

DEVELOPING TELECOMMUNICATIONS INFRASTRUCTURE IN NIGERIA:

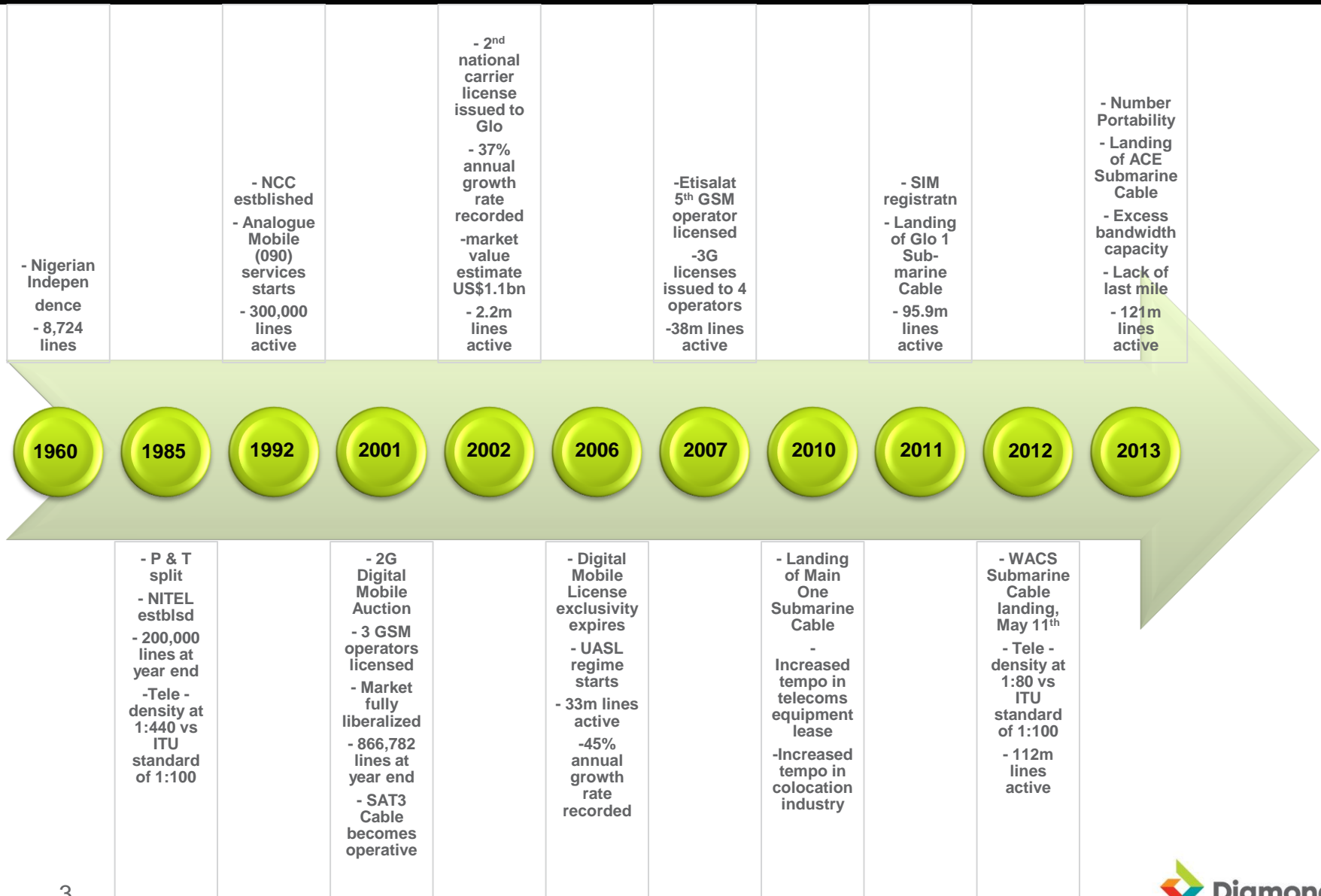
THE LEASING OPTION

NOVEMBER 21ST, 2013

