

TELE CELULAR SUL PARTICIPACOES SA
Form 6-K
June 10, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of the
Securities Exchange Act of 1934

For the month of June, 2004

Commission File Number 001-14491

TELE CELULAR SUL PARTICIPAÇÕES S.A.

(Exact name of registrant as specified in its charter)

TELE CELLULAR SUL HOLDING COMPANY

(Translation of Registrant's name into English)

**Rua Comendador Araújo, 299 - 3º Andar
80420-000 Curitiba. PR, Brazil**

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

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Filer: Tele Celular Sul Participações S.A.
Proposed merger with Tele Nordeste Celular Participações S.A.
Registration No. 333-116330

Legend

In connection with this proposed transaction, Tele Celular Participações S.A.(TSU) has filed relevant materials with the SEC, including (TSU) 's registration statement containing a preliminary prospectus, which was portifily on June 09 th , 2004. The definitive prospectus will be sent to holders of Tele Nordeste Celular Participações S.A. (TND) preferred shares and ADRs when it becomes available. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE PRELIMINARY PROSPECTUS ON FILE WITH THE SEC, THE DEFINITIVE PROSPECTUS WHEN IT BECOMES AVAILABLE, AND ANY OTHER RELEVANT DOCUMENTS FILED BY TSU OR TND, BECAUSE THEY CONTAIN, OR WILL CONTAIN, IMPORTANT INFORMATION. Investors and security holders may obtain a free copy of the preliminary prospectus and the definitive prospectus (when it becomes available) and other documents filed by TSU and TND with the SEC for free at the SEC's web site at www.sec.gov. The preliminary prospectus and the definitive prospectus (when it becomes available), and the other documents filed by TSU, may also be obtained free from TSU by calling +55 41 9913-0426

Tele Celular Sul Participações S.A.
Tele Nordeste Celular Participações S.A.

June 2004

Agenda

I. Description of the Proposed Merger Transaction of TND and TSU

II. Strategic Overview of Tele Celular Sul

III. Strategic Overview of Tele Nordeste Celular

IV. Overview of the New Company

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Current Ownership Structure TSU and TND

Ownership Structure - TSU

Ownership Structure - TND

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Merger of TND and TSU

Proposed Merger

Pro-Forma Structure
Post Merger

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Overview of the Transaction

- The proposed transaction contemplates the merger of TND into TSU
- TSU will be the surviving entity
- TND will be the incorporated entity
- The merger is being done at the holding companies level, therefore there will be no direct impact to the operating companies TIM Sul e TIM Nordeste

Tax benefits given to Tim Nordeste will remain the same

- As a result of the merger, both companies TIM Nordeste and TIM Sul will be controlled by the new entity

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Overview of the Transaction Cont.

- Shareholders of TND will receive the same class of shares of TSU:

TND ON shareholders will receive 0.9261 TSU ON shares for each TND ON share

TND PN shareholders will receive 0.9261 TSU PN shares for each TND ON share

TND ADS holders will receive 1.8522 of TSU ADS for each TND ADS that they hold

- Dissident shareholders who own voting shares of TND will have withdrawal rights
- Shareholders who own non-voting shares of TND will not have withdrawal rights

TND preferred shares fulfill liquidity and dispersion legal requirements, and therefore do not have withdraw rights

- Shareholders of TSU do not have withdrawal rights

Brazilian Law establishes that shareholders of the surviving entity are not granted withdrawal rights in merger of entities

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Key Objectives of the Transaction

- Concentration of the liquidity of the shares of both companies TND and TSU

We expect the new entity to be one of the three largest wireless companies in Brazil in terms of market cap

- Reduction of operating and administrative costs

Eliminate one of the two corporate structures

Systems integration

Expected to compensate, at the very least, all costs associated with executing the merger

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Market Capitalization (In R\$ millions)

Current Scenario:

Scenario Post-Transaction:

¹ Number of shares based on 1Q/2004 companies financials and share price as of the previous day to the transaction announcement (05/31/2004)

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Assumptions Related to the Proposed Exchange Ratio

- ABN AMRO Real was jointly selected by TSU and TND to render an independent valuation of both companies TSU and TND base on the economic value criteria
- The companies were valued as stand alone operations
- The valuation methodology used was discounted cash flow analysis

The base date assumed was March 31, 2004

Based on 10-year projections (2004-2013)

- Range of discount rates (WACC):

