



## Dialog Axiata PLC

Up-Scaling Enterprise &  
Broadband Play via  
Fixed Sector Consolidation

# Acquisition and Amalgamation of Suntel by Dialog Broadband

Dialog Axiata PLC

Overseas Telecom AB & Others

Acquisition  
of 100% Shareholding

DBN

Suntel

## Fixed Sector Positioning

- CDMA WLL
- Enterprise VPN/MPLS
- Voice & Data Services

Market Share

5%

Market  
Position

4

- WiMAX 16D BWA
- Tele-Infra
- Fibre Optic Transmission

## Fixed Sector Positioning

- CDMA WLL
- Enterprise VPN/MPLS

Market  
Share

11%

Market  
Position

2

- WiMAX 16D BWA
- Voice & Data Services

## DBN – Suntel Merged Entity

## Fixed Sector Positioning

- CDMA WLL
- Enterprise VPN/MPLS
- Tele-Infra

Market Share

16%

Market  
Position

2

- WiMAX Broadband
- Voice & Data Services
- Fibre Optic Transmission

## Valuation & Multiples

- Enterprise Value:  
USD 33.9mn - 34.9mn
- EBITDA Multiple<sup>1</sup>:  
3.0x – 3.1x
- Revenue Multiple<sup>1</sup>:  
0.8x

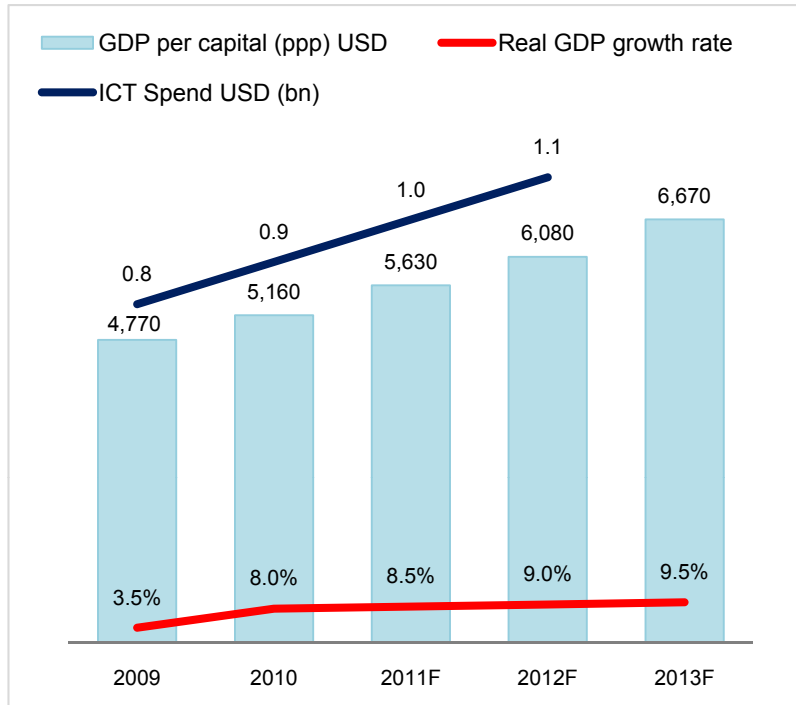
## Headline Transaction Outcomes

- Revenue Accretive to Dialog Group circa 12%<sup>2</sup>
- EBITDA Accretive to Dialog Group circa 9%<sup>2</sup>
- PAT Accretive to Dialog Group
- Strong No. 2 Position in the Fixed Telecommunication/ Converged Services Sector

<sup>1</sup> based on USD 1 = Rs 114

<sup>2</sup> based on FY 2010 Financials

# Economic Growth Projected to Drive Fixed and Converged Services Momentum



Source: EIU, World Bank, Global Insight, Central Bank of Sri Lanka

Enterprise & SME Fixed/Converged Services Market will Grow by 10% CAGR (2010-15)