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

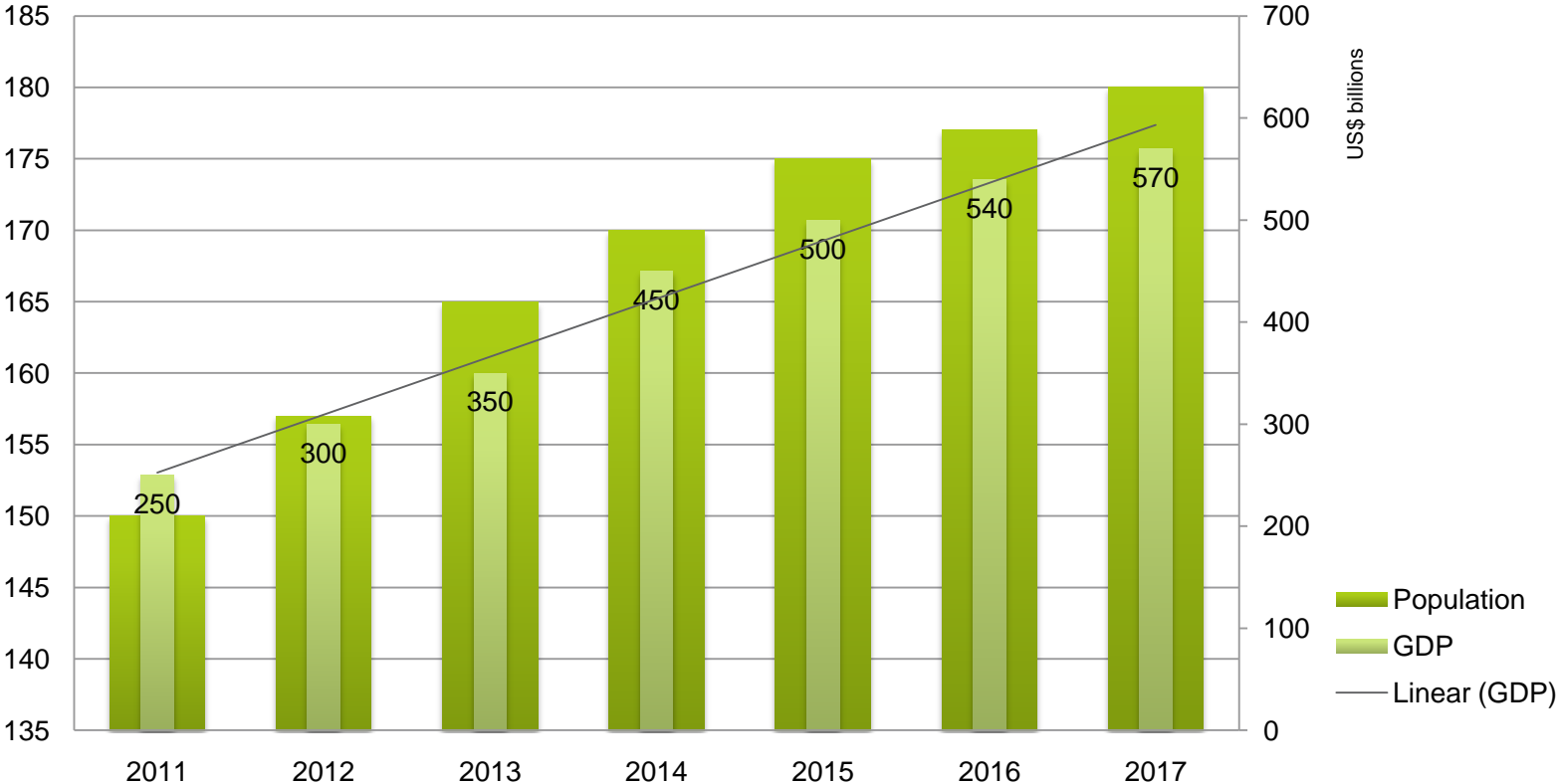
HISTORICAL OVERVIEW: THE TELECOMMUNICATIONS ENVIRONMENT



