

The logo for Avanti Communications Group plc, featuring the word "avanti" in white lowercase letters on a blue background. The background of the entire slide is a night-time aerial photograph of a city, likely London, with the illuminated Gherkin building visible on the left. A semi-transparent blue grid pattern is overlaid on the left side of the image.

avanti

# Avanti Communications Group plc

## *H1 2016 results*

February 2016





## H1 2016 overview



## H1 2016 highlights

- Second quarter revenue was \$17.3m, representing 27.7% growth versus the first quarter on a constant currency basis, taking first half revenue to \$31.0m (H1 2015: \$31.0m)
- Large contract wins mainly with government and large telecoms customers in the second quarter added \$40.0m to backlog and are expected to make a strong revenue contribution in the second half
- Strong KPI performance in the period with Top-20 Customer Bandwidth Revenue Growth increasing 44.0% and Average Fleet Utilisation moved into the 25% to 30% range in the second quarter
- Guidance of 50% continuing business constant currency revenue growth for the full year to 30 June 2016 supported by the second quarter order intake and a strong order pipeline
- Fully funded business plan through to the launches of HYLAS 3 and 4 with period end cash of \$162.6m and further undrawn consented credit capacity of \$71.0m

## Income statement

|                        | Half year ended<br>31 Dec 2015<br>\$m | Half year ended<br>31 Dec 2014<br>\$m |
|------------------------|---------------------------------------|---------------------------------------|
| <b>Revenue</b>         | <b>31.0</b>                           | <b>31.1</b>                           |
| Cash costs of sale     | (18.4)                                | (19.7)                                |
| Cash operating costs   | (16.8)                                | (15.6)                                |
| Other operating income | 0.7                                   | 0.7                                   |
| <b>EBITDA</b>          | <b>(3.5)</b>                          | <b>(3.5)</b>                          |

- The year-on-year revenue growth comparison was impacted by the translation of Sterling and Euro revenues into Avanti's reporting currency of US\$. In addition to that, the first half of 2015 contained an element of pass through revenues to sub-contractors and higher low margin equipment sales than for the six months ended 31 December 2015. Adjusting for these factors, underlying revenue grew 18%.

## Cost of sales

|                      | Half year ended<br>31 Dec 2015<br>\$m | Half year ended<br>31 Dec 2014<br>\$m |
|----------------------|---------------------------------------|---------------------------------------|
| <b>Cost of sales</b> |                                       |                                       |
| Depreciation         | 22.8                                  | 22.9                                  |
| Other                | 18.4                                  | 19.7                                  |
| <b>TOTAL</b>         | <b>41.2</b>                           | <b>42.6</b>                           |

- Other includes satellite services and materials purchased
- Depreciation is impacted by FX translation of Sterling values to US\$ for HYLAS 1

## Operating costs

|                        | Half year ended<br>31 Dec 2015<br>\$m | Half year ended<br>31 Dec 2014<br>\$m |
|------------------------|---------------------------------------|---------------------------------------|
| <b>Operating costs</b> |                                       |                                       |
| Employment costs*      | 10.8                                  | 10.0                                  |
| SG&A and other**       | 7.6                                   | 7.4                                   |
| <b>TOTAL</b>           | <b>18.4</b>                           | <b>17.4</b>                           |

- Avanti has a largely fixed, scalable cost base
- The majority of employment costs are incurred in Sterling

\* Includes share based payments

\*\* Includes non-satellite depreciation and amortisation

## Balance sheet

|                                     | Half year ended<br>31 Dec 2015<br>\$m | Full year ended<br>30 Jun 2015<br>\$m |
|-------------------------------------|---------------------------------------|---------------------------------------|
| Non-current assets                  | 759.5                                 | 721.5                                 |
| Current assets                      | 210.0                                 | 160.3                                 |
| <b>Total assets</b>                 | <b>969.5</b>                          | <b>881.8</b>                          |
| Current liabilities                 | 60.7                                  | 36.6                                  |
| Total liabilities                   | 715.4                                 | 577.1                                 |
| <b>Total equity</b>                 | <b>254.1</b>                          | <b>304.7</b>                          |
| <b>Total liabilities and equity</b> | <b>969.5</b>                          | <b>881.8</b>                          |



