



# Commercial and Technical Due Diligence Services

Coleago's Approach, Methodology and Deliverables

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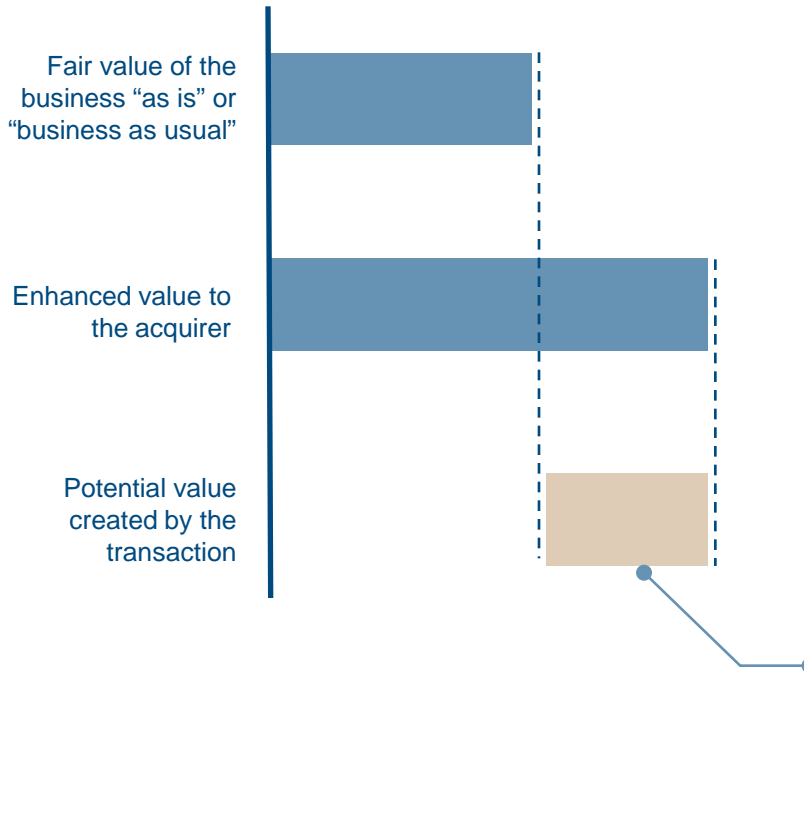
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## The objective of any M&A transaction is to create value

*When looking at a transaction and valuations our team focuses on performance improvement opportunities and takes a realistic and pragmatic view of potential synergies which are often difficult to realise post acquisition.*

### Coleago's Experienced Team Focuses Value Creation

The objective of any M&A transaction is to create value by acquiring a business for less than it is worth to the acquirer. Coleago is uniquely placed to focus on this issue, because all our consultants are senior industry professionals with a minimum of 12 often 20 years of experience gained in operations and consulting. We do not employ juniors. The post acquisition integration and turnaround experience of our consultants is particularly relevant in this context.



### Due Diligence is Supported by Robust Business Planning

Coleago's experience and expertise is channelled through a robust process supported by benchmarks and models. Coleago's structured approach, notably the business planning and valuation workstream, focuses on discovering the dynamics of the target business and hence supports the value creation objective. Good business modelling is also part of the verification aspect of due diligence because it will reveal inconsistencies in the seller's business case.

Following internal (data room) and external examination, Coleago models the business based on the seller's business case, i.e. on a "business as usual basis". This is the "fair value", i.e. what the business is realistically worth to the seller after making any appropriate adjustments to the seller's management case.

Coleago looks for performance improvements that will enhance value and incorporates these into the valuation. We also value potential synergies in a) the target company and b) the client's existing business.

The difference between the "enhanced valuation" and the "fair value" represents the potential for value creation and the boundaries for price negotiation.

In Coleago's view the value creation from a transaction should be primarily justified by enhancing the performance of the business. The value of synergies between the acquirers' business and target company should be treated with caution, since experience has shown that synergies often fail to materialise in practice.

# Commercial and technical due diligence should be more than just a verification exercise

*Coleago's experienced team and our tried and tested approach to due diligence ensure that the maximum value is obtained from a transaction and risks, where they cannot be avoided, are clearly understood.*

**M&A Wisdom**



"What you see is what you get; what you don't see gets you."

**Verification**



An aspect of the due diligence process is to verify crucial items of the seller's claims. Commercial verification may involve distributor contracts, dealer visits, etc. Technical verification would for example, involve site visits. In some cases the time scales do not allow for sufficient verification (such as visiting a sample of sites) and warranties may be required.

