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Computer Warehouse Group

ABSTRACT

After more than a decade of steady growth, the founder and CEO of Computer Warehouse Group, one of Nigeria's largest technology service providers, pondered whether to accept an offer from an international private equity firm. In making the decision, he considered the trade-offs such an offer would bring as well as other options to secure growth capital for his company.

CONTENTS

Acknowledgements
This case was prepared by Gbolade Arinoso, MBA '08, Lara Junaid, MBA '08, Ryan Petersen, MBA '08, and Jindrich Zitek, MBA '08 under the supervision of Professors Murray Low and Paul E. Tierney, Jr. It was sponsored by the Chazen Institute and the Columbia University Center for International Business Education and Research (CIBER). Special thanks to Professor Peter Bamkole, Lagos Business School.

Introduction

Austin Okere, co-founder and CEO of Computer Warehouse Group, found reason to smile as he looked out his windshield at the endless string of unmoving cars that lay between him and his office in the Lagos business district. It was late 2005 and a highly regarded international private equity firm had just offered $8 million for a 25 percent stake in his firm, the leading IT systems integrator in West Africa. Although a decade of explosive growth and a loyal corporate customer base had long since validated the company's business model, it felt good to be acknowledged by international investors as well.

The traffic jam—normally the enemy of efficient operations—now provided him with badly needed time to reflect on his years of success, to ponder the company's expansion plans, and to decide what to make of the offer he had just received.

Despite the many challenges of doing business in Nigeria, throughout the last 13 years Computer Warehouse Group (CWG) regularly exceeded all expectations. Using very little debt and no external sources of equity capital, CWG had generated strong growth every year since its 1992 founding (see Exhibit 1 for recent selected financial information). Much of this growth was attributed to the company's ability to become a trusted value-added partner for leading international IT firms, including Dell, Sun Microsystems, Cisco, Infosys, SAP and Oracle. The company's latest estimates projected $55 million USD in gross revenues and healthy operating margins for the current 2005 fiscal year.

The firm had achieved these results by providing levels of customer service previously unknown in the Nigerian markets for computer hardware, software and networking solutions. Indeed, the firm's reputation for service and technical expertise now presented a formidable barrier to entry for any upstart IT solutions provider in the country. Of the existing players in the domestic market, none could offer CWG's breadth, depth and quality of services.

Meanwhile, the company's entrepreneurial culture allowed it to act quickly, while giving employees the freedom and support needed to develop careers within the firm. Austin believed the firm's culture was largely responsible for its ability to attract promising young talent and to create long-term relationships with its customers.

Although CWG enjoyed a strong market position, there was reason to be concerned. Doing business in the Nigerian context was never without risk. A lack of a centralized credit rating agency made it difficult to evaluate the credit-worthiness of new customers. Although Nigeria had enjoyed a relatively stable and democratic political situation for the past few years, decades of political uncertainty had made it difficult for businesses to plan for the future.

Yet to the surprise of many onlookers, Nigeria's economy consistently generated positive GDP growth between 1999 and 2005 (see Exhibit 2 for GDP growth rate data). CWG's most important clients in the telecommunications, oil and banking industries were some of the biggest beneficiaries of the country's economic success.

With this dramatic growth, many large Nigerian firms soon achieved the size needed to become regional players. As these firms expanded into neighboring countries, they called on CWG to provide the IT infrastructure to support their operations. In 2001 the company won major contracts from telecommunications and banking firms in Cameroon, Chad, Benin Republic and Ghana. CWG followed on these international successes by opening its first international office in Accra, Ghana in 2002.

Ignoring the blaring car horns of downtown Lagos, Austin let his mind drift to these opportunities. To seize all the chances before him, CWG needed growth capital—just what the international private equity firm offered him. Yet each time he decided that accepting the offer was the right thing to do, he reminded himself of the consequences of the deal.

Political and Economic Context

In the 45 years since independence in 1960, Nigeria's population grew from 55 million to 134 million. Throughout this period, the population also became much more urbanized, with some 48 percent living in cities at the turn of the millennium. The country's biggest city, Lagos, grew from two million inhabitants at independence to some 13 million people in 2005. Immigration to Lagos significantly accelerated since the 1970s when Nigeria joined OPEC and the federal government, based in Lagos, became the center of political struggles over power and oil revenues.

