# 2018 Results

**Bigblu Broadband PLC**
March 2019

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The Presentation should be read in conjunction with the Company's financial results for the twelve month period ended 30th November 2018, copies of which are available on the Company's website https://bbb-plc.com/.

# Contents



# CEO Overview & Operational Update

# Financial Highlights

| Total Revenue | EBITDA | Free Cash Flow | Net Debt |
| --- | --- | --- | --- |
| **£55.4m** | **£6.8m** | **£1.1m** | **£11.9m** |
| **Up 26.5%** | **Up 45.7%** | **Improvement £3.1m** | **Down 14%** |
| Like for like revenue growth of 8.2% (FY 2017: 12.7%) | FY 2017: £4.7m | FY 2017: -£2.0m | FY 2017: £13.2m |

# Overview

## Current Situation

**A Leading Provider Of Broadband Services**

Superfast 4G/5G, satellite & fixed wireless to consumers, businesses, Government and broadcast

**113,000 customers in 30 countries**

At 2018 Y/E customers across 30 countries. The largest satellite broadband company outside North America

**Technology Agnostic**

Technology split:

- 80% satellite
- 20% fixed wireless

Business mix:

- Consumers 90%
- B2B 10%

## Growth Strategy

**Partner Of Choice For Satellite Providers**

- Key route to market/distribution mechanism for satellite owners performing customer facing tasks; pre/post sales support, billing, installation/maintenance, warranty/logistics

**Strategic Partner For New Technologies**

- Strategic building of ultra fast fixed wireless networks in key areas of demand/density with Government support (UK and Norway)

**Solution for Growing Video Consumption**

- Riding the surge in demand for broadband for OTT services and streaming, target market customers unserved or underserved by fibre

**Increasingly Compelling Portfolio**

- Disruptive advances in technology mean an exponentially more dynamic product set pushing back against competing technologies

## Key Growth Areas

**Disruptive Technologies**

- Leveraging disruptive technologies to continually optimise our current product set in a competitive core markets landscape (Satellite and Fixed wireless)

**Eutelsat Preferred Partner Programme**

- Access to a superlative product set with industry leading marketing and support agreement – building market presence and fill rates ahead of Konnect satellite launch end 2019

**Viasat Partnership**

- Viasat partnership – expanding the geographical footprint ahead of ViaSat 3 launch expected in 2020.

**Australia**

- Strong activity in Australia – over 50% market share in last 6 months of 2018 – lots more opportunity as B2B products go live

# Operational Highlights

## Customer Base

Big focus on customer satisfaction and churn prevention.

Strengthening of contact centre operations, improved telephone system to better suit business levels and improve retention.

## Capabilities

Expanded the senior management team to support future growth with the appointment of Mark Anderson, previously a director of Sky and Fox Networks, as Chief Operating Officer

## Footprint

Acquisitions of Open Sky s.r.l ("Open Sky") and Sat Internet Services GmbH ("Sat Internet")

Significantly growing BBB's operational footprint and scale within Europe

## Tech Leadership

£2.1m grant to develop and conduct field trials for the next generation of 5G fixed wireless services.

Connected first BDUK 'gigafast' customers via new mmWave technology and newly released 60 GHz spectrum

## Partnerships

eutelsat

Viasat

Cambium Networks

SES your satellite company

nbn

Our strategy of aligning with the partner that offers the best deal for customers and shareholders in each country continues to pay dividends.

Billions of pounds are being invested in next generation FW technology and satellites - BBB remains the key route to market for these businesses.

# Other 2018 Highlights

## Organic Growth

- Availability of 50 Mb / unlimited satellite broadband product has rebooted interest in sat – sales across territories where its live are strong.
- Our strong relationship with BDUK was underpinned with the renewal of the Better Broadband vouchers scheme covering hardware and installation costs for satellite and FW customers in UK.
- Our new mmWave/60 GHz services offering gigafast capable services qualify for the new generous BDUK gigafast voucher scheme.
- EU directive on broadband speeds means Government focus on alternative technologies and stimulus

## European Partnerships

- The breakdown in the commercial relationship between Eutelsat and Viasat hampered our growth and profitability in 2018 as the roll out of the JV countries faltered for several months.
- This was resolved in the final quarter of 2018 resulting in an improved product set across the whole of Europe.
- Sales strong where 50 Mb product is offered and the JV commercials enable us to market effectively.
- JV like proposition close to agreement with SES to assist with continuity in high fill Ka Sat beams.

## Business Hubs

- Continued implementation of suite of ERP systems and infrastructure - including Microsoft Navision (finance) and Microsoft Dynamics (billing and CRM) – enhances control, scalability, integration and where appropriate, centralisation.
- Focus continues on reorganising personnel and restructuring the businesses we’ve acquired into efficient business units appropriate to the next 3 years growth, and to drive operational gearing and economies of scale.
- Positive benefits of rebranding to bigblu

# Active Customer Base Of 113,000

## Completed European Footprint

- Two acquisitions completed during period, forming two new hubs and entry into 3 new markets:
- SatInternet Services in Germany and Portugal
- OpenSky in Italy.

## Joint Venture Contract

- Sales launched in Nordics (Finland, Norway, Sweden), Spain and Poland

## Pathfinder – Accelerated Roll-Out

- Continued implementation of suite of ERP systems and infrastructure - including Microsoft Navision (finance) and Microsoft Dynamics (billing and CRM) - enhances scalability and integration.

## Disposal Of Australian Fibre

- Pursuant to ongoing optimisation of current portfolio. Exiting of non core activity.

