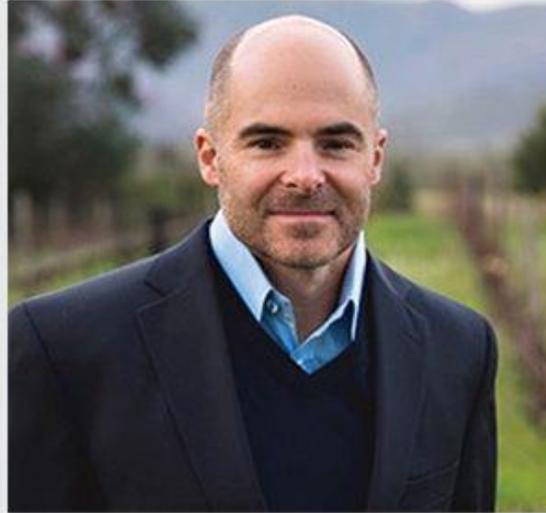


Maintaining focus on the core towerco business model

Atlas Tower on organic growth, power, fibre and geographical expansion



Read this article to learn:

- Atlas Tower's history and YoY growth in the South African market
- Why the towerco has chosen to focus on organic growth and the core business of towers over diversification into other forms of infrastructure
- How the towerco differentiates itself from competitors in the market
- Details of towerco's recent expansion into Kenya and Botswana
- Atlas' attitude to power in markets outside of South Africa

Atlas Tower continues to hold the reputation of South Africa's fastest growing towerco, with 200% year on year growth, attributing its success to remaining true to their core organic growth towerco business model. As the South African market evolves and Atlas establishes its presence in new countries, TowerXchange speak to Atlas Tower's CEO, Nate Foster to understand the way forward for the towerco.

TowerXchange: Atlas Tower are gaining an increasingly prominent presence in the African tower industry, can you give a bit of background to the company to those less familiar with the organisation?

Nate Foster, CEO, Atlas Tower:

Atlas Tower built its first towers in 2007 in Alaska, USA. Following eight years of tower development in nine other US states, the company expanded to South Africa in 2014, and in 2018 moved to Kenya and Botswana. My wife and I started the business and are currently still retain majority equity of the Atlas Tower Group. We have a dozen Limited Partners who make up the company's Capital Fund. We are a builder of wireless infrastructure not a buyer. We are the largest organic tower company on the continent and have ambitions to continue this position.

TowerXchange: Atlas has been the fastest growing towerco in South Africa, can you explain some of the dynamics at play in the South African market, what kind of growth opportunities exist and what challenges are faced by towercos operating there?

Nate Foster, CEO, Atlas Tower:

Atlas is a town planning towerco; I was a town planner, some of the key managers are town planners or land use attorneys. That's how we have developed our business, through organic growth and not the sale leaseback entry method, I don't believe the returns on that kind of model are exciting.

Atlas have built a portfolio of 700 towers in the South African market (figure one) with this number expected to surpass 740 by the year end.

In South Africa, there is a roughly equal market share between MTN and Vodacom with Telkom and Cell C's respective market shares considerably smaller. The percentage breakdown by operator of our tenants is pretty much in line with this split. We have seen a lot of demand from Vodacom and MTN in the past twelve months.

Helios Towers have recently entered the South African market and whilst they represent a competitor to us, we believe they will help mature the market. Some smaller towercos who don't have the understanding of this business occasionally make mistakes that negatively impact all of us. When we purchase small tower portfolios in South Africa, we too often see value destruction from poorly written contracts, mistakes that lower the water level for us all.

TowerXchange: Whilst 5G still feels a little while away, how do you see the towerco business model needing to adapt in South Africa to support the increased densification required. How do you see this impacting on Atlas Tower's strategy?

Nate Foster, CEO, Atlas Tower:

Simply stated our model is to quickly build infrastructure that is necessary to meet MNOs' customers' increasing data needs. Our model doesn't change in South Africa, the US or anywhere else. We are effectively building the network infrastructure, the roads and the bridges to support high speed travel of many different types of data. So until antennas can float, our business will have a long and successful journey ahead.

