

WHOLESALE CAPACITY EVOLUTION AND FTTH REGIONAL COVERAGE EXPANSION

Company: UCOM LLC

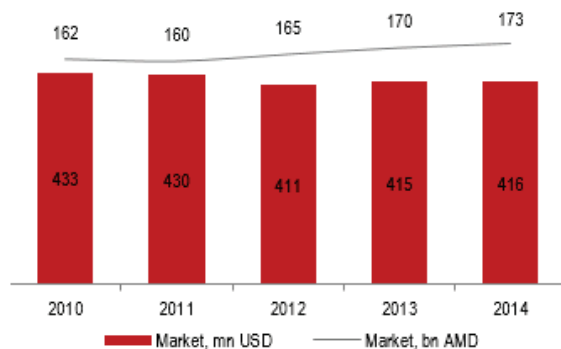
Location: Yerevan, Armenia

Project cost: USD 32.8M

GENERAL INFORMATION ABOUT UCOM:

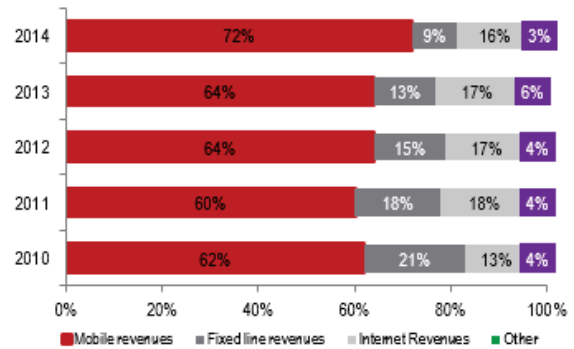
Ucom was founded in 2007 to provide internet services based on WiMAX technology. In 2010 to speed up the development of internet services in Armenia, the Company decides to deploy a fiber optic network, which would reflect the latest technology and allow it to pioneer Armenian FTTH market. The Company enters into partnership with Ericsson to construct the network and launch services in June 2010.

Telecommunication revenues in Armenia



Source: Company data, PSRC

Telecommunication revenues structure



Source: [Amaria Research](#)

In 2013 Ucom acquires the LTE license to enter mobile business. In this regard, Ucom acquired one of the mobile operators operating in Armenia – Orange CJSC in September 2015. By this activities Ucom strengthened its position in telecom market and became the only quad-play services provider in Armenia.

In addition, Ucom provides wholesale transit services to Iran and Iraq. The transit capacity exceeds local usage, with high growth potential.

Currently, Ucom is the leader in fixed broadband internet services and third in mobile services.

Ucom's core activities include: provision of broadband and wireless internet, provision of digital TV, landline digital telephony, mobile voice services, mobile internet services, corporate data transfer and hosting services and sales of communication equipment to private and corporate customers.

After 6 years on the market Ucom is:

- N.1 in Wireless Internet,
- N.3 on mobile market with almost 650,000 active subscribers,
- N.1 in mobile phones sales among mobile operators, covering up to 20% of entire mobile phone market in Armenia

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PROJECT BACKGROUND AND DESCRIPTION:

The investment aims at increasing the penetration of QuadPlay services and expanding the FTTH coverage in regions to provide data services in all regions of Armenia where the business concentration is. Currently, Ucom FTTH network covers over 97% of 5 main cities (Yerevan, Abovian, Vanadzor, Armavir, Kapan). After project implementation the usage of QuadPlay services of existing customers will increase and network will cover the whole country to provide data services in 80% of geographic areas of Armenia where the business concentration is. Total capital investment will be about USD 21,5M of which USD 5.5M will be used HTTH Regional Coverage Expansion and around USD 16M for QuadPlay Penetration. Capex will be mainly spent on construction of Network and in-house connections (USD 1.3M), customer devices (USD 18.4M), such as GPONs, STB tuners, mobile devices. Investment period of the project is 10 years.

Another objective of the investment is to improve wholesale service quality by establishing new PoPs in Amsterdam, London and US. Around US\$ 11.4M investment will increase international transit services redundancy and availability and will transform Armenia into regional hub for internet data transit. About US\$ 8.5M will be used to purchase IRU's and US\$ 1.5M for new Core network routers from Juniper and upgrade of the existing ones. This investment will double data capacity of transit channels through Georgia and Turkey to Sofia and Frankfurt.

The expected duration of the overall project is 10-15 years.

PROJECT FINANCIAL INDICATORS:

	M USD
Capital investment, including	32.8
<i>QuadPlay & FTTH Project</i>	21.4
<i>Wholesale Project</i>	11.4
Revenue, including	100.2
<i>QuadPlay & FTTH Project</i>	73.8
<i>Wholesale Project</i>	26.4
COGS & OPEX	35.2
<i>QuadPlay & FTTH Project</i>	32.0
<i>Wholesale Project</i>	3.2
EBITDA	65.0
<i>EBITDA Margin</i>	65%
<i>Net profit Margin</i>	33%
Payback period (IRR)	7 years