



THE PROPOSED ACQUISITION OF CONTROL OF IX AFRICA DATA CENTRE LIMITED BY IX AFRICA, VEER INVESTMENTS LIMITED AND MIIT INVESTMENTS LIMITED

1. The Competition Authority of Kenya has approved the proposed acquisition of control of IX Africa Data Center by IX Africa, Veer Investments Limited and MIIT Investments Limited unconditionally.
2. IX Africa (IXA), the first joint venture undertaking, is a company incorporated in Mauritius. IXA is a newly incorporated entity and therefore did not derive any turnover or have any assets in Kenya for the year preceding the proposed transaction. The second and third joint venture undertakings, Veer Investments Limited (Veer) and MIIT Investments Limited (MIIT) respectively, are both investment firms incorporated in Kenya.
3. IX Africa Data Centre Limited (IXDC), the target undertaking, is incorporated in Kenya. It is wholly owned by IX Africa and was incorporated to undertake business in relation to the construction, operation, maintenance and managements of data centers in Kenya.
4. The proposed transaction is a two-step transaction as follows;
 - a. The transacting parties forming a fully functioning joint venture; and
 - b. The acquisition of an interest by Veer and MIIT. The said interest is less than 50% of the issued share capital, but gives both entities some control in the affairs of IXDC by virtue of the shareholder agreement.
5. The transaction therefore qualified as a merger within the meaning of Section 2 and 41 of the Competition Act No. 12 of 2010.
6. The parties' combined and relevant turnover for the preceding year was **over Sh1 billion**. The transaction therefore met the threshold for mandatory notification and full merger analysis as provided in the **Competition (General) Rules, 2019**.
7. The acquirers are investment companies while the target is involved in the construction, operation, maintenance and managements of data centers in Kenya. Therefore, the relevant product market for purposes of analyzing the proposed transaction was determined to be the market for provision of data centers.



8. The target intends to provide its services across Kenya and, therefore, the relevant geographical market is national.
9. Data centers are locations where computing and networking equipment is centralized for the purpose of collecting, storing, processing, distributing or allowing access to large amounts of data. Entities either build or maintain their own data centers in-house, lease servers at co-location facilities (also called colos), while others utilize public cloud-based services.
10. The International Data Corporation estimated that 10.8 trillion gigabytes (GB), or around 10.8 zettabytes (ZB), of digital information was created in 2017. The amount of data produced in 2018 was approximately 20.8ZB and is expected to rise to 40ZB by end of 2020.
11. A surge in data content markets and improved broadband around the continent has pushed for the hugely accelerated growth in data centers especially in Africa and especially Kenya. Substitutability in the data centre market can be determined as the ability in terms of the cost of software provider to switch and supply data in a different sector which is crucial.
12. The market for data center is dynamic with new and competitive technology being developed and adopted in recent years. The key players that provide data centers include: Facebook (US), IBM (US), AWS (US), Google (US), Microsoft (US), Oracle (US), Salesforce (US), Appian (US), Mendix (US), Zoho Corporation (India), OutSystems (US), LANSA (US), Ninox (US), Oro (US), Matsoft (UK), Kony (US), Pegasystems (US), ServiceNow (US), WaveMaker (US), KiSSFLOW (India), Radzen (Europe), AmpleLogic (India), FileMaker (US), QuickBase (US), AppSheet (US), and K2 (South Africa).
13. In Kenya, the major companies that have been able to build, maintain and operate data centers include; EADC Liquid; ICOLO; Africa Data Centre; COMTEC; Access; Safaricom; MTN Business; and Telkom Kenya.
14. The proposed transaction will not affect the market structure and concentration of the market for data center in Kenya since the merging parties do not have any other similar business and the target is in the formative stages of commencing operations.
15. In addition, the merged entity will face stiff competition from the market players indicated in Para 13 and 14 above, who are more established and command larger market shares.
16. Based on the foregoing, the proposed transaction is unlikely to lead to a substantial lessening or prevention of competition in the market for data centers in Kenya.
17. During merger analysis, the Authority also considers the impact that a proposed transaction





will have on public interest. The public interest concerns considerations include;

- i. extent to which a proposed merger would impact employment opportunities;
 - ii. impact on competitiveness of small and medium enterprises (SMEs);
 - iii. impact on particular industries/sectors; and
 - iv. impact on the ability of national industries to compete in international markets.
18. With regard to public interest issues, the proposed transaction is unlikely to lead to any redundancies. On the contrary, it is expected that once operational, it will lead to the creation of more jobs.
19. Based on the foregoing arguments, the Authority approved the proposed acquisition of control of IX Africa Data Centre Limited by IX Africa, Veer Investments Limited and MIIT Investments Limited unconditionally.