



Case Lisa

New management to push Lisa through new challenges

As the newly chosen management of Lisa, you are expected to step up where the previous leadership could not; inextricable differences developed between the Board and the earlier management due to new strategic efforts leading to them parting ways. As for what is expected from you, read on.

Currently Lisa's businesses can be summarized as:

- Mobile
- 3G/4G broadband
- Fixed broadband
- TV services
- Business customers
- Major corporate customers
- New services

Business line outlook

Lisa is a top-tier provider of traditional mobile services as well as mobile broadband. 3G-networks today cover the entire market and the growth rate of those services has already peaked. Lisa also carries a fixed broadband business that is providing nice cash flows but experts agree that this area of business has limited growth prospects. Some of the TV services, however, are promising and are expected to have better potential for future expansion. Lisa also offers full range of services to SMEs and larger corporate customers. In business customer segment Lisa's solutions have increased the flexibility and efficiency of customers' processes. Lisa's strategy has been to support the growth of business solutions through external growth.

New challenges

The firm is facing couple of challenges. Firstly, there is already a large customer base of mobile broadband users and they are demanding more. The industry is on the verge of bringing next generation 4G networks into commercial use and it is therefore the task of the new management to roll out these networks and services in a profitable manner. Secondly, the mobile broadband market has not been entirely positive for traditional telecommunication companies; there has been an influx of new voice and messaging services enabled by broadband that have the potential to erode Lisa's traditional sources of income in the longer term. It is clear that these services are not going to go away and Lisa should be looking at its strategy carefully in order to have a profitable future.

The latest annual figures show:

Total mobile subscribers:	2 440 000
Churn:	14 %
ARPU:	14.5 €
Mobile broadband subscribers:	395 000
Entertainment subscribers:	51 000

Financial statements for the previous financial year:

Income statement:

Corporate	198
TV	67
Fixed broadband	176
Mobile	912
Device sales	15
New services	11
EBITDA	477
EBIT	410
Profit for the period	275

Balance sheet:

Non-current assets	1615
Current assets	197
Equity	1181
Liabilities	630

The company has a solid balance sheet with an equity ratio of 65 per cent and about 590 million in net debt. This will give some operating freedom for the new management and a good foundation for the upcoming 4G-network investments.

Lisa is currently a profitable company, with total revenues of 1.38 billion euros and profit for the period totaling 275 million euros. Mobile services bring in the most revenue, but aside from 4G-services, it is probably not the company's top bet for the future.

Your task

The outlook for the economy is particularly rosy in the near term, but you should not develop a false sense of security as there are a lot of possible headwinds which may change the situation quite rapidly. As for the next 3 to 5 years, the Board is expecting you to achieve the following targets:

- Total revenue growth: 5 per cent annually
- EBITDA margin: above 30 per cent
- Equity ratio: above 40 per cent
- Successful rollout of 4G services
- Lessen the dependence on traditional services

Your task as the new management is to tackle the new challenges this industry faces and to the best of your ability guide Lisa towards healthy increase in shareholder value while keeping the risks in check.

Good luck.