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Computer Warehouse Group

ABSTRACT

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

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Acknowledgements
This case was prepared by Gbolade Arinoso '08, Lara Junaid '08, Ryan Petersen '08, and Jindrich Zitek '08 under the supervision of Professors Murray Low and Paul E. Tierney, Jr.

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Introduction

Austin Okere[1], cofounder and CEO of Computer Warehouse Group (CWG[2]), found reason to smile as he looked out at the endless string of cars idling at a standstill 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% stake in his company, 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 CWG had regularly exceeded all expectations. Using very little debt and no external sources of equity capital, CWG had generated strong growth every year since 1992, when it had been founded (see Exhibit 1 for 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 US $55 million 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 start-up IT solutions provider in the country. Moreover, none of the other existing players in the domestic market 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. Okere believed that 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 still reason to be concerned. Doing business in Nigeria 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.

[1] Austin Okere's insights and comments referenced in this case are based on a meeting with Okere in Lagos, Nigeria in January 2008.
[2] Founded in 1991 as Computer Warehouse Limited, the company's name was changed in 2005 to Computer Warehouse Group.

Yet to the surprise of many onlookers, between 1999 and 2005 Nigeria's economy had consistently generated positive GDP growth (see Exhibit 2). 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 became big enough to be regional players. As these companies expanded into neighboring countries, they hired 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, and Ghana. CWG followed these successes by opening its first international office in Accra, Ghana, in 2002.

Ignoring the blaring car horns of downtown Lagos, Okere let his mind drift to these opportunities. To seize all the chances before him, he needed growth capital for CWG—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 had grown from 55 million to 134 million. Throughout this period, the country also became much more urbanized; about 48% of Nigerians lived in cities at the turn of the millennium. The country's biggest city, Lagos, had grown from two million inhabitants at independence to about 13 million in 2005. Immigration to Lagos had accelerated significantly since the 1970s when Nigeria joined OPEC and the federal government, based in Lagos, became the center of political struggles over both oil revenues and power.

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. These problems all had a direct impact on public health and life expectancy (which was 47 years in 2005). In addition, because of the inadequate infrastructure, Nigerian businesses also incurred costs such as maintaining backup power generators and supplying bottled water for their employees. Traffic delays were a fact of life in Lagos.

During over three decades of military rule beginning in 1966, Nigeria's generals had been accountable to no one for the provision—or lack thereof—of basic government services. There were frequent coups, assassinations, and fights over oil revenues. Physically separated in secluded areas of the capital and protected by high walls, private security guards, and barbed wire, the Nigerian elite lost touch with the rest of the population. 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 enabled them to make dramatic changes to national laws without regard to the 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 or investments and had limited trust in their potential partners. Because government policy could be reversed without warning at any time, it was unwise to invest significant resources in any enterprise.

Meanwhile, many Nigerian businesses lacked standardized accounting and governance systems. As a result, investors and business partners often remained skeptical of retained earnings and tended instead to place a disproportionate weight on current payouts (since 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, few aged receivables, and significant physical assets that 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 was still affected by local conditions. Its high-profile, 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: in recent years, CWG had 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 that was collateralized against these receivables, interest rates of 25% 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 but continue to make late payments. As an alternative, CWG's management considered requiring all customers to pay in advance, but they were unsure of how that might affect their ability to attract 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: 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% annually between 2006 and 2011. (See Exhibit 3 for historical and projected data for the telecom industry in Nigeria.) Investments in the telecommunications sector also increased from $50 million in 1999 to $6 billion by September 2004.

This explosive growth created new opportunities for companies like CWG that provided technology support services for the sector. Telecommunication companies needed hardware, software, and networking support, and they typically relied on established, dependable service providers like CWG for 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, increasing the minimum capital requirement from 2 billion naira to 25 billion naira (US $193.8 million). As a result, the banking sector underwent considerable consolidation; the total number of independent banks shrank from 89 to 25. The surviving banks were stronger and better able to undertake aggressive expansion plans to tap into the domestic retail banking market. Many banks also expanded outside the country to establish a regional presence and take advantage of growing regional commerce.

As a result, banks needed robust software and reliable, readily available service providers. 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 a partial list of CWG's clients.)

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%, and total turnover increased by 36% 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 other public offers.

Foreign direct investments (FDI) in the NSE in 2005 were estimated at $70 million, an increase of 33% over the 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 all contributed to improved investor confidence in the Nigerian economy.

In 2005 the outlook remained very bright. It was expected that 20% 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, Okere convinced five friends to invest in his own IT solutions firm, Computer Warehouse Limited (CWL). The team believed that other companies' failures to meet customer expectations had produced tremendous ill-will that they could turn to their advantage. In a fragmented market for IT solutions, Okere planned to differentiate his company by delivering quality equipment, putting service first, and honoring warranties.

