

18th Annual Banking Law & Practice Conference

**7-8 June, 2001
Gold Coast, Queensland, Australia**

Strategic Alliances: The convergence of business & technology

Presented by

James O'Toole
General Manager, eFinance
Cable & Wireless Optus

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Agenda

- Convergence of business & technology
- Telcos' new value chain
- The rise of Strategic Alliances & Relationships

- in confidence -

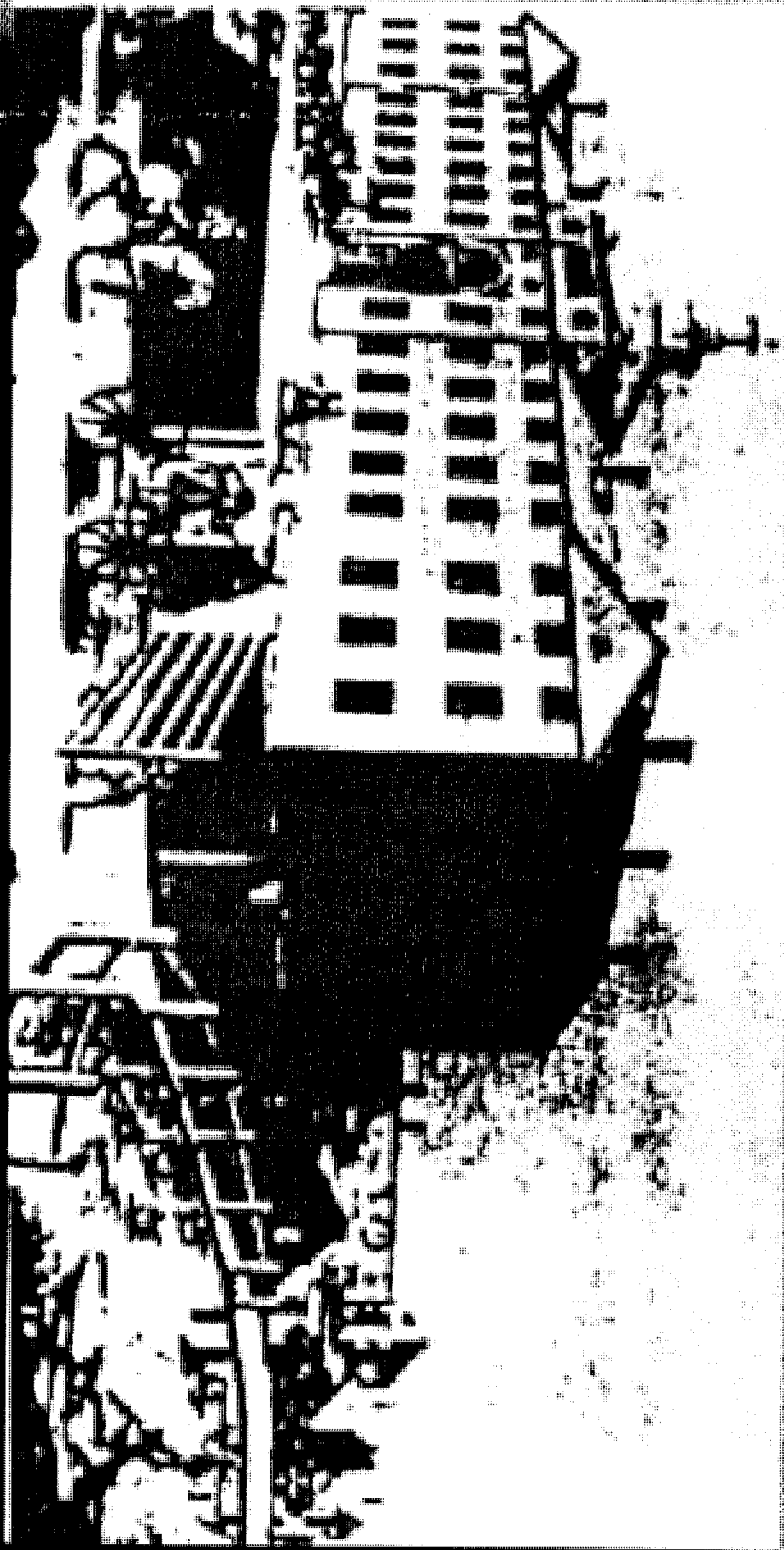
The Shock of the New

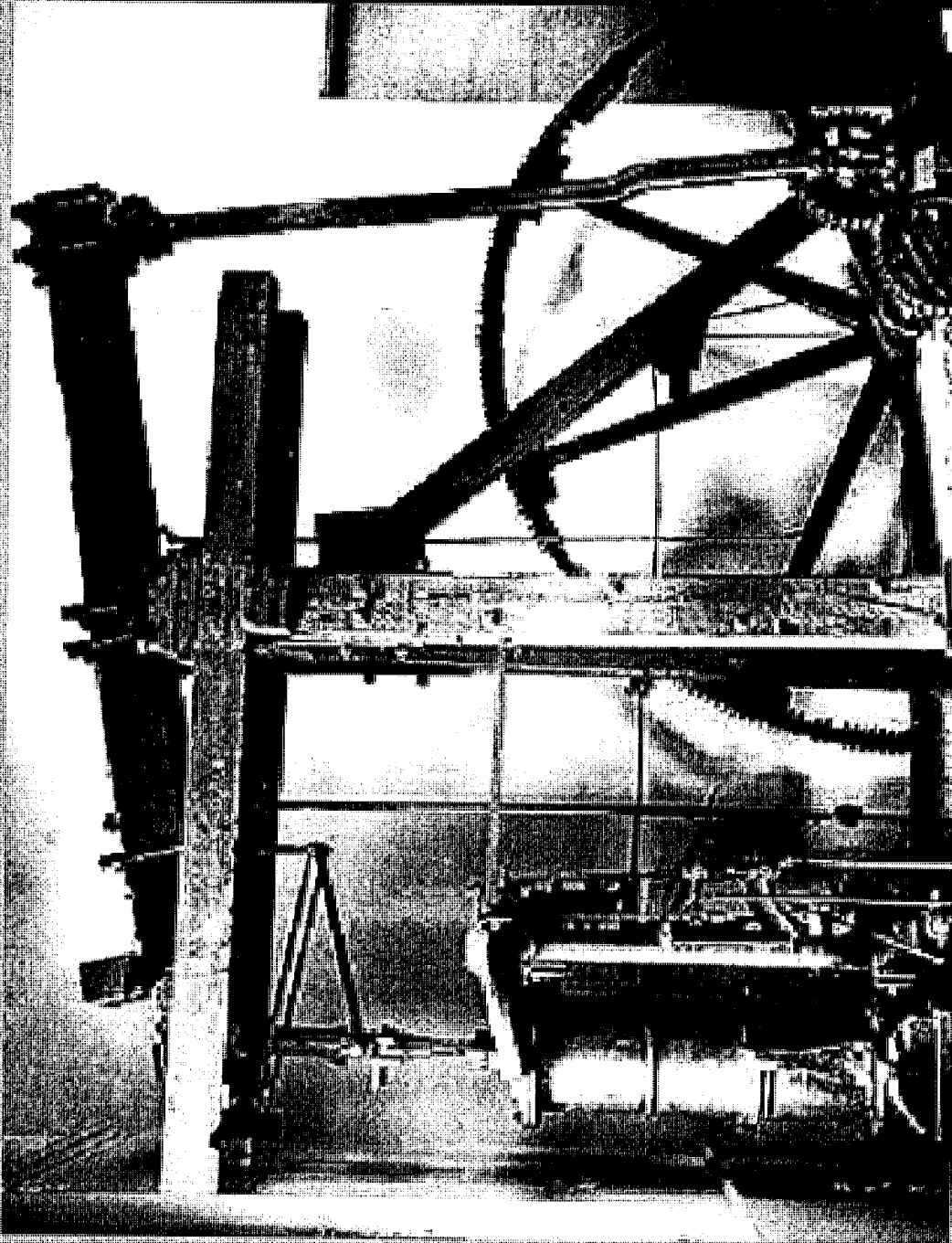
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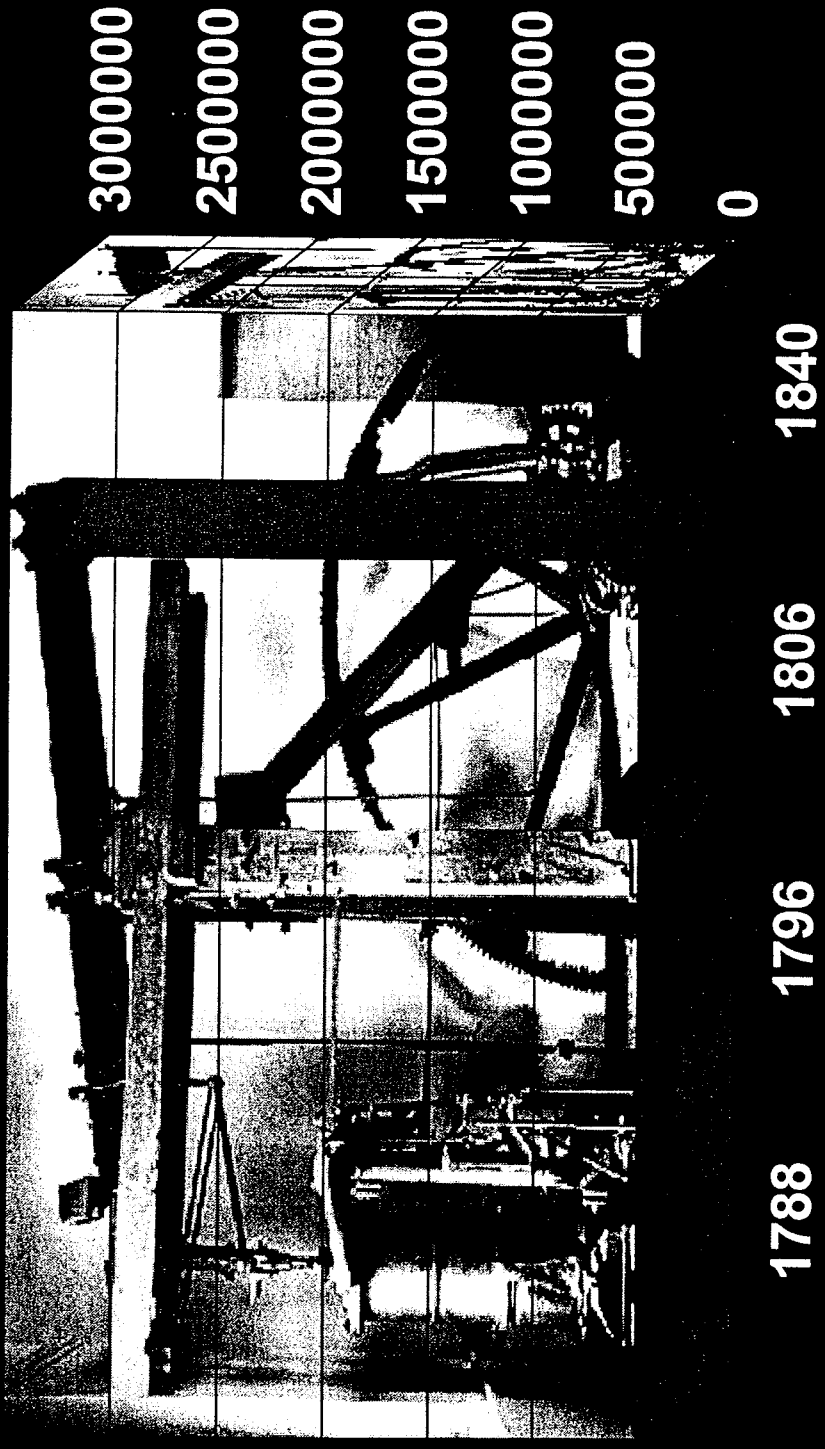
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Steel Production (tons)