**113,000**

**TOTAL CUSTOMERS**

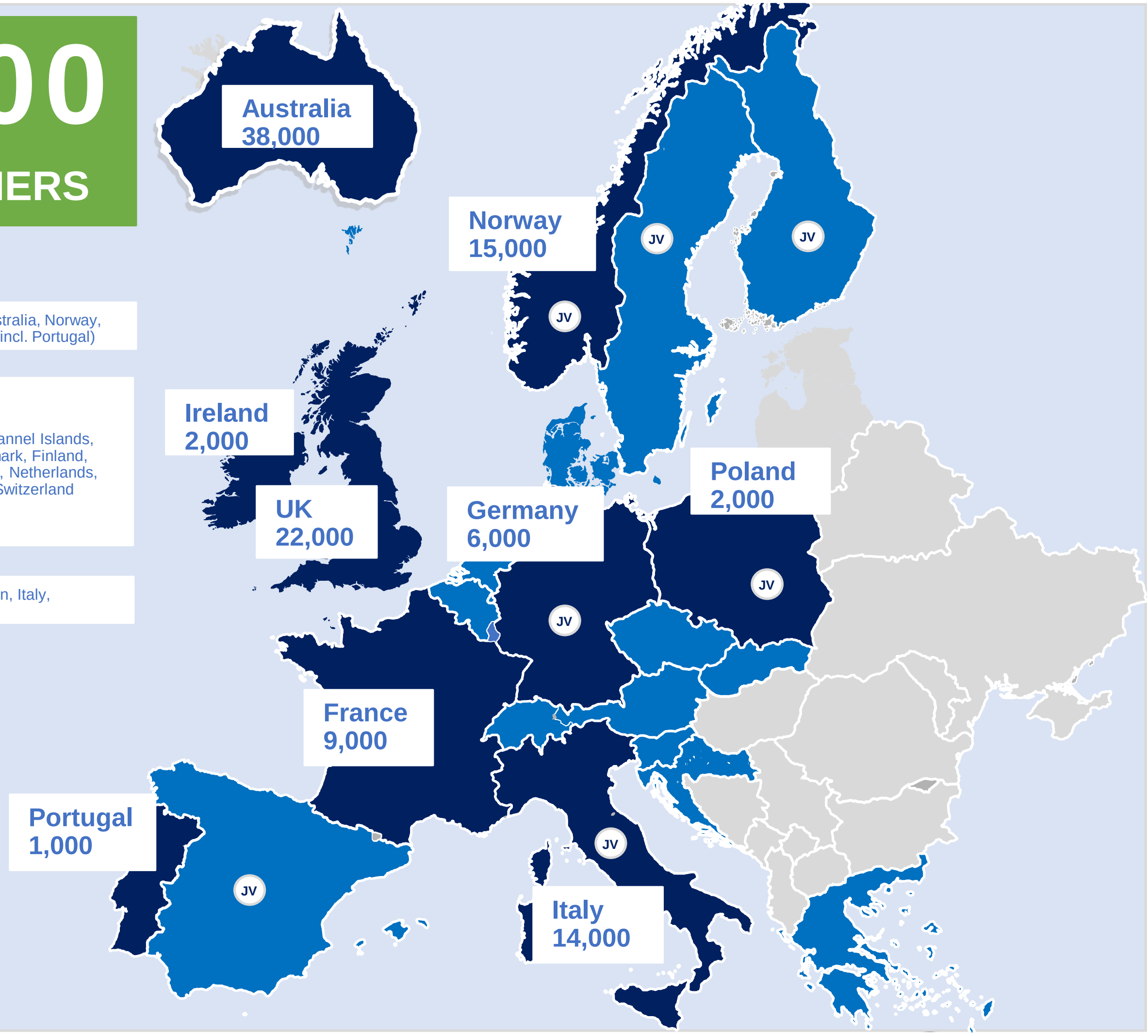
**HUBS** UK, Ireland, France, Australia, Norway, Poland, Italy, Germany (incl. Portugal)

**OTHER TERRITORIES**

Andorra, Austria, Belgium, Bulgaria, Channel Islands, Croatia, Cyprus, Czech Republic, Denmark, Finland, Greece, Guernsey, Kenya, Luxembourg, Netherlands, Reunion, Slovakia, Slovenia, Sweden, Switzerland

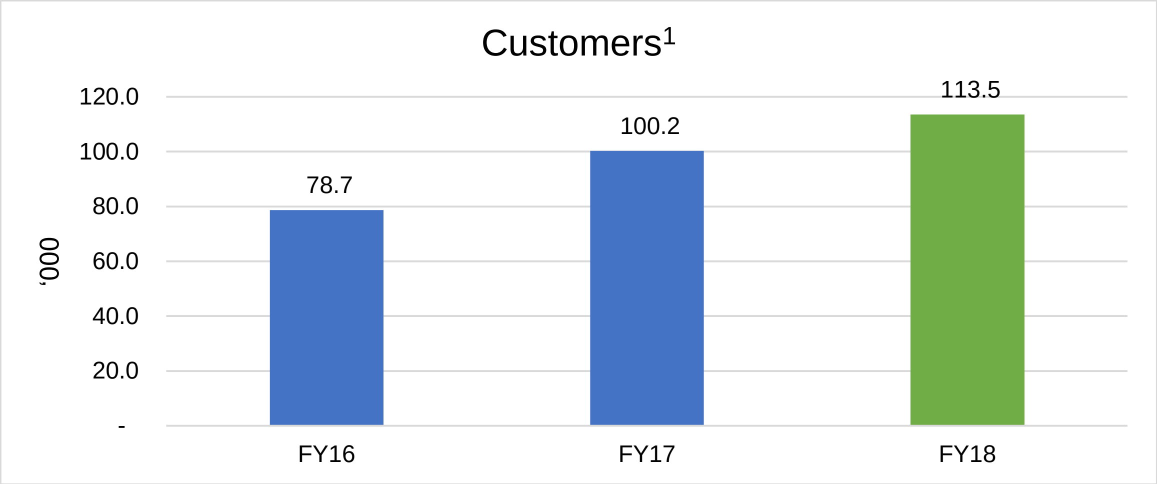
COMBINED TOTAL **4,000**

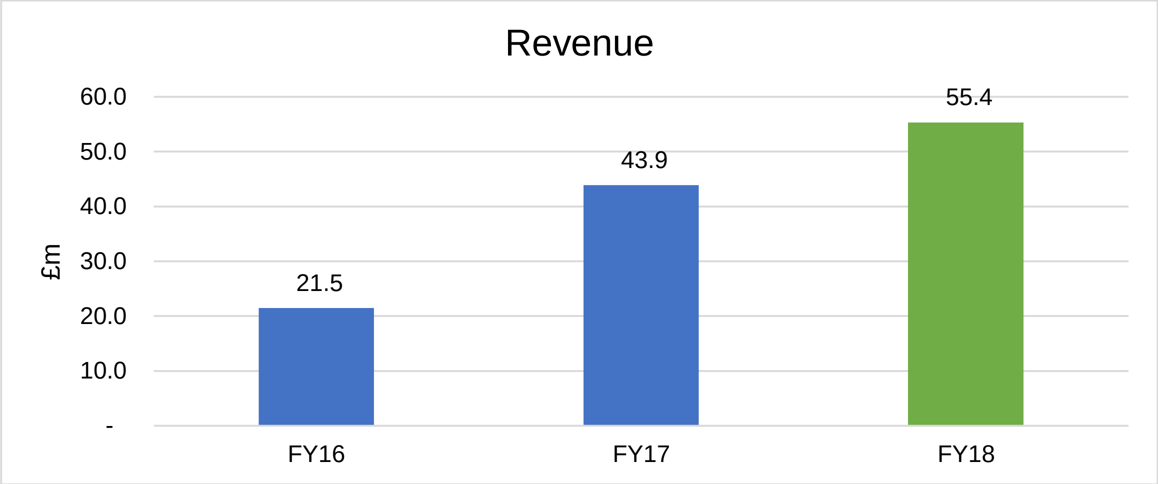
JV Norway, Poland, Sweden, Finland, Spain, Italy, Germany