The infrastructure in Nigeria's urban centers lagged far behind the explosive population growth. Inadequate roads, power, healthcare, telecommunications, and water networks presented significant challenges for modern sectors of the economy. Lack of financial resources and inept governance were often seen as the reasons behind extremely poor waste management systems—where untreated waste polluted waterways and groundwater. Apart from the direct impact on public health and life expectancy (currently 47 years), Nigerian businesses also incurred infrastructure costs, such as maintaining back-up power generators and supplying bottled water for their employees. Traffic delays were a fact of life in Lagos.

During three decades of military rule, Nigeria's generals were accountable to no one for the provision—or lack thereof—of basic government services. With frequent coups, assassinations, and fights over oil revenues, the elites of the country lost touch with the rest of the population through their physical separation in secluded areas of the capital, protected by high walls, private security guards, and barbed wire. Billions of dollars that might have been invested in infrastructure improvements were channeled into the overseas bank accounts of corrupt officials. The return to democratic civilian rule in 1999 and accompanying crackdowns on government corruption provided hope for a more responsible approach to infrastructure investments in the years to come.

The unilateral power of Nigeria's generals meant they could make dramatic changes to legislation without regard to effects on the business community or other constituencies. The result was a business culture in which leaders were wary of making long-term strategic plans and investments and had limited trust in their potential partners. It would be unwise to invest significant resources on the basis of a current government policy that could be reversed without warning at any time.

Meanwhile, without standardized accounting and governance systems in many Nigerian businesses, many investors and business partners tended to place a disproportionate weight on current payouts to investors. Many remained skeptical of retained earnings, as any cash not paid out as dividends in the current period might never be seen. Even if a company expected to grow and pay dividends in the coming years, the high percentage of bad debts in the economy might still lead it to bankruptcy. Not surprisingly, then, local investors put a premium on companies with high dividend yields, low amount of aged receivables, and significant physical assets, which could be monetized more easily than other forms of working capital. In general, businesses that received payment in cash or within a short payment period received higher valuations.

Although many of CWG's clients were large national or international businesses, the company did not escape the local conditions. Its high profile and profitable clientele from the oil and gas, financial, and telecommunications industries helped the firm keep bad debts to a minimum. On the other hand, these multinationals often exercised their market power, and in recent years, CWG faced some problems with collecting accounts receivable within the terms of its contracts.

Although the company was able to secure local purchase order (LPO) financing collateralized against these receivables, interest rates of 25 percent or more made these delays very costly.

The company did not want to offer discounts for on-time payments, believing that large customers would use their purchasing power to negotiate those discounts into their standard contracts without actually changing their behavior. As an alternative, CWG's management considered requiring all customers to pay in advance, but they were unsure of how this might affect their ability to win new business.

Telecom Industry Growth

Nigeria boasted one of the fastest growing mobile communications markets in the world. The government's liberalization policy and consequent competition created substantial benefits to subscribers in the form of expanded access, enhanced choice, and dramatically reduced prices. The number of connected lines increased from about one million in 2001 to 20 million in 2005 and was expected to continue to grow by more than 30 percent annually between 2006 and 2011. (See Exhibit 3 for historical and projected data for the telecom industry in Nigeria.) Investments in the sector also increased from $50 million in 1999 to $6 billion as of September 2004.

This explosive growth created new opportunities for companies like Computer Warehouse Group that provided technology support services for the sector. Telecommunication companies needed hardware, software, and networking support, and they typically relied on established and reliable service providers like CWG to provide these services. Indeed, CWG capitalized on its market-leading position to win contracts with major mobile operators.

Banking Consolidation

In mid-2004, the Nigerian government instituted a banking sector reform law, establishing a new minimum capital requirement of 25 billion Naira (US $193.8 million), up from 2 billion Naira. As a result, the banking sector underwent considerable consolidation, with the total number of independent banks shrinking from 89 to 25. The surviving banks were stronger and better able to undertake aggressive expansion plans within the country to tap into the retail banking market. Many banks also expanded outside the country to establish regional presence and take advantage of growing regional commerce.

As a result banks needed robust software and service providers that were reliable and readily available. CWG capitalized on this trend by providing integrated IT solutions to the consolidated banks, while also aggressively pursuing international business as their customers expanded regionally. CWG's depth and range of service offerings, its client base, and its presence in Ghana helped established the firm as the region's leading IT integration group. (See Exhibit 4 for partial client list.)

The Nigerian Stock Market

The Nigeria Stock Exchange (NSE) all-share index was growing steadily (see Exhibit 5). In 2005 market capitalization increased by 31 percent while total turnover increased by 36 percent over 2004. The increases could be attributed in part to additional shares of banks that were listed from private placements, initial public offers, right issues and public offers.

