

# TowerShare's appetite for towers in MENA and Southern Asia



The criticality of local knowledge and local relationships in tapping a diverse range of opportunities in the MENASA regions



Ray Hassan, CEO, TowerShare

Established in 2010, TowerShare runs the largest independent towerco in Pakistan. TowerShare's renewed appetite for tower opportunities in the Middle East, North Africa and Southern Asia has been stimulated by funding from Cyan Capital at the beginning of 2014, followed by the appointment of Ericsson's former President of GCC, Ray Hassan as TowerShare's new CEO. TowerXchange enjoyed a long chat with Ray to learn about TowerShare and the countries they are targeting.

**Keywords:** Who's Who, Towercos, O&M, Investment, Build-to-Suit, Business Model, Pass-Through, Regulation, Country Risk, Unreliable Grid, DG Runtime, Operator-Led JV, Sale & Leaseback, Private Equity, Islamic Finance, Infrastructure Sharing, Africa, Middle East, Southern Asia, Pakistan, Oman, Bahrain, UAE, Saudi Arabia, Cyan Capital, TowerShare

## Read this article to learn:

- The credentials of TowerShare's experienced management team
- How TowerShare is funded and their view of Islamic Finance as an option
- What happened when eight towerco licenses were issued in Pakistan, and the prospects for a large scale tower transaction in the country
- The impact of the Arab uprising on the prospects for large scale tower transactions in the Middle East
- 'Steel and grass' versus end to end real estate, power, and O&M business models

**TowerXchange:** First please introduce yourself and your management team at TowerShare.

**Ray Hassan, CEO, TowerShare:** I've been in telecoms for almost 20 years, working my way through various project management, radio planning, strategy, consulting and optimisation roles at Nokia and Lucent, before launching Telecom Global Solutions, a radio planning consultancy which we sold to Flextronics as part of their telecoms division. Seven years ago I joined Ericsson in what is now classified as the Middle East and Africa region (spanning 22 countries including Turkey, Iraq, Egypt, Sudan, Ethiopia, Saudi, GCC and Pakistan amongst others) first as VP and Head of Services across the region, rising to become the President of GCC (Gulf) countries and heading a Global account.