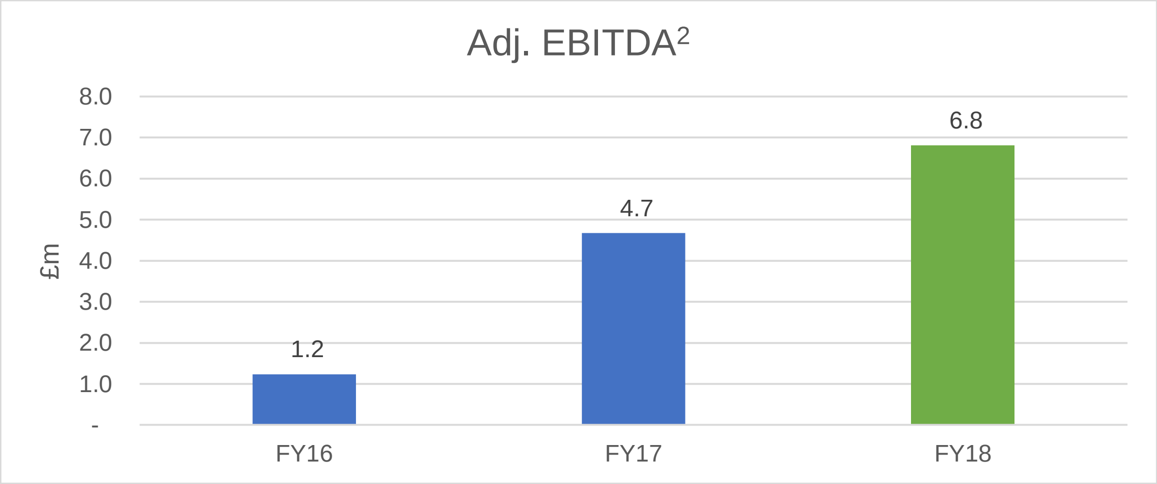


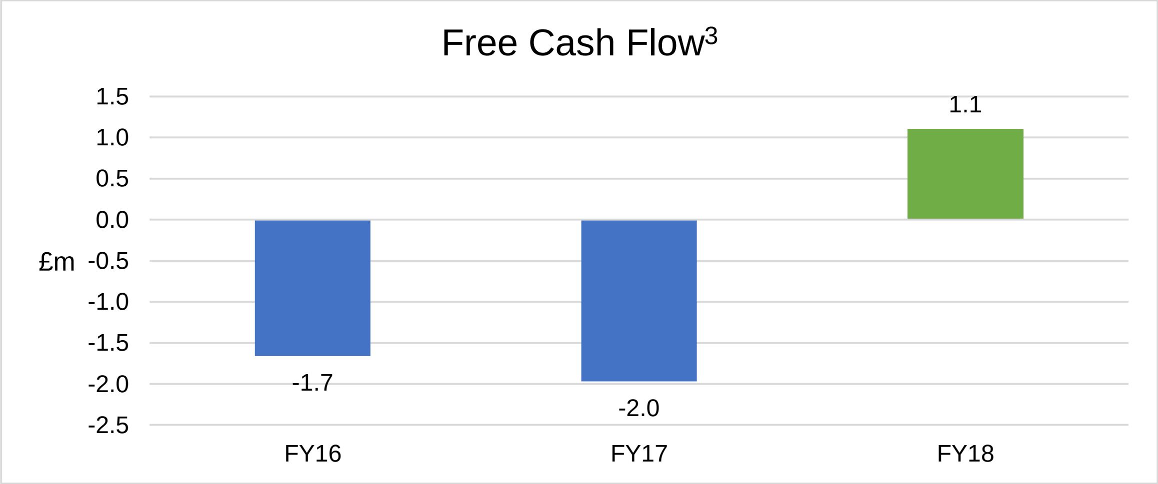
# Financial Performance

# Growth strategy – key metrics



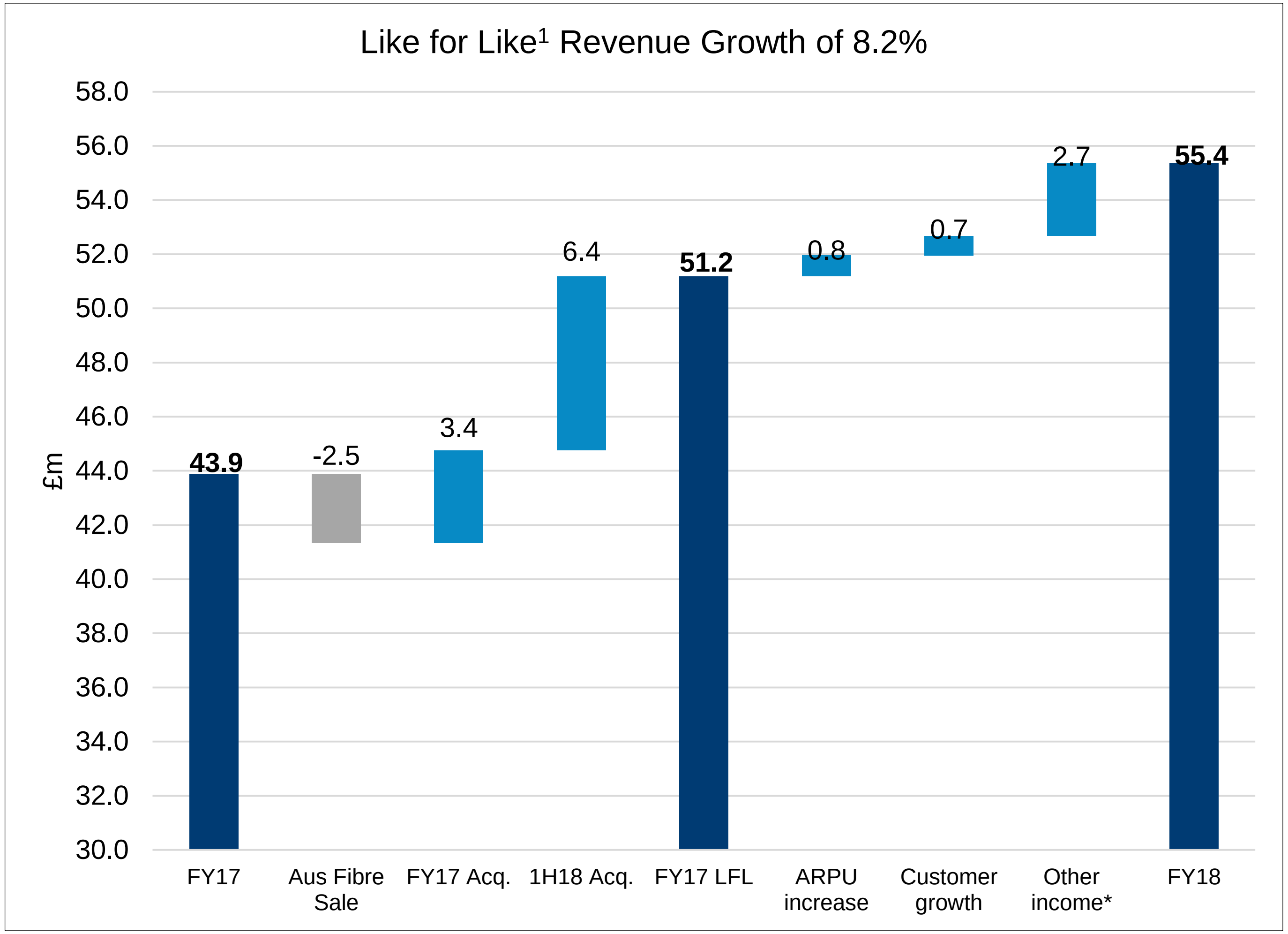




1. *Post disposal of fibre base in Australia*
2. *Adjusted EBITDA excludes exceptional items and share based payments.*
3. *Free Cash Flow is cash flow from operations less interest, tax and capex.*

# Revenue Growth




## Revenue growth of £11.5m (26.1%) :

- **M&A activity (£7.3m impact)**
  - Impact of acquisitions made in 2017 /2018 less fibre disposal
- **Like for Like growth (£4.2m – 8.2%)**
  - **Organic net new customers** - c.3k
  - **Net of an increase in annual churn rate** to 21%[2] (FY17 16.8%)
  - **Total monthly ARPUs improving** c.3% increase to £42.4 per month
  - **Other income revenue increase of £2.7m** Opportunity to grow and expected to increase in future

**Other income includes equipment, services, installations, grant income, and recharges*

1. *Like for like revenue treats acquired/disposed businesses as if they were owned for the same period across both the current and prior year. In above graph, 2H18 Aus fibre revenue has been removed, FY17 acquisitions grossed up as if owned for full year, and revenue for Italy, Germany & Portugal included for the period 15 May – 30 Nov 2017 based on prior year performance.*
2. *Adjusted for impact of pre-disposal churn in the Australian fibre base.*

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# Income Statement

| £m | FY18 | FY17 |
|---|---|---|
| Revenue | 55.4 | 43.9 |
| Cost of Sales | (32.9) | (28.3) |
| **GROSS PROFIT** | **22.5** | **15.6** |
| Operating expenses | (15.7) | (10.9) |
| **Adjusted EBITDA[1]** | **6.8** | **4.7** |
| Depreciation | (6.6) | (2.7) |
| Interest | (2.2) | (2.1) |
| **Adj. LOSS BEFORE TAX** | **(2.0)** | **(0.1)** |
| Amortisation | (7.5) | (8.0) |
| Exceptional costs | (5.7) | (1.9) |
| **LOSS BEFORE TAX** | **(15.2)** | **(10.1)** |
| Taxation | 1.9 | 2.5 |
| **LOSS FOR THE FINANCIAL YEAR** | **(13.3)** | **(7.6)** |
| *Adjusted profit for period [2]* | ***2.9*** | ***2.3*** |
| ***ADJUSTED EPS (pence)*** | ***5.7*** | ***6.1*** |
| *Gross Margin %* | *40.6%* | *35.5%* |
| *O/H as a % of sales* | *28.3%* | *24.8%* |
| *EBITDA %* | *12.3%* | *10.6%* |