Foreign direct investments in the NSE in 2005 were estimated at $70 million, an increase of 33 percent over preceding year (see Exhibit 6 for overall FDI growth). The government's various macroeconomic reforms, NSE road shows, and the superior returns of the NSE over those of the world's major markets contributed to improved investor confidence in the Nigerian economy.

In 2005, the outlook remained very bright. It was expected that 20 percent of pension funds would be invested in the stock market; in addition, increased investments from institutional investors, foreign portfolio managers, and high-net-worth individuals would increase liquidity and valuation in the market. As NSE returns remained largely uncorrelated with those of other asset classes around the globe, increased capital flows from abroad were expected.

The Early Days

Soon after receiving a degree in computer science from the University of Lagos in 1986, Austin Okere landed a job as a salesperson with Inlaks, at that time one of Nigeria's leading IT solutions providers. During his years with the firm, he gained broad exposure to the country's nascent IT market. This experience taught him that the vast majority of Nigerian IT firms were inattentive to customer needs, often taking months to process orders and routinely neglecting warranty promises.

In 1991, after about four years at Inlaks, Austin convinced five friends to invest in his own IT solutions firm, Computer Warehouse Limited. The team believed that other companies' failures to meet customer expectations had produced a mass of ill-will that they could turn to their advantage. In a fragmented market for IT solutions, Austin planned to differentiate his company by delivering quality equipment, putting service first, and honoring warranty policies.

The company was incorporated in September 1992 with Austin as the sole employee, backed by 600,000 Naira ($35,000) contributed by six partners. Two of the partners divested in the following year. Computer Warehouse chose to target the corporate sector, where customers would pay a premium for better IT service and reliability. The founders believed that corporate customers would be likely to purchase lucrative maintenance contracts, produce larger average order sizes, and ultimately develop valuable long-term relationships with the firm. In addition, the centralized offices of corporate clients made it more efficient for the company to deliver on its warranty and maintenance contracts.

One of the team's most important early tasks was securing a reseller license for a major international computer manufacturer. Unfortunately the biggest players, including IBM, Compaq, and Hewlett Packard, were no longer accepting applications for new vendors in Nigeria because they had established partners in the country. At that time Dell Computer, though it was experiencing explosive growth around the world, had yet to identify a reliable partner for the Nigerian market. Although the firm had established relationships with two vendors in Lagos, both were small players who had failed to penetrate the corporate market in any significant fashion. After completing a reseller training program and demonstrating the technical capabilities of their support staff, CWG secured a license to sell Dell products in Nigeria.

Winning Over Customers

The early months were extremely difficult. Shortly after CWG's founding, Nigeria entered a state of economic turmoil brought about by a controversial presidential election in 1993 wherein election results were annulled by a military junta. The nascent business came to an immediate standstill as political uncertainty caused its customers to cancel or postpone major investments in their IT systems (perhaps a catalyst for the divestment of the two partners).

Finally, after several months of operating in trying circumstances, CWG received the opportunity to differentiate itself in the market. The IT director of Ashaka Cement, a local affiliate of the Blue Circle cement group, called to explain that his company was having problems with a Dell system they had purchased overseas, rather than through a local vendor.

Austin immediately recognized an opportunity to win a maintenance contract, but his firm would have to act fast. Without stopping to check where Ashaka Cement was located, he immediately dispatched a worker with a replacement system from CWG's own office—to minimize working capital and the depreciation of inventory, the firm orders direct from overseas suppliers rather than maintaining inventory.

As it turned out, getting the system to Ashaka would require several days of rough overland travel. A week later, the employee returned without the maintenance contract he had been urged to win. Nonetheless, the IT director at the firm was so impressed with CWG's service that he soon turned to them for all his hardware purchases. His recommendation would prove instrumental in winning several new contracts in the ensuing months.

Based in part on that recommendation, as well as on a growing reputation for honoring their warranties where many other local vendors would not, CWG went on to win major hardware contracts from Shell and Exxon Mobil, two of the biggest players in the Nigerian oil industry.

Subsidiary Companies

CWG is composed of three subsidiary companies, each focused on a distinct aspect of the IT systems integrations business: Computer Warehouse Limited (CWL) in computer hardware, DCC in communications and networking, and ExpertEdge in software. In 2005 CWL represented 46.6 percent of group revenues, versus 20.5 percent for DCC and 26.8 percent for ExpertEdge. The remaining six percent was derived from training, international and other peripheral businesses. (See Exhibit 7 for sales figures by subsidiary.)

