



# Avanti Communications Group plc

## *Full year 2015 results*

*16 September 2015*



## 2015 Highlights

- Revenue up 29.9% to \$85.2m (2014: \$65.6m)
- Net cash at year end \$122.2m (2014: \$195.3m) with a pro forma cash balance of \$248.5m
- Contract wins with key target customers including SENTECH, Tanzania Telecoms Company and Orange Telkom Kenya
- Continuing business constant currency revenue up 50.4%
- Top-20 Customer Bandwidth Revenue Growth 53.7%
- Year end fleet utilisation up to the 20% to 25% band (2014: 10% to 15%)
- Construction of HYLAS 4 commenced with launch on-track for early 2017
- Continuing business constant currency growth rate expected to continue into 2016



## Long-term potential

- **Avanti has 15GHz of operational capacity and 32GHz of capacity under construction**
  - The efficiency of our spacecraft delivers major advantages in pricing, which is presented to customers denominated in \$ per Mb per month
  - We can generate three times as many MHz per ton of spacecraft than is the case with even the most advanced Ku-band HTS satellite
  - Furthermore, we can extract double the Mb per MHz due to high spectral efficiency
  - This allows Avanti to offer capacity to customers at as low as \$400 Mbps / month while still achieving a price of \$2,000 per MHz
  - This hugely increases the addressable market for satellite data services
- **Fleet utilisation is now increasing swiftly**
  - Fleet utilisation is now in the 20% to 25% range with beams across EMEA expected to be full by the time new capacity comes on-line
  - This increase in utilisation of the current fleet is being driven by a core business growth rate of over 50%
  - We have expanded our sales team and are now starting to sell into the new HYLAS 4 markets ahead of the planned 2017 launch
- **Our planned HYLAS fleet has the potential to generate over \$500m of EBITDA annually**
  - Pricing remains at target levels
  - Our cost base is largely fixed





