



ITU/ BDT «Training and Trials on Network Planning Tools for Evolving Network Architectures»

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Business Planning and Modeling

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Business Planning and Modeling Content



- Role of Business Planning today
- Basic business concepts
- Telecom business modeling



Business Planning and Modeling Role of Business Planning



- Forecast solutions, costs and revenues
- Evaluate future Cashflows, NPV, IRR, ROI, etc.
- Perform “What-if” analysis for optional alternatives on Volume of customers, customer mixes and services domains
- Perform benchmarking with “best in class” operators
- **Decision making on strategy and actions in competition based on quantified evaluations**
- Recommend alternatives and actions to ensure success



Business Planning and Modeling Definition of business plan



A Business Plan presents the calculation of the financial indicators that enable the managers to evaluate the financial performances of an enterprise in order to take decisions.

A Business Plan summarises the results of the planning process:

- the objectives to reach (subscribers demand, sales)
- the description of all **activities** requested by the project;
- the future **revenues** expected from the project;
- the planned **expenses** (investment and operations);
- the accounting statements and the **financial indicators** characterising the profitability of the project.



Business Planning and Modeling Types of business plans



Strategic Business Plan for evaluating a strategy:

- aid for making internal decisions for the whole company (strategic guidelines at the national level, all markets)

Tactical Business Plans for specific projects :

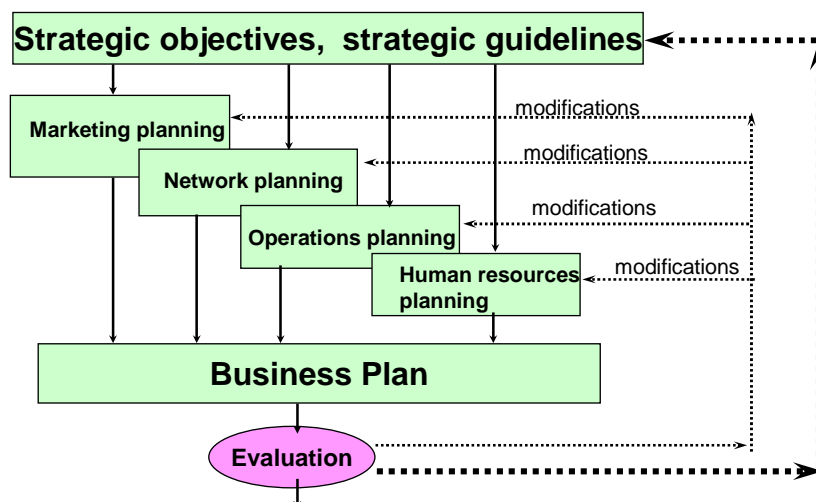
- aid for making internal decisions for a particular area, or a market segment: IN, mobiles, IP

Short term Business Plans for management control :

- aid for monitoring the implementation of projects
- preparation and follow-up of budgets,