- Per Capita GDP % on ICT Spend Expected to Increase from 1.9% in 2009 to 2.5%+ by 2012
- Enterprise/SME Sector is Expected to be a Early Driver of Economic Resurgence and ICT Consumption

## Enterprise/SME Growth will Translate to Enhanced Demand for Fixed /Converged Services

- |                    |                          |                    |
|--------------------|--------------------------|--------------------|
| • IP Data Networks | • Enterprise Voice/Video | • Cloud Services   |
| • Data security    | • SME Connectivity       | • Managed Services |
| • IPLC services    | • High Speed Broadband   | • Hosted services  |

**Significant Market Position and Cost/Service Competitiveness** in Fixed/Convergent Services Domain will be a Strategic Lever to **Capture ICT Growth Potential Accruing from Economic Resurgence**

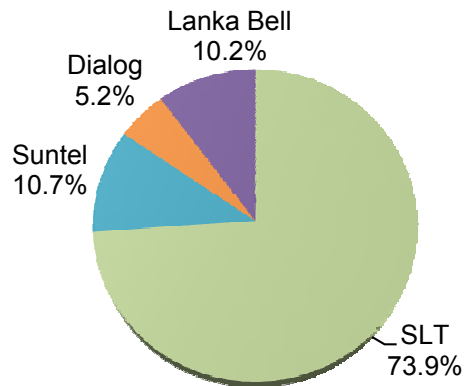
# DBN Last Entrant in Fixed Telecom Space- Stable Performance

## Financial Metrics

(in Rs mn)	9M 11	YTD Change
Revenue	1,772	+0.1%
EBITDA	456	+>100%
EBITDA Margin	26%	+17pp
PAT	(658)	+31%

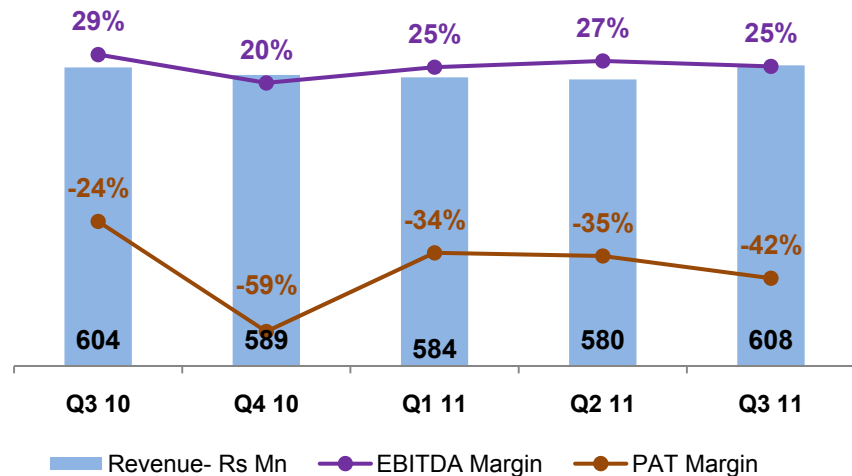
- Stable Financial Performance Featuring Six Consecutive Quarters of Positive EBITDA
- Increasing Traction in Enterprise and SME Segments
- Fiber Optic Network Rollout in Progress

## Fixed Sector Revenue Market Share



\* Full year 2010

## Financial Performance Trends



**Lagging Market Position on the Backdrop of Fragmented Market Structure Deemed Sub Optimal vis a vis Dialog Group Aspiration to Capture Major Share of ICT Growth Potential**

