

The CWG Story

The Computer Warehouse Group (“CWG”) commenced operations in September 1992 to undertake hardware projects with the objective of adding value to its customers’ businesses through its information and communication technology (“ICT”) solutions. Over the years, the Company has evolved to become a market leader in the ICT industry within the areas of:

- Hardware & Enterprise Systems;
- Software Development; and
- Networks Integration & Communications.

CWG’s initial operational base in Lagos has since expanded to seven other operational offices across Nigeria. As part of its regional strategy, CWG has established offices in Ghana, Cameroon, and Uganda, with operational staff based in 7 additional African countries, serving the needs of its clients onsite.

CWG’s position as a top ICT provider has been affirmed through the numerous awards it has received over the years. The awards include the 2013 “ICT Solutions Provider of the Year” award from Communications Week, being one of the “Top 50 Technology Business Companies in West Africa, 2012” by IT Edge, and the “Gold Medal for Excellence in Business Practices” from FEBP¹ (Geneva).

CWG has a promising future given its specific focus on international markets and its firm intention to raise expansionary funds through a listing on the Nigerian Stock Exchange (NSE). When it lists, CWG will be the biggest IT/ICT company, with revenue close to US\$ 120 million, and also the first ICT company with a pan-African reach to list on the NSE. The strength of CWG’s corporate governance will be a central to and a key enabler for successful international expansion and the capital raising efforts of the Company.

Abraaj’s Investment Rationale

Poised within a rapidly growing sector, though with only 5% market penetration at the time of Abraaj’s investment in 2009, CWG had a vision of becoming the number one IT utility provider in Africa by 2015. CWG was strategically placed with excellent relationships with blue chip companies, key original equipment manufacturers (“OEM”) and some major players in the banking, telecom, professional services and oil & gas sectors (**Exhibit 1**).

Furthermore, CWG had in place a highly knowledgeable senior management team



¹ FEBP: Foundation for Excellence in Business Practice

with over two decades of experience in the Nigerian ICT services sector. This team had the considerable ability to anticipate market developments and deliver services unique to the evolving needs of its clients through hardware and software solutions. Their capacity for growth was evidenced by the Company's significant expansion initiatives, its increasingly established position at the forefront of a vastly under-penetrated market in a rapidly growing sector as well as its 60% revenue growth which made this an attractive investment for The Abraaj Group.

Business Challenges

Even though CWG's EBITDA grew by 10% immediately following Abraaj's investment, the Company's revenue fell by a CAGR of 4% from FY 2009 to FY2011. This was a result of:

- 1) The transformation of its traditional business lines from VSAT² to fiber optic cable;
- 2) A lethargic business environment due to the uncertain political climate in Nigeria in 2010/2011; and
- 3) The global financial slowdown which negatively impacted demands for contracts.

RETAINING TALENT: CWG views its employees as its main assets and understands that, given the dearth of qualified individuals available, it has to incentivize its employees to maintain its retention rate. Through difficult times, CWG has taken steps to mitigate its attrition risk through continued investment in the training of its employees whereby the number of workers in training increased by 62.5% from 2011 to 2012 (**Exhibit 3**).

In a drive to empower talent in the country, CWG gives back to its communities through educational excellence awards. Rewards are bestowed upon the best graduating computer science students and lecturers at the University of Lagos with the top student receiving a coveted one-year internship with CWG. CWG is also

funding an ICT park building that will be donated to the University of Lagos upon completion where students matriculating will become ICT professionals, further strengthening the talent pot available.



“Education offers young individuals the best opportunity unlife to realize their dreams and become the leaders of tomorrow.”

*-- Olapeju Ayo Fisher,
Group Head – Human Resources, Computer Warehouse Group*

Transformation through Governance

The Abraaj Group has, in particular, added value over the past three years following its investment, through the transformation of CWG's

² VSAT: A very small aperture terminal and is a two-way satellite ground station

governance structure. The changes, ranging from Board diversification to altering remuneration plans, have strengthened corporate governance and kept this risk low.