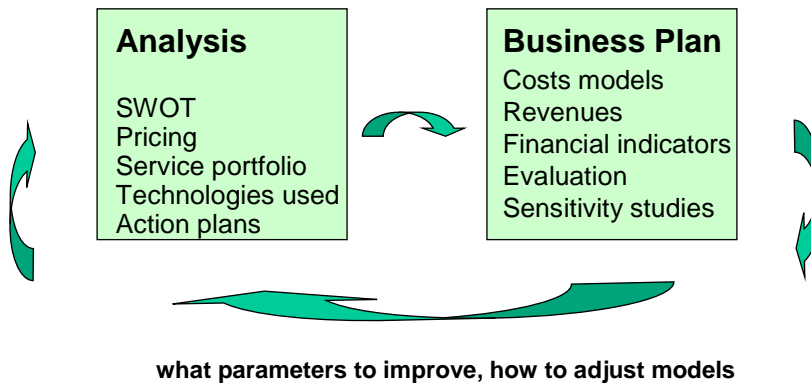


Business Planning and Modeling Iterative process for evaluation





Business Planning and Modeling Interaction between analysis and business plan



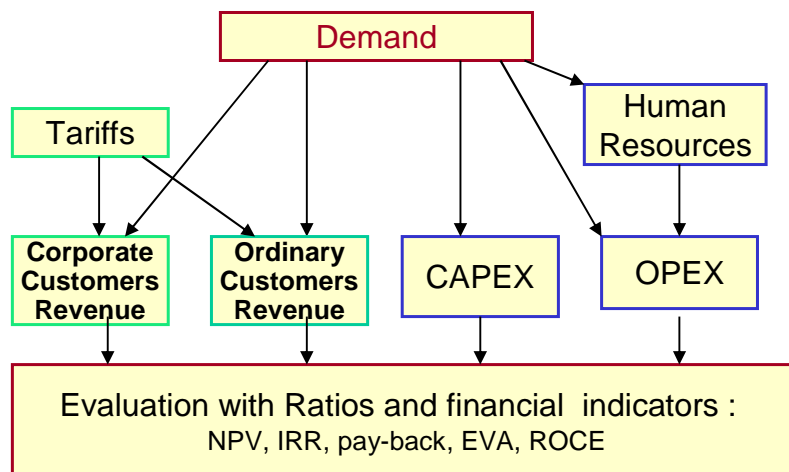
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Business Planning and Modeling Business model structure



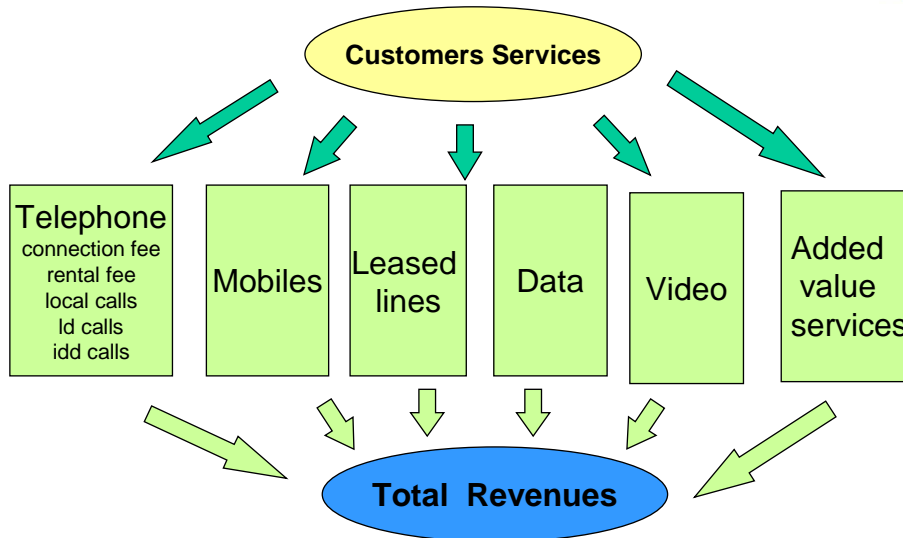
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Business Planning and Modeling Services Revenues calculation



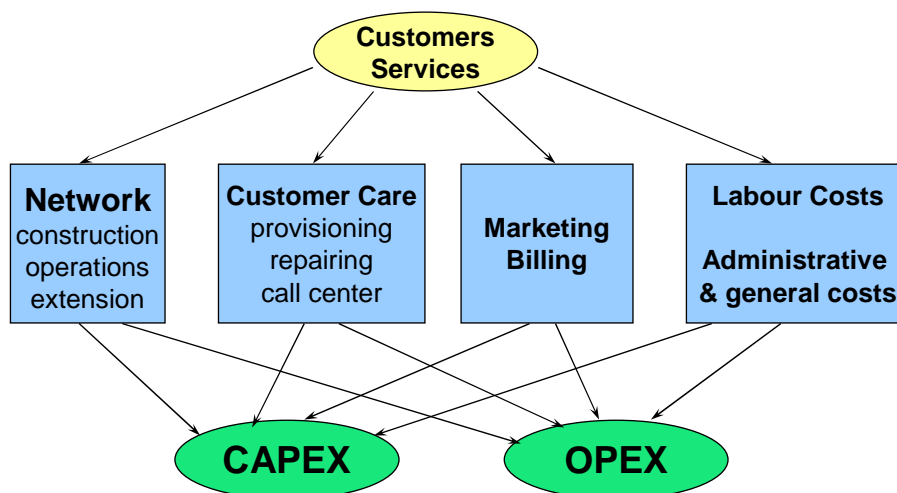
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Business Planning and Modeling Expenses calculation