Growth in Internet Users (US)

millions

140

120

100

80

60

40

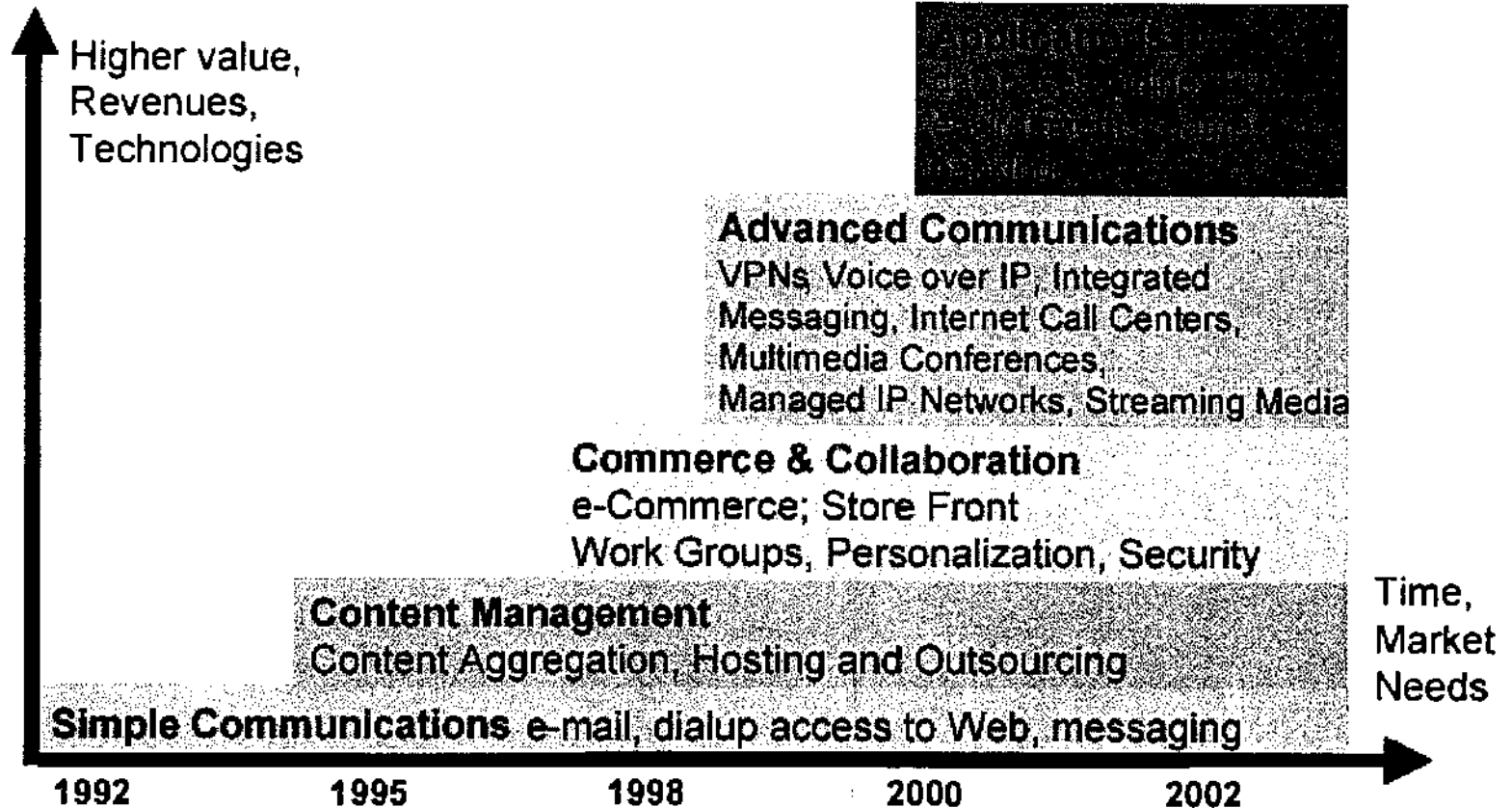
20

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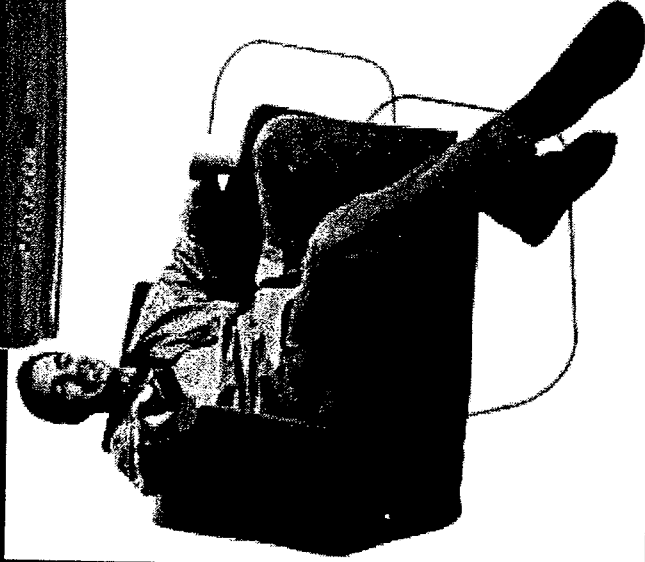
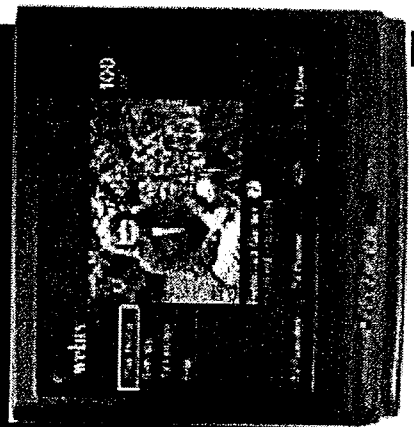
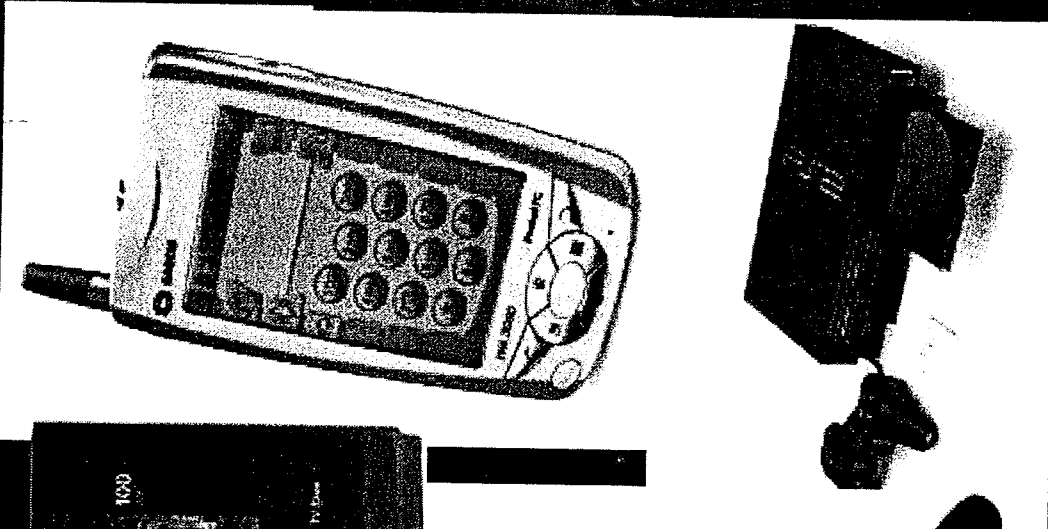
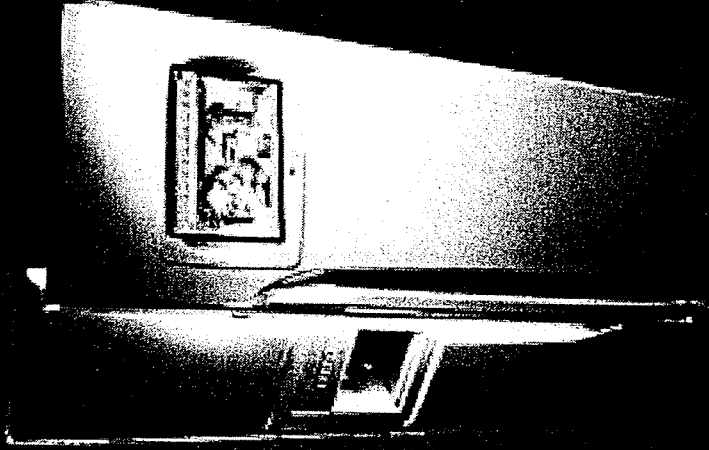
1995 1996 1997 1998 1999 2000

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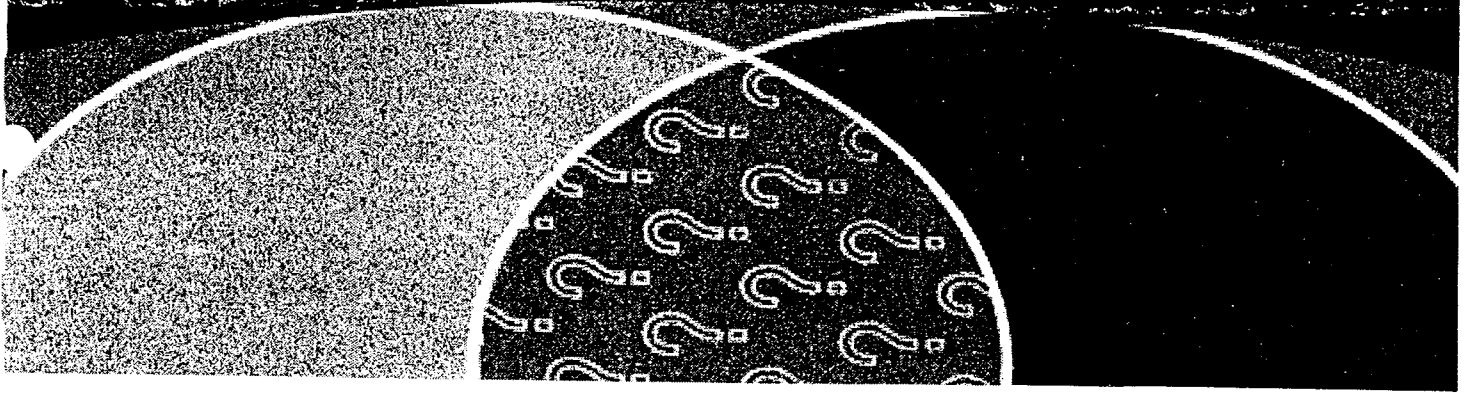
E-volution