## Net debt

|                   | Half year ended<br>31 Dec 2015<br>\$m | Full year ended<br>30 Jun 2015<br>\$m |
|-------------------|---------------------------------------|---------------------------------------|
| High yield bond   | 627.4                                 | 510.3                                 |
| Finance leases    | 15.9                                  | 18.1                                  |
| <b>Gross debt</b> | <b>643.3</b>                          | <b>528.4</b>                          |
| Cash              | 162.6                                 | 122.2                                 |
| <b>Net debt</b>   | <b>480.7</b>                          | <b>406.2</b>                          |





## About Avanti

## About Avanti Communications Group

- **Avanti connects people wherever they are – in their homes, businesses, in government and on mobiles. Through the HYLAS satellite fleet and more than 150 partners in 118 countries, the network provides ubiquitous internet service to a quarter of the world's population. Avanti delivers the level of quality and flexibility that the most demanding telecoms customers in the world seek**
- Avanti is the first mover in high throughput satellite data communications in EMEA. It has rights to orbital slots and Ka band spectrum in perpetuity that covers an end market of over 1.7bn people
- The Group has invested \$1.2bn in a network that incorporates satellites, ground stations, datacentres and a fibre ring
- Avanti has a unique Cloud based customer interface that is protected by patented technology
- The Group has three satellites in orbit and a further two fully funded satellites under construction