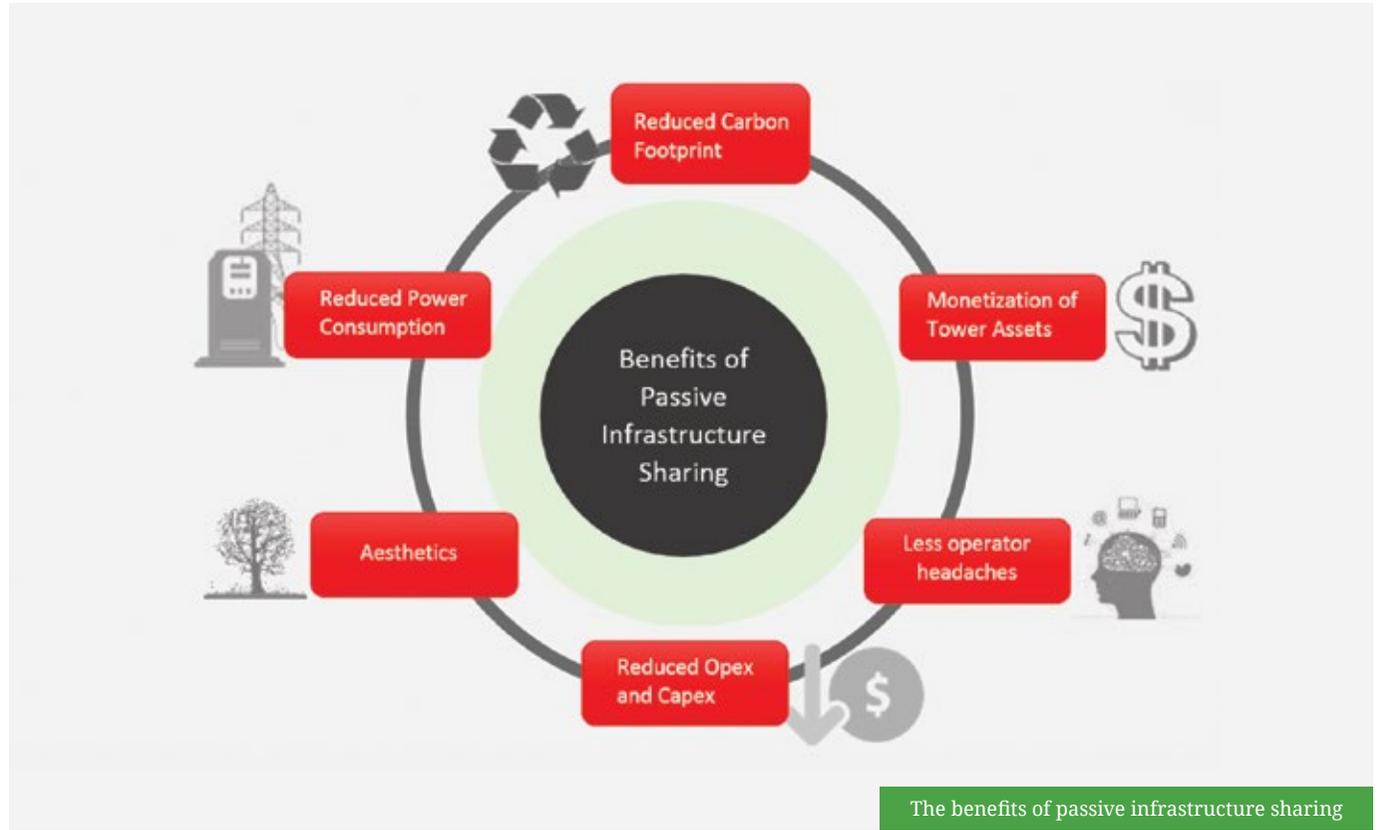
On a daily basis I found myself having meetings with C-level executives at operators whose primary concern wasn't the cost of active infrastructure, but the rising cost of passive infrastructure. The prices of steel and diesel have been steadily rising, while the grid has been struggling to meet increasing demand in many of the countries I was involved in, which was beginning to cause a significant opex challenge for many of my customers.

It became clear that the rising costs of both building and maintaining passive infrastructure was a genuine problem that needed to be addressed, and that infrastructure sharing could be a pertinent solution. However, the Middle East has not been a priority market for global towercos.

I passionately believe in the benefits that mobile broadband can bring to society and hence believe in the many benefits that infrastructure sharing can bring in reducing the cost and accelerating access to mobile broadband. In some of the countries we deal with, there is such a shortage of basic resources and infrastructure that to spend hundreds of thousands of dollars to put towers next to each other seems almost criminal.

It seemed to me that solving these issues in passive infrastructure was a business that was both compelling and noble. I was involved with the initial startup of TowerShare, but had to exit because of other work related conflicts. At the end of 2013, Cyan Capital, a Private Equity Fund, enticed

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my return and as entrepreneurial ambitions took over, we worked out a deal for my participation in TowerShare. I will take on the role of CEO effectively from middle of July 2014.

TowerShare is assembling a management team of telecom veterans who between us have built over 15,000 towers in MENA and Asia. Farid Madhani will be moving across from Cyan Capital to look after strategy and M&A, Shannon Grewer (a US-based lawyer) will be joining us in Dubai as our legal counsel and a senior executive is about to join us as CTO.

**TowerXchange: In which market is TowerShare currently active, and where are your priority growth markets?**

**Ray Hassan, CEO, TowerShare:** TowerShare’s ambitions are quite huge and widespread, but our current HQ is based in Dubai and our only operational footprint is in Pakistan where we have completed some small acquisitions and are on the cusp of completing a small carve out.