Source: Alkesh Shah; MSDW Telecom Equipment Team

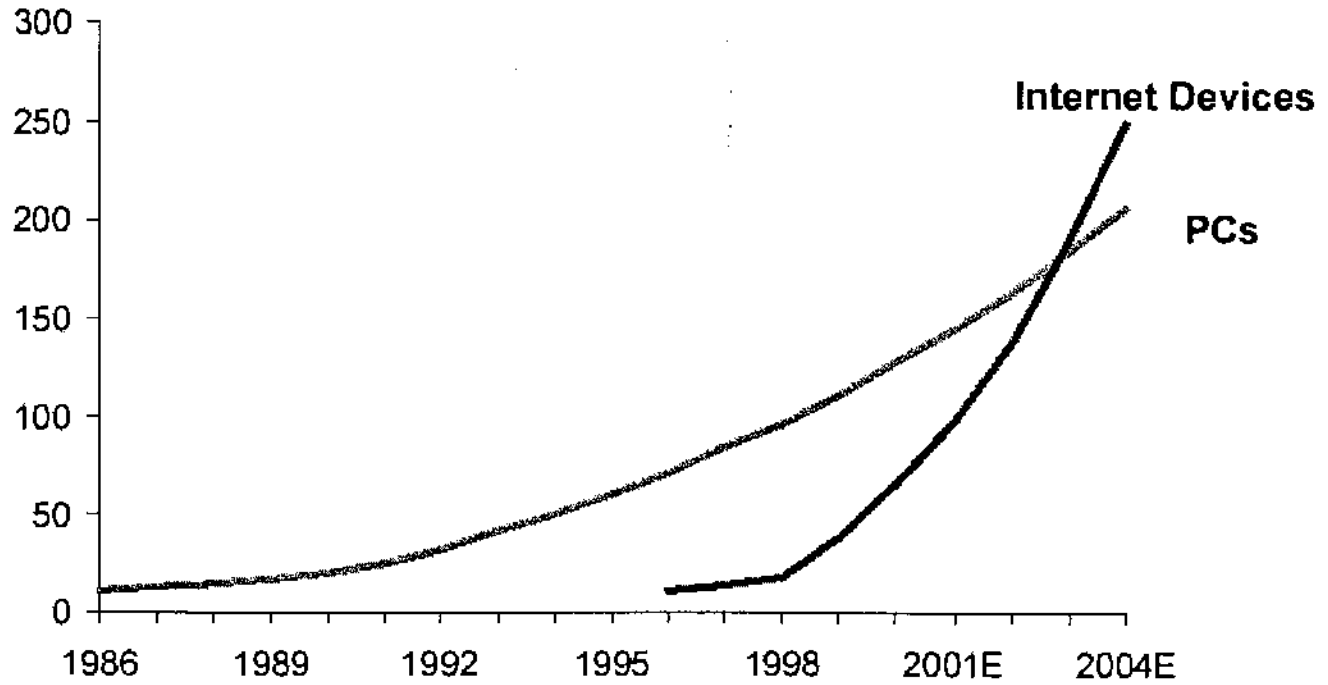


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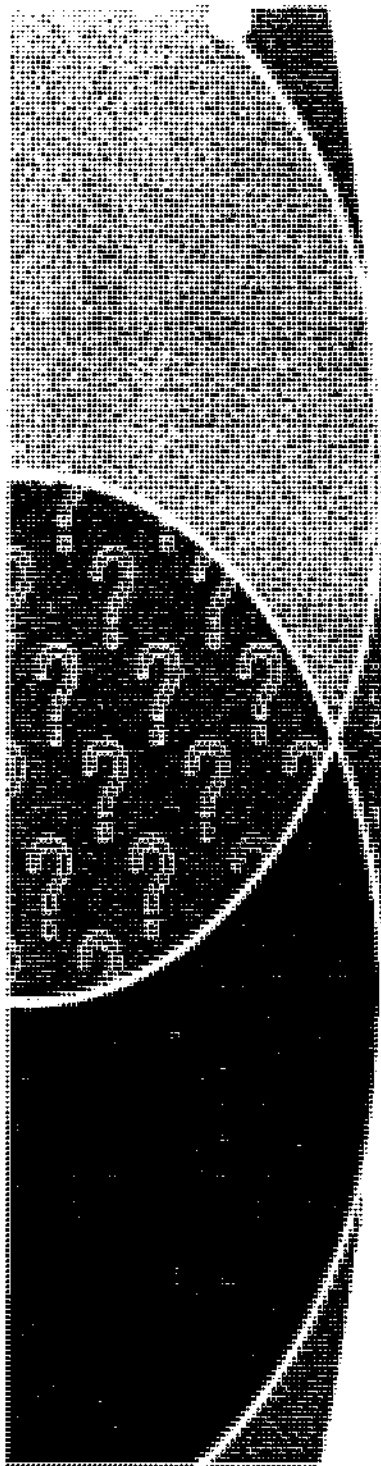
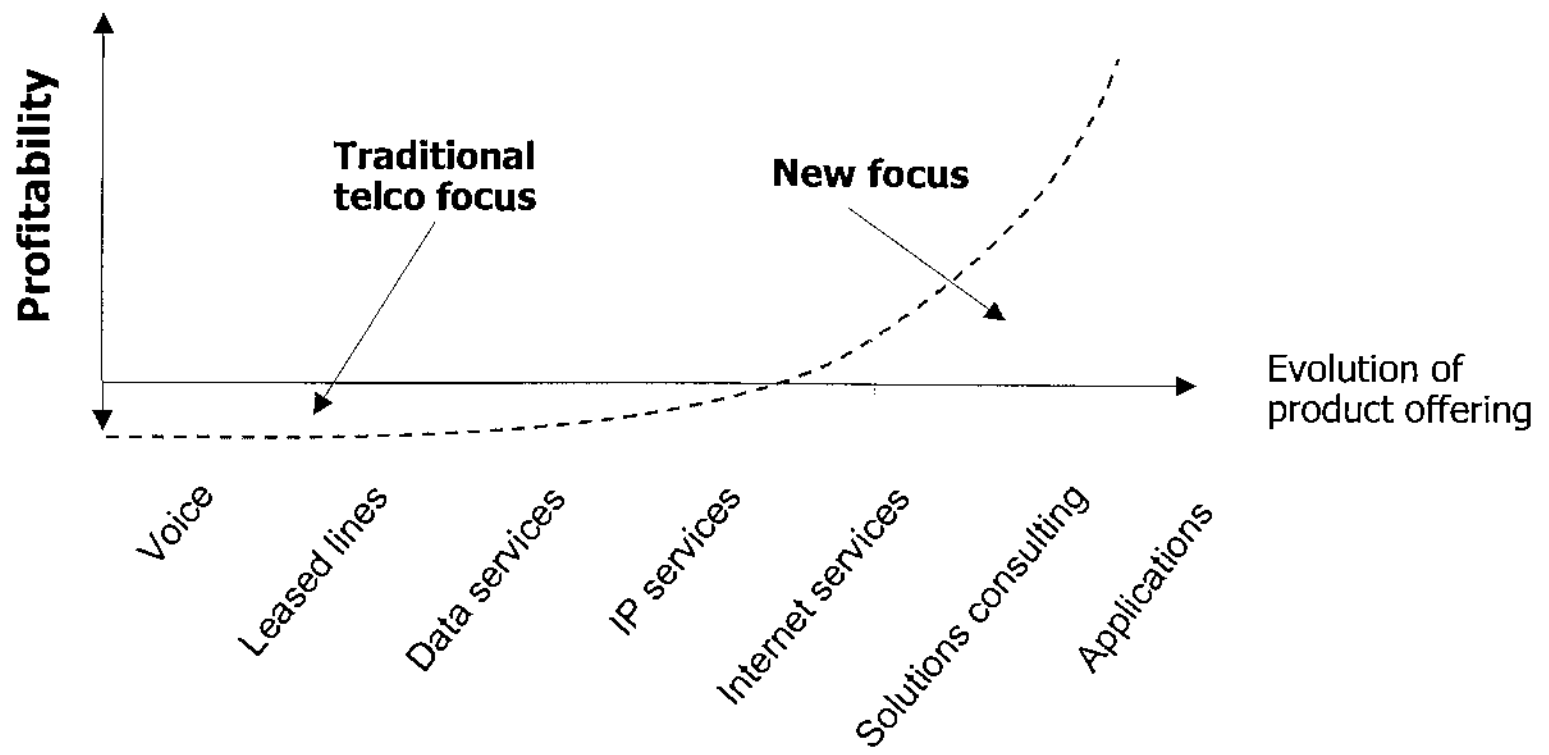


iDevices

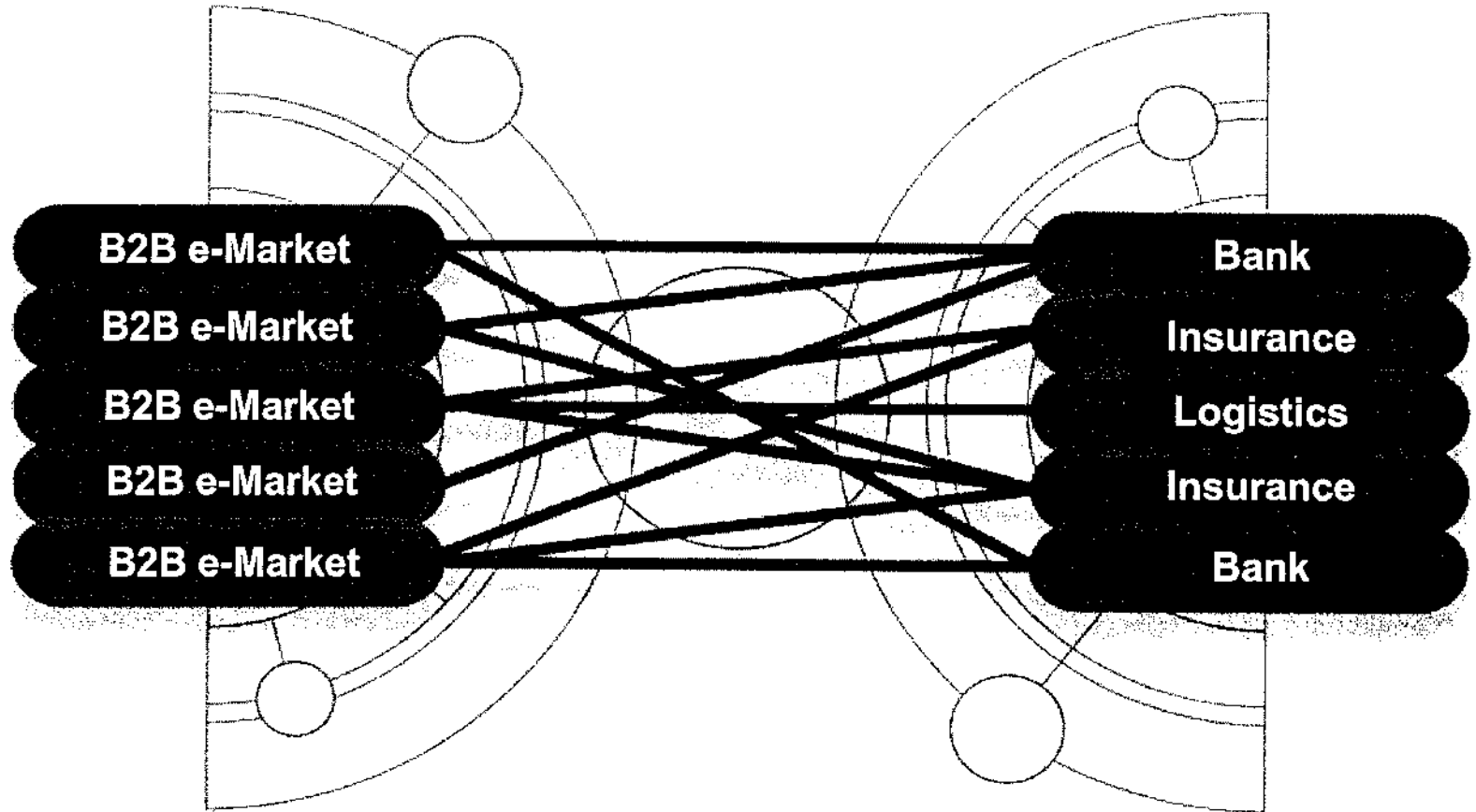
Units Shipped
(in millions)



