



Comments on the ICO Rating report

Cajutel welcomes the independent ICO Rating report on our project. Its important that others verify our claims. In this document we would like to address a few issues which this report has raised and a few important points which they unfortunately got totally wrong.

I'm referring to the following paragraph:

According to the International Telecommunication Union's data, in 2015 in Guinea Bissau the price of services was higher than in Guinea. This points to the fact that infrastructure is different in these countries and business proposals are to be different. But the Cajutel founders state that the economic situation in Guinea Bissau and Guinea are similar; there can be a potential risk when entering the market. In the whitepaper, the authors say that in Guinea Bissau and Guinea «Internet speeds offered are limited to 256kbps (60\$/month)». This is not true! The authors use data dated 2013. These results are out of date. In addition, MTN provides internet in Guinea Bissau and offers 5Gb of mobile Internet for 110 000 GNF. This is equal to \$12,3[1] as for August 24, 2017. In Guinea, Orange offers 5Gb of mobile Internet for 108 960 GNF per a month, equal to \$12,2[2]. Another provider, Cellcom, offers 5Gb of mobile Internet for 100 000 GNF[3]. They provide 3G+ Internet with a speed of 2,5 Mb/s[4]. So, the founders are planning to offer an expensive package, which could cause the project to fail.

While it is true that the situation in Guinea is slightly better than in Guinea-Bissau in terms of available service, the above statement that MTN offers 5GBytes of mobile internet for 110'000 GNF in Guinea-Bissau is plain wrong! GNF is the currency used in Guinea, not in Guinea-Bissau. Guinea-Bissau uses the west african franc, known as CFA or XOF. Furthermore, the statement about Cellcom offering 3G+ is false as Cellcom is simply not present in Guinea-Bissau. Above figures relate to Guinea, not Guinea-Bissau which is very different and you can not compare the currency and market.

As the rollout starts in Guinea-Bissau first where there is a much higher return of investment in Guinea-Bissau. The rollout into Guinea only happens after some years, the market situation will change in the meantime as well and the pricing which will be set for Guinea will be defined at the time this becomes relevant. The key message to take home here is that once Guinea-Bissau is taken, the company is highly profitable and has enough cash to enter an aggressive price war in Guinea if we decide to do that. It might also well be that we skip that part or we only concentrate on bringing fiber from Conakry to Bissau or only serve certain areas of Guinea which are underserved (and there are plenty of areas outside the capital who don't get the speed offered in Conakry). At the time of writing its too early to decide this.

Cajutel analyze their competitors using outdated data. They talk about the small number of competitors, and about expensive and bad quality existing services (low speed). They describe the market as empty, but are using evidence dated 2013; they do not discuss competitors that began trading after this date.

The date is from the official regulatory (arn.gw) which has not published any newer data. The current status has been verified by people on the ground. We don't discuss competitors that began trading after this date simply because there are none!

They intend to attract attention with incentives for customers signing 24 month contracts. This contract price is \$1200. (\$50 per month). We should point out that the average monthly salary of the countries' residents is \$69,

The 69\$ estimate of monthly salary is based on outdated data used by ICORating. The average monthly salary is in the 250-350\$ range. Taking the statistics from the state is not representative because it does only include revenues in import/export. So using the GDP (which is based on pure import/export taxes) divided by the population results in way too low data. Pure national trade is not reflected in any tax statistics. Fact is that everybody has a mobile phone and they pay 20-40\$ per month for the GSM subscription. If they only would earn 69\$ a month, this would not be possible. Also existing users of the internet (2% of the population) are paying the 60\$ a month today. This is a easily verifiable fact.

The authors show their competitive abilities on the basis of information dated 2013. As mentioned they intend to charge \$50 monthly for their service. Later in the period of the financial plan this decreases to \$9. Current 5GB Internet package service price is about \$12. The domestic mobile service provided by Orange is 7-8 GNF per second within the system and 10-11 GNF for calls to other providers. So 5 hours on the phone for Orange clients costs \$20. Therefore Cajutel prices are not competitive; their services are more expensive than the current providers' ones.

Again this is a mixup of prices of Guinea-Bissau (XOF or CFA) and prices in Guinea (GNF). Furthermore you can not compare a 5GBytes of data volume with a Gbit/sec value. 5GB of data you can consume by watching one full HD movie in 2 hours. Our service delivers this quality every day of the month, 24 hours a day, not just during one hour.

Cajutel say the Internet speed provided by their competitors is limited to 300 kbps, which is not true! Orange, Cellcom, and MTN are developing 3G+ technologies with a speed of several Mb per second. These companies have not announced plans for 4G and LTE. Cajutel intends to provide 4G and LTE Internet. If they provide LTE and unlimited Internet at 100 Mbps for \$9 per a month, even only in large cities, they will be the market leader.

Again, Cellcom is NOT present in Guinea-Bissau. Above comments relate to Guinea, not Guinea-Bissau. The only ones present in Bissau are Orange, MTN and Guinetel whereas Guinetel is more or less closing down their mobile infrastructure.

The speed is in reality 300kbps in Guinea-Bissau on Orange. MTN in the meantime has put up some newer LTE cells in selected areas and delivers higher speeds up to 1Mbps in the theoretical best case. Most of the time its however around 300kpbs. This is data verified from people on the ground.

The label 4G or LTE does not guarantee high speed. It just means the radio link could deliver such speeds if the speed is available in their backend which is apparently still not the case as of today. Our sources tell us the speed is drastically lower during rain periods which hint to satellite uplinks.

The infrastructure we build will be able to deliver >100Mbps to every customer at 9\$ per month if we can lower the international fiber contracts costs. This is a very likely scenario once we go way beyond 10Gbps of total bandwidth and can sign IRU deals (Irrevocable Rights of Use) and we are prepared to do so.

There is no information in the documentation as to whether the founders intend to return money to investors in the case of ICO failure.

This is clearly documented here: <https://cajutel.io/faq.php#notsold>

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