1. *Adjusted to exclude share based payments and exceptional items*

2. *Adjusted profit is loss for the year excluding amortisation,, exceptional items and exceptional depreciation*

**Gross profit margin up 5.1% year on year**

- Reflects disposal of Fibre, increased YOY FW with.70% blended GM., focus on packages as well as additional network support and grant income.

**Overheads as % of sales grew 3.5% - £4.8m increase reflecting**

- £2.6m for 1H18 acquisitions. £1.3m increased staff costs, mainly central, to strengthen senior mgmt. and CX £0.9m increased marketing and communication costs for activity in new countries

**NET RESULT EBITDA margin up 1.7% YOY**

**Depreciation** increased from 6.2% to 11.9% sales, an increase of £3.9m

- Reflects an increase of £0.8m in underlying depreciation after capex of £2.3m
- £3.1m one-off charge for a change in useful life of FW infrastructure

**Amortisation** reduced due to 2016 acquisitions £1.1m fully amortised offset by 2018 acquisitions £0.6m

**Identifiable Exceptional costs increased £3.8m on prior year to £5.7m**

| | |
|---|---|
| Share based payments | 0.4 |
| Fundraise, legal and related costs associated with acquisition activity | 1.6 |
| Employee related costs associated with consolidations in Hubs | 1.0 |
| Partnership investment start-up costs | 1.9 |
| Deferred consideration provision | 0.8 |
| | **5.7** |

**Loss after tax of** £13.3m v £7.6m and LPS of (25.8)p v (19.7)p

*Adjusted basis (adding back amortisation / exceptionals / and extraordinary depreciation) results in PBT of £2.9m (FY17: £2.3m) and adjusted EPS of 5.7p v 6.1p in FY17 - still lower YoY due to £0.8m organic depreciation increase following QL acq. and £0.6m lower tax credit.*

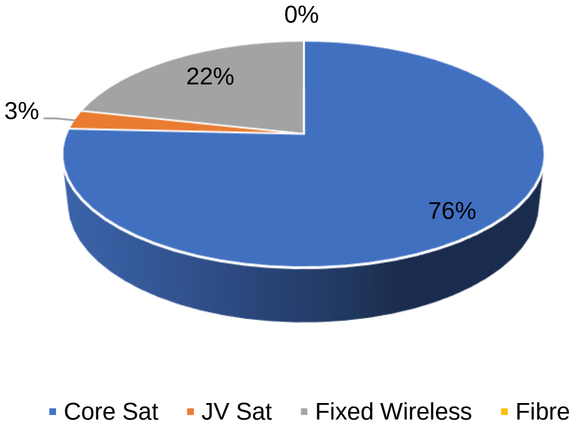
# Business Mix

## Consolidated technological mix

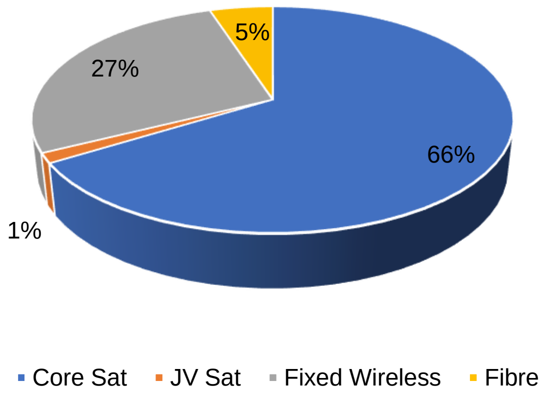
| FY18 Performance | Core Sat | JV Sat | Fixed Wireless | | | | Fibre* | Total |
|---|---|---|---|---|---|---|---|---|
| | Global | Europe | Aus. | Italy | Norway | UK | Aus. | |
| **Customers** | 85.5 | 3.7 | 4.2 | 0.9 | 12.8 | 6.4 | 0.0 | **113.5** |
| **Revenue** | 37.1 | 0.8 | 1.6 | 0.1 | 9.0 | 4.1 | 2.7 | **55.4** |

- 21k satellite customers acquired in 1H18 acquisitions, with 21.3k at year end.
- 3.7k JV satellite customers added in FY18.