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Financial Statement



- **Income Statement:**
Net income = revenues - expenses
- **Balance Sheet:**
Company capital = Assets - liabilities
- **Cash flow statement :**
Cash balance = Inflows - outflows

**All fundamental financial indicators are carried out
with the elements of these 3 statements**



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Financial indicators calculation



The most useful economical indicators are :

- Net present value (NPV)
- Internal rate of return (IRR)
- Discounted Payback period (DPP)
- Net cash flow (NCF)
- Discounted cash flow (DCF)
- Operating income
- Revenue per service/service class



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The purposes of the accounting statements



Income statement

→ *to analyze potential profit*
is the profit enough ?

Balance statement

→ *to analyze the financial structure*
how to finance the development
enough / too much equity ? Enough/ too much debt

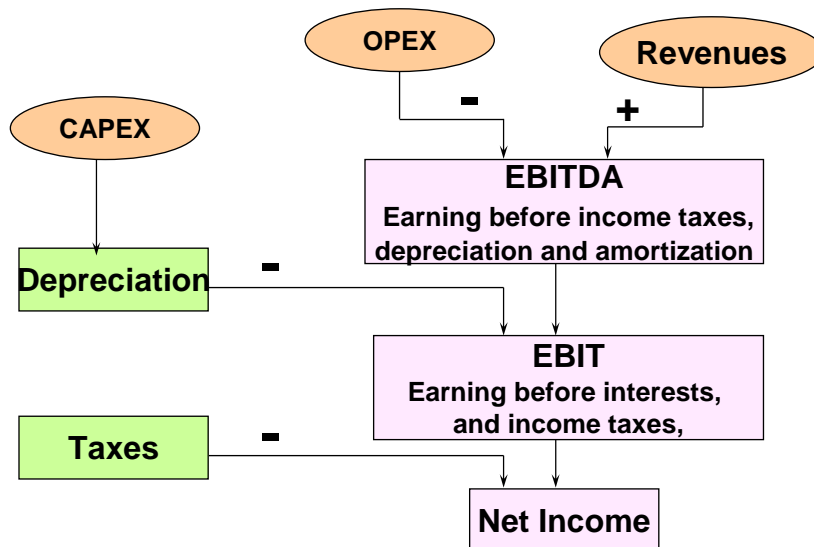
Cash-Flow statement

→ *to make payments at every due date*
to have the right cash at the right time



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Income statement





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CAPEX: Capital Expenditures



CAPEX contribute to extend the fixed assets, and they are depreciated over an economic life time

CAPEX are necessary for extending the business or for improving the range of services provided by the operator.

Examples :

- Purchase of land & buildings,
- Network construction
- Purchase of information systems (hardware & software)



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OPEX= Operations Expenditures



OPEX are expenses which don't contribute to extend the fixed assets, and consequently are not subject to depreciation