MACROECONOMIC UPDATE

High growth market with a young and rapidly expanding population

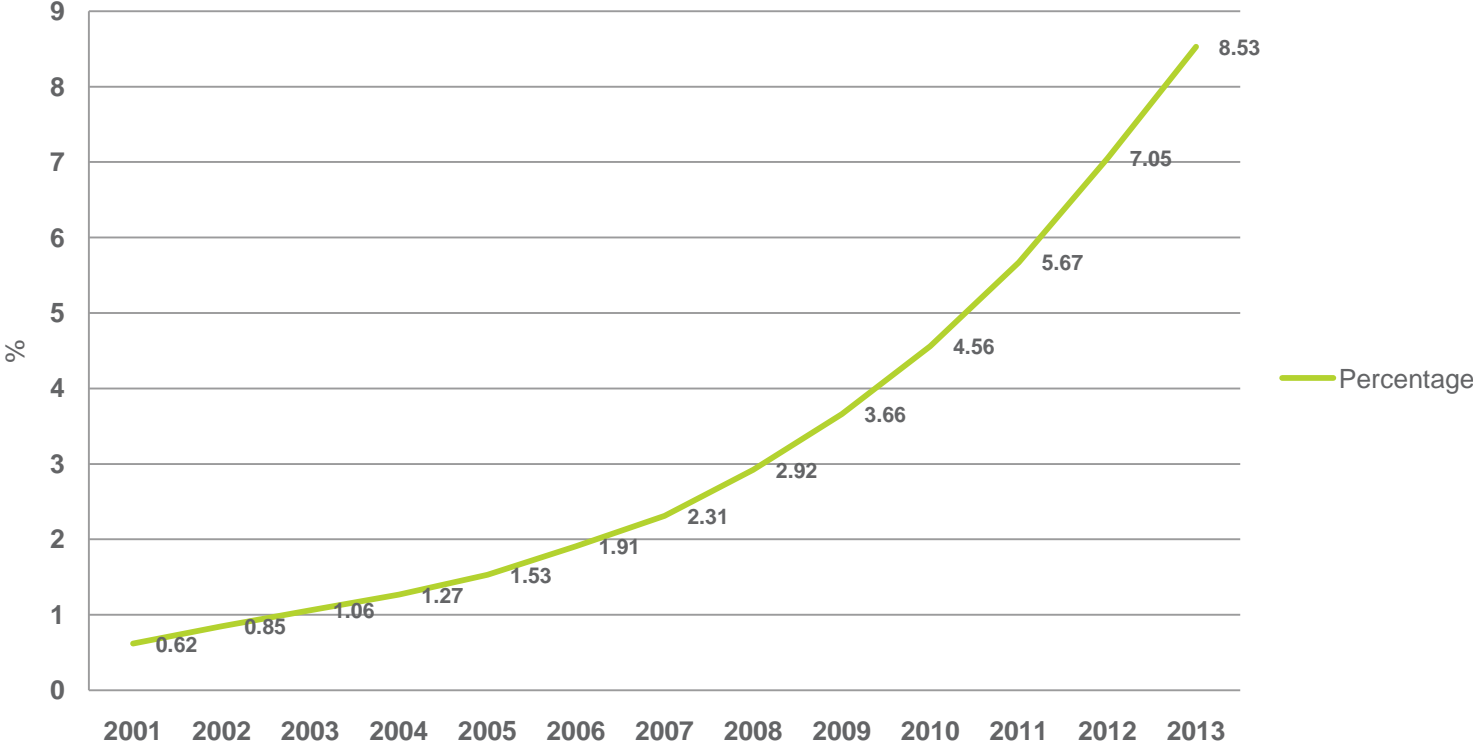
Nominal GDP and Population



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

11%



43%



19%



MULTI-LINKS

Starcomms
...hear for you.

CAPCOM

SWAP

 *smile* Now you can

NCC
NIGERIAN
COMMUNICATIONS
COMMISSION




Aquila
Leasing



QUOTABLE QUOTE

Life is a lease, God is the Lessor

... Sarah Strohmeier

THANK YOU