CFO interview:

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du has been pushing to expand the breadth and quality of telecoms services available across the UAE. As an enterprise largely owned by sovereign wealth funds, its funding model looks different to many of its international peers. Analysys Mason Partner, Johann Adjovi, talked to du's CFO, Kais Ben Hamida, to understand whether raising capital when backed by sovereign wealth funds is different from traditional financing approaches.

The following are edited highlights from their conversation.

Johann Adjovi:
You have spent 30 years working in finance, and especially in the telecoms sector, notably as CFO at multiple Middle Eastern operators: what are the secrets of success when raising finance in the Middle East?

Kais Ben Hamida
Raising finance in this region is as much about clarity of objectives and proper structuring as it is about relationships or adaptability. Too often I have seen companies waiting for banks or advisors to propose solutions. But a CFO needs to take ownership of the capital strategy of the company. They must understand the available instruments, know what fits the business context and select the right tool at the right time.

When I was with Mobily in Saudi Arabia, we had to restructure and refinance a complex debt portfolio at a time when the company was under operational pressure, and its facilities were in default. Here, the approach was to engage proactively and comprehensively with the banks, negotiating not just on pricing, but also the funding flexibility, tenors, covenants and amortisation schedules to design a structure that reflected our cash-generation profile. We also had to rebuild trust following a serious crisis and create a financial structure that aligned with the company's evolving situation. Success had little to do with getting the lowest rate. It was about restoring flexibility and credibility with the lenders.

Similarly, I had to manage several refinancing transactions in Egypt amid macro-economic instability and local currency devaluation. I had to structure a package that combined local currency facility and vendor-backed arrangements while managing foreign exchange and interest risk rates. A one-size-fits-all solution would have failed. We needed to tailor the solution and structure to the environment and the risk profile.

Johann Adjovi:

du represents an interesting case: it's one of two integrated telecoms operators in the UAE and is mainly owned by the UAE's sovereign wealth funds. Is it fair to say that du does not often need to raise finance and relies largely on funding from its shareholders?

Kais Ben Hamida

It's a good question, but illustrates a common misconception: du raised equity in the early stage of its development (the 2010 rights issue), but we haven't used further funding from our shareholders since then. Our funding strategy has shifted completely towards debt instruments. That is the most efficient tool for our funding, especially given our solid credit profile and strong cash-flow generation. We don't turn to the capital market often, but we like to keep an eye on macroeconomic trends and market conditions so that we know our options.

Johann Adjovi:

What are the differences and similarities between financing a state-owned enterprise as opposed to a privately owned company that doesn't have government support?

Kais Ben Hamida

There's certainly a perception that financing is easier for state-owned or sovereign-backed companies.

But all our financing is done on a non-recourse basis. That means that it is entirely based on du's own balance sheet and projected cash flows, and not on any support (explicit or implicit) from our shareholders. Our reference shareholders – three sovereign wealth funds – bring long-term stability and strong governance, but they do not play a role in securing our financing.

Our access to capital is based on the company's fundamentals, performance and transparency. In that sense, we are no different to any other commercial entity. We are subject to interest rate movements, liquidity shifts and regulatory changes, so it's prudent to make sure we're always aware of the financing options that are available to us.

> "The CFO role is not just about managing the cost of funding; it involves taking complete ownership of the capital strategy of the company – being the architect of the capital structure and actively managing the risk."
>
> Kais Ben Hamida, CFO, du

Johann Adjovi:

So if you aren't relying only on equity and support from state backers, which instruments do you use most, and why?

Kais Ben Hamida

The short answer is that it depends on circumstances. As a listed company with the profile that we have, we have access to a broad spectrum of financing instruments and we always assess them on a case-by-case basis. We look at standard instruments (bank loans and bonds), but also other, more structured tools such as project finance, export finance or acquisition finance.

The funding decision will reflect an array of factors:

The first is the quantum and liquidity required. If we are looking at a major investment – let's say, to fund a major infrastructure or technology roll-out – we would likely consider syndicated bank facilities or capital markets (though we haven't done that yet). For smaller or more targeted financing, a bilateral loan may be preferable.

Second, we look at maturity and terms. For long-term investments (e.g. network assets, digital infrastructure) with predictable cash-flow, long tenors are preferable, but not always forthcoming. Telecoms operators have typically arranged funding over 5- to 7-year cycles, and banks tend to be reluctant to deviate from a standard approach. I have previously succeeded in securing longer-term funding, for example, through ECA financing, but this has been the exception rather than the rule. The bond market in the Gulf is not yet as deep or liquid as it is in Europe or the USA, and we don't see, in our situation, bonds as a significant alternative source of funding. Export credit typically offers longer maturity but may offer lower level of flexibility than traditional bank funding.

Third is flexibility. Personally, I really value flexibility in financial instruments. Sometimes we need financing that allows special terms related to prepayment, restructuring or drawdown, evolving covenants, etc. Loans or club deals can be really flexible because you're discussing with a limited number of banks. With bonds, you may have thousands of investors with whom you need to interact through very specific mechanisms; amending the terms is much more complex.

Fourth is pricing. We are always aiming to optimise our weighted average cost of capital. Market trends and events can temporarily drive costs for certain instruments up or down, and currency choices can play a similarly important role. Emirati banks are usually more competitive when it comes to funding in dirhams. In dollars or other currencies, it can be very different.

The final point is about relationships. In the Gulf region, most funding has historically been provided by banks, and relationships with these financial institutions are important.

In summary, we look at all the available instruments – from plain 'vanilla' bank debt, to structured or capital market solutions – and we choose the one that best matches our strategic needs depending on market conditions and the company's financial objectives.

Johann Adjovi:

What advice would you want to give to an aspiring CFO?

Kais Ben Hamida
To succeed, any CFO must go beyond just managing the cost of funds. They need to be the architect of the capital structure: proactively managing risk, ensuring strategic alignment and designing solutions tailored to the organisation's specific context. Whether in a private firm or state-affiliated company, the core principles remain the same – understand your needs better than anyone else, and structure the transaction according to those needs, rather than letting others dictate your options.

Kais Ben Hamida has 30 years' experience in corporate finance, and holds a detailed understanding of technology, media telecoms and infrastructure.

Kais is the CFO of du, a leading telecommunications operator based in the UAE. He previously served as the CFO of Mobily and Orange Egypt. Earlier in his career he held senior roles in banking and private equity where he led more than 48 M&A and financing transactions -including initial public offerings (IPOs), acquisitions, project finance, disposals and syndicated loans- ranging in size from EUR30 million to EUR40 billion. Kais brings deep strategic insight and a rare bled of diversified transactional expertise and operational leadership across both emerging and developed markets.

Johann is a Partner in Analysys Mason's consulting team, based in Dubai. He works in transaction support, regulation and strategy, with expertise in broadband and fibre networks.

Johann has assisted many operators, hyperscalers, regulators and financial institutions in the Middle East. He has worked on topics ranging from infrastructure/business strategy, spectrum and core regulation, to transaction support for fibre networks, telecoms towers, operators and data centres.

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enquiries@analysysmason.com

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