

NTT Communications – Global Enterprise

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Company Assessment

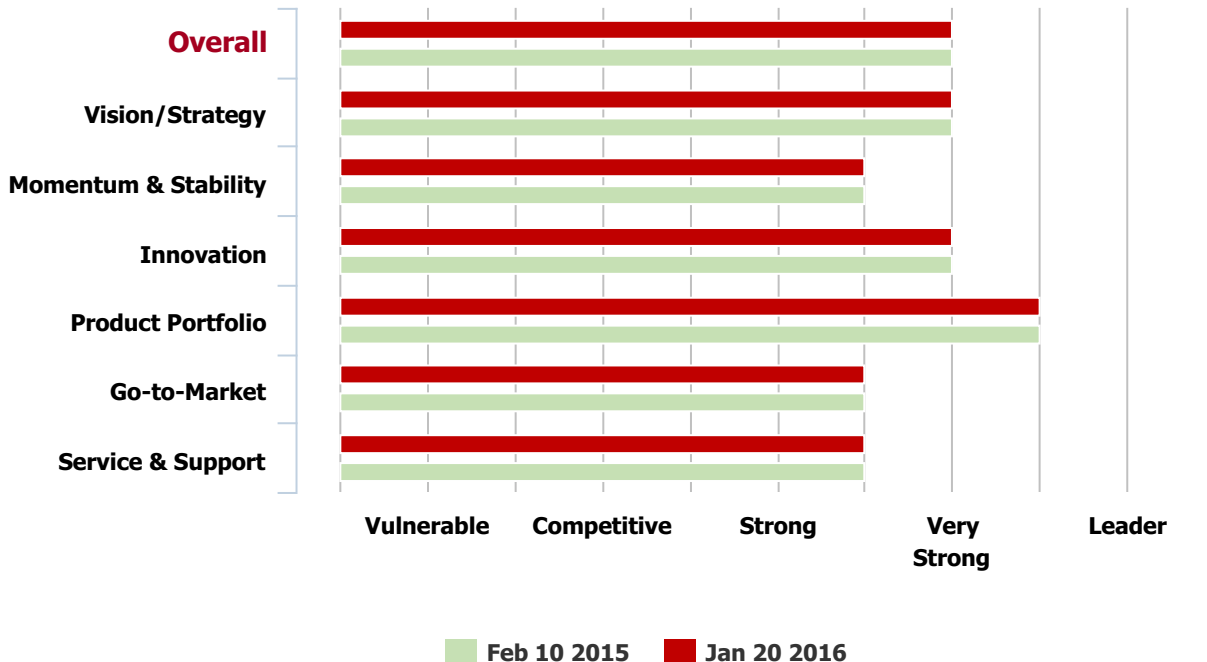
What's New

- **Data Center Growth:** NTT Com continues both to acquire and build very large data centers in cities/countries/regions, including Jakarta, Hong Kong, Mumbai and across Europe.
- **Push Innovation Envelope:** The provider pushes forward automation efforts in areas such as SDN and APIs, cognitive agents (with IPsoft) and managed security machine learning.
- **Cloud Connectivity:** NTT Com added third-party secure WAN/cloud connectivity via its Multi-Cloud Connect service, initially supporting AWS and Microsoft Azure (and Office 365).

Current Analysis Competitive Index

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Rating Update Summary

VERY STRONG

NTT Com's Nexcenter data center services have spread to the world's key markets and geographies. They are part of the company's Global Cloud Vision to combine network, cloud/data center, security, professional and managed services/automation.

Perspective - Essential Analysis

Strengths

- **Footprint:** NTT Com reaches 192 countries through a combination of direct WAN and IP/MPLS NNIs, covering Asia, Europe and the Americas.
- **Data Center:** NTT Com has ramped up a vast, globally distributed data center portfolio under the Nexcenter brand, with 140 locations and 350,000 square meters of floor space.
- **Acquisitions Synergy:** The company is now incorporating more components across NTT Com and Dimension Data's managed ICT portfolio, following a faster-paced NTT Com/Virtela integration.

Limitations

- **Brand Recognition:** NTT Com has the global size and services scope, but not yet the enterprise name brand recognition of BT, AT&T or Orange.
- **Competitor Relationships:** Despite highly advanced ICT capabilities, NTT Com still faces off against ITSP/SIs (e.g., IBM, HP, Accenture) that have privileged customer relationships.
- **Separate Logos:** NTT Com Arkadin two years ago, and has been slow to act on acquisition synergy.

Category Ratings and Justification

Vision/Strategy

Rating: Very Strong

- NTT Com is adding physical data centers around the globe to meet the company's Global Cloud Vision. It supports options from colocation to

Momentum & Stability

Rating: Strong

- Revenue-wise, NTT is the largest network services provider in the world. Subsidiary NTT Com benefits from its parent company's strong position in

customizing applications, plus customer migration and a range of professional services.