OPEX are necessary for running the company,

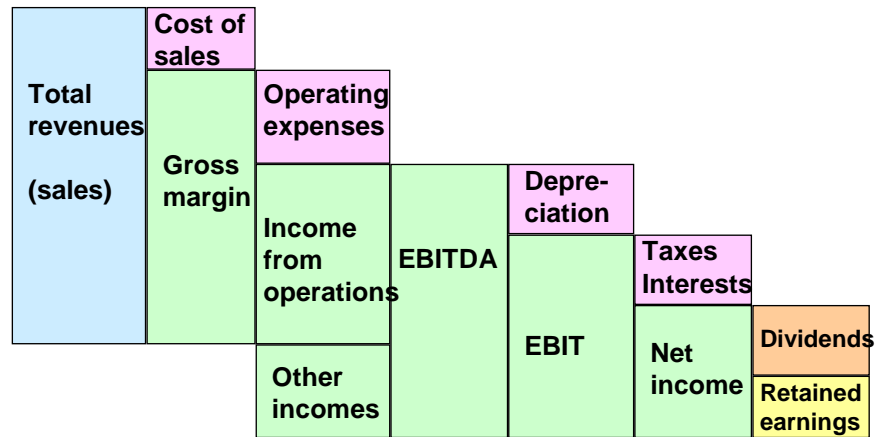
- Technical operations (switching, transmission, local loop,..)
- Commercial operations (marketing and sales)
- Administrative operations (support,..)

Examples :

- Labor costs for operations,
- Travelling expenses, periodic administrative costs,
- Rental of equipment, rental of cars, rental of buildings
- Interconnection fees



Business Planning and Modeling Income statement



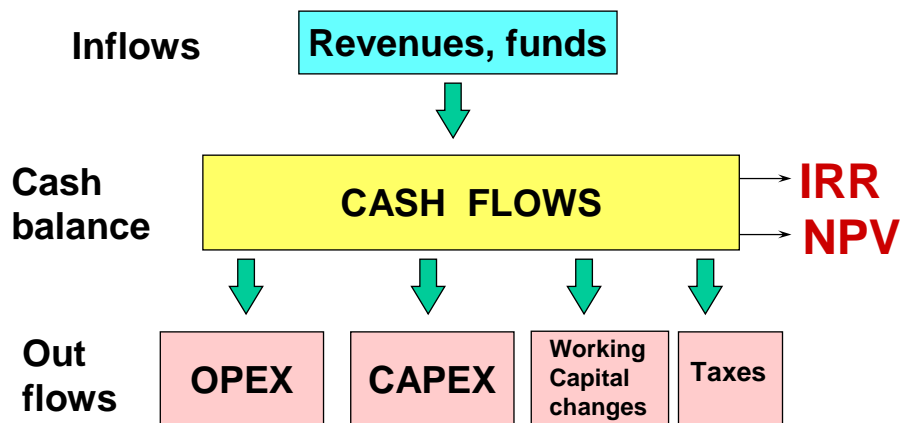
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Business Planning and Modeling Cash Flow



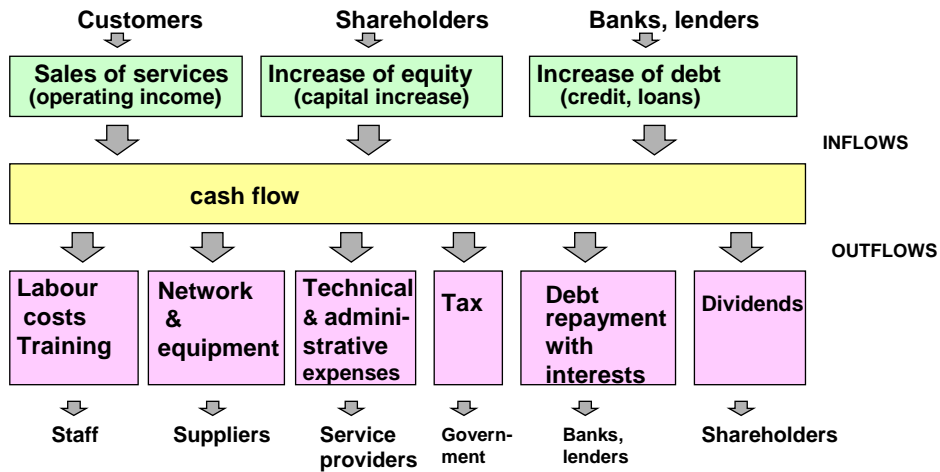
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slide 18