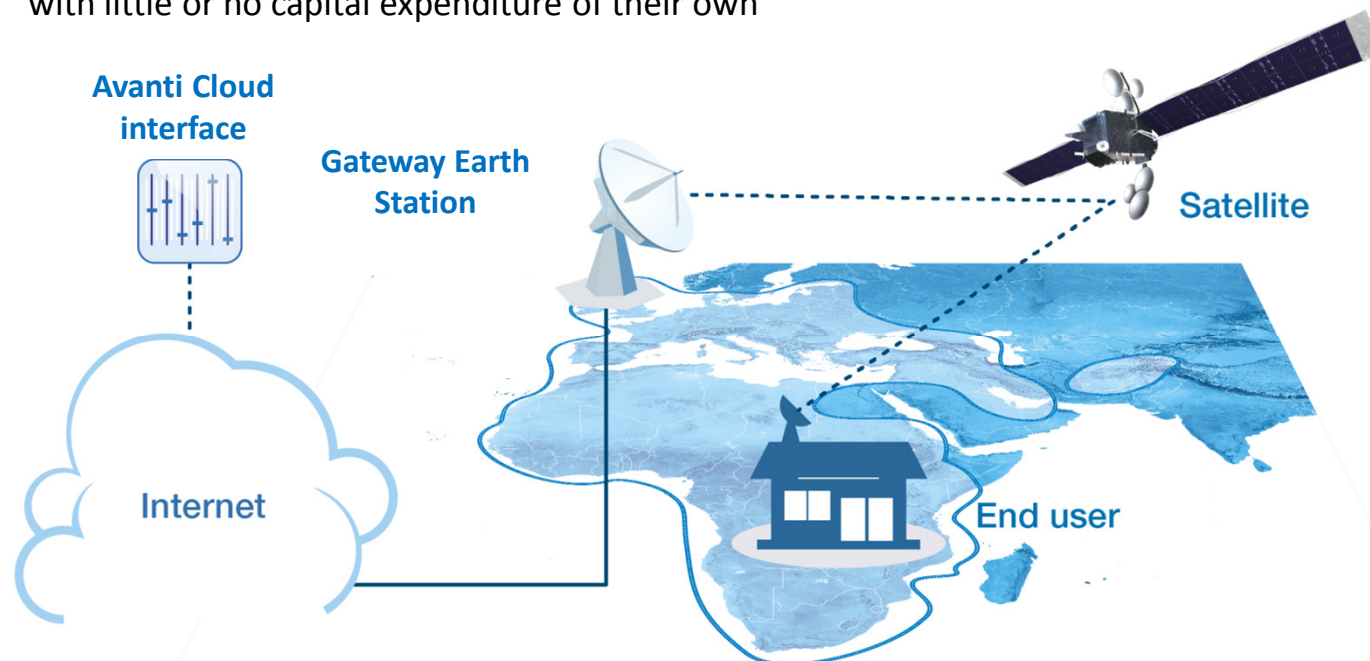
Ka band beam coverage including HYLAS 4





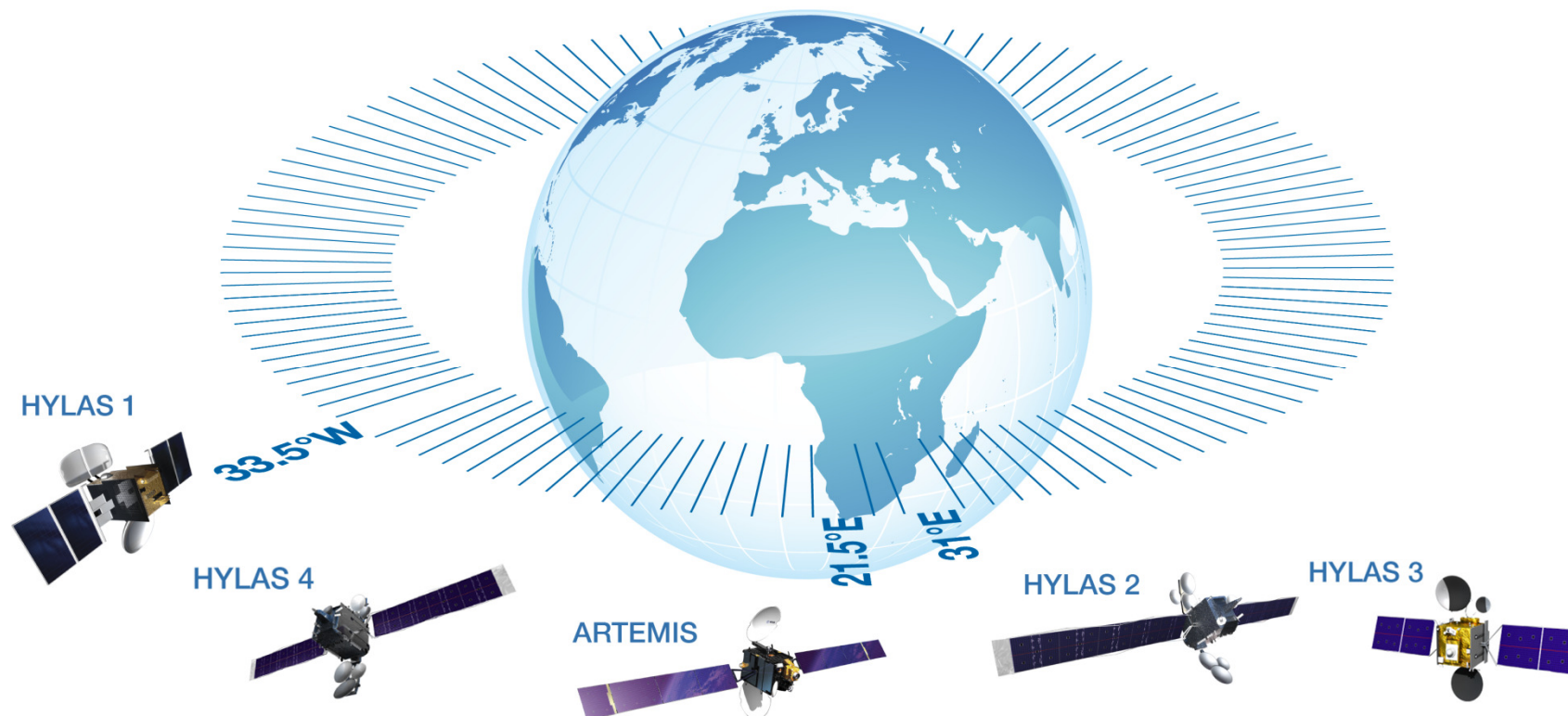
## How our technology works

- Avanti uses the high frequency Ka-band spectrum (up to 31GHz)
- This enables Avanti's high throughput satellites to transmit over ten times as much data per satellite than legacy systems, significantly reducing end-user costs and creating a large addressable market. For example, Avanti's network can provide:
  - Download speeds of up to 380 Megabits per second
  - Price reductions versus legacy systems for telecom and government customers of up to 80%
  - Consumer broadband from as little as \$30 per month
- Avanti offers its customers quality and flexibility that differentiate it from competitors
  - **Quality:** Avanti's network has been built for telecoms customers and can provide 99.9% uptime
  - **Flexibility:** Avanti's Cloud based customer interface allows users to manage their networks virtually, with little or no capital expenditure of their own