**Valuation**



Valuing the business and estimating the scope for improvements in performance and potential synergies provides the opportunity for creating value. The ability to take a creative but pragmatic and realistic approach to performance improvement is vital for credible valuations.

**Reduce Risk & Uncertainty**



While it may not be possible to reduce uncertainty, gaining an understanding of the key leavers that affect future cash flows will allow the acquirer to appreciate the risks of the transaction. In this context, Coleago's experience is essential to identify and assess risk effectively.

**Improve Negotiating Power**



In any M&A transaction there is an information asymmetry. The buyer will never quite match the seller's knowledge of the business and its prospects. If the due diligence team performs its role well the buyer can reduce the asymmetry and increase its negotiating power.

**Plan for Integration**



The process of understanding the environment, the strategy, competition, and operations of the business puts the buyer into a position to plan for post acquisition integration. Coleago's experienced due diligence team and our effective process ensures that the deal actually creates value.

## Coleago's approach is based on our experience gained in due diligence and planning projects

*Working to the appropriate level of detail and focusing on the right issues is essential, especially as timescales are often very tight*

<p><b>The level of detail</b></p>	<p>Having modelled hundreds of telecoms businesses we have the tools and skills to generate models at the appropriate level of detail that can answer the fundamental questions associated with a transaction.</p> <ul style="list-style-type: none"> <li>● The level of detail should be high enough to ensure that the process can be completed in the time available. Coleago's experienced consultants know how to focus on the small number material factors that drive the bulk of the valuation.</li> <li>● Without reasonably detailed modelling of the business, it will not be possible to discover areas for value enhancement, for example:             <ul style="list-style-type: none"> <li>– It is only possible to understand whether opex savings can be achieved and to what extent, if opex is modelled at a departmental level and the key cost lines are identified.</li> <li>– There must be a product and service roadmap that supports the business plan assumptions going forward, notably revenue increases, or else such projections are merely wishful thinking.</li> </ul> </li> </ul>
<p><b>Operational KPIs</b></p>	<p>The operational experience of Coleago's consultants enables them to understand what KPIs are of real importance. This insight is enhanced by our benchmark library.</p> <ul style="list-style-type: none"> <li>● Ideally it should be possible to gather a great deal of operational KPIs, i.e. KPIs that go beyond the usual churn, SACs, and headcount ratios. By analysing these KPIs against benchmarks, areas of underperformance or wastage may be identified. Such KPIs should be available in:             <ul style="list-style-type: none"> <li>– the commercial area for distribution, customer care (including activation), and billing;</li> <li>– the technical area depending on the type of operation, KPIs such as platform availability, network availability, call failure rate, call drop ratio, congestion, international traffic ASRs, etc.</li> </ul> </li> </ul>
<p><b>Long and short term trends</b></p>	<p>Coleago makes effective use of trend analysis not only to generate correct assumptions for the business plan but also to identify long term problems and highlight new concerns:</p> <ul style="list-style-type: none"> <li>● Looking at a 3 or 5 year historic time series can identify long term problems: For example in order to increase free cash flow, there may have been underinvestment in the network, leading to quality problems. This would be apparent from tracking network KPIs. Such a strategy works in the short term, but as quality problems persist, churn will increase. In this case the first task of the acquirer must be to catch up in terms of network investment thus increasing capex and hence reducing the valuation.</li> <li>● A sudden departure from recent monthly trends or "run rates" may reveal a new problem or the establishment of a new trend. Coleago's consultant have the experience to probe in Q&amp;A sessions with the seller's management for explanations of such deteriorations in run rates.</li> </ul>

# Coleago's integrated commercial and technical due diligence process

*Our integrated approach to commercial and technical due diligence is based on years of experience.*



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## About Coleago Consulting

A brief introduction to Coleago Consulting, our expertise and experience

# A leading boutique telecoms consulting and training firm

*Based in the UK  
Coleago provides consulting and training services to global and regional telecoms, media and technology players*

## Operators and regulators

Telecoms operators around the world trust Coleago to provide insight and advice on key strategic and commercial issues through our broad range of consulting and training services.

## Experience based consulting approach

We do not use inexperienced associates or analysts – all our consultants have a minimum of 10 years experience and most have over 15 years, often at board level in operational businesses. Our insight and advice is therefore based on practical experience and proven processes and methodologies developed over many years. Clients can be confident that their project will be delivered by Partner and Senior Manager level consultants from start to finish and our solutions and recommendations will be credible, relevant, realistic and practical.