Traditionally the subsidiaries maintained separate sales forces, branding and operations; however, recent trends in the marketplace called for a more unified approach as clients sought turnkey IT solutions. In 2005, the firm adopted the name Computer Warehouse Group with a unified head office to provide shared planning, finance, human resources and administrative resources for the three subsidiaries.

DCC, the first spin-off from the original Computer Warehouse, was created in 1995 in response to persistent demand from hardware customers for networking and communications services. When Computer Warehouse began offering these products, it became apparent that many would-be clients were skeptical of purchasing networking solutions from a traditional hardware-only vendor. As a result, DCC was incorporated as a wholly-owned subsidiary, with independent operations and branding. Since its inception, DCC was run by Phillip Obioha, the only one of the original CWG investors actively involved in the firm's management.

Although highly profitable, networking communications was a capital-intensive business in Nigeria. Clients did not purchase the VSAT dishes or most other equipment required to build their corporate networks. Rather, they contracted with a company such as DCC to install the equipment and then pay them annual fees for the service. Given the expense associated with switching providers and a consistently high level of customer satisfaction, DCC enjoyed very high customer retention rates.

The software subsidiary of the group, ExpertEdge, was actually founded as a completely independent company by James Agada, a talented software writer and former co-worker of Austin's at Inlaks. The company provided custom software solutions for the banking industry. Following several successful collaborations on major accounts, CWG agreed to acquire 85 percent of ExpertEdge in 1997.

Recognizing that the firm lacked the resources to create the advanced applications increasingly demanded by its client base, Austin and James made the strategic decision to deemphasize software development in favor of becoming a local dealer for major international firms. The company soon locked in deals with Oracle, Infosys, SAP, and other major vendors, providing installation and integration services for local firms moving onto those platforms.

ExpertEdge's partnership with Infosys, the Indian IT giant, made the company the exclusive regional vendor for Finacle, a software program with the complete set of applications necessary to run a major bank, including e-commerce, ATM machines, and other advanced systems. In 2000, its first year as an Infosys partner, the company sold Finacle to three major banks. While this unprecedented success was highly celebrated, the simultaneous implementation of the package at three banks was a major strain on the Finacle software engineers. It did prepare them for the task ahead, and they went on to sign seven more Finacle customers by the end of 2004.

Following the banking industry consolidation, many of the newly recapitalized banks found themselves in the financial position to invest in comprehensive new software applications. ExpertEdge capitalized on this trend, locking in four more major banks and achieving turnover of $17 million in 2005. Although these contracts contained a significant annuity portion, the firm could not expect to sustain such high revenues without further market penetration, as most of the banks had invested in core banking applications, and very few contemplated further replacements.

As a group, Computer Warehouse became one of the 50 fastest-growing companies in Nigeria—the company achieved annual growth of over 50 percent for several years. Senior managers agreed that the success stemmed from CWG's culture, based on innovation, professionalism and candor. In terms of operations, the company had over 300 employees, eight offices in Nigeria, one in Ghana, and an agency in Cameroon.

The firm won several awards from its vendors, including the Dell Award for the Fastest Growth Business in EMEA, the Excellence Award for Infrastructure and Resources from Infosys, and Sun Microsystems's Top Achiever Award (see Exhibit 8 for list of awards).

CWG's Entrepreneurial Culture

Austin infused his company with an entrepreneurial spirit that empowered employees to make decisions, develop their skills, and share in the company's successes. The firm's employee-centered culture allowed it to attract and develop talented employees, a significant competitive advantage in an industry that requires high levels of technical expertise. A relatively flat organizational structure, an open door policy, and decentralized decision-making have all motivated high achievers to stay with the company. A senior sales manager at Cisco noted that "Computer Warehouse is probably the most entrepreneurial company in all of Nigeria, certainly in the IT sector."

The company's low fixed salaries and high variable pay meant that CWG rarely hired senior staff from competitors. Instead it generally recruited fresh graduates or technicians and salesmen with limited experience who valued the company's cutting edge training and team-based culture. In exchange, not just sales staff but all employees received significant variable pay components, in many cases higher than their fixed salaries. The company was widely recognized as one of the best employers in Nigeria.

