



Emerging Market Corporate Finance

Letter to Instructor—Axesat, S.A. Case

Case Synopsis

Axesat, S.A. was facing financial decisions important to its future growth as an internet service provider in Latin America. Two-year old Axesat had proven that Colombia was ready for high speed internet throughout the country via a broadband satellite connection. Limited internet connectivity and low penetration rates in Colombia combined with the ability to service any region of this mountainous country were key demand drivers. The company was privately held and owned by a small group of Colombian entrepreneurs.

The case addresses the owners' financial dilemma as 2004 draws to a close:

- How should Axesat finance its growth?
- How much is the company worth?

Data provided includes country background and relevant information for the firm, description of satellite technology, a brief market analysis and relevant financial statements. The idea is to provide students with enough data to perform various financial and valuation analyses as described in the case objectives.

Case Objectives

1. Evaluate the risks inherent in operating an ISP in Colombia.
2. Evaluate the financing alternatives available to such companies and consider the advantages, disadvantages, and consequences of each.
3. Place the student in the position of the entrepreneur in an emerging market, weighing the alternatives of obtaining a decent short-term return on investment versus financing a possible long-term home run.
4. Perform appropriate financial analysis, including:
 - Calculating an appropriate discount rate for an emerging market technology start-up, including assessment of currency and other risks.
 - Perform a valuation and calculate financial returns under different capital structures.
 - Examine sensitivities to key cash flow drivers.

Learning Approach

In approaching the case, the following structure would aid the instructor in covering the case objectives.

1. Discussion of the various stakeholders, and their roles and motivation in Axesat, SA.
2. Brief evaluation of the business model and customers, including billing and payment options.
3. Financial analysis and simulation of project returns based on investment criteria.
4. Contrast to a typical emerging markets project finance case which may involve a large export project with multi-national partners, low technology risk, and a long time-horizon.

Other Documentation

Axesat PowerPoint Presentation

Axesat Case with exhibits, company financials, and press releases

Axesat Teaching Note with separate worksheets

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