

# ***Why You Need to Make Working Capital a Priority***

***Barry Wolde Yohannes***  
***Group Treasurer, Celtel International B.V.***

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***Who  
we are...***

# Identifying opportunities



- **Celtel was a pioneer in meeting Africa's needs for telecoms infrastructure and services:**
  - ✓ When Celtel started in 1998 there were only 2 million mobile phones in Africa on a population of 850 million
  - ✓ Now Africa is the fastest growing region in the world for mobile phones
    - Last year there were more new mobile phone customers in Africa than in North America and Europe
  - ✓ Today there are some 150 million mobile users
  - ✓ Sub Sahara Africa still below 10% penetration
  - ✓ All of Africa at 18% penetration compared to over 100% in parts of Europe

# MTC Group Footprint



Operations in  
Kuwait, Lebanon,  
Bahrain, Jordan, Iraq  
and Sudan

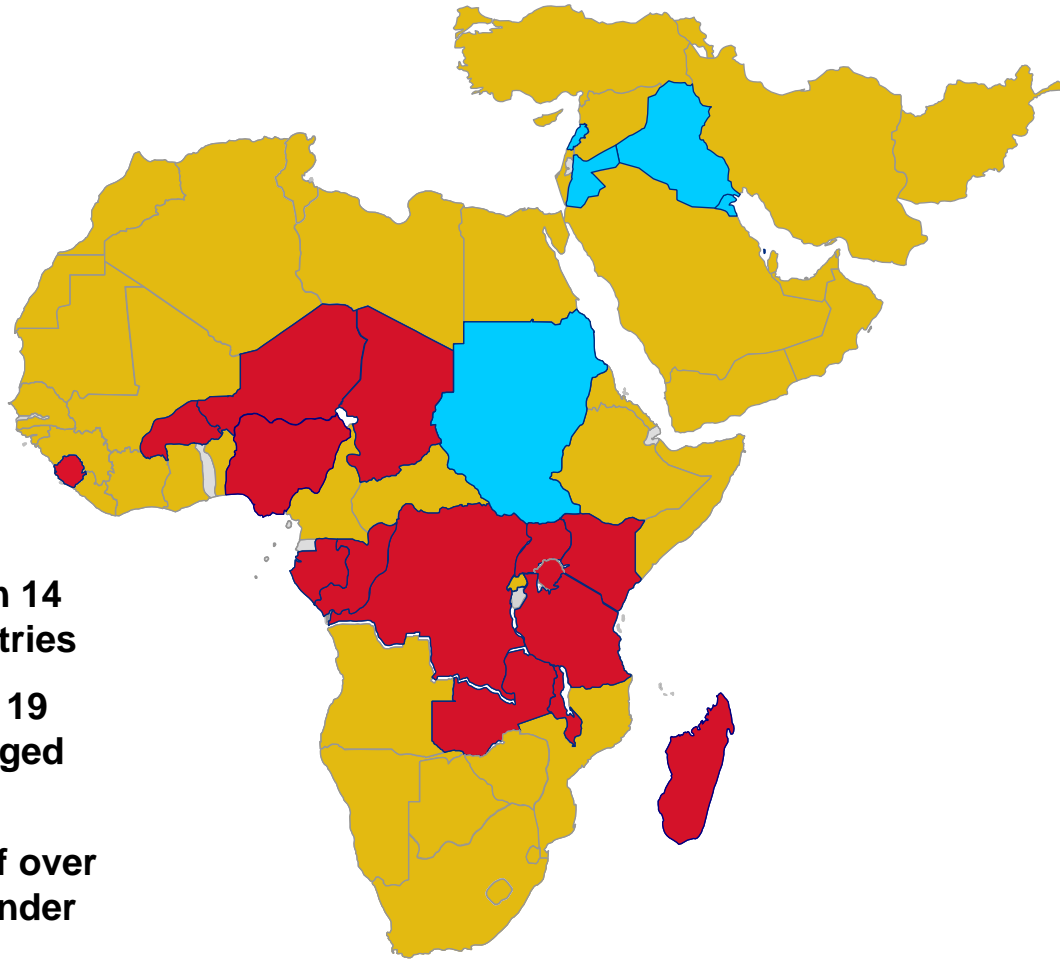
Serving over 11  
million managed  
customers



