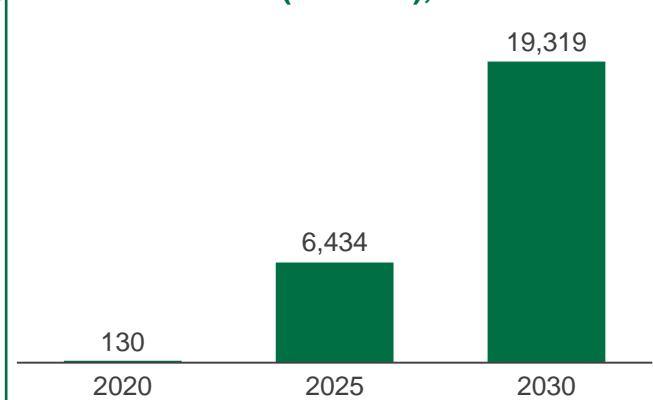
Moderate Potential

Low Potential

OPPORTUNITY'S DESCRIPTION: Ensure adequate supply of Data Centers (DC) to meet the strong demand ramp up in KSA

DEMAND

MARKET SIZE (GAFTA¹), USD MN



INVESTMENT HIGHLIGHTS

- Expected investments USD 11 Bn+ to increase capacity to +1,000MW by 2030
- Opportunity to consider different operating models – FDI with 100% ownership or joint venture with local private sector player(s)

INVESTMENT OVERVIEW

VALUE PROPOSITION

- Government is leading a comprehensive digitization strategy of Saudi Arabia and is focusing on development of KSA as a digital hub (including cloud strategy) with DC as a core asset
- Attractive power tariff and special tax treatment are available in KSA
- Strong international connections with regional and global networks to export services based on DCs
- Additionally, new ambitious mega projects such as NEOM and smart cities offer first mover advantage into prosperous future opportunities that will rely heavily Data driven by AI and IoT technology

KEY DEMAND DRIVERS

- KSA has \$500bn+ investments in new digital-oriented projects that will require data centers to supply futuristic use cases with high computing and data storage needs
- Huge KSA investments in Industry 4.0 will generate above the average GCC market demand
- Increasing preference and demand from companies for computing and storage capacity
- The ongoing digital transformation and fast 5G rollout in KSA will accelerate the growth of IoT market that will put forth increase in latency sensitive use cases requiring local computing capabilities

MARKET OVERVIEW

MARKET READINESS AND COMPETITOR ANALYSIS

- The market is currently concentrated with few large players in KSA
- The undersupply of local Data Centers spaces in KSA stimulated demand to seek options overseas (up to 60% of local demand is served through Data Centers outside of KSA)

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GLOBAL TRENDS

- Rapid increase in DC build throughout the region with announcements in KSA (Aramco / Google), Bahrain (Tencent, AWS) and UAE (Azure, Oracle among others)
- Increase in speed of construction for DCs. These are now being planned and delivered in as little as 6 months
- Exponential improvement in processing power
- Emergence of hyperscale DCs from large bandwidth players (AWS, Google, etc.)



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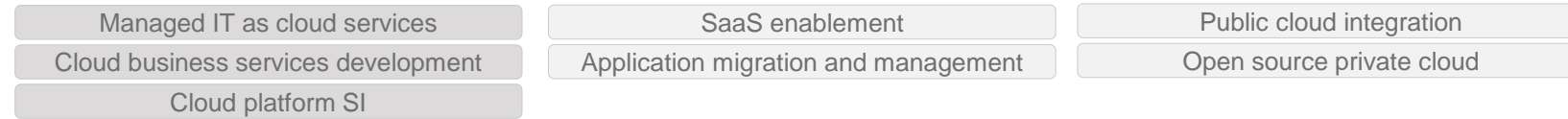
SUPPLY

SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- KSA offers good infrastructure and customer base with potential scalability to neighboring markets
- KSA's strategic location will allow global Cloud Service Providers to serve larger MENA market and ramp up product portfolio
- Data centers IaaS can enable extension into PaaS and SaaS offerings through partnership or solution design
- It is estimated that it will take 5+ years to fully scale up operations

ECOSYSTEM ANALYSIS



Current opportunities in KSA



KEY STAKEHOLDERS



ENABLING FACTORS

ENABLERS

- MODON offers admin support and subsidized lands
- MoF & SIDF offer financing support
- Discounted power tariff for DCs (18H/kWh)
- SDA conducts regular training programs to build cloud capabilities with local content
- CITC launched National Center for Information Security to enhance cyber security and provide healthy environment for electronic transactions and attract FDI

COST OF DOING BUSINESS IN KSA

Factor	Ranking Amongst Regional Peers
Patent application (#/\$PPP, 2016)	0.6
Software spending (% GDP, 2016)	0.3
ICT Access Index (1 – 10)	7.4
ICT Use Index (1 – 10)	6
Government online services (0 – 1)	0.77