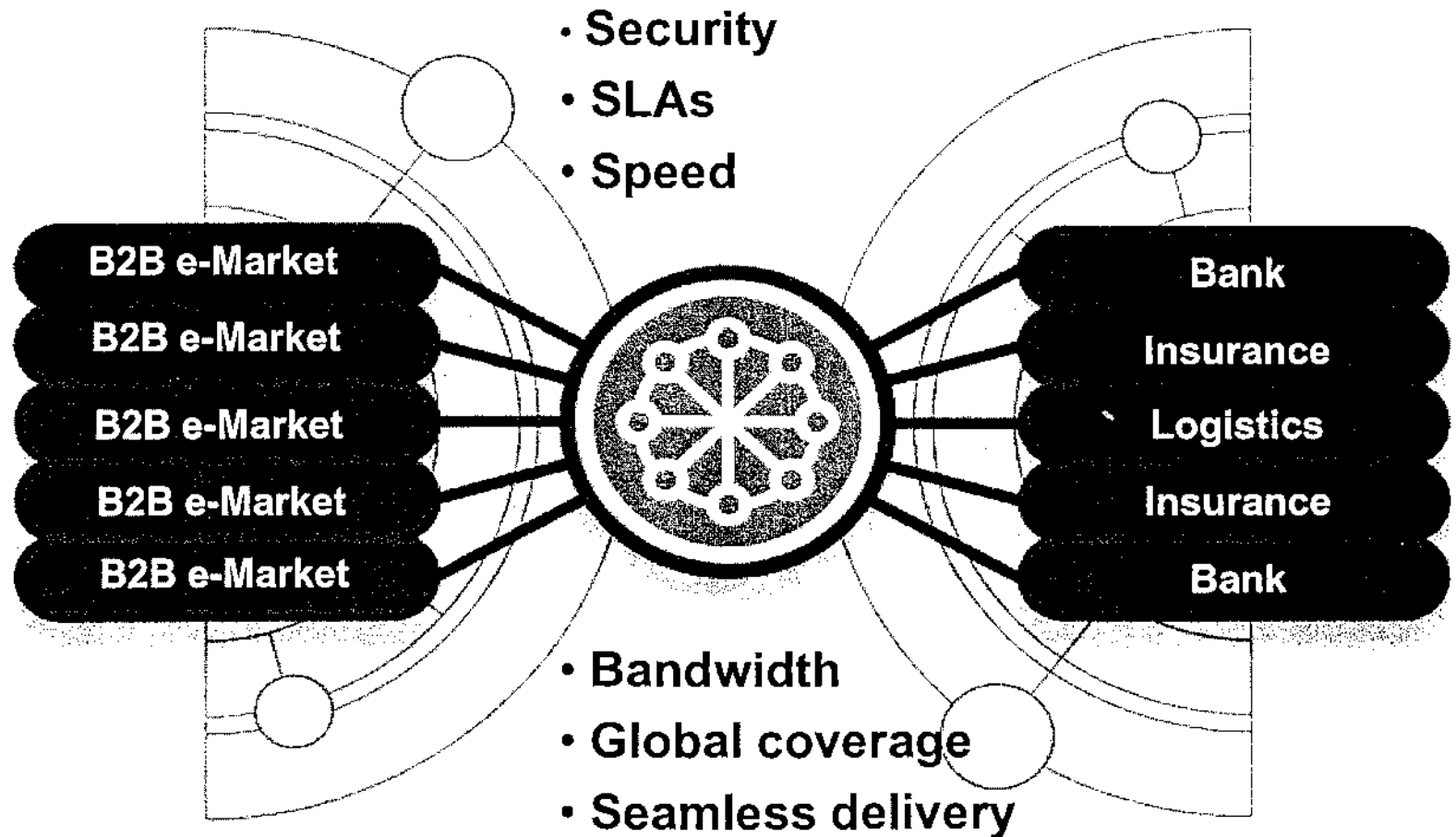
Source: Morgan Stanley Internet Research, IDC, The Yankee Group

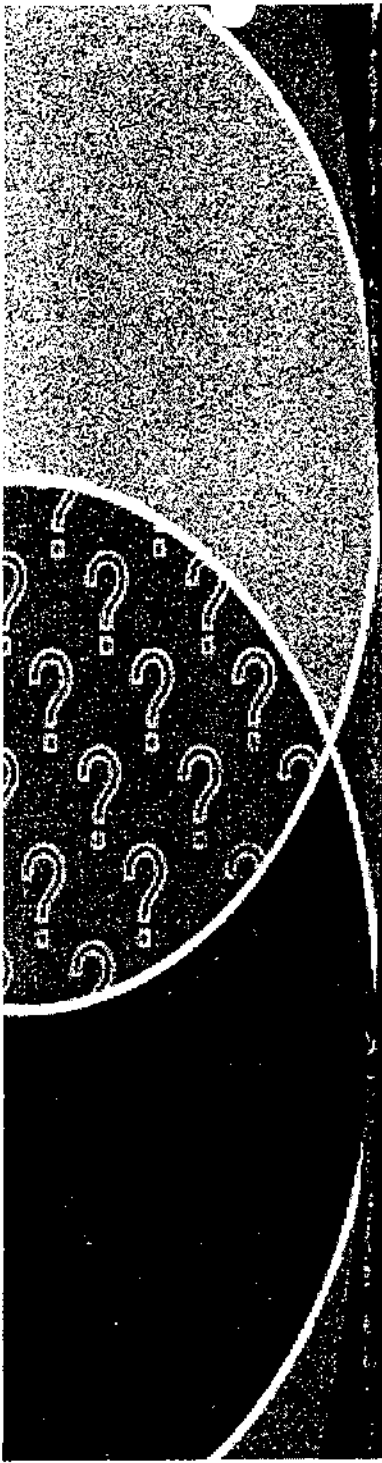


Current e-Business



e-Business Demands





“In a challenging environment of round-the-clock access and instant diffusion of information, companies will deploy networked communities to compete more effectively.”

(Forrester Research)

- in confidence -



“eBusiness Gets Built on External Technology

The need for rapid innovation in an eBusiness network environment will force Global 2,500 to adopt exT. Successful exT providers will be the nucleus of an infrastructure ecosystem on which eBusiness networks are built.”

(Extract from Forrester Research Report, June 2000)

- in confidence -

com.mu.ni.ty

n., pl. communities. Abbr. com.

- A group of people having common interests: the scientific community; the business community.
- Similarity or identity: a community of interests.
- Sharing, participation and fellowship.

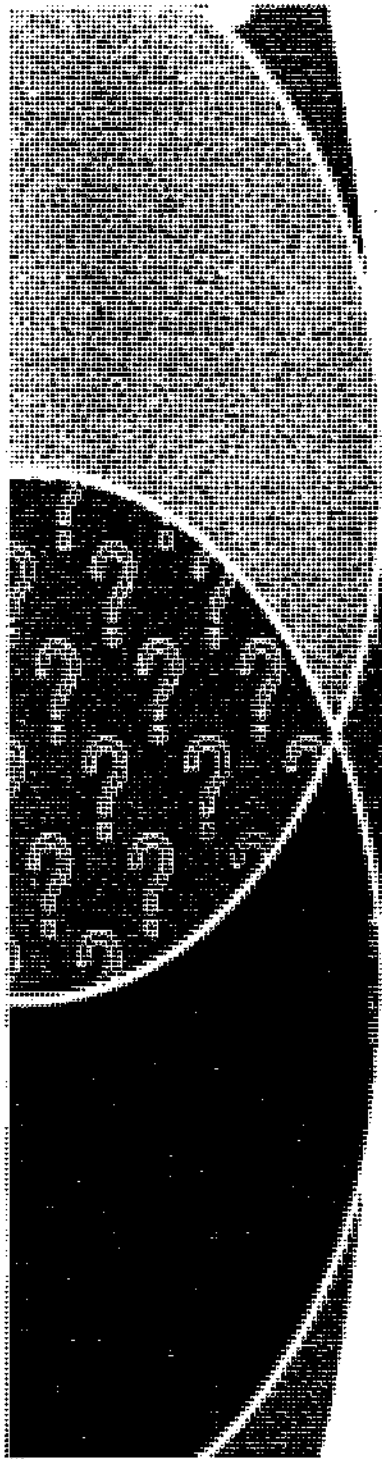
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Community of Interest

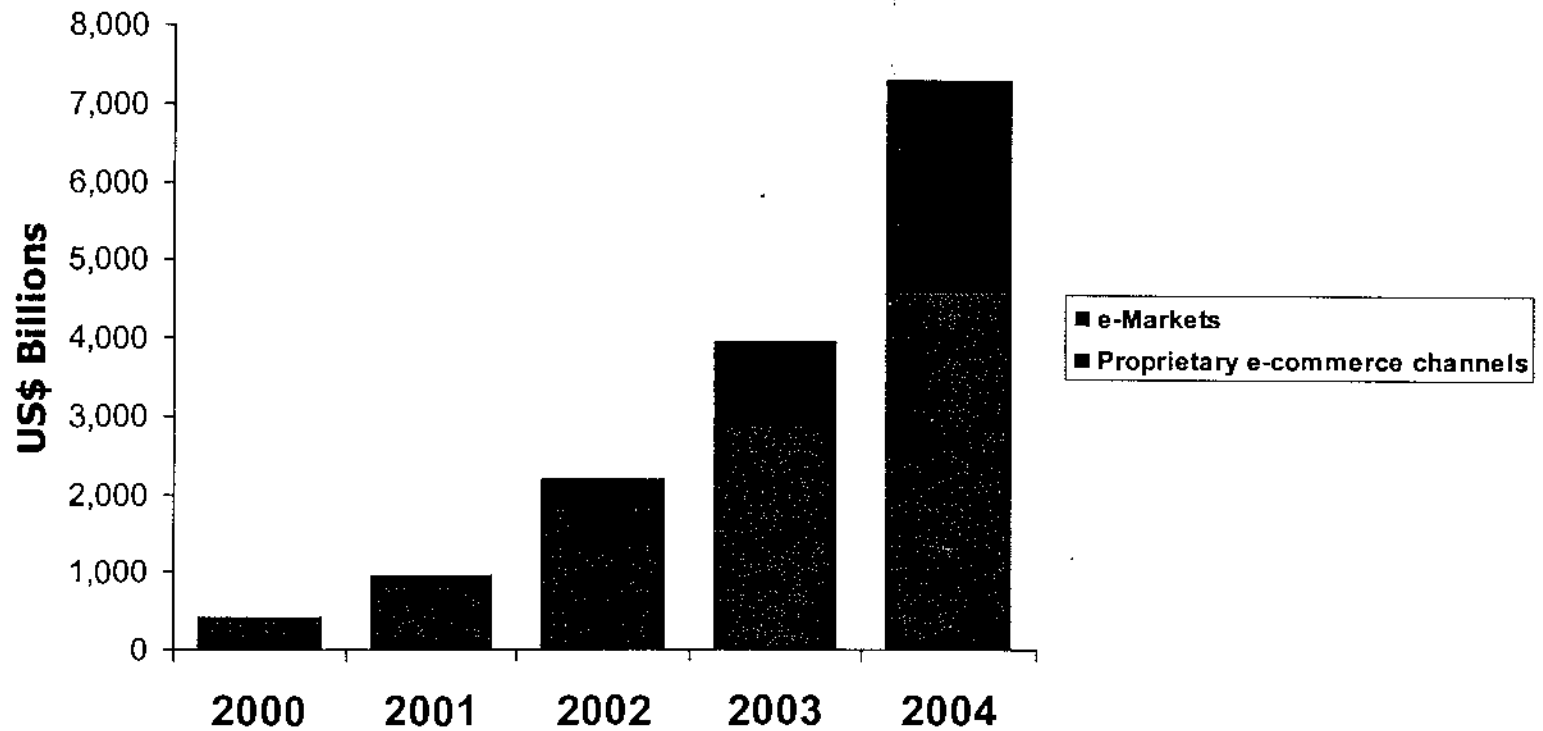
• A grouping of users/organisations/businesses who use and share common information

