

WI SNAPSHOT (Issue #17)

Canada marks brave new frontier for Orascom

Egypt-based Orascom Telecom and its majority-owner Weather Investments manage one of the most diverse mobile operator portfolios in the world. According to our calculations, mobile operators affiliated to Orascom and Weather had just under 100 million (98.5 million) total mobile connections worldwide by end of second-quarter 2008, and a proportionate connections base (weighted by % ownership in each operator) of 84.6 million

The group is best known for its Wind brand in Europe, its Northern African footprint and its presence in politically volatile markets such as North Korea, Zimbabwe and, until recently, Iraq. However, this year Orascom has emerged as a major backer of Globalive Communications - one of the big winners in Canada's recent [Advanced Wireless Services spectrum](#) auction - and has even been linked recently with a possible acquisition of [Telekom Austria](#).

Globalive was one of the biggest spenders in the Canadian auction, paying C\$442 million (US\$415 million) for mobile licenses in every part of the country with the exception of Quebec. It is planning to [launch services](#) in the second half of next year and is widely expected to partner with other spectrum winners - most likely Quebecor - in order to provide nationwide coverage.

Orascom says its stake in the fledgling operator is worth around US\$500 million to US\$700 million over the next four years, giving Orascom an equity Internal Rate of Return (IRR) of around 20%. The Canadian mobile market is currently dominated by three established operators (Rogers Wireless, Telus Mobility and Bell Canada Mobility), but Orascom is hoping that the country's low mobile penetration rate will allow room for Globalive to grow. Mobile penetration in Canada was just 62.1% by end of second-quarter 2008 and is unlikely to surpass 100% for another decade.

Orascom has confirmed that it will focus initially on urban areas to avoid the capex requirements in building-out its network to Canada's vast rural areas, and will look to further reduce capex via site sharing and roaming agreements. It estimates that 81% of the population - around 25 million people - are considered urban. It is targeting 1.5 million subscribers within three years from launch with a long-term target of 3.5 million. It expects to be EBITDA positive by 2012.

Meanwhile, the largest markets within the Orascom group (not including Italy and Greece, which are wholly-owned by Weather) are Algeria (Djezzy), Pakistan (Mobilink) and Egypt (Mobinel), which accounted for 52%, 25% and 17%, respectively, of group first-half 2008 earnings (EBITDA). In each of these markets, Orascom is market-leader. It also claims to be strengthening its position in Tunisia (Wataniya Tunisiana) and Bangladesh (Banglalink) where it has stakes in the second-placed operators.

Further expansion into Africa is already underway. In May this year the group created a new subsidiary, Telecel Globe, to look into small-sized acquisitions in the continent and has already set-up operations in the Central African Republic and Burundi. Orascom's chairman and chief executive Naguib Sawiris recently hinted that the group could enter as many as [six new African markets](#) within the next 12 months. Earlier in the year, Orascom also announced it had won the first commercial mobile license in [North Korea](#) and plans to invest US\$400 million over the next three years building a WCDMA network in the country.

Matt Ablott, Analyst, Wireless Intelligence: *"Globalive is likely to be the only new Canadian entrant to provide a near-nationwide alternative to the country's three existing mobile operators. It has an existing base of around 1 million Internet and fixed-line customers it can market to immediately, and providing a 'value-for-money' alternative to the high-priced incumbents should be straightforward. It should also be successful in targeting growing niche markets such as immigrant communities, ethnic minorities and single-occupant households.*

However, capex constraints will mean services are limited to the main urban areas and further network expansion may require regulatory assistance. Orascom's commitment to Globalive reflects the group's desire to diversify into developed, high-ARPU, industrialised markets, which will complement its investments in emerging markets elsewhere in the world."

Operator	Market	% Ownership	Total Connections	Proportionate Connections	Annual Connections Growth	Market Share	Market Position
Mobilink	Pakistan	100.00%	32,032,363	32,032,363	21.03 %	36.95%	1/5
MobiNil	Egypt	34.66%	17,518,000	6,071,739	47.20 %	50.57%	1/3
Wind*	Italy	100.00%	16,100,000	16,100,000	5.92%	17.84%	3/4
Djezzy	Algeria	96.81%	14,197,208	13,744,317	18.62 %	47.98%	1/3
Banglalink	Bangladesh	100.00%	9,456,688	9,456,688	83.35 %	21.66%	2/6
Wind (Hellas)*	Greece	100.00%	4,835,776	4,835,776	10.31%	25.76%	3/4
Wataniya Tunisiانا	Tunisia	50.00%	3,893,044	1,946,522	22.80 %	46.52%	2/2
Tel Zim	Zimbabwe	60.00%	245,176	147,106	9.23 %	22.76%	3/3
Telecel Burundi**	Burundi	100.00%	152,091	152,091	29.15%	50.90%	1/3
Centrafrique**	Central African Rep.	100.00%	66,585	66,585	20.56%	57.73%	1/2
Globalive	Canada	20.00%***					
CHEO	North Korea	75.00%					
TOTAL			98,496,931	84,553,187			

Orascom Telecom / Weather Investments: Operator Portfolio: Q2:2008

Source: Wireless Intelligence

*: Wholly-owned subsidiaries of Weather Investments / **: Ownership via Telecel Globe / ***: Equity IRR

About Snapshot

Snapshot is a new media service from the Wireless Intelligence team dedicated to delivering timely market intelligence and analysis for the global mobile industry. Published every week, Snapshot is designed to offer an instant insight into the latest developments affecting the fast-moving mobile market.

To speak to a Wireless Intelligence analyst on this week's topic please e-mail: info@wirelessintelligence.com

About Wireless Intelligence

Wireless Intelligence is a database on the global mobile market. It covers all mobile technologies and includes 1,250,000 individual data points spanning 670 mobile network operators and 1300 networks in over 200 countries. It is the de facto industry tool for market intelligence with a subscriber base of over 500 of the world's mobile operators and leading equipment manufacturers.

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