- NTT Com is strongly focused on advanced services through automation. It is at the front of SDN/NFV and API gateway development, and machine learning for managed networks/security.
- NTT Com does not always follow up acquisitions with full integration: Arkadin may coordinate but remains a separate company. Virtela, RagingWire, e-shelter and Verio are integrated but also keep their own brand names.

Innovation

Rating: Very Strong

- NTT Com is a SDN/NFV pioneer. While many providers struggle with cross-vendor SDN compatibility, NTT Com has demonstrated a set of common management tools with NEC, Fujitsu and Hitachi.
- NTT Com has incorporated broad API Gateway support across network, data center/cloud and hosted VoIP/UC/application services. It supports customizable identity and access management (IAM) controls to authorize user/group administrative rights.
- NTT maintains other activities such as its Innovation Institute, which focuses on the practical applications of cloud, security, infrastructure and big data/analytics.

Go-to-Market

Rating: Strong

Japan, though global service providers compete vigorously in its home market.

- As a network provider, NTT Com faces similar financial pressure to its peers: declines in legacy voice and data services, slight erosion of IP-based revenues, offset by gains in cloud and solutions services.
- NTT Com continues to see rapid gains in cloud revenues - which now generate 7.6% of total NTT Com revenues - fed partly by its stream of data center acquisitions.

Product Portfolio

Rating: Very Strong

- NTT Com's advanced services include cloud-based (NFV) application acceleration, firewall, IPS, URL filtering and a range of complex IP VPNs. It offers public and virtual private cloud options, and complements the portfolio with desktop-as-a-service and managed security.
- In automation, NTT has implemented its own instance and processes of IPsoft's cognitive computing IT/network management. It will be an early adopter of IPsoft's cognitive agent software, and has implemented a machine learning solution in managed security.
- NTT Com is also an early software-defined WAN (SD-WAN) implementer: Arcstar Universal One Virtual is a global overlay that uses CPE adapters and device clients to build VPNs and group resources.

Service & Support

Rating: Strong

- NTT Com retains its strongest presence throughout Asia; when new services aren't immediately available globally, they tend to start in Japan and spread to other parts of Asia, and then the rest of the world.
- NTT Com's Virtela 2014 acquisition added a strong (mostly U.S.-based) sales force accustomed to selling sophisticated services - a big boost to the company's global expansion goals.
- NTT Com does not rush unified branding or operational integration on acquisitions. Integralis took four years to become NTT Com Security; acquired data centers often retain their in-country names, adding NTT Com Nexcenter branded services.

- NTT Com has a sophisticated customer portal that supports monitoring/reporting, customer self-service, trouble ticket management and billing/payments. Enterprises can also manage many NTT Com services themselves through automated APIs.
- NTT Com's acquisitions complement the company's global service delivery capabilities. Its acquired data center providers can supply national/in-country infrastructure on which NTT Com can build enterprise solutions, for example.
- NTT Com can offer cloud migration and professional services. It also has a range of security consulting services, in addition to its array of IT/network management abilities.

Segment Ratings

Market	Perspective
Business Network and IT Services - Asia Pacific	Very Strong
Business Network and IT Services - Global Enterprise/MNC	Very Strong
<i>Collaboration and Communications</i>	Very Strong
<i>Data Center and Cloud Services</i>	Very Strong
<i>Network Access and VPNs</i>	Very Strong
<i>Security</i>	Strong

Threats and Barriers

- **Global Ambitions:** NTT Com has set growth plans in areas such as cloud where double-digit revenue increases are possible, but it will still take a long time to deliver big returns.

- **Reassess and Adjust:** NTT Com wants to rival AT&T, BT, Orange and Verizon globally, but it's a moving target: these competitors are also trying to transform themselves.
 - **Brand Synergy:** NTT does not pull together its brand the way that rivals do. Letting acquired brands keep their own name diffuses the potential to promote NTT Com.
 - **Operational Synergy:** NTT Com's acquisitions add customers and revenues, but without complete integration, it is not capturing possible operational and revenue savings.
 - **Home Field Rivals:** NTT generates huge revenues in its affluent, population-dense but geographically small home market; it faces global providers as an ever-present incumbent market threat.
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Recommended Actions

Vendor

- **Integrate:** NTT Com needs to demonstrate how its acquisitions slot together and coordinate enterprise services, and consider removing logo brands such as Virtela and Verio for good.
- **Investor Patience:** NTT Com is building a unified data center/network Global Cloud Vision. It may need to stave off pressure to sell due to larger sunk costs and slower growth curve.
- **Data Center Strategy:** The company can stress data localization and dispersed content distribution. It should look for effective market messages backing joint network/cloud, where others failed.