- Banking & Finance
- Accounting
- Insurance
- Health
- Education
- Government
- Mining
- Petroleum
- Legal
- Importers/Exporters
- Credit Providers
- Police
- Military
- Hardware manufacturers
- Telecommunications
- Shipping
- Customs
- Travel Agents

- in confidence -



eMarket growth in Asia



e-Markets include exchanges, online markets and portals

(Source: Gartner, 2000)

e Finity

Technology & Alliances Converge

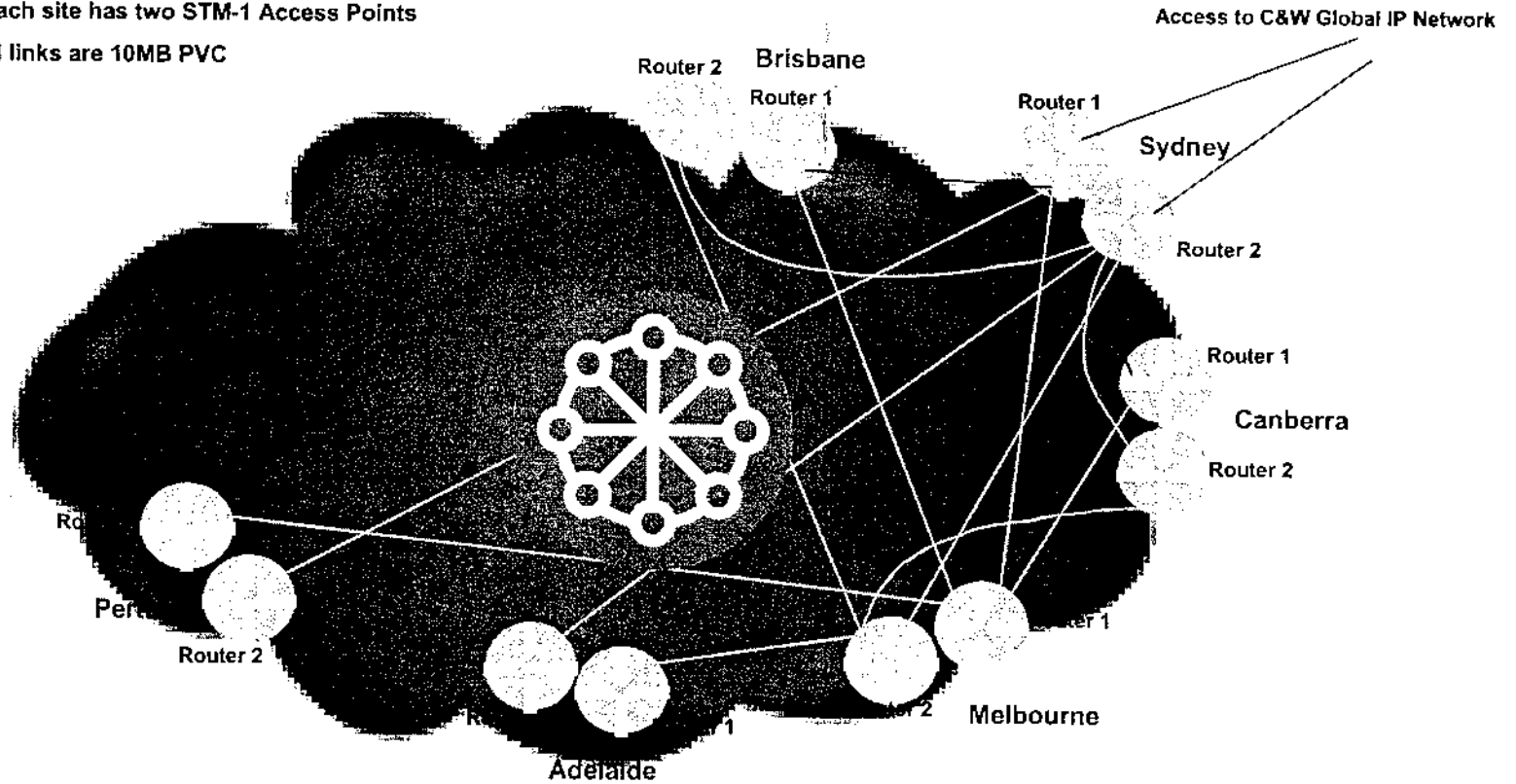
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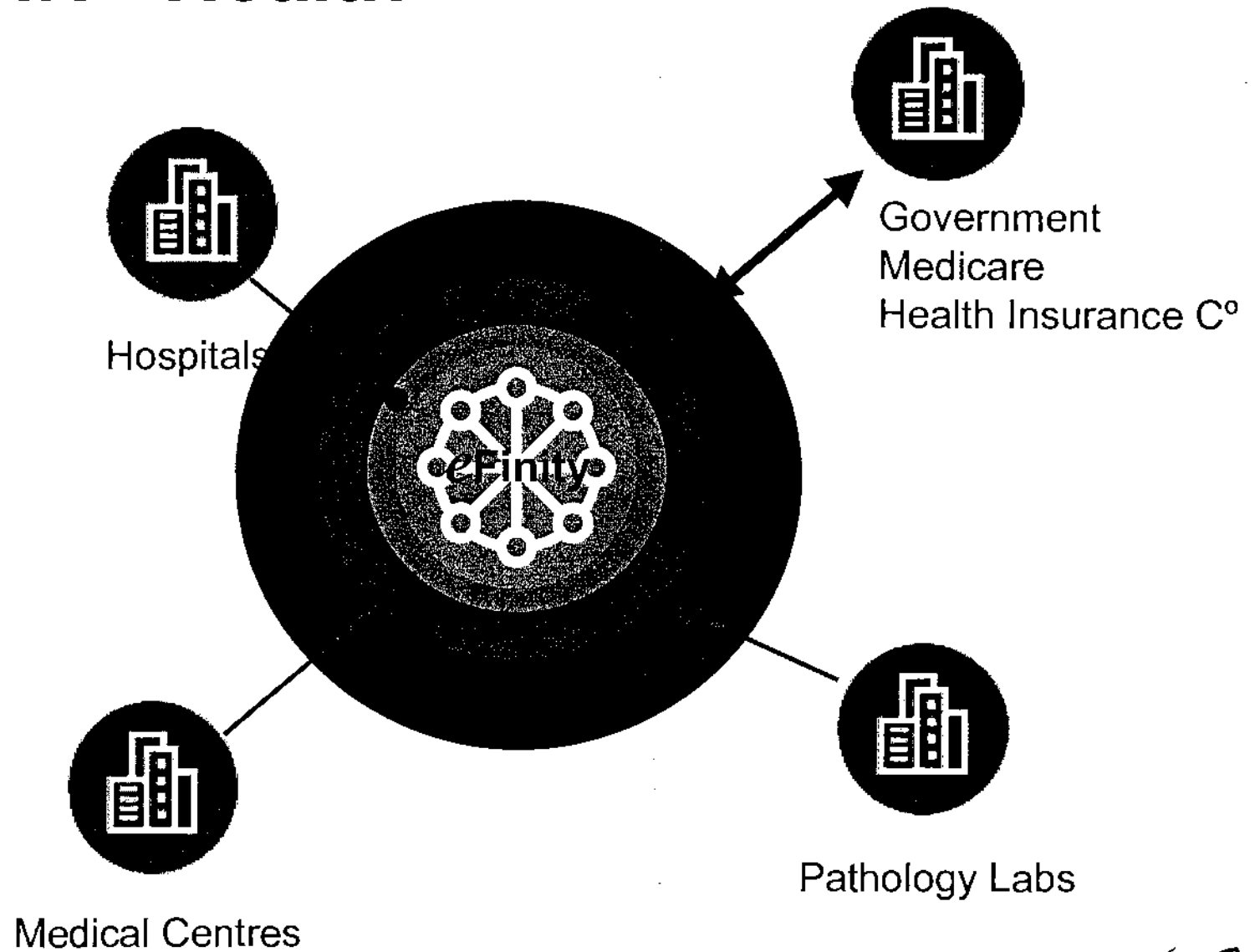
eFinity infrastructure