## Our space assets

- Geostationary satellites orbit the earth at an altitude of 35,800 km directly over the equator. The number of satellites that can be maintained in geostationary orbits without mutual conflict is finite and therefore spectrum is valuable. Orbital slots and spectrum are governed by the ITU (part of the UN). Once in the Master Register an incumbent's slot is secure in perpetuity



| Satellites     | HYLAS 1       | HYLAS 2 / 2-B | Artemis   | HYLAS 3 | HYLAS 4 |
|----------------|---------------|---------------|-----------|---------|---------|
| Launch date    | November 2010 | August 2012   | July 2001 | 2017    | 2017    |
| Footprint      | Europe        | EMEA          | EMEA      | EMEA    | EMEA    |
| Capacity (GHz) | 3             | 14            | 1         | 4       | 28      |

## Our ground assets

**Avanti has redundant Gateway Earth Stations (“GES”) in the UK, Cyprus, Germany and Turkey**

- Further GES are planned in South Africa and Nigeria to support HYLAS 3 & 4

**Avanti has invested \$60m in ground infrastructure, with capex primarily being spent on:**

- Antennas
- Data centres and facilities
- Satellite communications equipment

**Avanti’s network is designed to offer the levels of quality and flexibility that the most demanding telecoms customers seek**

- 99.99% uptime due to redundancy / no single points of failure
- Cloud based interface allows customers to become virtual network operators with minimal investment themselves
- Direct connections into the world’s key internet exchanges: LINX, DE-CIX and AMS-IX





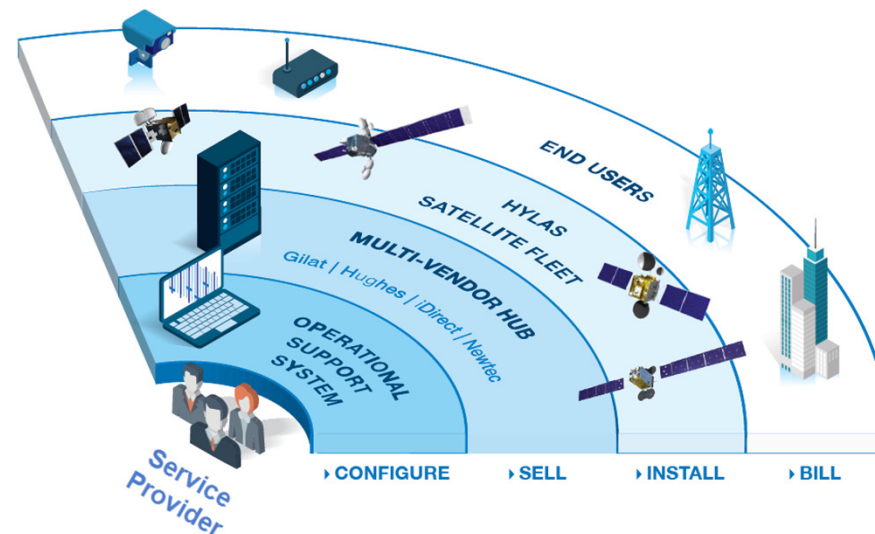
## The Avanti Cloud

**The Avanti Cloud provides a single point of co-ordination and control, allowing partners to become virtual network operators without the need to deploy their own capital or technical expertise**

- Brings together every single item in the Avanti network (e.g. satellites, hubs, terminals, ordering, billing) with minimal human intervention
- Allows Avanti to have integrated control of its systems and sales
- Provides a free choice of hardware, in an industry that lacks standardisation
- Controlled via a single web based interface
- Run in a private cloud