On the other hand, a strong sales-driven, performance culture put significant pressure on employee lifestyle. As the internal company saying went, "Computer Warehouse is not for everybody." Many recruits did not survive the results-focused atmosphere and high pressure environment. Once new employees got used to the no-excuses philosophy of "in spite of" instead of "because of," they were likely to stay.

While CWG was one group, it maintained three separate sales forces that generally called on current and potential customers independently. After each sales call, representatives were expected to write reports to note any potential business for other sales teams from the group. It remained uncertain to what extent this collegial culture, with cooperation between sales teams based primarily on personal relationships, could be sustained during further growth.

Almost all employees (95 percent) had university degrees, and over 75 percent had been certified by at least one global partner such as Sun Microsystems, Cisco, or Dell. Despite the firm's explosive growth, the company managed to nurture and protect its entrepreneurial culture by giving employees opportunities to further develop their customer base and to identify new products and solutions they could offer. Employees were encouraged to ask questions, make decisions, and perform their jobs as if it were their own business.

CWG's strong entrepreneurial spirit, training, and promotion opportunities not only were a source of motivation for employees but also aided retention. Many employees cited their personal relationship with the senior leadership as a key factor keeping them at the firm. However, Austin realized that as his company approached $55 million in annual sales, it might be difficult for him to have sufficient face time with his people and maintain the entrepreneurial spirit.

In the years just prior to 2005, employee turnover steadily increased to the point where retention became one of the key issues on Austin's mind. According to him, multinational companies, whether suppliers or customers, regarded CWG as the ideal recruiting ground. At the same time, CWG was generally unable to meet the salaries offered by multinationals, which can be double or triple local market rates. In many situations, CWG was put in a difficult situation when it wanted to retain an employee who was leaving the group. While having former employees working for some key customers could pay off in the future, Austin was more worried about multinationals who were CWG's partners and suppliers. In the 1990s these companies did not want a direct presence in Nigeria but many were now considering entering the country directly. As Nigeria was becoming more stable, they were ready to show their confidence in the country. This had potential not only to put further pressure on employee retention but also to increase competition in the sector.

The Offer from Private Equity

CWG was an indispensable part of Austin's life. He thought of his employees as part of his extended family. He had clear ambitions to grow the business substantially, both by offering new services to current clients and by adding customers both in Nigeria and in neighboring countries. At the same time, he knew that one day it would be the right decision to accept external investors. He had always thought that an initial public offering would be the best way to do this, so the private equity offer surprised him. (See Exhibit 9 for a timeline of events leading to the private equity offer.)

When the director of the Lagos office of a major international private equity fund invited Austin for lunch, Austin was not looking for external financing. The practice of financing nearly all new business through LPOs against customer orders meant that working capital was often stretched, but Austin did not feel that growth would necessarily be restricted by lack of funds. Of course the company would benefit from investing in better technologies and systems, spending significantly more on software R&D, or speeding up its expansion in neighboring countries. In addition, he and his partners wanted to take some cash out of the business as a reward for 15 years of hard work. After consulting the remaining founding partners (only one of whom also worked full time for CWG), Austin learned that while rewards might be the same for all investors whether they were active in the company or not, their attitude towards risk and owning a significant stake in the company going forward differed. The non-active partners were interested in cashing out.

As a result, when Austin learned about the interest from the potential investor, he considered it seriously. Plans for 2006 and 2007 involved increasing CWG's presence in Ghana and entering Cameroon, but without major marketing efforts. The plan was to focus on current customers who were also active in other African countries. Additional capital would enable Austin to enter new markets more aggressively, open local branches, and employ salespeople even before local orders started coming in. Also, CWG would be able to increase the gap between the company and its closest Nigerian competitors. As a consequence, the decision was made to carry on with the negotiation and open the data room for due diligence by the fund.

After two months of intensive discussion, a formal offer was on the table. When Austin and his partners received the offer—$8 million USD for 25 percent of the business—they felt an initial disappointment; to them, the company was worth more, given its significant growth prospects. Austin also felt the company would fetch a higher price if he could succeed in reducing earnings volatility and diversifying his customer base away from a few key accounts.

Nevertheless, the partners were also aware of the additional value that a leading international investor could bring to the table. Before the IPO, which Austin saw as the ultimate exit for him and his partners in a few years' time, a private equity investor with a high standing would increase the brand equity of CWG by confirming that it was a stable and ethically run business with growth prospects. In preparation for the IPO, a seasoned investor would also bring corporate governance and organizational structure and processes to the next level while increasing credibility in the market.