Router

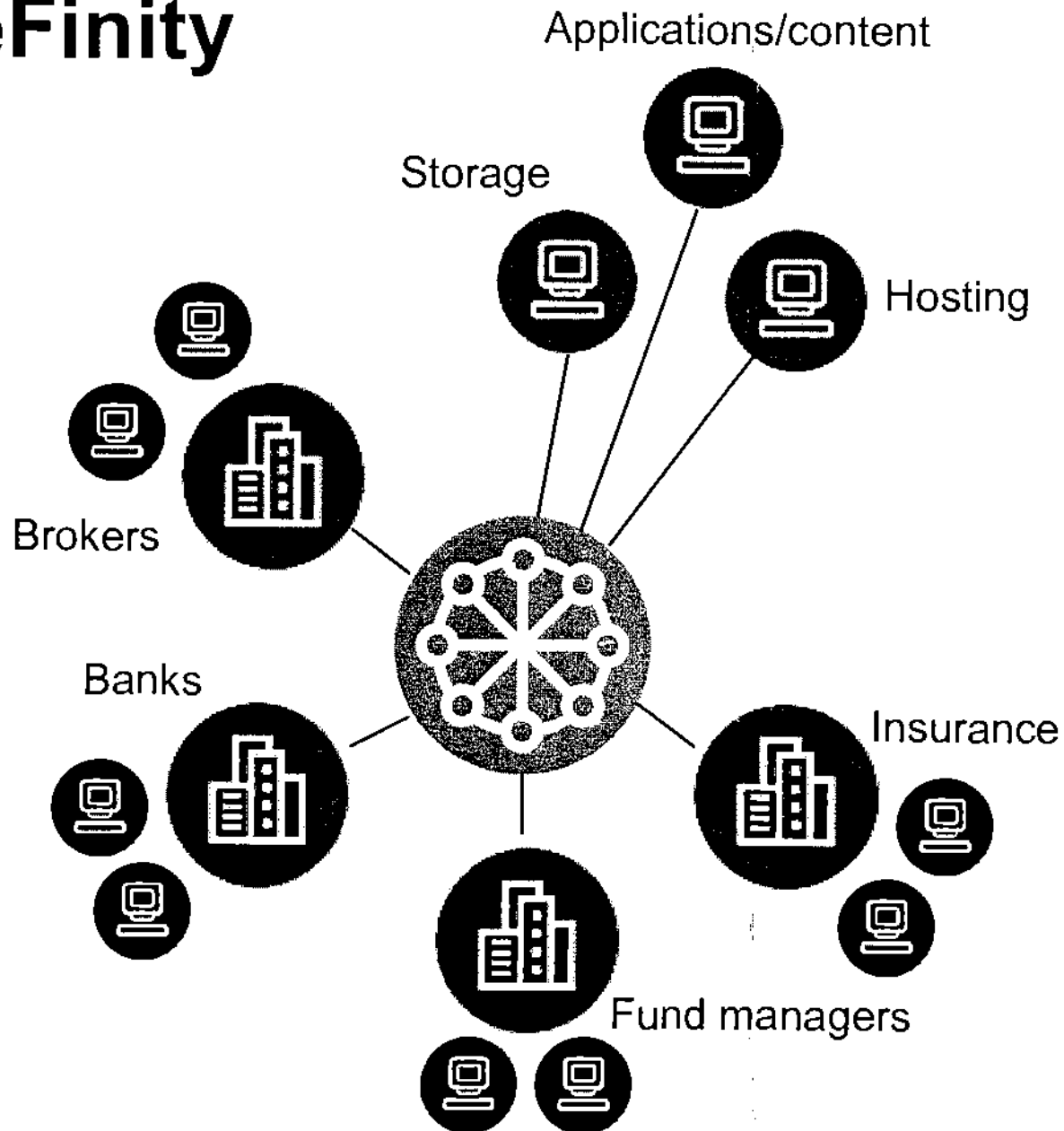
- Each site has two STM-1 Access Points
- All links are 10MB PVC