## Developed and developing market experience

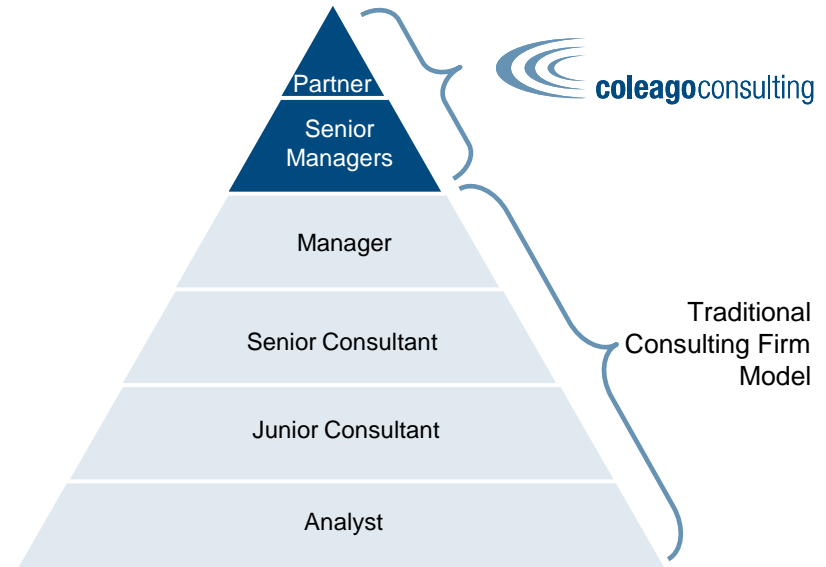
Coleago has worked with clients in developed markets and also in some of the most challenging emerging markets including the Yemen and the Sudan and we have launched and operated GSM businesses in countries such as Algeria.

## Small, effective teams

Our consultants are highly experienced, multi-skilled and have extensive project management experience. This allows Coleago to deploy smaller teams as we do not require the hierarchy of traditional consultancies to manage large teams of juniors. Clients find our small teams easier to work with and integrate into their own project teams.

## Exceptional value

By eliminating many of the overheads of traditional firms we are able to offer end-to-end partner level consulting at fee rates that provide exceptional value.



## Advice covering a broad range of technologies

We have advised clients on wireless, fixed, cable, satellite and fibre based technologies. We have specialist expertise in spectrum valuations and spectrum auctions have participated in more than 50 awards since 1994.

## Media and technology experience

We have developed strategies and business plans for media companies, TV channels and web based businesses as well as technology companies.

## Innovative training services

Coleago has developed a range of training and management development programmes, including a War Game (business simulation)

# We provide a broad range of consulting services

*We specialise in telecoms business analysis, planning and modelling to ensure that our advice and recommendations deliver increased shareholder value*

<b>Strategy &amp; Business Planning</b>	Strategy Development, Marketing Strategy	War Gaming	Business Planning	Business Modelling
<b>Spectrum and Licences</b>	Spectrum Strategy	Spectrum Valuation for Auctions	Spectrum Auction Bid Strategy	Licence Applications
<b>Marketing &amp; Customer Management</b>	Market Forecasting & Market Planning	Market Segmentation & Customer Insight	Customer Life Time Management	Improving Customer Care
<b>Due Diligence</b>	Commercial Due Diligence	Technical Due Diligence		
<b>Business Transformation &amp; Cost Reduction</b>	Cost Reduction	Restructuring	Turnaround	
<b>Improving Network Performance</b>	Network Audit	Network Sharing	Outsourcing	
<b>Regulation &amp; Interconnect</b>	Interconnect Cost Modelling	Interconnect Agreements and RIO	Regulatory Strategy	Accounting Separation
<b>Digital Content &amp; Media</b>	TV Business Planning	Digital Media Strategy	Digital Content Monetisation	
<b>Fund Raising</b>	Information Memorandum	Equity Fund Raising	Debt Fund Raising	

## Commercial and technical due diligence experience

*Coleago's team have a wide experience of due diligence projects in developed and emerging markets*

### M&A Specialist Leads the Due Diligence Coleago Team

Scott McKenzie, is an M&A specialist with extensive experience in due diligence from the acquirer's side. As Chief Strategy Officer at KPN Mobile International he directed the M&A team that executed **six bolt on acquisitions worth circa €400m between 2006 and 2008** (Ortel Mobile - ethnic MVNO active in the Netherlands, Belgium and Germany; Blau Mobile - ethnic and discount MVNO in Germany; Tele2 Belgium - Consumer DSL and business telco in Belgium; Allo Telecom - Mobile phone retailer in Belgium; GSM Point Service - Mobile phone retailer in Belgium; SMS Michel - Mobile phone retailer in Germany). In addition he oversaw **the due diligence on an further dozen other potential targets**.