The investor would also bring a seasoned IT executive on as a board member. Austin, always eager to learn from those around him, was excited by the prospect of adding an experienced advisor to his team. He believed the private equity firm's global footprint and network of business contacts across Africa would help his firm win new business throughout the region. The value of these potential referrals as well as the guidance of a veteran board member had to be taken into account.

Austin had only a few days left to decide whether to proceed with the final negotiations. Apart from valuing the company, taking into account the growth options made available by the capital infusion, he had to carefully evaluate whether this investor was the right one. While the potential board member identified by the investors had experience in the IT sector, Austin was not sure to what extent he would bring innovative thinking or new knowledge into the company. Overall, he felt that the fund's background in the IT sector was relatively weak, so he was not sure how many new clients could really be gained or to what extent CWG would benefit from the relationship aside from capital infusion.

As he sat down with his CFO to evaluate their own latest valuation of the model, they also started to list other options for raising capital. Austin's friend, working in the banking sector, told him that while his company might be an ideal IPO candidate in a couple of year's time, it was still quite small for an IPO. This friend also told him that if they took on an external investor pre-IPO, they should find somebody who could appreciate and value CWG's transparent culture and fully audited accounting, a rarity in Nigeria. In fact, investors in Nigeria often regarded public equities as though they were fixed-income securities because of the uncertain political situation, a lack of transparency, and the importance given to cash in the economy. In addition, not many savings alternatives were available to retail investors, causing required stock market returns to strongly correlate with savings account rates less inflation.

Austin also had to consider reputation issues associated with accepting outside investors. In Nigeria, successful entrepreneurs often preferred to keep full ownership of their business. Accepting outside capital might be understood by friends and relatives as a sign of weakness. As a result, it was often considered more appropriate to issue new shares rather than sell existing ones. In addition, Austin also wanted to maintain his decision making power and freedom to drive the business towards the most promising opportunities.

Exhibits

Exhibit 1

Computer Warehouse Group Five Year Financial Summary (in Naira*)

	2005	2004	2003	2002	2001
EMPLOYMENT OF CAPITAL					
FIXED ASSETS	431,922,366.00	332,411,780.00	191,771,747.00	168,106,740.00	105,616,187.00
SERVICE OPTION EQUIPMENT	187,682,168.00	203,815,768.00	-	-	-
INVESTMENT	39,432,160.00	33,287,200.00	24,034,200.00	24,034,200.00	-
NET CURRENT ASSETS	964,328,352.00	639,855,445.00	576,608,682.00	329,051,395.00	191,966,827.00
	1,623,365,046.00	1,209,370,193.00	792,414,629.00	521,192,335.00	297,583,014.00
SHORT TERM LOAN	143,333,333.00	10,581,393.00	-	-	-
	1,480,031,713.00	**1,198,788,800.00**	**792,414,629.00**	**521,192,335.00**	**297,583,014.00**
PROFIT & LOSS ACCOUNT					
TURNOVER	**7,003,367,484.00**	**6,022,450,883.00**	**4,034,245,054.00**	**3,757,874,766.00**	**1,902,408,651.00**
Growth%	**16.29**	**49.28**	**7.35**	**97.53**	
OPERATING PROFIT FOR THE YEAR	471,100,833.00	656,905,157.00	437,201,372.00	376,445,865.00	227,702,660.00
OTHER INCOME	9,336,328.00	4,246,904.00	8,297,683.00	4,111,942.00	558,370.00
PROFIT BEFORE TAXATION	480,437,161.00	661,152,061.00	445,499,055.00	380,557,807.00	228,261,030.00
PROVISION FOR TAXATION	159,194,248.00	211,698,484.00	144,276,761.00	128,300,528.00	73,043,530.00
DIVIDEND	40,000,000.00	40,000,000.00	30,000,000.00	28,647,958.00	20,000,000.00
	281,242,913.00	409,453,577.00	271,222,294.00	223,609,321.00	135,217,500.00
RETAINED PROFIT B/F	1,193,788,800.00	784,335,223.00	513,112,929.00	289,503,608.00	154,286,108.00
PROFIT AND LOSS ACCOUNT BALANCE	**1,475,031,713.00**	**1,193,788,800.00**	**784,335,223.00**	**513,112,929.00**	**289,503,608.00**

***Exchange rate: 129 Naira to the dollar**

Exhibit 2

GDP Growth Rates

	1999	2000	2001	2002	2003	2004	2005
GDP growth rates	2.70%	3.50%	3.50%	3%	3.40%	6.20%	6.20%