BOARD COMPOSITION: In order to create an effective Board of Directors (“BoD”), it is important to have qualified directors with the ability to understand and serve the needs of the Company. Prior to Abraaj’s investment, the Board officers were industry experts with a deep knowledge of the industry. However, what was needed as the Company headed towards its goal of listing were Directors with institutionalization knowledge. As a primary task, Abraaj worked with CWG and its new Chairman, a high profile and well networked executive with Exxon Mobil who had been hired prior to Abraaj’s investment, to strengthen the composition of the Board. The Company brought on as additional Directors an influential ex-partner and founder of a leading tax and accounting firm, a non-executive Director with previous stock brokerage experience, and an Abraaj representative.

EFFECTIVE BOARD MEETINGS: Abraaj also worked with CWG to move away from the ad-hoc nature of its Board meetings, which often ran three to five hours in length. In place, a formal structure for quarterly meetings was applied and two additional Committees of the Board were created:

- General Purpose Committee - to focus on strategy, HR and review executive remuneration; and
- Financial, Audit & Risk Committee - to focus on uncertainty and review the internal control processes.

Proper recording of minutes was implemented to streamline and increase the effectiveness of the decision making process, and stimulate more rigorous debate. Furthermore, Abraaj worked with the BoD to put in place a formalized structure for reporting.

OPTIMIZING CORPORATE STRUCTURE: An additional achievement of the BoD and its Finance, Audit and Risk Committee was the reorganization of the Company’s highly inefficient tax structure. The operations of three subsidiaries were collapsed into the principal Company in order to significantly reduce the Group’s tax burden.

ALIGNMENT OF STRATEGY: Abraaj worked with management to further the firm’s pan-African footprint, evolving the Company’s organic growth strategy. In doing so, the challenges faced by CWG, as a Nigerian firm operating in Africa, soon became evident. Culturally, other Africans perceive Nigerians as being quite aggressive in their approach to business and expansion. Often they are viewed as usurpers who step in and take over markets. In fact, given a choice, Africans would prefer American, British or French companies entering their markets over Nigerian entities.

This miasma of negativity towards Nigerian companies adversely impacted the initial success of CWG’s Ghanaian operations, which had a Nigerian Chief Executive Officer (“CEO”) and management team. The Board came to realize the unfavorable connotations attached to its country of origin and decided to change the face of its Ghanaian operations by employing a Ghanaian managing director (“MD”) who had well-established relationships in the market. Following this, CWG saw its revenues increase as its client base and sales opportunities increased.

Since then, CWG has organically expanded into Uganda with the employment of a local CEO and into Cameroon by leveraging the presence of one of its well-recognized clients, MTN.

In addition to using local MDs and utilizing its client's geographical presence to help reduce the resistance to its Nigerian brand, Abraaj counseled the BoD to consider inorganic growth options as well. By acquiring a local company from its target list and appointing a local national to its helm, CWG would negate the uphill battle it had faced in Ghana. The newer, more experienced Board has embraced this suggestion and has since considered ICT companies across Nigeria, Kenya, South Africa and Angola for acquisition. While an acquisition into Angola is no longer being deliberated due to the highly stringent laws in the country, acquisitions of Nigerian, Kenyan or Southern African companies are being seriously considered. However, CWG will only be able to move forward with this once it has acquired the necessary financing.

Compensation: Through a process that lasted over a year, the Board changed the Company's C-level compensation plan. Previously, C-level executives would be compensated through a profit share arrangement. However, with the growth of the Company, this plan became increasingly unfeasible. Moreover, this "expensive" plan precluded the induction of other senior management on a less comparable compensation arrangement. In a talent-sensitive industry, the old compensation plan had a seriously dampening effect on the Company's prospects for growth. After vigorous debate and deliberation through the BoD's General Purpose Committee, a new compensation plan has been put in place, which ties achievement of KPIs to remuneration. The Board is in the process of further introducing an employee share scheme to deepen the stake employees have in the Company and increase loyalty, productivity and retention rates.