FY18 Customers by tech. segment




FY18 Revenue by tech. segment



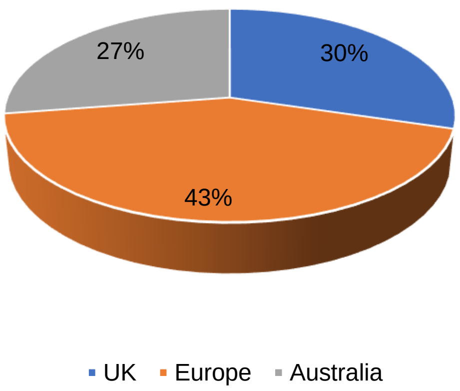

*1. The Australian fibre base was sold to Superloop on 1 June 2018.*

## Diversified geographical mix

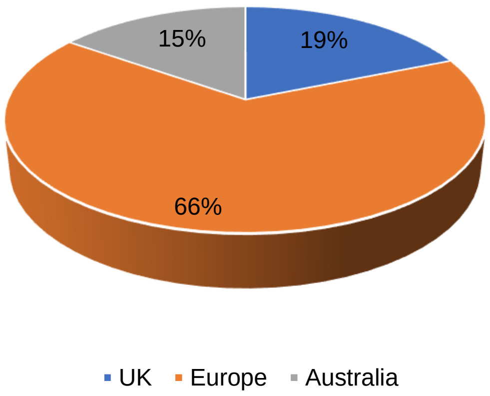
| FY18 Performance | UK | Europe | Australia | Sub-Total | PLC | Total |
|---|---|---|---|---|---|---|
| **Customers ('000)** | **26.3** | **55.1** | **32.2** | **113.5** | - | **113.5** |
| **Revenue (£m)** | **16.4** | **23.8** | **15.2** | **55.4** | - | **55.4** |

- Europe higher percentage of base following 21k 1H18 acquisitions and 3.7k JV subs

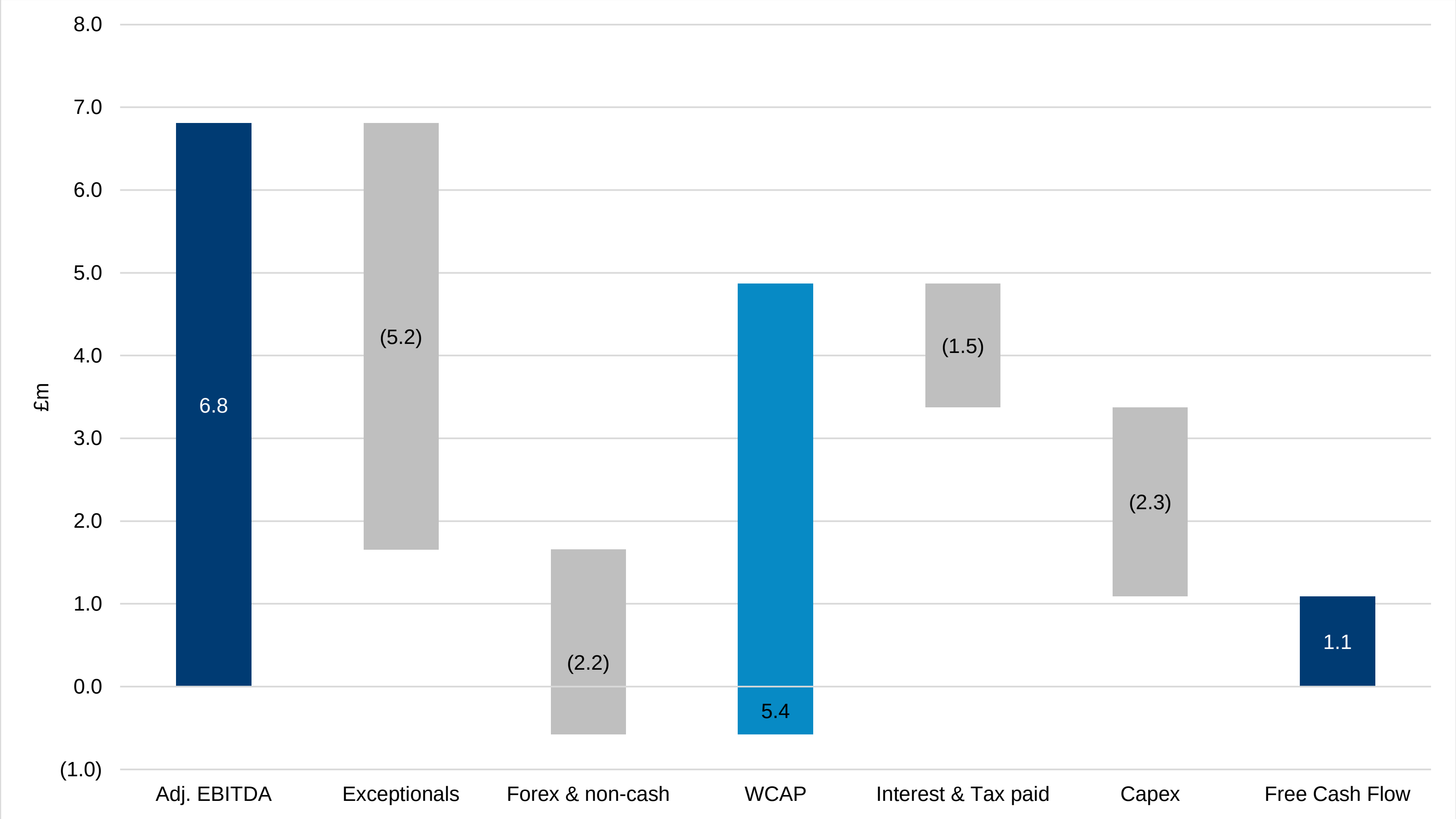
FY18 Revenue by Geography




FY18 EBITDA by Geography



# Free cash flow analysis




**£1.1m free cash flow generated**

- **FCF** grew £3.1m to £1.1m (FY17 outflow (£2.0m)) driven by improvements in underlying trading, net of cash exceptional costs plus group WCAP management