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possible, and from there we'll expand by following the Middle Eastern MNOs into the other countries in which they are based. We are currently in discussions in four different markets for sale and leaseback and build to suit opportunities.

**TowerXchange: How is TowerShare funded, and therefore what is your 'digestive capacity' in terms of the scale opportunities you can bid for at auction?**

**Ray Hassan, CEO, TowerShare:** We've brought in some private investors and commitments for up to \$100mn in Private Equity from Cyan Capital and other regional PEs. We have further funding available, all (so far) sourced from within the region.

Capital is readily accessible and relatively cheap in the Middle East, so I don't foresee funding being a constraint for our business. Our 'digestive capacity' could be substantial given our initial funding of \$100mn, depending on the leverage we want to take.

In some of the markets we're exploring, it is not permitted to charge interest, which could take us into the realm of Islamic Finance. Tower assets are perfectly tuned for the application of Islamic Finance principles. Different countries and different opportunities are more suited to one type of financing or the other – so, while we don't want to limit ourselves to one way of working, we will of course work with our customers to find alternatives that suit them best.

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**TowerXchange: What can you tell us about your experiences in the Pakistani tower market – are there consolidation opportunities among small local towercos? Are there potentially larger scale opportunities?**

**Ray Hassan, CEO, TowerShare:** Pakistan is a significant and sizable market for TowerShare –

it's no coincidence that it was our first market. Pakistan is a challenging tower market with five Mobile Network Operators, a population of 200mn, a sizable land mass, high import costs, an unreliable grid and a scarcity of electricity, which means all five MNOs have cell sites requiring 8-10 hours of DG runtime daily – not to mention security problems in some areas and very low ARPUs overall.

We started up in Pakistan when the Regulator, one of the most forward thinking in the region, introduced regulations governing infrastructure sharing around 2009. Eight (non-transferable) infrastructure provider (towerco) licenses were sold, before the government stopped the issue on new licences, leading to the launch of six towercos while two never really came to market beyond single sites. TowerShare has since bought and taken over the tower assets of some of the other licensed companies, and hence we're the only independent towerco of any size in Pakistan.

Pakistan's operators have considered the consolidation of their networks on several occasions, but as often happens with almost all operator-to-operator network consolidations, it proved difficult to agree upon which towers to retain, and to agree the structure, management team and relative proportions of ownership of a joint venture towerco, hence nothing has materialised despite numerous efforts.

At the time, the lack of a funded third party able to prove they could operate and maintain

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a substantial portfolio of towers in Pakistan was another drawback. Now TowerShare has experience, capability and funding, we feel large scale consolidation of tower networks may become a reality in Pakistan.

**TowerXchange: Is the launch of a edotco potentially good news for TowerShare in further raising the profile of infrastructure sharing in Paksitan and elsewhere in South Asia?**

**Ray Hassan, CEO, TowerShare:** We welcome the launch of edotco – the South Asian marketplaces are big enough for multiple towercos, and the more people working towards shared infrastructure, the better.

TowerShare differentiates itself by being flexible and adaptable. Understanding the local market is critical in every one of our markets, not just Pakistan; the dynamics of provincial rules, the different languages and security situations. We have extensive personal experience and local relationships in every market and international relationships with most of the large regional operators too (for example, in Pakistan, all five MNOs are ultimately owned by international operators). TowerShare also has experience of owning, building and operating a network in Pakistan, and now we have plenty of local money that understands the local and regional risks well.

**TowerXchange: How will TowerShare leverage your presence in Pakistan as a launchpad into**

**new markets in the Middle East?**

**Ray Hassan, CEO, TowerShare:** There are challenging markets very similar to Pakistan in the Middle East. There are also more developed markets with very different dynamics, where power is effectively free with 100% access – more akin to the Western towerco businesses. Leveraging our experience, local knowledge and relationships with the Global operators while being based in the UAE is crucial to our ambitions.

