







DEVELOPING TELECOMMUNICATIONS INFRASTRUCTURE IN NIGERIA:

THE LEASING OPTION



OUTLINE

- Historical Overview: The Telecommunications Environment
- Macroeconomic Update
- Recent Key Developments In The Telecoms Space
- Leasing in Telecommunications
- Benefits of Leasing in Telecommunications
- Lease Financing Options
- Telecoms Lease Finance Challenges
- Diamond Bank's Foot Prints



HISTORICAL OVERVIEW: THE TELECOMMUNICATIONS ENVIRONMENT

- 2nd national carrier license - Number issued to **Portability** Glo - Landing - 37% of ACE annual Submarine - NCC - SIM -Etisalat growth Cable estblished 5th GSM registratn rate recorded operator - Excess - Landing - Analogue licensed bandwidth Mobile -market of Glo 1 capacity -3G (090)value Sub-- Nigerian estimate licenses marine - Lack of services Indepen starts US\$1.1bn issued to 4 Cable last mile dence operators - 95.9m - 300,000 - 2.2m - 121m - 8,724 lines lines -38m lines lines lines lines active active active active active





1992

2001

01

2002

2006

2007

2010

2011

2012

2013

- P & T split
- NITEL estblsd
- 200,000 lines at
- year end
 -Tele density at
 1:440 vs
 ITU
 standard
 of 1:100

- 2G Digital Mobile Auction
- 3 GSM operators licensed
- Market fully liberalized
- 866,782 lines at vear end
- SAT3 Cable becomes operative

- Digital Mobile License exclusivity expires
- UASL regime starts
- 33m lines active
- -45% annual growth rate recorded

- Landing of Main One Submarine Cable
- Increased tempo in telecoms equipment lease
- -Increased tempo in colocation industry

- WACS Submarine Cable landing, May 11th
- Tele density at 1:80 vs ITU standard of 1:100
- 112m lines active



MACROECONOMIC UPDATE

High growth market with a young and rapidly expanding population

Nominal GDP and Population

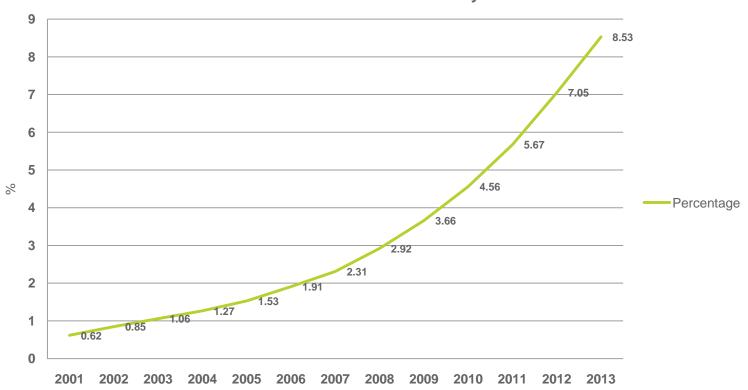




MACROECONOMIC UPDATE

Industry Performance

% Contribution of Telecoms Industry to GDP





RECENT KEY DEVELOPMENTS IN THE TELECOMS SPACE

- Billions of US\$ in investments per year
- Tens of thousands of new base stations to be built
- Major network infrastructure outsourcing deals;
- Mergers and acquisitions (M&A) among smaller operators;
- M-Tel/Nitel in liquidation;
- Several LTE networks launching / preparing to launch;
- Regulator cracks down on poor quality of service;
- New price caps and lower interconnection rates;
- Number portability finally introduced.



LEASING IN TELECOMMUNICATIONS

Equipment Lease

•Multiplexers, Switches, Telephone systems, Voice processing hardware, Transformers, Routers, Generators

Colocation

•Cell Site, BTS, Backhaul Services, Data centres

IRU's (Indefeasible Rights of Use)

•Indefeasible right to use the relevant capacity on a communications cable

Managed Services?

•Network sharing, Hosting, Leased line WAN's, Cloud Storage, other network based services and apps



BENEFITS OF LEASING IN TELECOMMUNICATIONS

Preserving lines of credit.

•Taking a loan taps into your line of credit that you may need further down the road.

Lowering costs.

•Traditional bank loans often require higher down payments and the loan has to be capitalized which means it cannot be depreciated.

Potential tax benefits.

•A lease may be treated as an operating expense and be fully tax-deductible.

The time/value of money

•Consider how spending your company's capital on equipment today could actually cost you money by not getting an immediate return. Instead, think about investing it on an appreciating asset.

Book keeping and profitability

•Better balance sheet management, better asset management & improved cash flow

Technology risk

•Technology changes very quickly in telecommunications. With a lease, your risk of getting caught with obsolete equipment is reduced because you can build upgrades and add-ons into the lease.



LEASE FINANCING OPTIONS

International Financial Institutions & Funding Agencies

- Export Import Banks
- Development Banks
- International Financial Institutions

Nigerian Commercial Banks

Lease Financing – Short to Medium Term

Others

- Equity Investment Companies
- Venture Capitalist
- Private Equity firms
- Capital Market
- Mezzanine: Hybrid- provision of loan and equity



TELECOMS LEASE FINANCE CHALLENGES

- SPECIALIZED EQUIPMENT
- LOW RESALE VALUE
- DIFFICULT REALIZATION OF ASSETS IN THE EVENT OF DEFAULT
- THIN MARGINS VIZ'A'VIZ HIGH COST OF FUNDS
- TECHNOLOGY RISK
- HIGHLY REGULATED INDUSTRY
- FREQUENT REGULATORY POLICY CHANGES



DIAMOND BANK'S FOOT PRINTS





43%



19%





















QUOTABLE QUOTE

Life is a lease, God is the Lessor

... Sarah Strohmeyer



THANK YOU