The company was incorporated in September 1992 with Okere as the sole employee, backed by 600,000 naira (US $35,000) contributed by the six partners. Two of the partners divested in the following year. CWL 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 large average order sizes, and ultimately develop valuable long-term relationships with the firm. In addition, because the offices of corporate clients were centralized, CWL could deliver on its warranty and maintenance contracts more efficiently.

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 already had established partners in the country. However, though it was experiencing explosive growth around the world, Dell Computer had yet to identify a reliable partner for the Nigerian market. Although Dell 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, CWL secured a license to sell Dell products in Nigeria.

Winning over Customers

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

Finally, after several months of operating in trying circumstances, CWL 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 that they had purchased overseas. Okere 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 CWL's own office. (To minimize working capital and the depreciation of inventory, the firm ordered directly from overseas suppliers rather than maintaining inventory.)

As it turned out, getting the system to Ashaka required several days of rough overland travel. A week later, the employee returned without the maintenance contract he had been sent to win. Nonetheless, the IT director at Ashaka was so impressed with CWL'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 when many other local vendors would not, CWL 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: CWL in computer hardware, DCC in communications and networking, and ExpertEdge in software. In 2005 CWL represented 46.6% of group revenues, DCC represented 20.5%, and ExpertEdge represented 26.8%. The remaining 6% was derived from training, international operations, 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, and administrative resources for the three subsidiaries. And although the three sales forces remained separate, all representatives were expected to write reports after each sales call to note any potential business for other CWG sales teams. However, 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

DCC, the first spin-off from the original CWL, was created in 1995 in response to persistent demand from hardware customers for networking and communications services. When CWL began offering these products, it became apparent that many prospective clients were skeptical of purchasing networking solutions from a traditional hardware vendor. As a result, DCC was incorporated as a wholly-owned subsidiary, with independent operations and branding. Since its inception, DCC had been 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[3] dishes or most of the other equipment required to build their corporate networks. Rather, they contracted with a company such as DCC to install the equipment and then paid annual fees for the service. Given the expense of switching providers and DCC's consistently high level of customer satisfaction, the company 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 coworker of Okere's at Inlaks. The company provided custom software solutions for the banking industry. Following several successful collaborations on major accounts, CWL agreed to acquire 85% of ExpertEdge in 1997.

Recognizing that the firm lacked the resources to create the advanced applications increasingly demanded by its client base, Okere and Agada made the strategic decision to deemphasize software development in favor of becoming a local dealer for major international firms. ExpertEdge 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, ExpertEdge 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. However, it did prepare ExpertEdge for the task ahead, and the company 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 took advantage of this trend, locking in four more major banks and achieving a 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.

CWG became one of the 50 fastest-growing companies in Nigeria; the firm achieved annual growth of over 50% for several years. It had over 300 employees, eight offices in Nigeria, one office in Ghana, and an agency in Cameroon. Senior managers agreed that CWG's success stemmed from its

[3] VSAT is an acronym for the term "Very Small Aperture Terminal."

culture of innovation, professionalism, and candor. The firm won several awards from its vendors, including the Dell Award for the Fastest Growth Business in EMEA[4], 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

Okere 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 a talented staff, which was 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. According to Okere, 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."

Ninety-five percent of CWG's employees had university degrees, and over 75% 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 that they could offer. Employees were encouraged to ask questions, make decisions, and perform their jobs as if it were their own business.

The company's low fixed salaries and high variable pay meant that CWG rarely hired senior staff from competitors. Instead it generally recruited recent graduates or technicians and salespeople with limited experience who valued the company's cutting-edge training and team-based culture. In exchange, compensation for all employees (not just for sales staff) included 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 employees' lives. 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. However, once new employees got used to the no-excuses philosophy, they were likely to stay.

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, Okere realized that as

[4] EMEA is an acronym for the phrase "Europe, the Middle East, and Africa."

his company approached $55 million in annual sales, it might be difficult for him to have sufficient face time with his people and maintain CWG's entrepreneurial culture.

In the years just prior to 2005, employee turnover steadily increased and retention became one of the key issues on Okere's mind. As he saw it, 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 such companies, which could 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, Okere was more worried about former staff joining multinationals who were CWG's partners and suppliers. In the 1990s these companies had not wanted a direct presence in Nigeria, but many were now considering entering the country. As Nigeria was becoming more stable, they were ready to show their confidence in it. 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 central to Okere'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.)