#### Sample of recent Coleago due diligence projects

P4	Poland	Provided full technical due diligence of the planning, delivery, invoicing, network implementation and commissioning and draw down requirements for a UMTS network roll-out in Poland
Meditel	Morocco	Provided commercial and regulatory due diligence to advise Qtel on the potential acquisition of Telefonica's and Portugal Telecom's stake of Meditel (mobile operator in Morocco). In the end the Moroccan shareholders exercised their pre-emption rights.
Tango	Luxembourg	The client, KPN, sought to acquire an integrated GSM mobile and fixed operator in Luxembourg. Coleago conducted commercial due diligence and modelled the business under different scenarios, including a challenger strategy. Coleago provided a valuation range for the target company.
One	Austria	The client, KPN, sought to acquire a GSM mobile operator in Austria country. Coleago provided the commercial and technical due diligence and modelled the business under different scenarios, including a challenger strategy. On this basis Coleago provided a valuation range for the target company.
Camtel	Cameroon	The government of Cameroon had invited investors to bid for the shares of Camtel and simultaneously acquire the 3rd GSM licence. Coleago attended the investors conference of behalf of the client, Warid, and prepared an initial assessment of the proposed transaction, identifying key problems in the structure of the proposed transaction and the business opportunity.
Sunrise	Switzerland	Pre-due diligence in anticipation of Sunrise being put up for sale. Coleago conducted external and company analysis based on public information for KPN. 0 year business planning model, "as is" fair value valuation, enhanced valuation scenarios and an enhanced valuation.
Bouygues	France	Same scope as for Sunrise.

## We offer an innovative suite of training, development and coaching services

*Our telecoms War Game is a unique and exceptional management development platform and our Dragons' Apprentice offers a new approach to team building*

### Specialist Telecoms Trainers

Our trainers are first and foremost telecoms industry experts who are able to gain the respect of programme participants. They are also outstanding trainers with a passion for their subjects.

### Telecoms Focus

Our programmes are developed exclusively for the telecoms sector and use real life telecoms case studies, examples and benchmarks throughout.

### Bespoke Solutions

We develop bespoke solutions for clients often utilising information about their specific markets to illustrate key points.

### Tailored Deliver

We provide pre-course questionnaires and hold telephone interviews with every participant to ensure that each and every delivery contains the right content delivered at the appropriate level.

### Innovative Programmes

We use simulation tools, role plays and challenging case studies to provide an entertaining and rewarding learning experience.

### War Gaming

Our War Game process is the most realistic simulation of a telecoms market currently being offered and is the closest thing to running a telecoms business after actually running a telecoms business!



# Coleago has delivered assignments for global operators and smaller players

Our clients include fixed and mobile operators, MVNOs, equipment vendors, regulators and content providers

## Coleago's consultants lead and shape the industry

*Coleago is regularly asked to speak at key telecoms conferences around the world as well as sitting on governmental working groups and industry bodies that shape the future of the industry*

### Business texts written by the founders of Coleago



### Guide to Business Planning named Outstanding Academic Title 2009

The Guide to Business Planning, a book authored by Graham Friend and Stefan Zehle the Directors of Coleago, which recently appeared in its 2nd edition was named as one of the "Outstanding Academic Titles, 2009 (Business and Economics)" by Choice, the US academic review journal.

Source: Choice, 5th of January 2010  
[www.lib.uwo.ca/news/business/2009/12/23/outstandingacademictitles2009businesseconomics.html](http://www.lib.uwo.ca/news/business/2009/12/23/outstandingacademictitles2009businesseconomics.html)

### Participating in shaping the telecoms industry

- Coleago's consultants are actively involved in telecoms industry events. For example, Stefan Zehle, Coleago CEO, spoke at over 20 conferences and forums, and most recently at the GSMA Spectrum Workshop in London (June 2010).
- Coleago consultants are cited in the press world-wide including Total Telecom, Wall Street Journal, Wall Street Journal Asia, Deutsche Welle, Business & Economy India, Financial Times, New York Times, BBC News.

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