Notes

Source - CIA factbooks (GDP Est.)
Accessed on January 26, 2008

Exhibit 3

Telecom Density 2001-2006 (projected)

	OPERATOR	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*
	Mobile (GSM)	266,461	1,569,050	3,149,472	9,174,209	18,587,000	32,184,861
	Mobile (CDMA)	N/A	N/A	N/A	N/A	N/A	N/A
Connected Lines	Fixed Wired (Landlines)	600,321	702,000	872,473	1,027,519	1,223,258	1,673,161
	Total	**866,782**	**2,271,050**	**4,021,945**	**10,201,728**	**19,810,258**	33,858,022
	Teledensity	**0.73**	**1.89**	**3.35**	**8.5**	**15.72**	**24.18**

Note: Teledensity was calculated based on population estimate of 126 million people through 2005; 2006 teledensity was based on a population estimate of 140 million
Teledensity from 2001 to June 2005 was based on number of connected lines

Source - Nigerian Communications Communications
http://www.ncc.gov.ng/index5_e.htm
Accessed - January 26, 2008

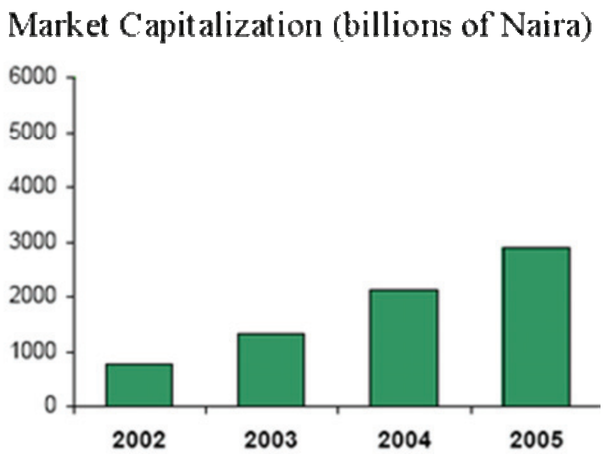
Exhibit 4

Computer Warehouse Group Selected Client List

Banking	Manufacturing	Oil & Gas	Telecom
UBA	Nigeria Breweries	NNPC	MTN
Zenith	Coca-Cola	Shell	Globacom
First	Flour Mills Nigeria	Total	M-Tel
Union	Cadbury Nigeria	Exxon Mobil	Starcomms
Oceanic	Guinness Nigeria	Chevron	Multilinks
Intercontinental	Unilever Nigeria	Addax	Intercellular
GTB	Nestle Foods	ConocoPhillips	
Diamond	PZ Industries		
Access			
PHB			
Citibank			
Barclays Rep Office			

Exhibit 5

Nigerian Stock Market Performance 2002-2005



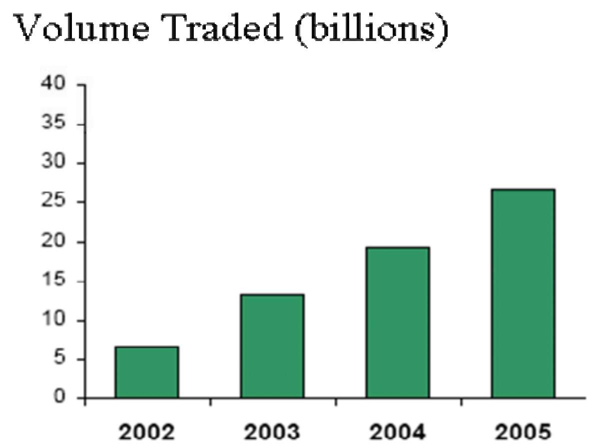
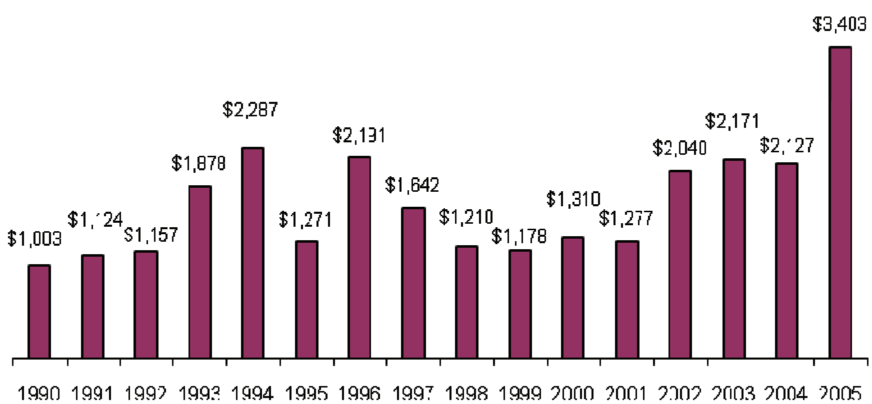