CoIN - Health



eFinity



Brokers

Banks

Fund managers

Insurance

Hosting

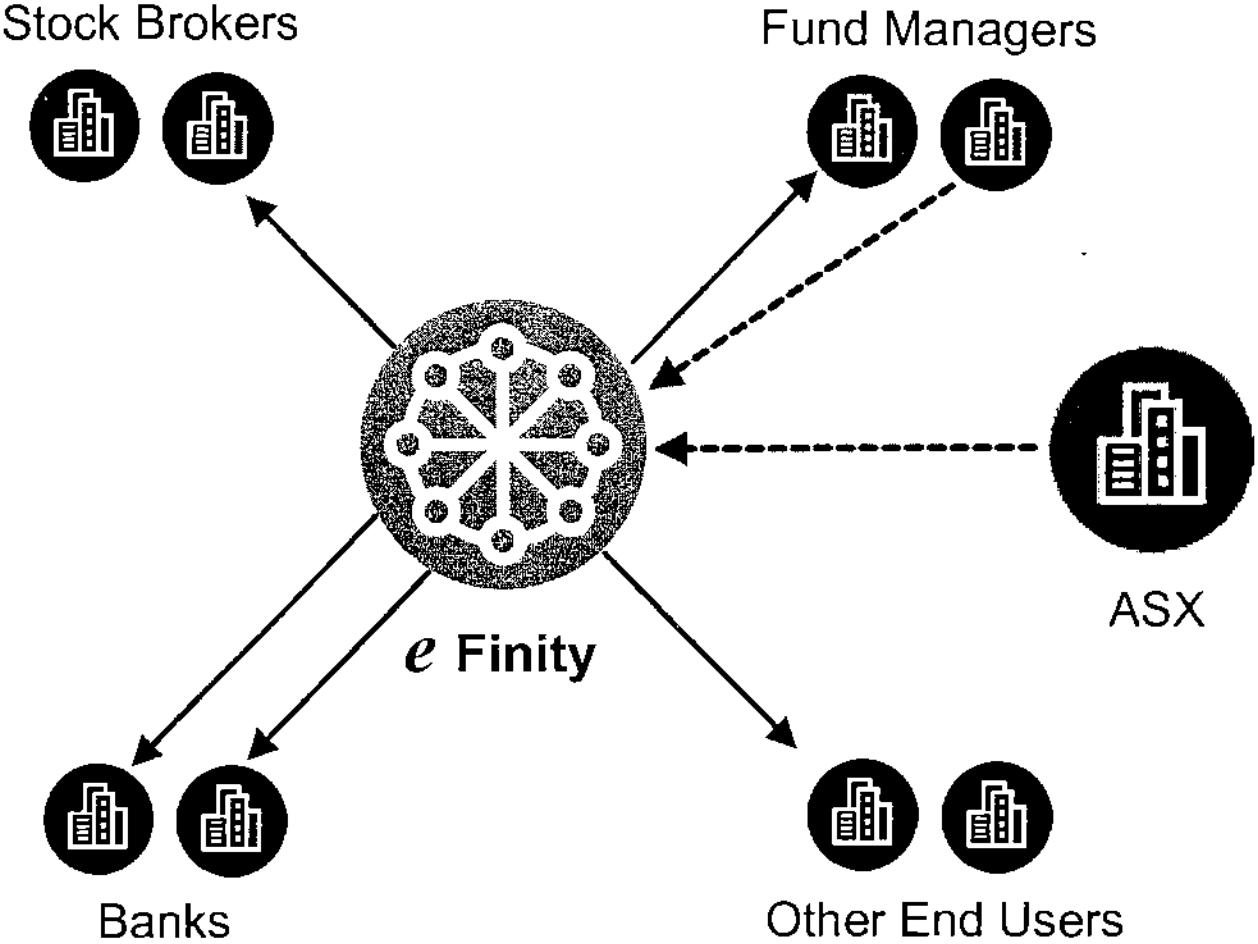
Storage

Applications/content



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Australian Stock Exchange



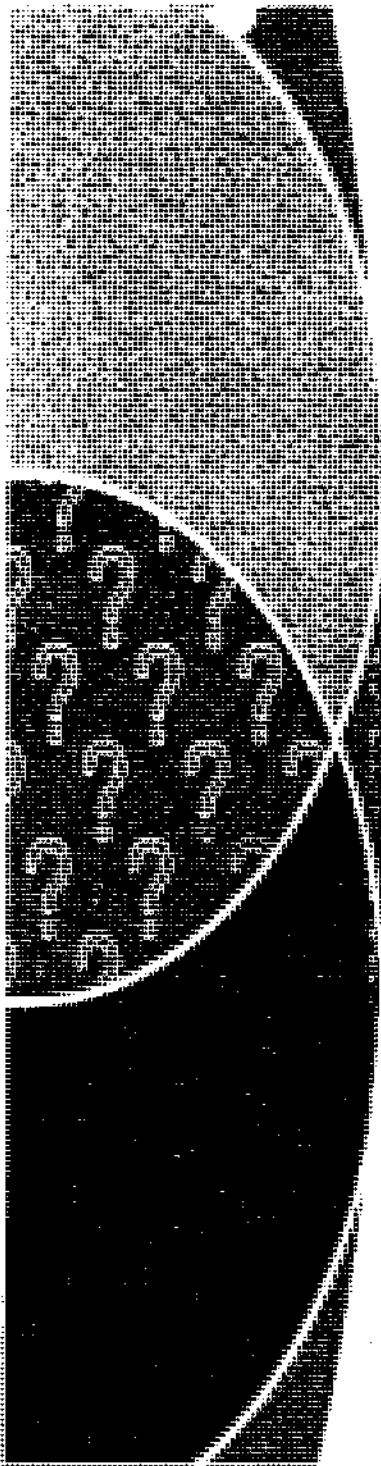


Australian Stock Exchange

“The Optus eFinity network with its VPNs is the infrastructure network for the financial community of the future.”

Richard Humphry, CEO,
Australian Stock Exchange

- in confidence -



IP Network Solution

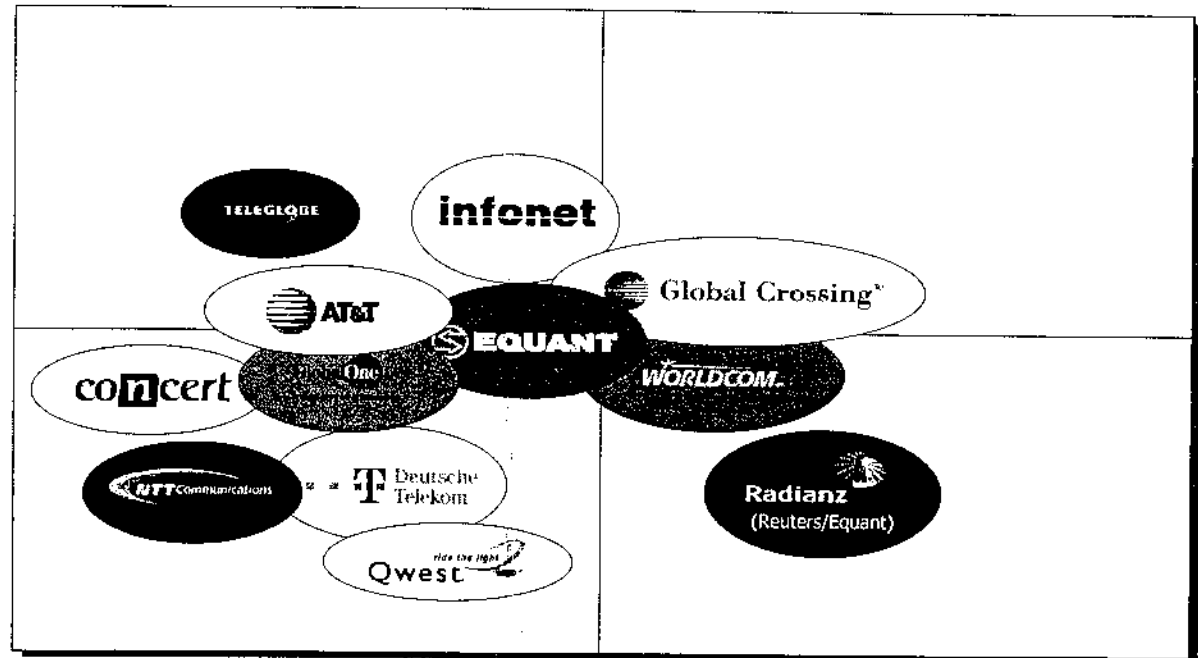
Shared IP VPN infrastructure

Dedicated VPN infrastructure

Vendor Customer Group Focus

Enterprise

Communities of Interest

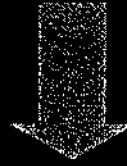


Quantum leaps

Strategic Relationships

- in confidence -

Microsoft



SONY



Content
Delivery channels
Devices



COMPAQ



**TIME WARNER
CABLE**

Time Inc.

- in confidence -

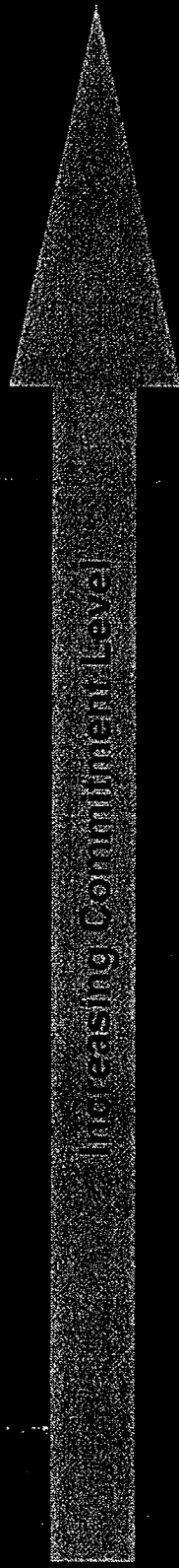


Alliances

- Minority equity alliances have grown substantially in number and value over the last decade, and are now a major component of strategy within many high-technology companies
- Intel, for example, has a portfolio of more than 200 minority equity alliances, approximately 100 of which have been formed in the last 18 months.
- Microsoft has put more than \$2 billion into minority equity investments, and many of these firms are alliance partners.

(sources: Arthur Anderson; Newcap Communications)

- in confidence -



A

Supplier Relationship

- Establish a traditional supplier relationship, which could include forming licensing agreements
- Typically based on fee for service arrangements
- Terms may be based on exclusive, preferred or non-exclusive supplier relations