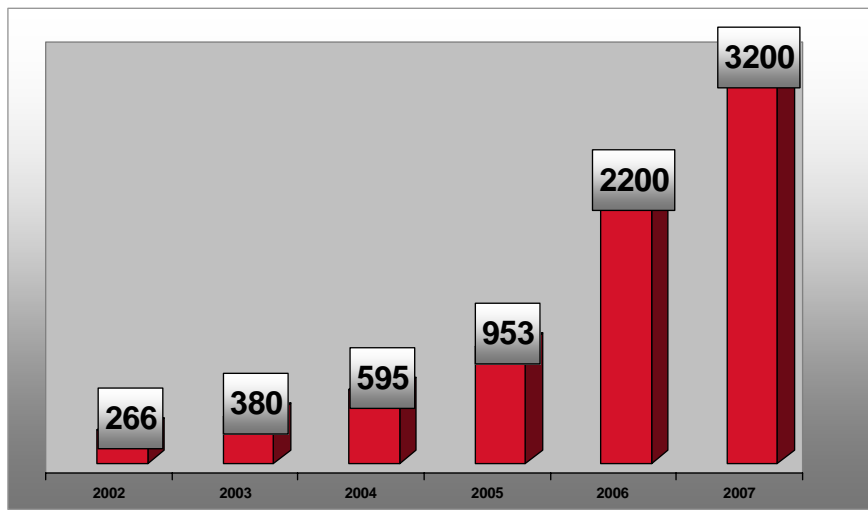
Operations in 14  
African countries

Serving over 19  
million managed  
customers

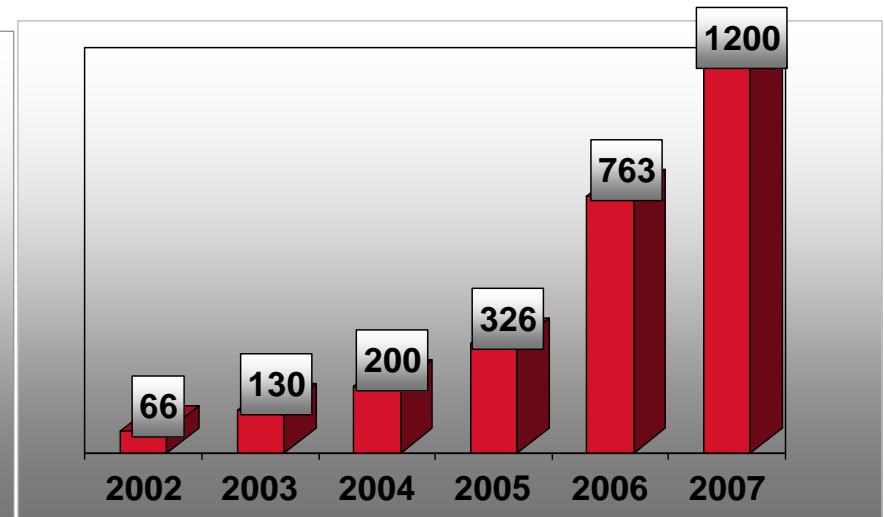
Population of over  
400 million under  
licence



# Celtel Revenue and Net Profit Growth : M USD



■ Revenue



■ EBITDA

# *African Business Challenges*



- Poverty-War-Famine-AIDS
- Poor Logistics
- Inadequate Infrastructure
- Stifling Regulatory Environment
- Non-developed Financial Markets

- Enormous Potential for Growth
- Untapped Markets and Resources
- Significant Economic Growth
- NEPAD : African Peer Review : Business Action for Africa : ICF
- World Bank (IFC) , FMO , Other NGO's