Research & Development

The Board has also been able to create additional value by being instrumental in the push towards increased research and development ("R&D") priorities. Compared to the previous inefficient methodology, a new paradigm with a properly budgeted department and a dedicated team has been established. The support of the BoD has given the R&D department the confidence and direction it needs to pioneer ahead. The Board has also played a leading role in the elevation of value creation through the development of new products and services.

Adding Value - The Abraaj Factor

CWG is considering a private or public placement to raise the required funds in the near future. To this end, CWG has commenced a "listing by introduction" process on the Nigerian Stock Exchange. This would entail CWG listing itself and setting aside 20% of its capital as free float on the day of listing. With its less stringent rules and its ability to raise the profile and public confidence in the Company, "listing by introduction" is considered the best option by CWG to raise funds for its continued expansion.

The Abraaj Group has not only managed to add value to the Company by assisting its geographic expansion, but also laid the foundations for its rapid and sustainable growth by helping diversify CWG's BoD and actively working with them. This improved corporate governance structure has increased the efficacy of the decision making process, its R&D capabilities and CWG's employees' confidence in the Company, while simultaneously preparing CWG to become listed on the Nigerian Stock Exchange.

Exhibit 1: A Sample of Customers

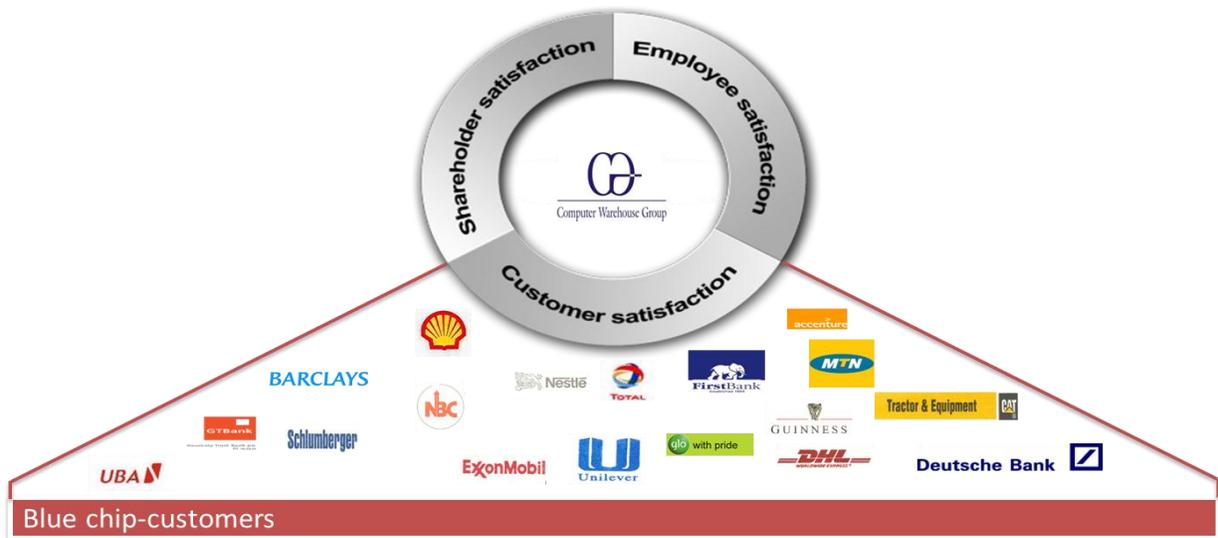


Exhibit 2: Directors



CHIEF WILLIW BEONWU - CHAIR OF THE BOARD

Chief Belonwu has worked for ExxonMobil in a number of managerial positions, in both Nigeria and USA. He was the CFO of Mobil Producing Nigeria Unlimited. Chief Belonwu holds a Bachelor of Accountancy degree from the University of Nigeria and an MBA from Century University.



