

ALLEN & OVERY



QUARTER-FINAL ROUND PROPOSITION

A NETWORKING OPPORTUNITY

2ND ALLEN & OVERY - NLU JODHPUR
INTERNATIONAL DEAL
NEGOTIATION COMPETITION
16 - 18 FEBRUARY, 2024

BACKGROUND INFORMATION

BitNext Telecommunications Ltd.

Headquartered in the country of Bethania, BitNext Telecommunications (“**BitNext**”) is a global communications solutions provider with a market capitalisation of ₹5.64 trillion and 450 million customers in 14 countries across South Asia and Africa. BitNext ranks amongst the top three mobile operators in the country and provides network coverage to over two billion people.

BitNext’s retail portfolio includes high-speed 4G/4.5G mobile broadband, BitNext Extremis Fiber, which promises speeds up to 1Gbps with convergence across linear and on-demand entertainment, streaming services spanning music and video, digital payments, and financial services. For enterprise customers, BitNext offers a spectrum of solutions that include secure connectivity, cloud and data centre services, cyber security, IoT, Ad Tech, and cloud based information.

In light of recent market trends, particularly the foothold gained in Bethania since 2018 by Telosphere, BitNext’s largest competitor in non-metro and lower circles on account of its image as an affordable player, BitNext decided to increase its focus on rural connectivity.

In 2021, BitNext announced its Rural Connectivity Initiative, with its ambitious aim to connect 60,000 villages with high-speed internet by 2025. BitNext’s CEO, Naman Mehta, recently said in a press conference that *“while market entry into rural areas could have occurred earlier, the current juncture presents an opportune moment for expansion. This strategic move is anticipated to yield a substantial market share and positively impact business growth. Data-driven analyses are being employed to identify the most suitable locations for market penetration,”* .

Inohue Network Systems LLC

Inohue Network Systems LLC (“**Inohue**”), an innovator in satellite and multi-transport technologies and networks since 50 years, provides broadband equipment and services, and manages services such as smart, software-defined networking and end-to-end network operation for businesses and governments worldwide. Headquartered in the country of Mortlantis, Inohue is owned by BirdStar, a premier global provider of satellite communication solutions.

Inohue is globally recognised for its groundbreaking innovations in broadband equipment, software-defined networking, and comprehensive network operation solutions. Its technological innovations include the SAGITTARIUS™ System technology, a next-generation satellite broadband platform from Inohue’s fleet of High-Throughput Satellites (HTS) which support a wide range of consumer, small business, enterprise, in-flight and mobile services across two continents. For large enterprises and governments, Inohue’s HueON™ managed-network services provide complete connectivity solutions, employing an optimised mix of satellite and terrestrial technologies.

In recent years, Inohue encountered a plateau in its growth trajectory, particularly in saturated and developed markets.

Despite their technological prowess and extensive experience, they’re facing challenges in further expansion and acquiring new market shares. Consequently, Inohue seeks avenues for revitalizing its growth and diversifying its portfolio.

The company has recognized an evolving trend and an untapped opportunity in the consumer market. With technological advancements driving increased feasibility and accessibility, particularly in satellite-based broadband services, Inohue envisions expanding its reach beyond enterprise and government sectors.

The decision to diversify and venture into the direct-to-consumer (“**D2C**”) space stems from a strategic analysis revealing significant growth potential and unmet needs in the public consumer market. Inohue aims to leverage its decades-long expertise in network operations, innovative satellite technology, and comprehensive service delivery to provide high-speed, reliable, and scalable broadband services directly to residential consumers. This strategic shift underscores Inohue’s commitment to exploring new revenue streams and tapping into emerging market segments, aligning with the company’s pursuit of sustainable growth and market expansion.

Given the untapped potential in the Bethanian satellite communications sector, and the Bethanian Government recently launching a Space Policy, Inohue envisions a joint venture to leverage its technological prowess and explore synergies with another entity in Bethania.

GENERAL INFORMATION

Bethania's remarkable progress in 5G technology has stood out amid global challenges. While many struggled with its implementation, Bethania has surged ahead, achieving significant milestones, and gaining recognition from industry leaders like Mericsson and Tokia. The country's telecom companies have worked tirelessly, expanding network coverage to ensure faster and more reliable connectivity for consumers and businesses nationwide.

A recent Mericsson survey predicts a staggering 31 million users in Bethania shifting to 5G-enabled phones in 2024 alone. This transition has led to a 30% increase in overall network satisfaction compared to the previous 4G technology. Moreover, the government's push for widespread 6G coverage, supported by the ITU Study Group, emphasises Bethania's commitment to technological advancement, aiming to reduce implementation costs for future groundbreaking technology.

In the spectrum auction for 5G, telecom companies bid billions to secure 5G airwaves. BitNext took the lead with '5G Plus' networks in various cities, while Telosphere focused on a broader rollout using standalone architecture. Despite these strides, challenges persist — from smartphone software compatibility issues to meeting stringent quality benchmarks set by regulatory bodies.

However, Bethania remains resolute in overcoming obstacles, streamlining Right of Way applications and addressing device compatibility concerns to expedite 5G infrastructure deployment.