# *Celtel Business Model*

## *Analysis of Working Capital Components*



## **Revenue Channels**

- Prepaid Sim Cards and Scratch Cards
- Post Paid Credit
- Dealers/Partners Credit
- Interconnect
- Roaming



# ***Celtel Business Model Analysis of Working Capital Components***

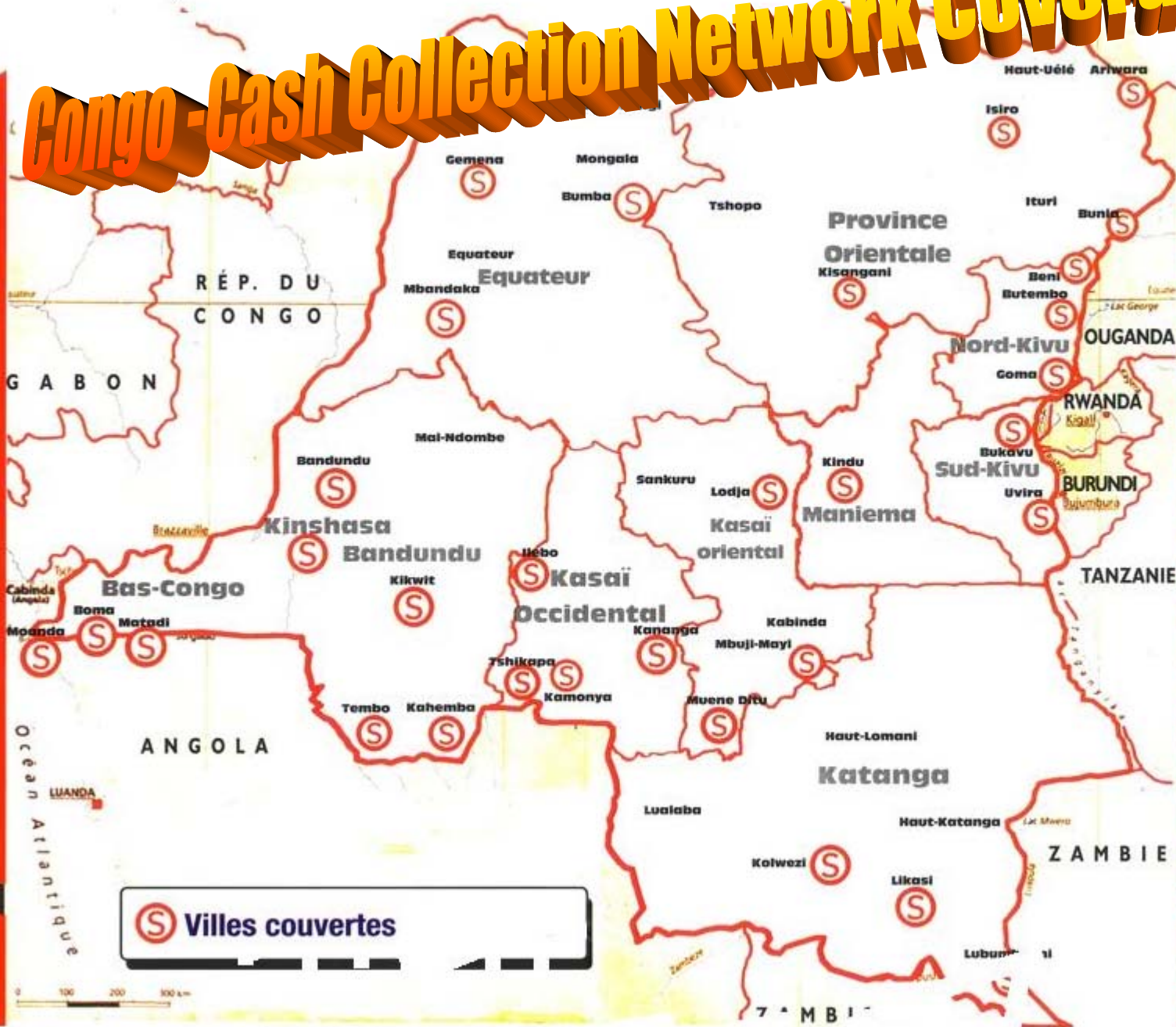


- **Prepaid Business**
  - ✓ **Cash Collection**
  - ✓ **Cash Concentration**
  - ✓ **Currency Exchange**
  - ✓ **Repatriation**