# Suntel – Premier Positioning and 2<sup>nd</sup> Ranked Fixed Player

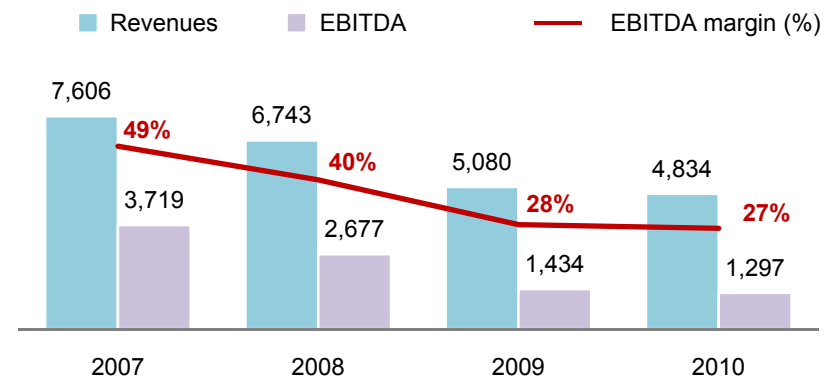
## Business Overview

- Commenced Operations in 1996 and Privately Controlled by Overseas Telecom AB (Sweden)
- Performance Trajectory Stabilised 2009/10 via Revenue and Cost Initiatives Following the Decline during 2007–2009 due to Price Competition on the Backdrop of Fixed Cost Structure
- Possesses 800 MHz CDMA, 3.5GHz, WiMAX 16D Spectrum Licenses. Recently Awarded 2.3GHz BWA Spectrum
- Comprehensive Coverage Based on 380+ Base Stations
- Product portfolio Includes Corporate Voice Solutions, Direct Point to Point and Point to Multi Points Connectivity, Data Management, Managed Services and International Private Leased Circuits

## Market Performance

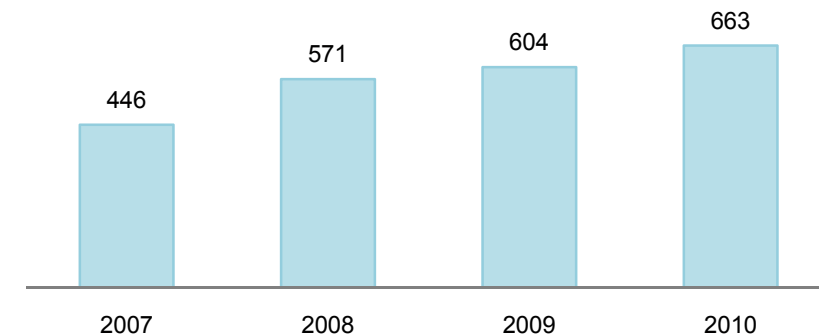
- Suntel is Ranked 2<sup>nd</sup> in the Fixed/Converged Services Enterprise /SME segment
- 350,000+ CDMA Subscriber Base on its 800 MHz Spectrum Network. Ranked No 3 in Retail Fixed Telecom Space

## Revenues and EBITDA (Rs mn)



Source: Revenue is based on audited financials, EBITDA is based on management accounts

## Subscribers<sup>1</sup> ('000s)



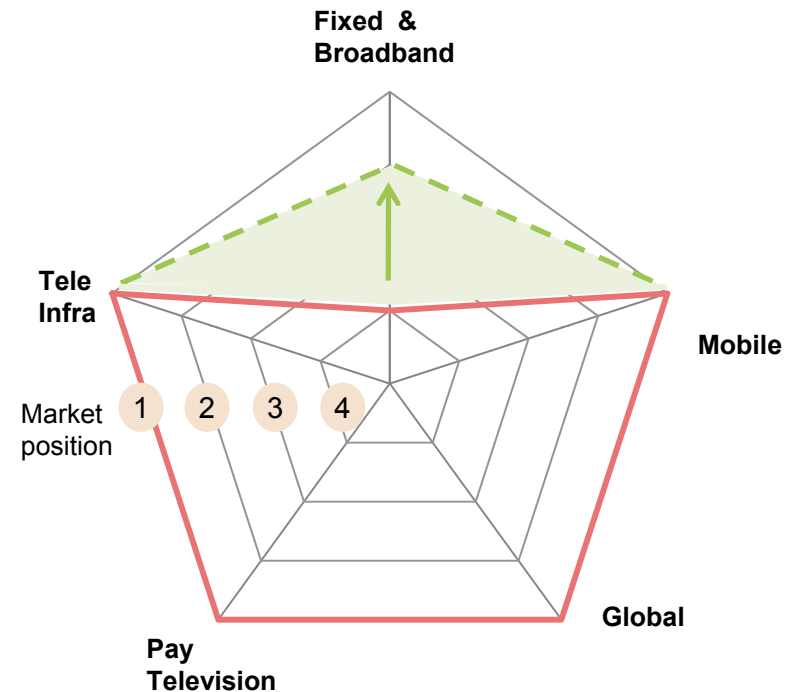
<sup>1</sup> Connected Subscribers/Lines