B

Alliance

- Establish an alliance which defines the provision of particular services by one or both parties to the other, typically in return for fees or shared revenues. Examples are marketing and technology sharing alliances
- Relationships may be informal or bounded by a range of formal agreements

C

Joint Venture

- (i) **Contractual joint venture**
 - Co-fund the creation of an operational entity under the terms of a Management Agreement.
 - An example would be co-funding of an infrastructure project which will benefit both parties
- (ii) **Equity joint venture**
 - Co-fund the creation of a financial and operational entity (a "newCo" which has its own capital structure under the terms of a Shareholders' Agreement

D

Equity Relationship

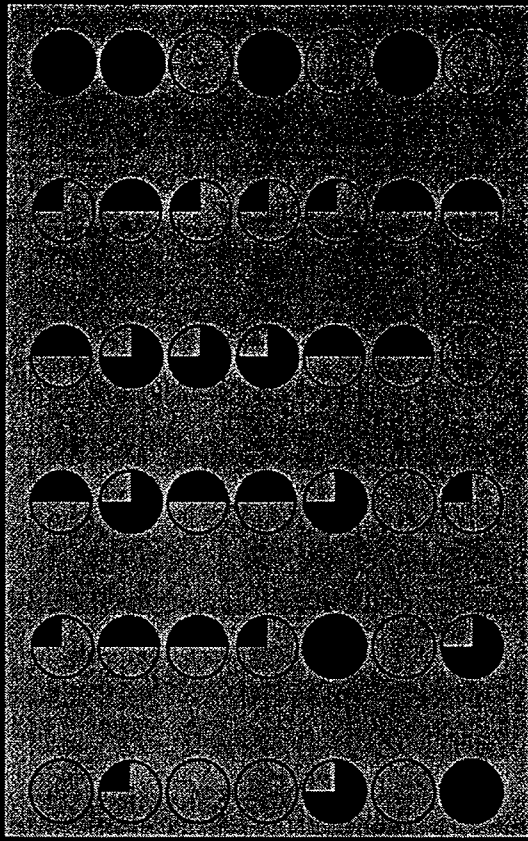
- (i) **Minority investment**
 - Purchase a minority equity stake (less than 50%) to gain access to proprietary data and to establish some influence over strategic direction
- (ii) **Acquisition**
 - Purchase a majority equity stake (>50%), providing full control
- (iii) **Merger**
 - Merge with another entity to create a new entity with its own ownership and management structure.

What benefits are being sought from this supplier?

How well does each structure deliver these benefits?

Supplier Alliance Commercial Party JV Equity split JV (multiple amounts) (multiple)

1. Clear operational control
2. Access to external resources
3. Risk sharing
4. Proprietary access to target's assets
5. Access to small, specific subset of target's assets
6. Share in upside of target's business
7. Ease of withdrawal



Poorly suited

Well suited





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