However, Okere was not looking for external financing when the director of the Lagos office of a major international private equity fund invited him for lunch. The practice of financing nearly all new business through LPOs against customer orders meant that CWG's working capital was often stretched, but Okere 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 with the remaining founding partners (only one of whom also worked full time for CWG), Okere learned that while the rewards might be the same for all investors whether they were active in the company or not, their attitudes toward risk and owning a significant stake in the company going forward differed. The nonactive partners were interested in cashing out.

As a result, when Okere learned about the interest from the potential investor, he considered their offer seriously. Plans for 2006 and 2007 involved increasing CWG's presence in Ghana, entering Cameroon (but without major marketing efforts), and focusing on current customers who were also active in other African countries. Additional capital would enable Okere to enter new markets more aggressively, open local branches, and employ salespeople even before orders started coming in. In addition, CWG would be able to widen the gap between itself 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 now on the table. When Okere and his partners received the offer—US $8 million for 25% of the business—they were initially disappointed; they felt that the company was worth more, given its significant growth prospects. Okere also thought that 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. Okere saw an IPO as the ultimate exit for him and his partners in a few years' time. Prior to that, however, 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, an experienced investor would also bring CWG's corporate governance and organizational structure and processes to the next level while increasing the company's credibility in the market.

The investor would also bring a seasoned IT executive on as a board member. Okere, always eager to learn from those around him, was excited by the prospect of adding an experienced advisor to his team. He believed that 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.

Okere had only a few days left to decide whether to proceed with the final negotiations. Apart from determining the company's value—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 fund had experience in the IT sector, Okere was not sure to what extent he would bring innovative thinking or new knowledge into the company. Overall, Okere felt that the fund's background in the IT sector was relatively weak, so he was not sure how many new clients the fund would attract nor to what extent CWG would benefit from the relationship aside from capital infusion.

He sat down with his CFO to evaluate their latest assessment of the proposed model, and they also started to list other options for raising capital. Okere's friend, working in the banking sector, told him that while CWG might be an ideal IPO candidate in a couple of years' time, at this point 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.

Okere 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, Okere also wanted to maintain his decision making power and freedom to drive the business toward 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 for Nigeria

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

Source: CIA, *The World Factbook: Nigeria*

Exhibit 3

Telecom Density in Nigeria, 2001–2006 (projected)

CONNECTED LINES

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
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	8.50	15.72	24.18

Note: Teledensity was calculated based on a 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 the number of connected lines
Source: Nigerian Communications Commission, *Telecommunications Industry Statistics at a Glance*, http://www.ncc.gov.ng/index5_e.htm

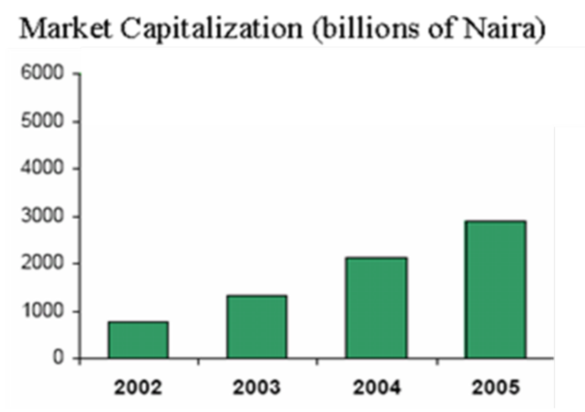
Exhibit 4

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	Mtel
Union	Cadbury Nigeria	Exxon Mobil	Starcomms
Oceanic	Guinness Nigeria	Chevron	Multilinks
Intercontinental	Unilever Nigeria	Addax	Intercellular
GTB	Nestlé Foods	ConocoPhillips	
Diamond	PZ Industries		
Access			
PHB			
Citibank			
Barclays Rep Office			

Exhibit 5

Nigerian Stock Market Performance, 2002–2005



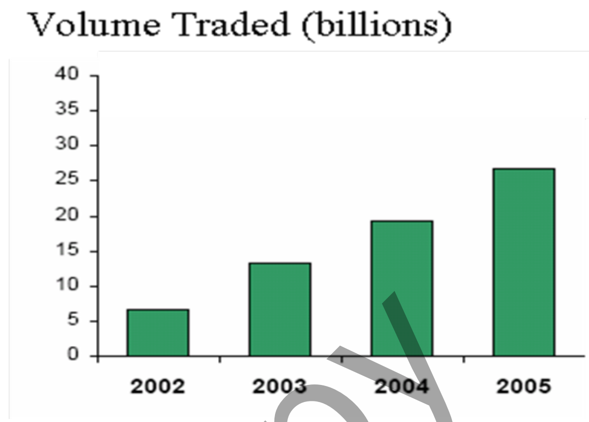


Exhibit 6

Foreign Direct Investment (FDI) in Nigeria, 1990–2005

(US $Million)