**Suntel Provides Fixed Telephony and Converged Voice/Data/Broadband Services to circa 0.7mn Corporate and Retail Consumers and is a Preferred Telecom Partner to a Large Base of Enterprise/SME Clientele**

# Acquisition Rational Centered on Scale, Cost Leadership and Establishing a Platform for Growth

- ❑ Internalise and Imbibe Fixed /Converged Services Operations Framework and Core Competencies of Suntel
- ❑ Secure Critical Mass and Scale in Fixed/Converged Services Space
- ❑ Combine Scale of Suntel with Modern Infrastructure (Radio Access and Fibre Optic Backbone) of DBN to Provide Cutting Edge Service Portfolio to Targeted Sectors
- ❑ Secure Position of Strength in Enterprise/SME Sectors while Elevating Combined Market Position in Retail Segment
- ❑ Cost Synergies of up to Rs 600mn Leading to Superior Cost Competitiveness
  - ✓ Optimization and Maximisation of Network Footprint – Tower Sites, Access Networks, Network Redeployment
  - ✓ Network Consolidation and Spectrum Rationalisation – CDMA, WiMAX, Transport
  - ✓ Outlet Network and Support Operations Rationalisation

## Dialog Group - Sector Positioning



**Acquisition will Elevate the Position of Dialog Group within Fixed/Converged Services Segments to a **Strong No.2** on a platform of **Product Strength, Cost Leadership and Converged Brand Strength****

# Transaction Summary

The Transaction will Lead to Dialog Broadband Acquiring and Thereafter Merging with Suntel, Resulting in the Formation of a **Strong No 2 Player** in the **Fixed/Converged Services Space**

Enterprise Value of Suntel is in the Range of USD 33.9mn– 34.9mn Corresponding to **Valuation Multiples of 3.0x to 3.1x of FY10 EBITDA** and **3.5x to 3.6x of Annualised FY11 EBITDA Forecast (based on nine months 2011)**

## Dialog Group Financial Impact

- Revenue Accretive to Dialog Group circa 12%<sup>1</sup>
- EBITDA Accretive to Dialog Group circa 9%<sup>1</sup>
- EBIT Neutral & PAT Accretive

## Transaction Outcomes

- Combination of DBN and Suntel will Create a Strong No 2 in the Fixed/Converged Services Space, Strongly Placed to Capture the Upswing in Demand for Fixed/Converged Services from Enterprise/SME Sectors on the Backdrop of Economic Growth
- Projected Annualised Cost Savings up to Rs 600mn through Synergy Extraction Leading to Position of Enhanced Cost Competitiveness

## Next Steps Leading up to Closure

- Confirmatory Due Diligence
- Suntel will Align Depreciation Policies to Dialog Group and Effect Changes to Carrying Value of Fixed Assets
- Operating Cost Framework will be Restructured to Reach Alignment with Dialog Group Benchmarks
- Debt Restructuring in Alignment with Dialog Group Capital Structure

<sup>1</sup> based on FY 2010 Financials

# Thank You

## For Further Information

Contact : Investor Relations Team, Dialog Axiata PLC

Mobile : +94 777 334363

Email : [ir@dialog.lk](mailto:ir@dialog.lk)

Web site : [www.dialog.lk](http://www.dialog.lk)