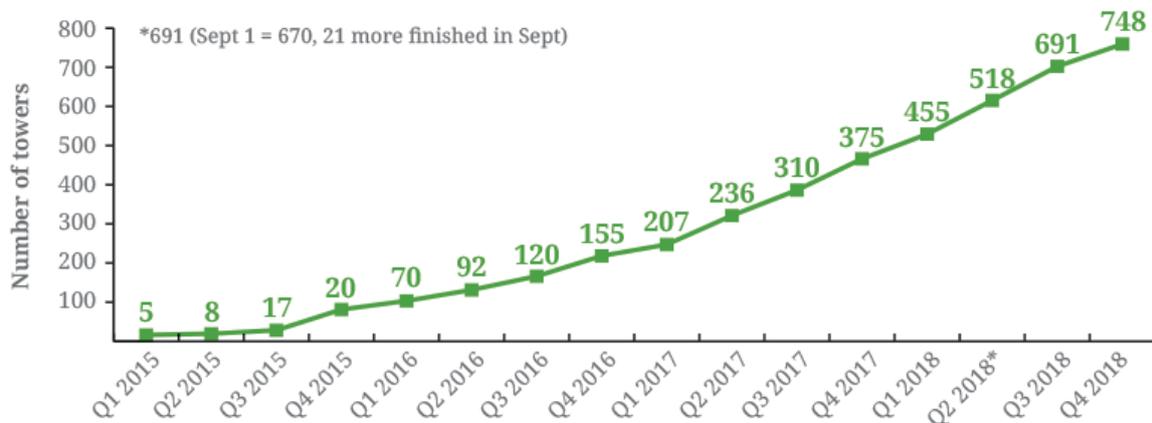
Whilst we have seen American Tower and Helios do deals with fibrecos, Atlas have talked to some of the dark fibre owners in the country and don't see the story playing out as they might. We are paying attention to those buys and will adjust our investment strategy appropriately as we learn more.

TowerXchange: In much of Africa, arguably the most important, or at least the most talked about, KPI for a towerco centres around their ability to deliver power uptime on sites. In South Africa, where power is much less of an operational concern, what do you see as the most important KPIs, performance against which set towercos apart from each other?

Nate Foster, CEO, Atlas Tower:

Fast, easy access to high sites is what MNOs demand. We focus on leasing and build speed, we focus on site access and control through creative partnerships and programs. We have more than 2,400 high quality, mostly urban sites in our possession. Power is certainly a prime concern in our other African markets, but in our mature South African market it's speed, creativity, and customer service that make us rise to the top.

Figure one: Growth of Atlas Tower's South African tower portfolio



TowerXchange: Atlas has recently expanded into new countries, can you tell us more about this? What enticed you to go into such markets and how do you see the challenges (such as power) and opportunities comparing to South Africa?

Nate Foster, CEO, Atlas Tower:

Atlas has invested in several African countries, but the markets we will build towers in this year are Kenya and Botswana. We expect to complete 25 new builds before the year end. I think we have a good diversity of anchor tenants in our first phase of development.

Both of these markets have a great deal more power management than South Africa, but I find the concerns over power management slightly overblown. Yes it's a

challenge, yes it needs to be analysed with creative implementation and clear strategy, but I have said this year after year – the tower business is valued on consistency of cash flows over a long period of time. Therefore, I want to make sure unstable or fluctuating cash flow is as little as possible to do with our success. Whilst we have seen some towercos making significant margins on power, we don't see power as valuation driver of the business, rather we choose to cover costs and maintain a smooth expenses line. At present, most of the sites we have been building have been on relatively good grid. We are however keen to better understand the ever changing power technology landscape at the next TowerXchange Meetup.

Whilst power is a challenge, starting a tower business as a foreigner in any African market, using a low cost build as you go model is ten times more challenging than any issues over power generation on self-designed sites.

TowerXchange: Do you plan for further geographic expansion and if so, how do you assess and look to enter a market?

Nate Foster, CEO, Atlas Tower:

Of course! So far the only market where we can boast of success is South Africa, with 200% year on year growth, but we have certainly invested enough money to suggest we are bullish on our good markets. I am not, however, a believer in unfettered aggressive expansion; I want to see results first, then obtain debt and then we move on to the next projects.