# The cash "BURDEN"



# Congo - Cash Collection Network Coverage



## VILLES COUVERTES

- KINDU
- KINSHASA
- KISANGANI
- KOLWEZI
- LIKASI
- LODJA
- LUBUMBASHI
- MATADI
- MBANDAKA
- MBUJI-MAYI
- MOANDA
- MWENE-DITU
- TEMBO
- TSHIKAPA
- UVIRA
- ZONGO

 **Villes couvertes**



# *CelTel Business Model*

## *Analysis of Working Capital Components*



### **Dealers/Distributors/Partners**

- ✓ Incentives
- ✓ Discounts
- ✓ Dealer credit kept to a minimum
- ✓ Promotions
- ✓ Active Retail Applications
- ✓ Use of regional bank branches as POS
- ✓ Avoidance of post-dated checks

# *CelTel Business Model*

## *Analysis of Working Capital Components*



- **Post-Paid Business**

- ✓ Limit Setting per Customer Category:

- Individual
- Corporate
- NGO
- Governmental
- VIP

- ✓ Clear Rules of Usage Control

- ✓ Clear Rules of for Customer Upgrades /Downgrades

# ***Celtel Business Model Analysis of Working Capital Components***



- **Interconnection – Termination Revenues**
  - ✓ High percentage of total revenues resulting from mobile termination
  - ✓ Protection of mobile termination rates to mitigate the natural decline in the termination revenues' business
- **Revenue Dependency**
  - ✓ Interconnection charges applicable to different types of traffic
  - ✓ Balance of traffic flows
  - ✓ Evolution of the market
  - ✓ Actions and Policies of the regulator
  - ✓ Debtor-decrease/increase in WCR to the extent of monies due from or owed to external parties
  - ✓ Dispute Settlement-Incumbent

# ***Celtel Business Model***

## ***Analysis of Working Capital Components***



## **Roaming**

- ✓ **Facilitates seamless communications across international borders and the primary aim of Celtel is to allow subscribers be continuously contactable on their home network number when abroad**
- ✓ **Continuous testing of roaming availability with various tools**

**One Network: seamless roaming within Celtel networks**

## **Roaming-Working Capital Implications**

- Efficient utilization and monitoring of Data Clearing Houses (EDCH)
- Single Point of Support in Data and Financial Clearing
- Online monitoring of bank balances for more efficient cash usage



# ***CelTel Business Model Analysis of Working Capital Components***



## **Payable Streams : OPEX/CAPEX**

- Vendor Rationalization
- Full Implementation of IPOS ( Integrated Purchase Ordering System for Sun Systems
- Integration with Advanced Inquiry and TMS for cash forecasting
- Batching of Payments
- Use of I/C Current Account for global settlements
- Clear rules and procedures for the P2P cycle
- Procurement Power