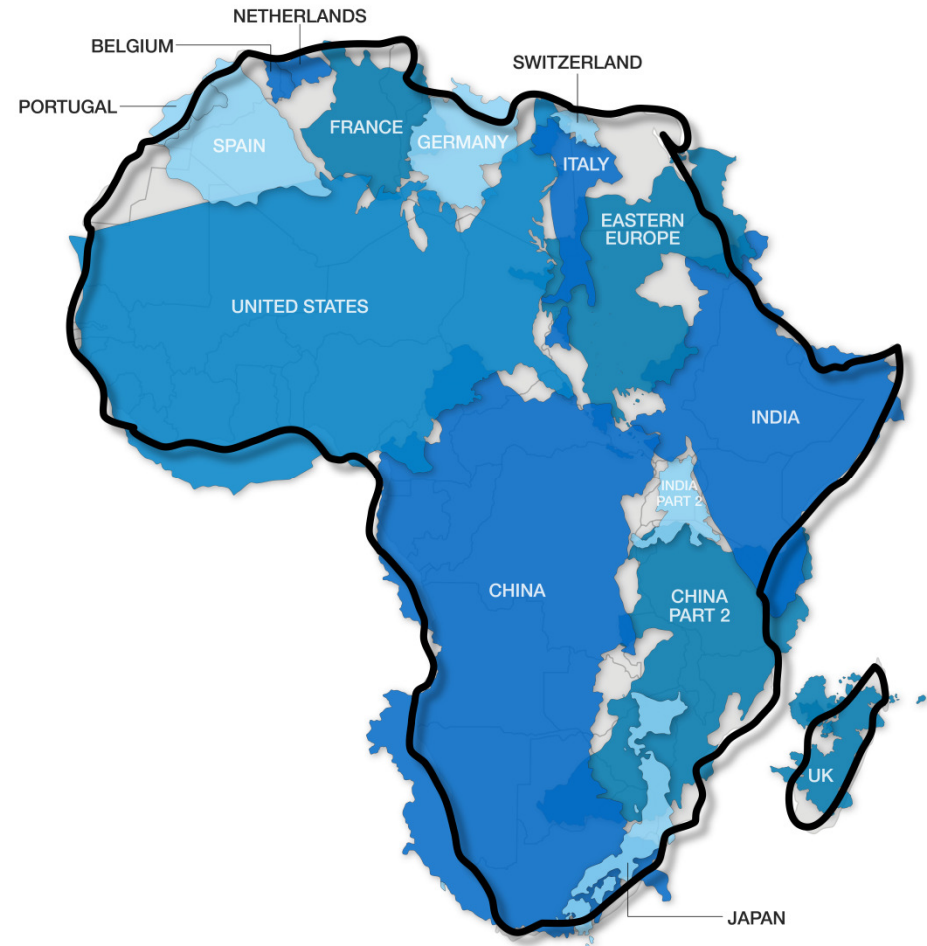
**The Cloud allows customers to:**

- Provision, configure and control networks and customer installations
- Control and configure service plans on an ongoing basis
- Provide remote support
- Obtain performance and usage data



## Our markets: Capacity expansion is focused over Africa

- **Dispersed population**
- **World's fastest growing GDP**
- **Huge growth in young middle class**
- **Requirement for satellite connectivity far outstrips all existing and planned supply**



Sources: The Economist, Standard Bank, African Development Bank

## Our markets: End user demand

- High throughput Ka band satellites are capturing share in existing markets (Enterprise and Government) and growing new, potentially larger markets (Carrier Services and Broadband)
- An addressable market of >1,000 Gbps (and growing) represents an opportunity several times larger than Avanti's total fleet capacity (200 Gbps) and total expected market supply

### Broadband

- In the UK, 2% of the population need satellite broadband according to Government research
- If this metric is applied to Avanti's market coverage including HYLAS 4, there is potential demand for **>700 Gbps** of capacity

### Enterprise Data

- The traditional market for VSAT and corporate users
- In addition to market growth, specialist service providers are churning from Ku to Ka band
- Estimated market size **>150 Gbps**

### Carrier Services

- Avanti has pioneered 3G and 4G cellular backhaul
- Avanti's research shows need for 15,000 satellite enabled base stations across EMEA
- This gives a potential market size of **>240 Gbps**

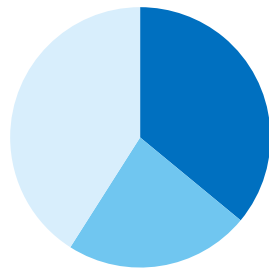
### Government

- Growing civil and defense market
- Governments across Africa have launched projects to connect educational, healthcare and administrative functions to the internet via satellite
- Estimated market size **> 30 Gbps**