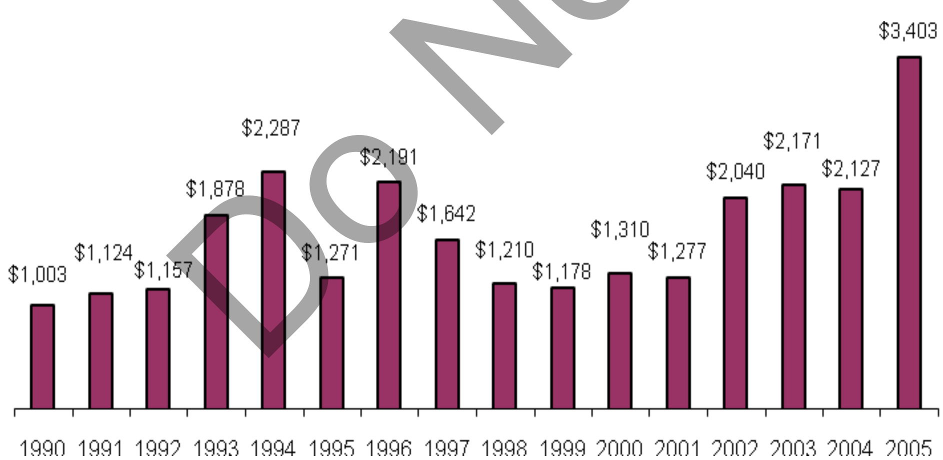
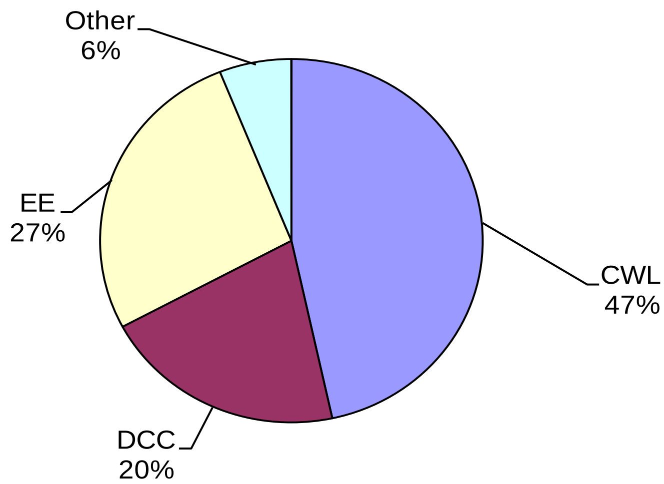


Exhibit 7

CWG: Revenues by Subsidiary



Notes: EE (Expert Edge: software and training); DCC (networks); CWL (Computer Warehouse Limited: systems)

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 Time Line

Pre-1992	Okere works for Inlaks Computers, one of 4–5 big players in the Nigerian systems integration business.
Sept. 1992	Computer Warehouse Limited (CWL) is formed, financed by six friends investing 600,000 naira (US $35,000.00). Two of the cofounders divest the following year.
June 12, 1993	Election fraud in Nigeria leads to economic turmoil and the collapse of many competing firms.
Sept. 1993	CWL secures Dell reseller license and begins operations as hardware solutions provider for corporations in Nigeria.
1994	CWL secures contract to provide microfiche system for Nigeria's Presidential Advisory Committee, the government agency responsible for writing speeches for the president. The funds give the firm a new lease on life.
1994	CWL fails Shell Oil inspection required to gain vendor status.
1995	CWL wins Ashaka Cement contract by going the extra mile to honor a warranty on a product they did not even sell. Key recommendation from Ashaka's head of IT helps firm win new business.
1995	CWL passes Shell Oil inspection and becomes Shell IT partner.
1995	CWL enters networking business. Wins large contract from Republic of Benin to provide three Local Area Network (LAN) systems.
1996	CWL wins Exxon Mobil contract, secures 250,000 naira bank loan to finance the equipment purchase. Secures customs release just before the deadline for Exxon to cancel the contract.
1996	CWL begins offering VSAT services to provide customers with satellite data connections. Wins contract to install satellite networks for 12 branches of Oceanic Bank.
1997	CWL wins award from Dell as the fastest-growing reseller.
1997	CWL acquires ExpertEdge, a company providing software solutions for the banking industry.
1999	CWL becomes regional partner for Infosys. Gains contracts to install complete banking software solutions in 10 of Nigeria's 89 banks.

Exhibit 9 (continued)

Jan. 1, 2000	Millennium bug passes without major incident in Nigeria thanks in large part to years of work by CWL in updating corporate systems.
2003	CWL becomes regional partner for Sun Microsystems, Cisco, Oracle, and SAP.
2003	CWL opens first 24x7 software support center 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 US $8 million.