# *Optimizing Liquidity Management and Reduction of Working Capital*



- **Cash Flow Visibility**
- **Cash Flow Forecasting**
- **Cash Centricity**

# Treasury Reporting Tools



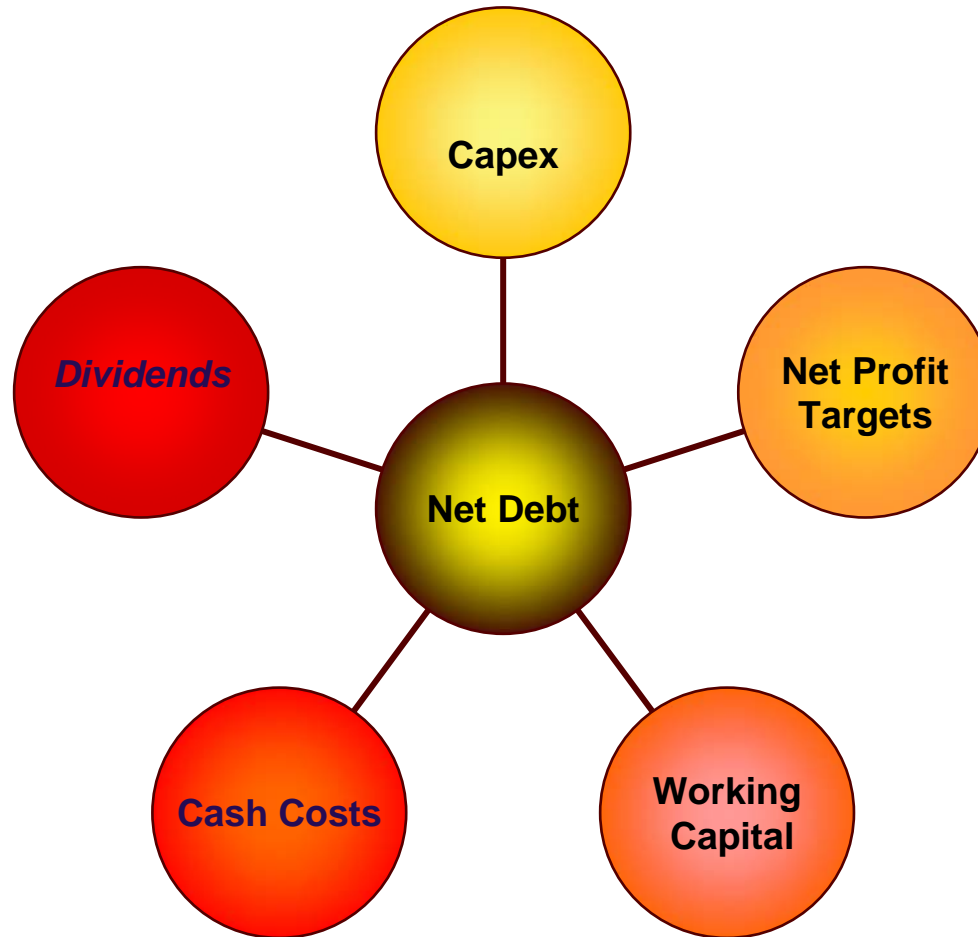
- Application of TMS to monitor subsidiary cash balances
- Web based solutions in spite of Internet band-width problems
- Use of CITRIX Platform

# *Holistic Approach to Cash Forecasting*



- 3 months by weeks + 9 months by months to be reported monthly on a rolling basis
- Systematic measurement of actual versus forecast accuracy for the latest month and YTD on a rolling basis.
- Forecasts submitted within the Avantgard Integrity system in local currency.
- System will allow 7 days for forecast completion and before processing.

# Success Factor: Establishing Net Debt Targets



# Celtel Treasury as Driver Towards Cash Centricity

FOCUS ON:

**CASH**

**as key performance indicator!!**

- Net debt targets for each Celtel OpCo
- Celtel Planning Board works strictly against a framework of net debt
- Constant monitoring of key rating ratios such as :
  - Cash from Operation vs. Net debt
- Cash-related performance measures in MRP  
(such as basic working capital ratios /Free Cash Flow
- Cash Performance Targets – such as cash upstream rate integrated in remuneration / bonus formulae.

# Benefits of WC Optimization Efforts at Celtel



- Increase Access to Funds to maintain and Expand Network Rollouts in remote areas within the framework of the company's **ACE** strategy
- Greater Operational Effectiveness in Accounts Payable and Post-Paid Receivables
- Reduce Foreign Exchange Exposure and Lower Transaction Costs
- Improve Control over African Investment Risk
- More Opportunity and Return on Idle Working Capital