**Working capital Management**

- Includes underlying working capital movements, plus benefits of M&A and net benefit of movements in deferred considerations

**Interest in line with prior year**

**CAPEX decreased 0.5m**

| | FY18 | FY17 |
|---|---|---|
| **OCF conversion[1]** | 71.6% | 20.9% |
| **FCF conversion** | 16.3% | -42.1% |

1. *Conversion rate based on Adjusted EBITDA*
2. *Refer to appendix for summary cash flow statement*

# Summary Balance Sheet

| £m | FY18 | FY 17 | FY18 v FY17 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 36.1 | 30.2 | 5.9 |
| Investments | 0.1 | 0.3 | (0.3) |
| Property Plant and Equipment | 5.5 | 9.3 | (3.8) |
| **Working Capital** | | | |
| Inventory | 2.0 | 1.5 | 0.5 |
| Trade Debtors | 4.8 | 3.0 | 1.8 |
| Other Debtors | 5.3 | 2.7 | 2.7 |
| Trade Payables | (9.7) | (7.2) | (2.5) |
| Other Creditors and Accruals | (19.1) | (14.7) | (4.4) |
| Taxes | (3.0) | (2.0) | (0.9) |
| Deferred tax (net) | (0.0) | (0.6) | 0.6 |
| **Net (Debt)/Cash** | (11.9) | (13.2) | 1.3 |
| **Net Assets** | **10.1** | **9.3** | **0.8** |

| **Working Capital** | | |
|---|---|---|
| Trade Receivables Days | 32 | 35 |
| Days Payables Outstanding | 107 | 95 |
| Days Sales of Inventory | 22 | 18 |

**Intangible assets – Increase following recent 2 acquisitions**

**PPE – investment for growth**

- £3.8m decrease reflects £0.6m acquired in M&A, £2.3m capex investment in period , offset by depreciation charge

**Improvements in working capital management**

- Core working capital components up due to increased trading activities and M&A
- Positive cash flow impact from reducing trade debtor days and extended creditor days, due to continued network and partnership support, plus benefit of provisions including QL deferred consideration

**Net debt includes loans of £17m and cash of £5.1m.**

- Loans comprise HSBC RCF (£4.9m), BGF debt (£11.7m) smaller loans within subs (£0.4m)

**Improved gearing position**

- Reduction in net debt through FCF generation and capital discipline

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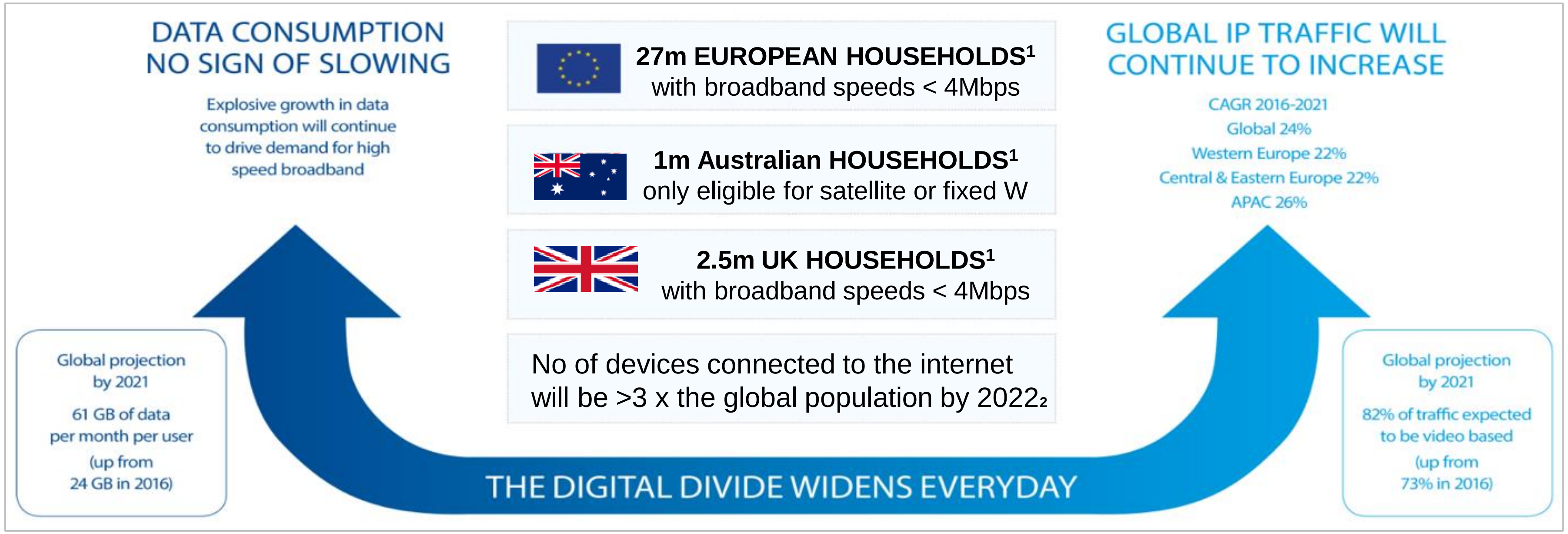
# Market And Technology Review

# Large Addressable Target Markets

## Current Situation




**27m EUROPEAN HOUSEHOLDS[1]**
with broadband speeds < 4Mbps

**1m Australian HOUSEHOLDS[1]**
only eligible for satellite or fixed W

**2.5m UK HOUSEHOLDS[1]**
with broadband speeds < 4Mbps

No of devices connected to the internet will be >3 x the global population by 2022[2]

## Growth Opportunities

| Numerous 5G satellites in build | EU broadband directive |
|---|---|
| Viasat 3 constellation of 3 global mega satellites, Eutelsat Konnect and Konnect VHTS, Kacific-1, plus new MEO and LEO business models mean an abundant amount of available capacity enabling us to deliver a fibre like service from the sky to address these markets | The EU directive on broadband speeds states that Europe will have:- *'Universal Broadband Coverage with speeds at least 30 Mbps by 2020'* and *'Broadband Coverage of 50% of households with speeds of at least 100 Mbps by 2025'* |

1. *Figures are approximate based on unique IPv4 addresses as a proxy for individual households. 2. Statistics from Cisco*

# Strong Demand Fuelled By Growth In OTT And Video Streaming

2018 has proved driving sales is about **3 key components**:

**1. Compelling Product Set - De-Bunking Pre-Conceptions About Satellite**
A superlative product at a reasonable price that moves our sales and marketing people onto the “front foot” - an offering with 50 Mbps headline speeds, with almost unlimited data allowances. Initially up to 150 GB priority data with unlimited browsing and email – something that can really capture the customers imagination and that clearly shows that satellite broadband is no longer just a last resort

