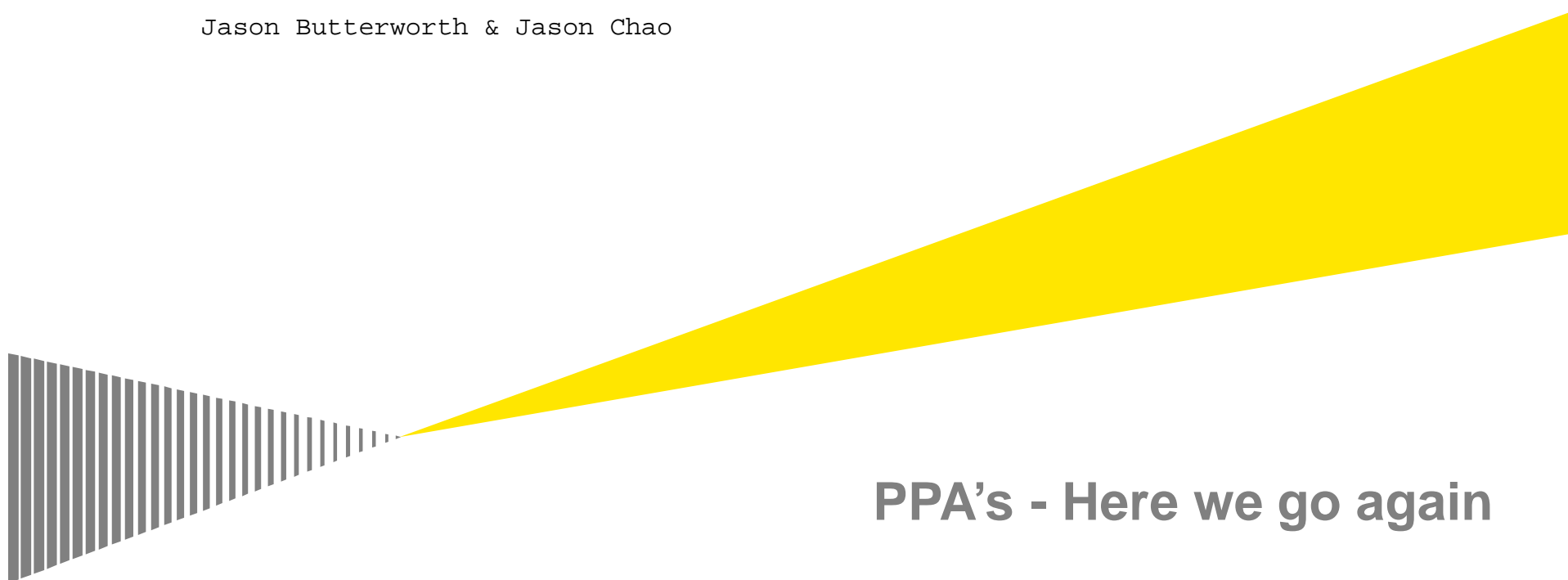


# TFI Communications Technology Asset Valuation Conference

January 2014

Jason Butterworth & Jason Chao



PPA's - Here we go again



# Valuations – What stays the same

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- ▶ **Process**
- ▶ **Primary assets to be determined and valued**
  - ▶ Focus on spectrum and customers as primary intangible assets
  - ▶ Tangible assets are primarily the network infrastructure
- ▶ **Obsolescence considerations**
  - ▶ Technology sun-setting through a reduced remaining life
  - ▶ Excess capital cost through a replacement cost new analysis of the RAN and Core networks

# Valuations – What's new

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- ▶ **Significant redundancy/decommissioning**
  - ▶ Network assets
  - ▶ Decommissioning plan
- ▶ **Incompatibility**
  - ▶ Spectrum band
  - ▶ Equipment vendors
  - ▶ Software and right to use license fees
  - ▶ Market alignment of spectrum band and vendor
- ▶ **Customer migration**
  - ▶ LTE migration is faster
  - ▶ 2G/3G migration is slower
  - ▶ Customer contracts - prepaid program

# Valuations – What's new

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- ▶ **Equipment vendor contracts**
  - ▶ Large committed funds
  - ▶ Highly customized and inflexible contracts
  - ▶ Tailored terms and conditions – pricing discounts, maintenance, etc.
- ▶ **Cost considerations**
  - ▶ Redeployment/Repurposing
    - ▶ Costs can be significant
  - ▶ Transaction synergies

# Valuations – Other considerations

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- ▶ **Integration plans**

- ▶ A very analysis intensive process to determine a specific decommissioning plan
- ▶ Requires a significant effort by the Company and can be time consuming
- ▶ The valuation approach needs to align

- ▶ **Valuation timing**

- ▶ Many assumptions that are key to the valuation can be developed prior to the transaction closing
- ▶ Transactions can take a long time to close depending on shareholder and regulatory approvals

# Questions

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