Business Planning and Modeling INFLOWS and OUTFLOWS



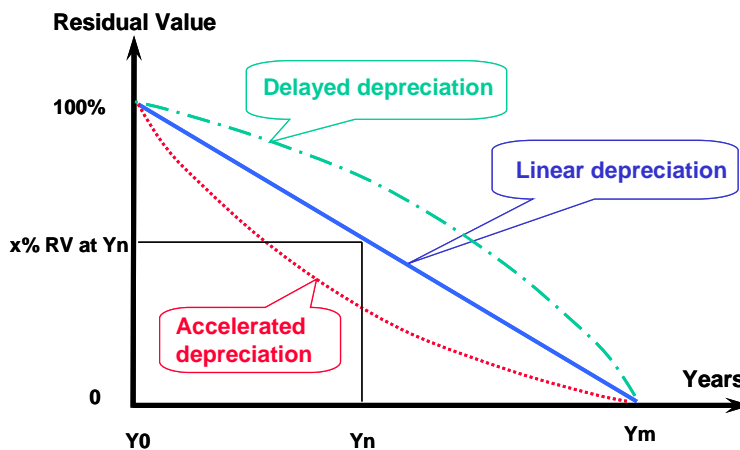
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Business Planning and Modeling Rules for Equipment Depreciation



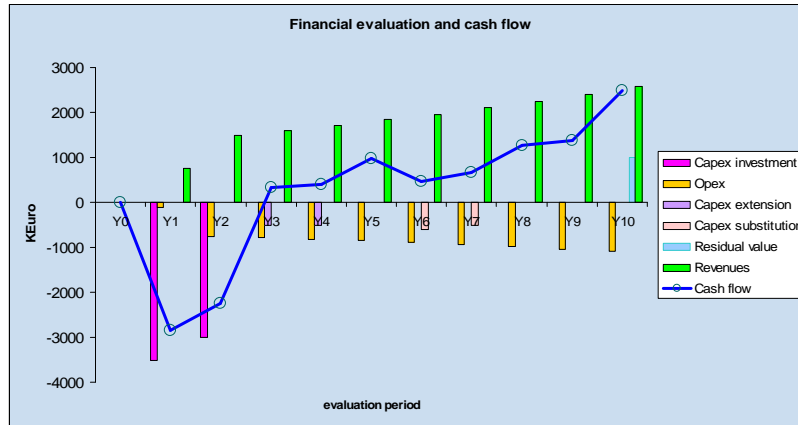
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Business Planning and Modeling Cash-Flow and components over time



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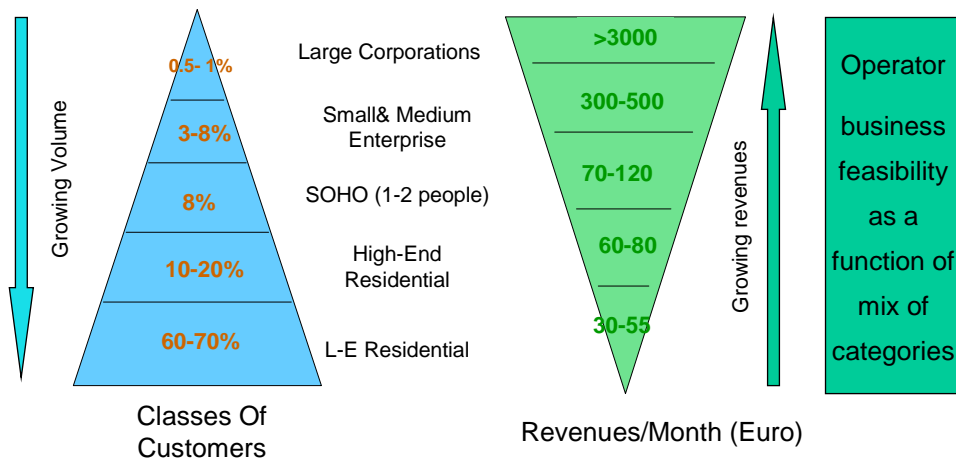
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Business Planning and Modeling Business domains and trends