**2. Attractive Pricing – Removing Significant Barriers To Purchase**
Fully subsidised, customised customer equipment, with free delivery and installation everywhere

**3. Marketing - Building And Broadening Awareness**
Significant marketing support to enable us to get the message of the great product out into the market


*“This style of offering has enabled us to add 3,000 net new customers organically during the first three months of the current year, which is ahead of the growth achieved for the year ended 30 November 2018”*

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# Technology Update: Disruptive Advances In Satellite Broadband

- Consumer satellite broadband speeds have increased 10-fold since we started in 2008 – from 4 Mb to 40 Mb in 2018 in many markets

- ARPU and margins have improved slightly but customer proposition continues to improve

- Advances down to improved satellite economics – reduction in net cost per bit of data transiting the networks and spacecraft (cheaper satellites, smaller semi-conductors/processors, electric propulsion)

- Also advances in CPE hardware design along with cheaper backhaul

- Historically satellite has stayed just ahead of average broadband speeds in Europe

- Next generation will show exponential improvement, going from 50 Mb to 200+ Mb in next 2 years – the transition from 4G to 5G – push back on competing technologies

# Satellite: More Powerful New Satellites, Improved Economics, Data Allowances and Speeds

**Increasingly Disruptive Advances In Satellite Technology**

*New launches of more powerful satellites with significantly better satellite economics means speeds getting exponentially faster. Similarly data allowances are becoming more generous – true unlimited on satellite becoming a reality*

**Improvements in peak download speeds country by country in megabits per second (Mbps)**

| | UK | IE | FR | ES | SK | IT | DE | PL |
|---|---|---|---|---|---|---|---|---|
| **End Nov '17** | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| **End Nov '18** | 30 | 30 | 30 | 50 | 50 | 30 | 30 | 50 |
| **End Mar '19** | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 |
| **End Jun '20** | 100 | 100 | 100 | 100 | 50 | 100 | 100 | 100 |
| **End H2 '21** | 200+ | 200+ | 200+ | 200+ | 200+ | 200+ | 200+ | 200+ |

*"Satellite broadband speeds in Australia are expected to double from 25 Mb to 50 Mb in the next 12 months, and with Viasat 3 Australasia in 2022 will move to >200 Mb as in Europe"*

# Fixed Wireless

- Peak consumer speeds for standard FW services have increased 2 fold in the last 2 years – from 50 Mb to 100 Mb in 2018 in core FW markets (UK and Norway)

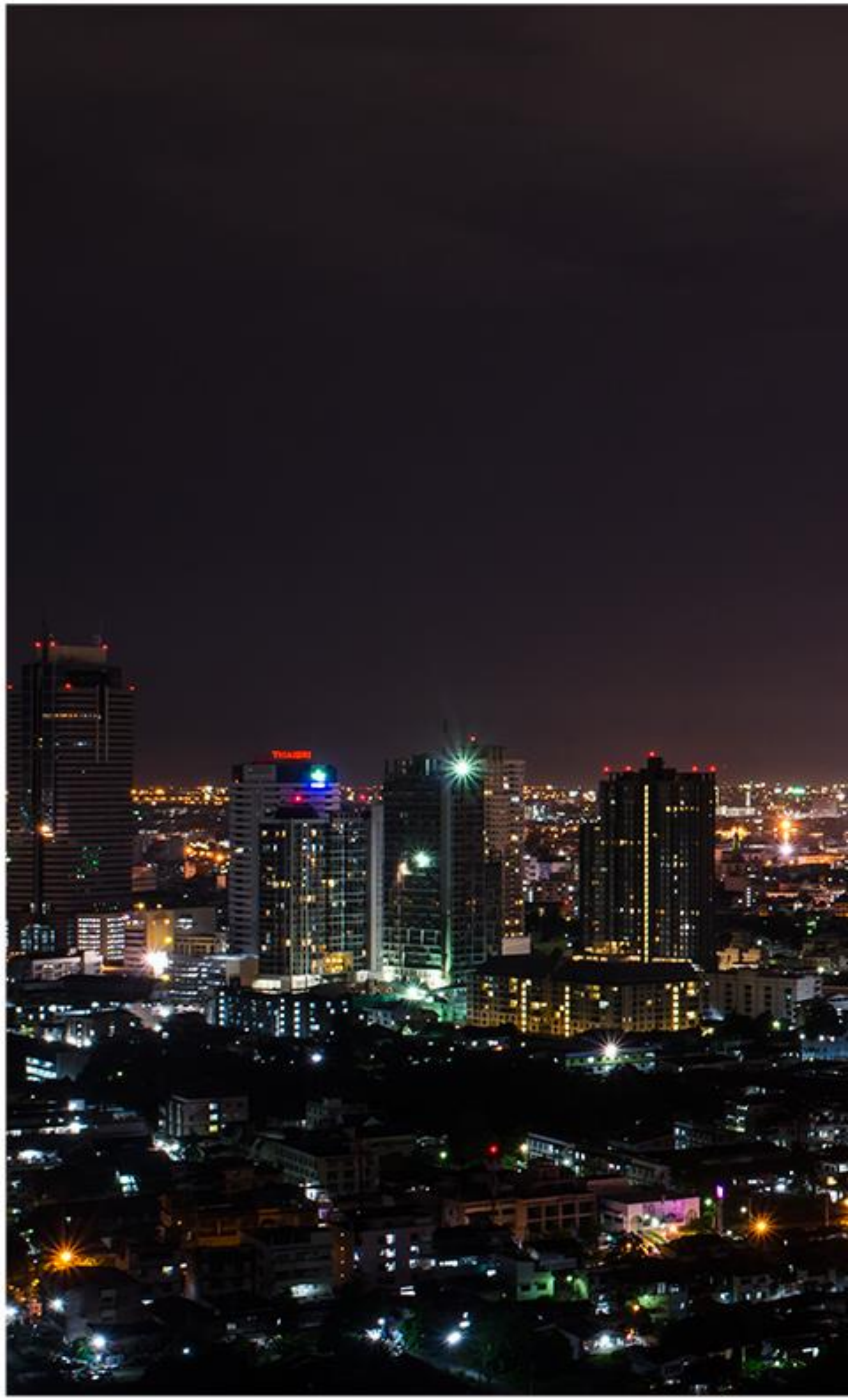
- ARPU and margins have improved slightly but customer proposition continues to get better

- Game changing advances in hardware and technology design – utilising “*massive 14 x 14 Multi-user MIMO and with adaptive Beamforming*” mean exponential steps forwards in speeds

- Updates to algorithms and software continue to allow us to increase speeds with existing hardware and no site visits