From 16.1% to 18.1% in nominal Reais

- Range of perpetuity growth rates:

From 4.18% to 5.18% in nominal Reais

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Results of the Valuation

- The equity value range for TSU goes from R\$ 2.4 billions to R\$ 2.9 billions. The mid-point of the value range implies:
 - EV/EBITDA (2004) multiple of 6.3x
- The equity value range for TSU goes from R\$ 2.2 billions to R\$ 2.7 billions. The mid-point of the value range implies:
 - EV/EBITDA (2004) multiple of 6.2x
- Based on these equity value ranges for TSU and TND, the exchange ratio between TSU and TND shares would be comprised in the range of 0.9215 TSU shares for each TND share to 0.9300 TSU shares for each TND share

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Proposed Exchange Ratio Comparison with Market Expectations

- ¹ Considers average exchange ratio for the indicated period based on market capitalization until the previous day to the Board Meeting (28/05/2004)

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Next Steps

In the next weeks, TND and TSU will be fulfilling legal requirements of Brazilian and U.S. Law in order to conclude the transaction.

- Filing of the F-4 form (describing the transaction) with the SEC
- Preparation of audited financial statements as of June 30, 2004

To serve as a basis for appraisal of (i) book value and (ii) book value adjusted to market. These appraisals will serve as basis to the determination of the value of the right to withdrawal and will be prepared by the independent appraiser Acal

- Meeting of the Boards of Directors of TND and TSU to authorize the signature of the final version of the protocol and justification of merger expected to happen in July

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Next Steps Cont.

- Publication of Material Fact Notice including the final terms of the merger

Value of withdrawal rights, increase in TSU's capital stock, etc.

- Publication of the summons notices for the Special Shareholders Meetings of TND and TSU, which shall decide on the merger

- Declaration of effectiveness of Form F-4 issued by SEC

- Decision of Special Shareholders Meetings of TND and TSU on the merger and publication of the minutes

30 day-term for exercising withdrawal rights by the common shareholders of TND

- Closing of the transaction

Expected to the second semester of 2004

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Tele Celular Sul (TSU) Region

- Area: Paraná, Santa Catarina and Pelotas region
- Population: 15.4 millions
- Population Covered:
 - TDMA 82%
 - GSM - 61%
- Total Penetration: 27%
- Subscribers: 2.2 millions
- Technology: TDMA and GSM
- Market Share: 53%
- Competitors: Vivo (Telefónica and Portugal Telecom), Claro (Telecom Américas Group) and Brasil Telecom

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Main Achievements in the First Quarter of 2004

- Expansion of GSM coverage 61% of the population
- Successful PCS migration
- 365% increase in net additions: GSM is the driver
- 142% growth in VAS revenues
- 33% increase in gross revenue
- 11% decrease in subscriber acquisition cost (SAC)
- 10% increase in profitability EBITDA of R\$ 108.1 million
- R\$ 32.4 million net income 13% increase compared to 1Q03
- Low indebtedness

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Increase in Sales with Cost Reduction

Gross Additions
Thousands

Subscriber Acquisition Cost (SAC)
R\$

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Strong Growth in Subscriber Base

Net Additions
Thousands

Subscribers
Thousands

Strong Performance of ARPU

Total ARPU
R\$

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Gross Revenue Growth

Gross Revenue
R\$ Millions

	1Q04	Variation
Handsets Revenue (R\$ millions)	77.1	+ 169.5%
Handsets sold (thousands)	251.2	+ 265.1%
Service Revenue (R\$ millions)	344.7	+ 19.3%
Subscribers (thousands)	2,192.1	+ 25.0%
Average increase in tariffs	8.1%	+ 8.1%
VAS (R\$ millions)	15.5	+ 142.2%

EBITDA Performance

EBITDA margin reflects the strong subscriber
gross addition in the period

EBITDA
R\$ Millions

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Low Debt, High Liquidity

Total Debt
R\$ Millions

Net Cash
R\$ Millions

Increase in Profitability

Net Income
R\$ Millions

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Strategies for 2004

- Focus on continued growth in subscriber base
- Retention programs: Value & Volume
- Expansion of GSM coverage
- Continue innovating
- Integrations and Synergy: Plug & Play, national coverage, commercial synergy

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Tele Nordeste Celular (TND) Region