AUSTIN OKERE – MD/CEO

He holds a Bachelor's degree in Computer Science from the University of Lagos and an MBA from IESE Business School. He is a member of the Nigerian Economic Summit Group, Computer Association of Nigeria, and the Institute of Directors of Nigeria. He also serves on the Executive Committee of the Nigerian-South African Chambers of Commerce. He has received numerous awards in recognition of his contribution to corporate Nigeria, ECOWAS International Award, University of Lagos Alumni Merit Award and Outstanding Personality of the Year by The Guardian Newspaper Limited.



PHILLIP OBIOHA – COO

He holds a Bachelor’s degree in Electrical Engineering from West Virginia University. He also holds an MBA from IESE Business School. Philip has an extensive engineering experience cut across the manufacturing, information technology and the financial industry sectors. Philip is a member of several institutes amongst who are the institute of Electrical and Electronics Engineers (IEEE) and Institute of Directors (IOD).



JAMES AGADA – CTO

He holds a first class degree in Electrical Engineering with a specialization in digital systems from the University of Nigeria and an MBA from IESE Business School. He is highly regarded in the IT industry where he has spent over 15 years building a career in consulting, software development, implementation and support. He is also a member of the Institute of Directors and was interim president of the Lagos Chapter of the Nigeria Computer Society.



ABIODUN FAWUNMI - NON-EXECUTIVE

He is a veteran engineer who has spent over 30 years in the Nigerian ICT industry working for a number of international organizations such as Shell, Unilever, Inlaks Computers, PwC and Coca-Cola Hellenic Bottling Group. He is currently with United Nation Atomic Agency. In his long career, he has developed skills in strategic planning, business unit development, HR management, project management and successful service delivery strategies.



RAVI SHARMA – NON- EXECUTIVE

He is a Managing Director with The Abraaj Group. He has over 10 years’ experience in private banking, investment banking and private equity. He is a key member of the team that established the Aureos West Africa Fund LLC (AWAF) in 2003, which included opening a new office for Aureos in Nigeria and subsequently the Aureos Africa Fund LLC (AAF) in 2008. He holds an MBA in Finance from the University of Wales, United Kingdom.



KUNLE AYODEJI - BOARD SUB -COMMITTEE

He is an Associate Director with The Abraaj Group. He has over 10 years’ experience in the fields of banking, financial consulting and private equity. He was a Senior Consultant with KPMG where he was involved with valuations, due diligence and feasibility studies for various corporations and state governments. He holds a B.Sc. in Economics from Obafemi Awolowo University, Nigeria and an MBA from The University of Birmingham, United Kingdom.



EMMANUEL IJEWERE - BOARD SUB-COMMITTEE

He is the founding Managing Partner of Emmanuel Ijewere & Co., a firm of Chartered Accountants. He was the head of the finance committee for the privatization of Telecoms Sector in Nigeria. He is currently a member of National Economic Forum, the International Investment Council (an advisory body for Nigerian President) and the Technical Committee on the Privatization of Federal Government Companies. He served as Chairman and director of numerous Nigerian companies. He is a fellow of the Institute of Chartered Accountants of Nigeria (ICAN); past President of Nigeria Red Cross Society; Past President of ICAN; and President of Institute of Directors (IOD).



WALE AGBEYANGI - BOARD SUB-COMMITTEE

He has vast experience in capital market covering stockbroking, capital issues and financial advisory services spanning over 13 years. He worked with Great Africa Trust Limited and later moved to Meristem Securities Limited from where he joined Cordros Capital Limited. He has a background in Law with a Master's degree, an MBA and he is an Associate Member, Chartered Institute of Stockbrokers (ACS) and an Authorized Dealing Clerk of The Nigerian Stock Exchange.

Exhibit 3: CWG's Development Impact Graphs (2009-2012)



Note: Annual data