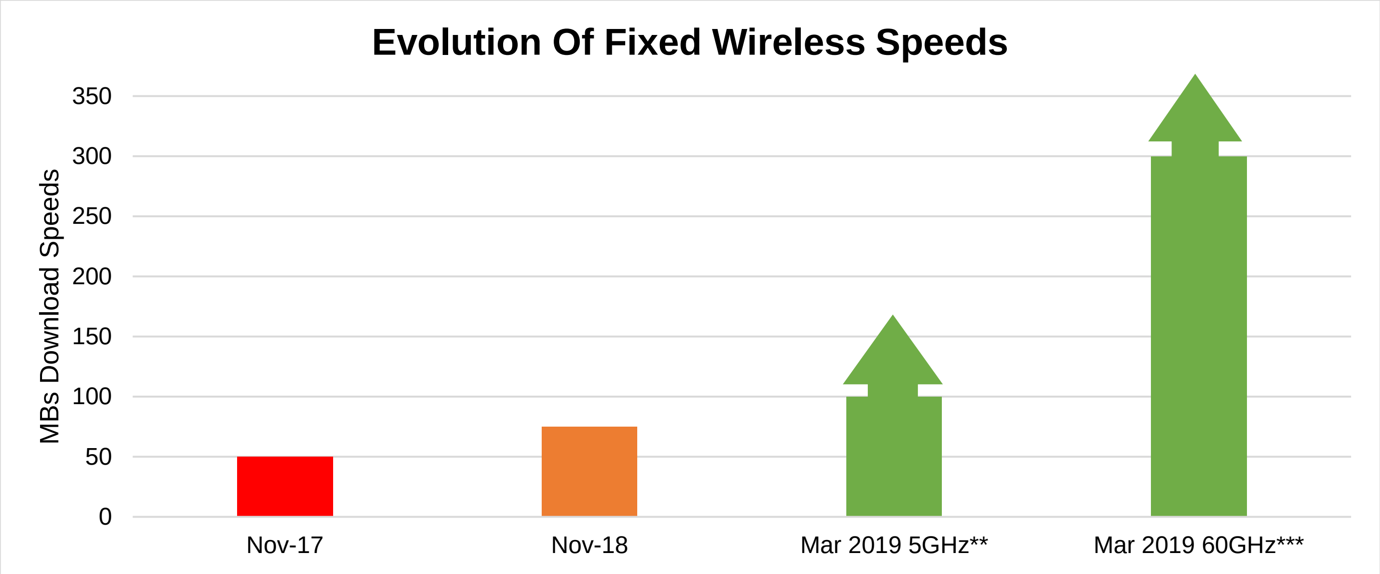
- New mmWave technology and newly available 60GHz spectrum means true gigabit services a reality for consumers – already piloting consumer 300+ Mb services (probably available to target 25% of new network build customers in UK)

- New technologies like TV white space 5G systems allow us to penetrate significantly deeper into very rural areas from our existing transmitter locations



# Fixed Wireless: Greater Efficiencies, Hardware And Ever-Improving Speeds

The latest hardware being deployed has greater spectral efficiency, and new antennas and radios with ‘massive 14 x 14 Multi-user MIMO and with adaptive Beamforming’ mean big steps forwards in speeds




- Peak download speeds on fixed wireless in megabits per second (Mbps) – all services are ‘unlimited’ data.
- Whilst our hardware and networks may be capable of significantly higher speeds (quoted here) we may to choose to commercialise services and make offers to customers at lower speeds particularly for consumers to keep prices lower. Customers connecting for the first time to new networks in UK and Norway are able normally to opt for 100+ Mb services if desired but this is a premium service.
- We have been providing 1 Gbps services to B2B customers for some time

**Standard fixed wireless services in our Norwegian networks operate on a mixture of 3.5 GHz and 5 GHz

***60 GHz services operating on mmWave technology are estimated to be suitable for up to 25% of new build out areas

***60 GHz services operating on mmWave technology are capable of gigabit speeds (gigafast) but will initially commercialized at 300+ Mbps unless specifically requested by the customer where are higher charge will be levied.

# A New Era Is Almost Upon Us

**Transformed product (FW/Satellite) set will stimulate new sales, new partnerships and enable satellite to push back against competing technologies.**

- BBB well positioned to take advantage of a step change in satellite economics in the next generation of satellites, the first of which will be launched later this year. FW technology continues to evolve exponentially enabling us to deliver faster services with better ROI.
- This means that the dynamics of the product set, a “fibre from the sky” like proposition, will continue to improve with 100+ Mb satellite services available with no geographical discrimination, opening up significant new market opportunities. FW speeds delivering 300+ Mbps are now a reality.
- Demand for streaming and the heavy lifting of HD video plays into the hands of the satellite model which is proven in satellite TV world, FW just an extension of real fibre with commensurate throughputs
- More generous and developed business models and support packages mean significantly more money is available for marketing and in investment in organic customer acquisition. Subsidies to hardware and installation further add to the appeal and remove barriers to entry.

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# Appendix

# Summary Cashflows

| £m | FY18 | FY17 |
|---|---|---|
| **Cash inflow arising from:** | | |
| Loss after tax | (13.3) | (7.6) |
| Interest | 2.2 | 2.1 |
| Taxation | (1.9) | (2.5) |
| Amortisation and impairment of intangible assets | 7.5 | 8.0 |
| Depreciation charge | 6.6 | 3.3 |
| Other related movements | (2.2) | (1.5) |
| **Operating cash flows before movements in working capital** | **(1.1)** | **1.8** |
| Increase / (Decrease) in working capital | 6.0 | 0.5 |
| **Operating Cash Flow** | **4.9** | **2.3** |
| Interest paid | (1.5) | (1.4) |
| | (0.0) | |
| **Gross Cash Flow** | **3.4** | **0.9** |
| Capex Investment | (2.3) | (2.8) |
| **Free Cash Flow** | 1.1 | **(2.0)** |
| Net cash used in investing activities | **(13.7)** | **(8.4)** |
| Net cash generated from financing activities | **14.2** | **10.5** |
| **Change in cash** | **1.6** | **0.1** |

**Operating Cash Flows**

- Improved to a £4.9m inflow (FY17: £2.3m)
- Operating cash flow conversion on adjusted EBITDA was 71.6% against 20.9% in FY17

**Working capital**

- £6..6m inflow as a result of underlying working capital movements as well as c.£1.3m of the exceptional costs within provisions.

**Free Cash Flow (FCF)**

Increased to a £1.1m inflow (FY17: (£2.0m)) after

- Interest paid £1.5m
- CAPEX investment of £2.3m

**Investing and Financing Cash Flows**

- Net cash used in investing activities – £11.6m on 1H18 M&A and £2.1m intangibles acquired.
- Net cash generated from financing activities
  - Net proceeds from loans - £0.4m
  - Net proceeds from share capital issue - £12m
  - Net cash acquired in subsidiaries - £1.8m

# Thank you