- Area: Alagoas, Pernambuco, Paraíba, Rio Grande do Norte, Ceará and Piauí
- Population: 27.2 millions
- Population Covered (March/04):
 - TDMA - 75%
 - GSM - 48%
- Total Penetration: 17%
- Subscribers: 2.3 millions
- Technology: TDMA and GSM
- Market Share: 47%
- Competitors: Oi (Telemar S.A) and Claro (Telecom Américas Group)

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Main Achievements in the First Quarter of 2004

- Fast expansion of the GSM coverage 48% of the population
- Merger of the 6 operators into Tim Nordeste
- 46% growth in gross additions over the 1Q/03
- 75.8% increase in net additions and 14.4% increase in subscriber base compared to 1Q/2003
- R\$108 millions EBITDA
- Low indebtedness
- R\$ 47.0 millions net income 42.4% increase compared to 2003

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Increase in Sales

Gross Additions
Thousands

Subscriber Acquisition Cost (SAC)
R\$

ARPU

Subscriber Base (postpaid)

Total ARPU
R\$

Subscriber Base (prepaid)

- Rule 45/55
- Growth of the prepaid subscriber base

Strong Growth of the Subscriber Base

Subscribers
Thousands

Net Additions
Thousands

Gross Revenue Growth

Service revenue growth

Gross Revenue
R\$ Millions

EBITDA Performance

EBITDA
R\$ Millions

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Low Debt, High Liquidity

Total Debt
R\$ Millions

Net Cash
R\$ Millions

Increase in Net Income

Strong performance

Net Income
R\$ Millions

Strategies for 2004

Retain and maintain loyalty of the subscriber base

+

Incentivize consumption / increase in revenue per user

+

Qualified growth of the base

=

Growth with Profitability

Strategies for 2004

- Absolute leader in the region
- Best cellular service (Innovation e Quality)
- High performance company (Operational and Financial)
- Productive work environment where people feel proud and satisfaction
- Integrated and productive relationship with partners

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Preliminary Overview of the New TSU

We expect the new entity to be one of the three largest wireless companies in Brazil in terms of market cap

	Subscribers ('000)	Revenues (R\$ MM) ²	Market Cap (R\$ MM) ³
TSU	2,192	1,157	1,293
TND	2,263	1,011	1,248
New TSU	4,455	2,168	2,540

1 As of 03/31/2004

2 Assumes last twelve months for revenue and EBITDA figures

3 Share price as of the previous day to the transaction announcement (05/31/2004)

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Additional Considerations

Forecasted Scenarios for TSU

- Expansion of GSM coverage
 - Temporary pressure in marketing expenses
 - Temporary increase in network costs
 - Temporary pressure in EBITDA margins
- Challenging market environment
 - Temporary increase in comercialization costs
 - Market share reduction associated with the entrance of a fourth player (Brasil Telecom) in 2004
 - Temporary pressure in EBITDA margins

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Additional Considerations

Forecasted Scenarios for TND

- Expansion of GSM coverage

 - GSM overlay in its initial stage

 - Temporary pressure in marketing expenses

 - Temporary increase in network costs

 - Temporary pressure in EBITDA margins

- Tough market environment

 - Temporary increase in commercialization costs

 - Market share reduction associated with the future entrance of a fourth player

 - Temporary pressure in EBITDA margins

Q & A

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements that are subject to risks and uncertainties. These forward-looking statements relate to, among other things:

- management strategy;
- synergies;
- operating efficiencies;
- integration of new business units;
- market position;
- revenue growth;
- cost savings;
- capital expenditures;
- flexibility in responding to market conditions and the regulatory regime;
- regulatory action;
- influence of controlling shareholders;
- litigation; and
- the timetable for the merger.

Forward-looking statements may be identified by words such as "believes," "expects," "anticipates," "projects," "intends," "may," "should," "seeks," "estimates," "future," "forecast," "plan," "predict" and "target" or similar expressions.

These statements reflect our current expectations. They are subject to a number of risks and uncertainties, including but not limited to changes in technology, regulation, the global cellular communications marketplace and local economic conditions. In light of the many risks and uncertainties surrounding this marketplace, you should understand that we cannot assure you that the forward-looking statements contained in this presentation will be realized. You are cautioned not to put undue reliance on any forward-looking information.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TELE CELULAR SUL PARTICIPACTES, S.A.

Date: June 10, 2004

By: /s/ Paulo Roberto Cruz Cozza

Name: Paulo Roberto Cruz Cozza

Title: Chief Financial Officer