Illustration case for customer categories and revenues



“Customer stratification should be analyzed per country”

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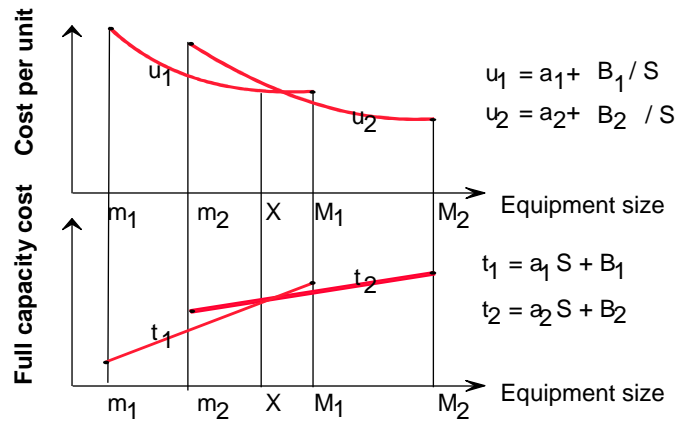
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Importance of Modeling

Economy of scale per technology and size

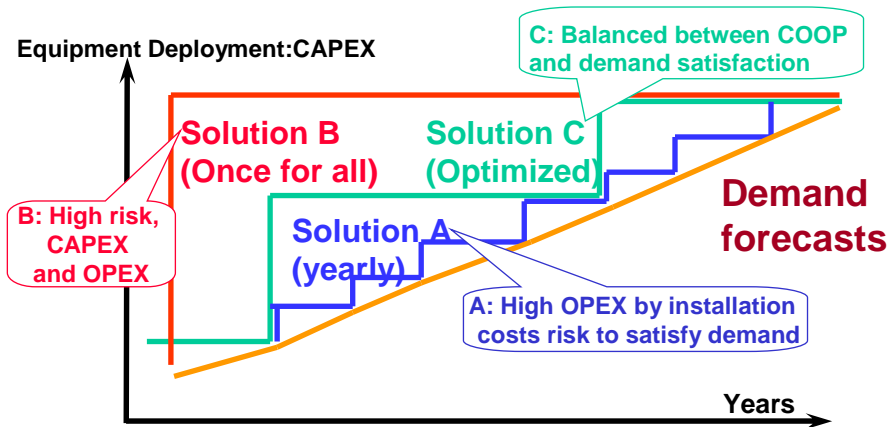


Impact by occupancy or fill-in degree



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Importance of Modeling: Deployment Strategies



Major impact on CAPEX and OPEX

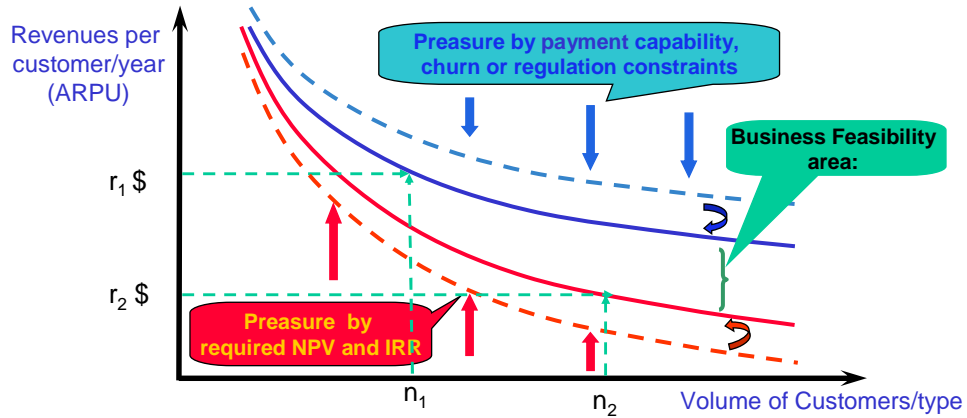


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Key Factors in competition: Business feasibility



Feasibility space highly dependent on country size and economic level



Business feasibility area limited by positive NPV and payment willingness