Exhibit 6

Foreign Direct Investment (FDI) in Nigeria 1990-2005*



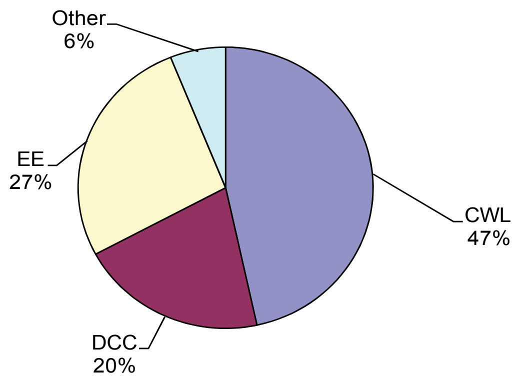
*In million USD

Exhibit 7

CWG: Revenues by Subsidiary*

2005 Sales by division

CWL	29,741,241
DCC	13,103,946
EE	17,112,097
Other	3,866,213
CWG Total	**63,823,497**
Other includes -	
Abuja	2,490,727
Training	0
Ghana	314,567
PH	1,060,919



***In Naira**

Exhibit 8

CWG Awards

- Gold Medal for Excellence in Business Practice (by FEBP, a Geneva based organization)
- Sun Award for Service Excellence (by Sun Microsystem)
- IT Company of the year 2003 (by bottomline)
- Indigenous Software of the year 2003 for XpertOnline by NITTA)
- Dell Award for the Fastest Growth Business in EMEA region
- Excellence Award for Infrastructure and Resources (by Infosys Technologies of India)
- CEO received IT Personality of the year Award 2003 (by NITTA)
- Sun Microsystems Top Achiever Award
- Oracle Award for the best Marketing Partner
- Best VSAT Company of the year 2004 by Nigerian Telecom Awards

Exhibit 9

Company Timeline

Pre-1992 – Oke working for Inlaks Computers, one of 4-5 big players in the Nigerian systems integration business.

September 1992 – Computer Warehouse Limited is formed, financed by six friends investing 600,000 naira. ($35,000.00) Two of the co-founders divest the following year.

June 12, 1993 – Election fraud leads to economic turmoil and the collapse of many competing firms.

September 1993 – Computer Warehouse Group secures Dell Reseller license and begins operations as hardware solutions provider for corporations in Nigeria.

1994 – CWG secures contract to provide microfiche system for Presidential Advisory Committee, the government agency responsible for writing speeches for the president. The funds give the firm a new lease on life.

1994 – CWG fails Shell Oil inspection required to gain vendor status.

1995 – CWG wins Ashaka Cement contract by going the extra mile to honor a warranty on a product they did not even sell. Key reference from Ashaka's head of IT helps firm win new business.

1995 – CWG passes Shell Oil inspection and becomes Shell IT partner.

1995 – CWG enters networking business, wins large contract from Republic of Benin to provide three Local Area Network (LAN) systems.

1996 – CWG wins Exxon Mobil contract, secures 250,000 naira bank loan to finance the equipment purchase. CWG secures customs release just before Exxon could cancel the contract.

1996 – CWG begins offering V-Sat services to provide customers with satellite data connections. Wins contract to install satellite networks for twelve branches of Oceanic Bank.

1997 – CWG wins award from Dell as the fastest growing reseller.

1997 – CWG acquires Expert Edge, a company providing software solutions for the banking industry.

1999- CWG becomes Regional partner for Infosys. Firm gains contracts to install complete banking software solutions in 10 of 89 banks.

January 1, 2000 – Millennium Bug passes without major incident in Nigeria thanks in large part to years of work by CWG in updating corporate systems.

2003- CWG becomes Regional partner for Sun Microsystems, Cisco, Oracle and SAP.

2003 – CWG opens first 24x7 software support centre in Nigeria.

2005 – Consolidation in Nigerian banking sector reduces number of banks to 25. CWG maintains software contracts with 8 of them.

2005 – Private equity fund offers to purchase 25% of Computer Warehouse Group for $8 million.