## Our customers

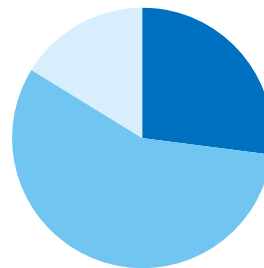
- Avanti sells on a business-to-business basis
- Customers chose from:
  - **Pure:** Raw MHz
  - **Custom:** Fully flexible managed bandwidth
  - **Select:** Pre-processed packages
- The customer base is evolving from a core of regional ISPs and specialist providers to include organisations with potentially very large demand requirements, including national carriers, global telecoms operators and global internet and media companies

Revenue by region (H1 2016)



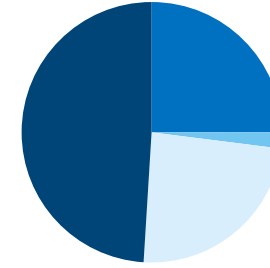
■ Europe ■ Middle East ■ Africa

Revenue by product (H1 2016)



■ Pure ■ Custom ■ Select

Revenue by market segment (H1 2016)



■ Broadband ■ Carrier ■ Enterprise ■ Govt



## Our board

### Chairman



#### **Paul Walsh, Chairman**

Paul Walsh is the former CEO of Diageo plc. He is also Chairman of Compass Group PLC and Non-Executive Director of HSBC Holdings plc and FedEx Corporation

### Executive Directors



#### **David Williams: Chief Executive**

Co-founder of Avanti. Prior to this, David spent ten years working in the City financing telecoms projects



#### **Nigel Fox: Finance Director**

Nigel is a Chartered Accountant and held a number of senior finance roles before joining Avanti in 2007



#### **David Bestwick: Technical Director**

Co-founder of Avanti. Prior to this David worked as an engineer at Marconi and Vega



#### **Matthew O'Connor: Chief Operating Officer**

Matthew joined Avanti in 2005, previously MD at Telewest and General Manager BT

### Non-Executive Directors



#### **Andy Green**

Andy Green is Chairman of IG Group, DockOn, Inc. and the Digital Catapult. He is senior non-executive director of ARM Holdings plc and is also a non-executive director of the CBI. Until 2012, he was CEO of Logica plc and prior to joining Logica, a Board member at BT plc



#### **Charmaine Eggberry**

Non-executive director of GB Group Plc, Chairperson of Buzzmove, CEO of Plan B Consulting and is a board member and trustee of The Marketing Academy



#### **John Brackenbury CBE**

Founder Chairman of Avanti. John is a leading industrialist with over 40 years experience in public and private equity



#### **Richard Vos**

Telecoms and satellite professional with 36 years experience, previously Chairman of Inmarsat



#### **Paul Johnson**

Former Chairman of KPMG London and Eastern Counties and member of KPMG's UK Markets Executive



#### **Professor Michael Walker OBE**

Previously Group Research and Development Director for the Vodafone Group of companies. Chairman of the Board of the European Telecommunications Standards Institute





# Appendix



- **Avanti's reporting currency is the US Dollar**
  - The largest part of the Group's revenues are from HYLAS 2 and are paid in US Dollars
  - HYLAS 1 has a predominately Euro and Sterling customer base
  - Costs are in Sterling for the head office and local currency elsewhere

|          | 31 Dec 2015 | 31 Dec 2014 | Change  |
|----------|-------------|-------------|---------|
| £ / US\$ | 1.4736      | 1.5577      | (5.4)%  |
| € / US\$ | 1.0862      | 1.2098      | (10.2)% |

## Corporate timeline

**2005:** Orbital slot granted, ESA and private funding

**2007:** Avanti Communications plc floated on AIM

**2009:** Equity funding obtained to finalise HYLAS 1

**2010:** HYLAS 1 launched, equity raised to fund HYLAS 2

**2011:** HYLAS 1 enters commercial service

**2012:** HYLAS 2 launched and enters commercial service

**2012:** Equity raised to fund HYLAS 3

**2014:** Bond tap issued to part fund HYLAS 4

**2015:** Capital raised to complete HYLAS 4 funding

**\$1.2bn raised  
in equity and  
debt to build a  
platform with a  
\$500m annual  
EBITDA  
potential**





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Quality.



Flexibility.