A lesson I've learned running Ericsson in the GCC is that there's a lot of complexity within the region. It would be wrong to categorise the Middle East as one set of operators and a recurring set of challenges. The Middle East is about as extreme in differentiation from country to country as you can imagine, with some of highest GDPs and ARPUs in the world, and some of the lowest; some of the most dense and least dense populations. Some countries are on the bleeding edge of advanced communication technology, and some countries are still anchored in 2G. With the diversity of religions, languages and security challenges, it's hard to treat the Middle East as one market – you need to be flexible and adaptable.

For example, I had 2,000 people working for me when I was running the Services business in Ericsson. In theory I felt we could sometimes do the job with 6-700 people if it weren't for the logistical challenges of transportation, local representation, and travel restrictions on different nationalities and visas.

TowerShare are establishing our headquarters in Dubai with local offices in three other countries based on local opportunities – we are being aggressive.

**TowerXchange: We haven't seen the same pipeline of tower transactions in MENA as SSA to date. What opportunities are you finding in MENA – are there BTS programmes and/or large scale sale and leaseback opportunities to be found?**

**Ray Hassan, CEO, TowerShare:** There are opportunities in the Middle East, and they are maturing. Resistance to the independent towerco business model has reduced just by operators observing what has happened in SSA.

In the near term, the Arab uprising has demanded a lot of operators' attention, but there is an acceptance that a large scale tower divestment is going to happen in MENA, and a number of operators are open to the idea.

In all walks of life in the Middle East, business is generally conducted with the people you know. In the absence of local MENA towercos, the market has had to start slow while new entrants build relationships.

TowerShare is in an advantageous position as our team have developed personal relationships with operators in the Middle East over eight years – we've done our time and now have an opportunity to capitalise on those relationships and trust.

We feel there are sale and leaseback opportunities in the Middle East, but you have to start with build-to-suit whilst you build relationships with your customers and demonstrate that you know what it takes to operate and maintain critical infrastructure within the specific markets. You have to put a foundation in place of a management structure capable of running an O&M of scale. In countries where there are security issues, the biggest concern for MNOs and their towerco and investor partners remains whether an independent tower company can sustain and maintain networks given the uncertainty of those regions. Just look at Iraq as an example. The long term ability to maintain critical infrastructure remains the last barrier to outsourcing in many operators' minds.

**TowerXchange: Do you see TowerShare as a lean, “steel and grass” towerco, or do you have a full end to end build, power, O&M service model?**

**Ray Hassan, CEO, TowerShare:** We struggled with this question ourselves – where do we want to play, what opportunities do we want to limit ourselves to?

We concluded that if we want to grow we need to be flexible and adaptable. In some cases we are targeting more frontier markets, where if the customer will accept a steel and grass model then that's perfect, but in many countries the primary driver of outsourcing is to solve power issues. In such circumstances, TowerShare will take

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advantage of the management team's experience, including my own, of Managed Services in the region and take on energy logistics as well as real estate.

So there is no clearcut answer; we're open to doing both models and would consider opportunities on a case by case basis. Ultimately we'll provide the service that our customers want.

**TowerXchange: Finally, please sum up your vision for the future of TowerShare.**

**Ray Hassan, CEO, TowerShare:** TowerShare has capital, but capital is commoditised in this business, and all of our serious competitors have access to finance. What is unique about TowerShare is our relationships with operators, regulators, subcontractors, and service providers in the MENASA region. We have a fantastic network of people; people with experience of

leadership roles at major managing service providers.

If I felt we could maximise the opportunities in this region using a 'steel and grass' model then that would be great, but we need to be prepared to roll our sleeves up, get our hands dirty and do what operators need.

TowerShare is very aware of the challenges that our customers face on a market by market basis – we understand our customers and what we can do to help them. We're going to be aggressive, but we have a degree of humility and understanding and genuine desire to do something good – I strongly believe in the benefit of mobile communications and I look forward to fulfilling TowerShare's opportunities to accelerate rural access and improve urban QoS in the MENASA regions while helping the operators unlock some cash and reduce their operating costs ■