This progress marks a significant shift from the past, where Bethania relied on imports for telecom technology. The current government's push for self-reliance encourages indigenous manufacturing of telecom products, yet the ecosystem's limitations have hindered technological growth in the past.

Acknowledging these developments, Inohue aims to capitalize on Bethania's booming 5G market and government support. It plans to partner with BitNext, recognizing the potential for a fruitful collaboration in Bethania's evolving 5G landscape.

The following points are to be negotiated upon:

1. Stake Distribution & Strategic Control

In their negotiations with Inohue regarding a potential joint venture ("JV"), BitNext has proposed a nuanced strategy that allows them to maintain strategic control while offering Inohue a 60% shareholding in the JV. BitNext's approach is based on preserving significant decision-making power through a multi-layered governance model.

The draft JV agreement outlines a shared governance structure where crucial strategic decisions are collaboratively reached by both parties. BitNext is firm about its presence in pivotal decision-making bodies, such as the board of directors, where they intend to discuss and endorse strategic plans and major initiatives.

Furthermore, BitNext aims to secure key management roles within the JV, placing their experienced personnel in positions that directly influence strategic direction and operational choices. This deliberate move is intended to ensure that their expertise plays a crucial role in shaping the venture's path.

Contrarily, Inohue envisions an equal split JV with each of the parties holding 50% of the shares and a tiered leadership structure which accords more decision-making power to themselves, ensuring that their technological expertise is leveraged optimally, and their interests are adequately protected.

It is also Inohue's intention to establish specialized advisory committees focused on market research, consumer behaviour, and technology trends. Their seasoned professionals could actively contribute insights and guidance to these committees, aiming to infuse the venture's core strategies with their extensive market knowledge.

2. Sharing of Intellectual Property

Inohue, known for its cutting-edge Very Small Aperture Terminal ("VSAT") technology, is inclined to share specific proprietary elements with BitNext to enhance the satellite communication quality. However, Inohue is firm on maintaining complete ownership of its core satellite communication technology, which includes patented design techniques and transmission processes.

BitNext, however, seeks extensive access to Inohue's satellite technology considering the complexities of international intellectual property laws. BitNext is exploring a collaborative framework for joint research and development in targeted areas of satellite transmission.

Both Inohue and BitNext, as key players seeking to amalgamate their VSAT operations in Bethania, aspire to provide an extensive array of satellite and hybrid network solutions to commercial and government clients. VSAT technology, enabling bidirectional ground station communication, serves as a robust system for primary transport, backup, and hybrid deployment of data via satellites. This strategic partnership aims to meet the growing demand for dependable and always-available network connections, catering to both business and government entities.

3. Marketing and Promotion Strategies

The negotiation dynamics between Inohue and BitNext highlight differing marketing and market penetration strategies. BitNext strongly supports an assertive rural outreach campaign, focusing on tapping into the untapped potential within rural markets. This approach represents a strategic shift that capitalizes on their existing network and deep understanding of rural consumer behaviour. This is in line with BitNext's overarching goal of expanding its network by targeting under-served rural demographics, acknowledging the substantial growth opportunities in these segments.

On the other hand, Inohue advocates for a phased expansion strategy that starts with prioritizing urban centres by utilising the existing pool of intel from these areas before gradually venturing into rural territories. This approach prioritises risk management and resource optimisation, ensuring a cautious yet systematic entry into the market.

4. Performance Measurement and Reporting Mechanisms

In the negotiation phase of the potential JV, BitNext and Inohue must collaboratively define a comprehensive set of key performance indicators (“KPIs”) to effectively gauge and assess the success of their partnership. Establishing a robust mechanism for regular reporting and

performance reviews is vital for ensuring transparency and alignment with shared strategic objectives.

BitNext, with its strategic emphasis on rural expansion and customer acquisition, proposes a specific set of KPIs tailored to measure progress in these areas. These metrics include the number of new rural subscribers, average revenue per user (ARPU), and customer satisfaction ratings. BitNext argues that these metrics would align with the JV's overarching goals and will serve as reliable indicators of success in achieving targeted outcomes.

Inohue, focusing on network performance and technological innovation, puts forth a different set of KPIs designed to showcase the JV's commitment to delivering high-quality satellite and hybrid network solutions. Proposed metrics encompass network uptime, latency, and data throughput. Inohue believes that these KPIs are crucial for assessing the technical prowess and reliability of the JV's services.

Negotiations between the two companies would involve a meticulous selection process for KPIs that effectively capture the multifaceted aspects of their collaboration. The agreed-upon performance metrics must also align with shared strategic goals, providing a holistic view of the joint venture's progress. The negotiation process should also include the establishment of a systematic and efficient process for collecting, analysing, and reporting of performance data, ensuring that both parties have timely access to relevant information.

Additionally, the negotiations may explore the possibility of implementing a dashboard or other data visualization tools to facilitate real-time tracking of progress and identification of areas for improvement. This detailed and context-specific approach to performance measurement and reporting mechanisms will be instrumental in fostering collaborative and informed decision-making process throughout the duration of the potential JV.

Key Personnel Representing the Parties:

BitNext:

- Mr. Naman Mehta
- Mr. Vinod Sen

Inohue:

- Ms. Amy Albright
- Ms. Liz Rayne