Competitors

- **Homeland:** Major rivals can present themselves as strong in Europe and North America, and position NTT Com's Japan home market as a small one.
- **Investment:** Global and Asia region operators can showcase their own investments in networks and data centers, including their reach into Japan.
- **Automation:** Large enterprise competitors should have an IT services management strategy, partnering with IPsoft and/or ServiceNow, and continue to invest in API automation and operational streamlining.

Buyers

- **Cloud and Automation:** Customers that want forward-looking services, including on-demand bandwidth/networking and security, can investigate these offers through NTT Com or its sub-brands.
- **Globalization:** The NTT brand remains best-known in Asia, but the company has ramped up a comprehensive global network reach and sophisticated solutions rivalling

AT&T, BT, Orange and Verizon.

- **Full ICT Solution:** Enterprises requiring complex ICT solutions can check how Dimension Data and NTT Com might coordinate to produce a superior joint proposal.

Company Details

Company Snapshot

Revenue	<p>NTT Com fiscal H1 2015 (March-Sept.) revenues of JY 639 billion, up 5.9% from same period in 2014. Operating income of JY 56 billion (March-Sept.), down 1.7% from the same period in 2014. In September 2015, NTT Com had JY 10 billion in cash and equivalents and JY 241 billion in borrowings from parent company NTT.</p> <p>On a fully consolidated basis, NTT reported fiscal H1 2015 (March-Sept.) JY 5.588 trillion revenues and JY 377 billion net income.</p>
Employees	NTT Com had more than 21,200 employees as of Sept. 2015.
HQ	Tokyo, Japan
Market strengths/solutions	<p>Strengths: NTT Com principally targets large regional and global MNCs.</p> <p>Solutions: Include iInternational fixed-line voice and data, a range of IP VPNs, and Ethernet, IP transit, server and applications hosting, virtualization, cloud computing and data center services, ICT, security and content delivery. NTT Com has a range of managed services that overlay its network and data center/cloud infrastructure, including end-to-end IT services management.</p>

Network Description

Fixed/Wireline Network	Global Tier 1 IP backbone coverage in Asia-Pacific, North America and Europe. NTT Com's core network is SDN-enabled. Its global network reaches more than 196 countries and territories, and the provider has subsidiaries and offices in 124 cities across 43 countries.
Mobile/Wireless Network	NTT operates mobile networks in Japan. NTT Com offers Arcstar Universal One Mobile, a managed M2M service that combines global SIMs, wireless data/SMS agreements in 200 countries/territories, security and cloud components.
Data Centers	As of December 2015, NTT Com's resources included 140 data centers worldwide, representing 350,000 square meters of space,

the majority of which is located outside Japan. Major facilities (which use NTT Com's Nexcenter brand name) include 25 sites in Asia, eight U.S. sites and 11 sites in Europe.

Key Recent Announcements and Disclosed Strategic Plans

Date	Data
December 2015	Opened Hong Kong Financial Data Center 2 (HKFDC2), with space for up to 7,000 racks. The new data center adds to HKFDC1, a facility with space for up to 3,000 racks. NTT Com separately opened Bangkok 2 with majority held local partner Digital Port Asia, a 3,800 sq m facility that is among the largest in Thailand.
October 2015	NTT Com company Netmagic opened its ninth data center in Mumbai, India, which at 27,000 sq m and space for up to 2,700 racks is among the country's largest facilities.
September 2015	Added API Gateway identity and access management (IAM) features, supporting a range of NTT Com services including IP VPNs, cloud, colocation and application services. The new IAM features let IT administrators implement feature controls based on user groups, and on granular customizable authorization.
August 2015	Launched WAN/Cloud connectivity services under the Multi-Cloud Connect brand name. Supported cloud partners to date include Microsoft Azure (including Office 365) and AWS.
August 2015	Established an Internet of Things (IoT) office to assemble secure IoT solutions by combining NTT Com's network, data center and cloud resources.

Key Mergers, Acquisitions and Divestments

October 2015	NTT Com completed the acquisition of Cyber CSF, a major data center provider based in Indonesia. The acquired company took on NTT's Nexcenter name, and it operates more than 7,700 sq m of data center space in Jakarta.
June 2015	NTT Com closed its acquisition of a 86.7% stake in Europe-region data center operator e-shelter. The acquisition boosted the provider's data center presence in the region by more than 70,000 sq m total, which includes Europe's largest data center. e-shelter contributes facilities in central Europe including Berlin, Frankfurt, Hamburg, Munich, Vienna, and Zurich.
April 2015	NTT Com merged its wholly owned Verio subsidiary, and that company's cloud and web hosting business, into NTT America. The

purpose of the merger is to bring together all of NTT Com's Cloud services and make the business more competitive.

This report is tagged to the following vendor(s):

NTT Communications

This report is tagged to the following content areas:

Service: Enterprise IT and Services , Business Network and IT Services

Market: Cloud Technology and Services , Collaboration Technology and Services , Security

Technology and Services , Business Network and IT Services - Asia Pacific , Business Network and IT Services - Global Enterprise/MNC

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