# Operational overview

## 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

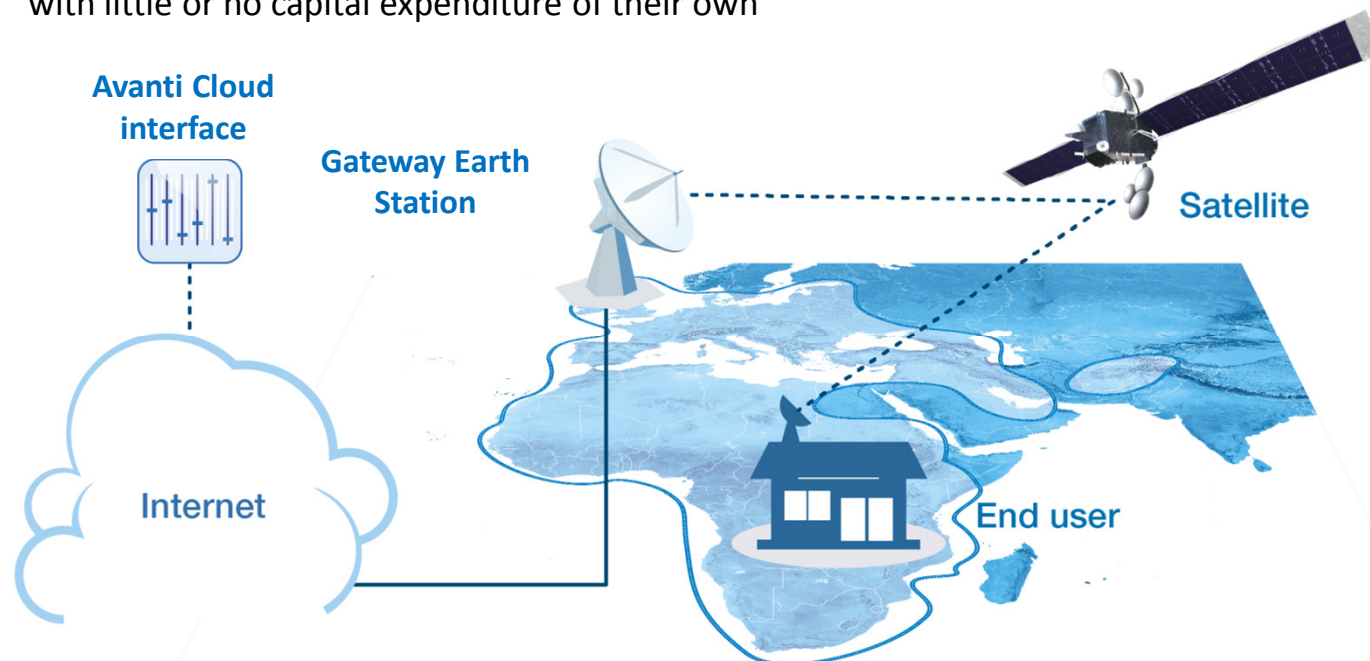
Ka band beam coverage including HYLAS 4





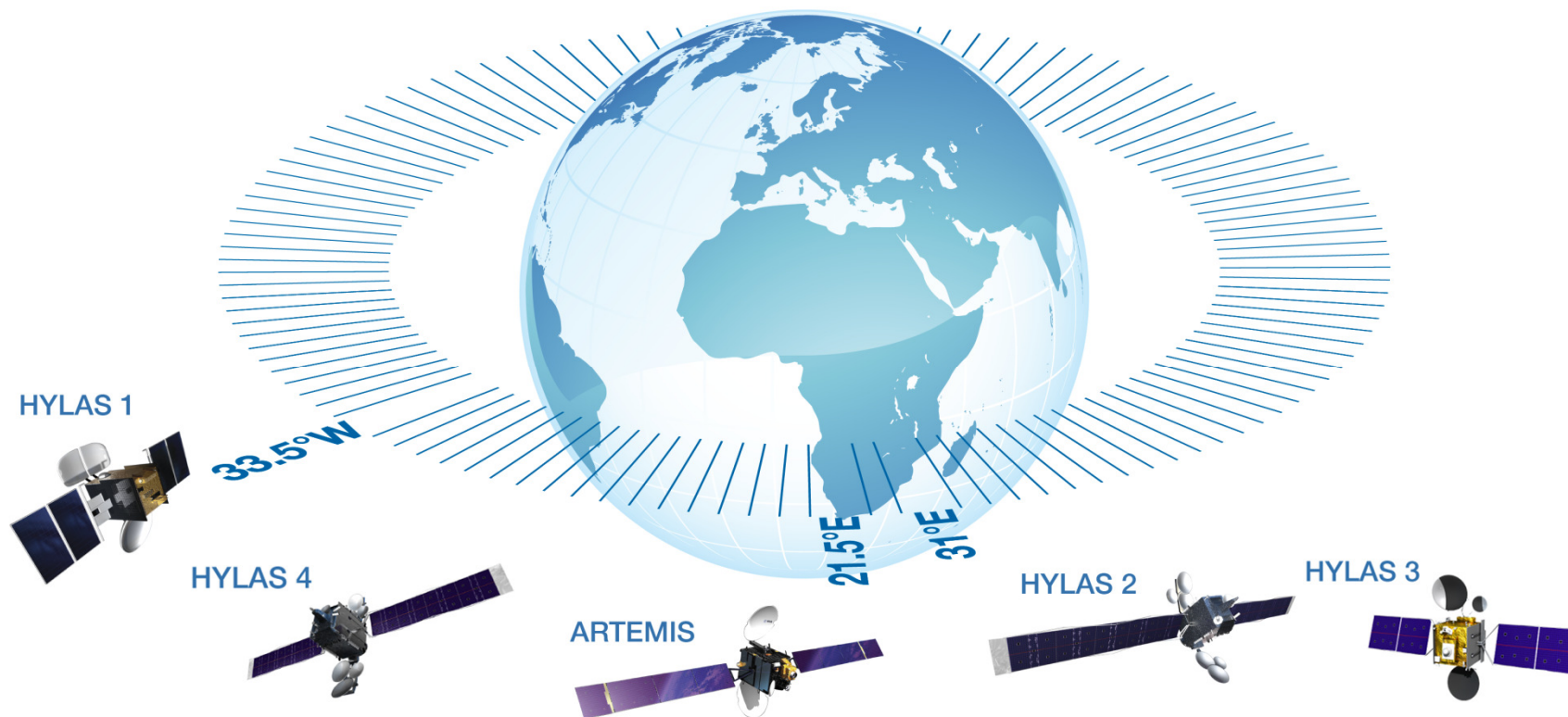
## How our technology works

- 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

## HYLAS 2-B

- **About HYLAS 2-B**
  - 3GHz of Ka-band capacity
  - Located in the 31° East neighbourhood
  - Steerable beam cluster
  - 13.5 years of station-kept operation life left
  
- **Operational plan**
  - HYLAS 2-B coverage of a new geography unserved by the fleet
  - Bridges the gap in steerable capacity due to the previously announced slippage of the European Space Agency's timetable to launch the satellite platform that will host HYLAS 3
  - Initial revenues are expected to arise in the second half of the current financial year



## 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



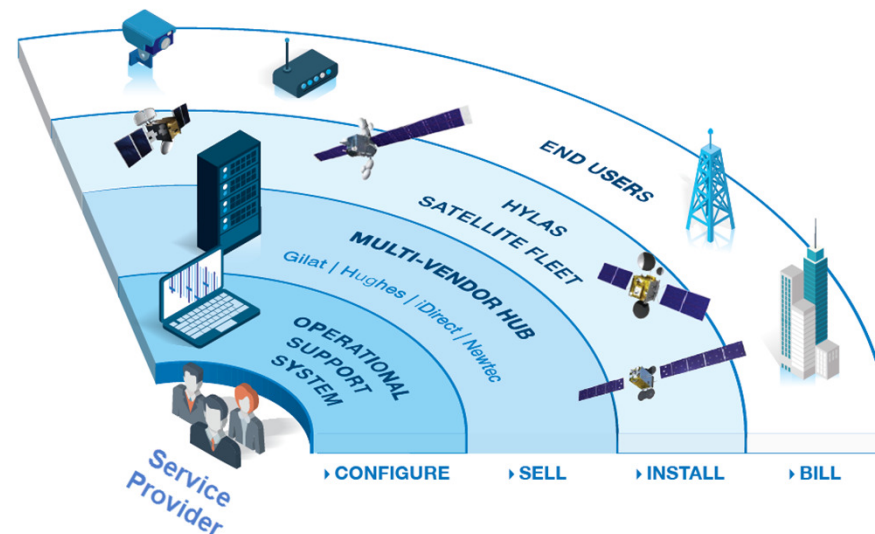
## Power doesn't have to mean complexity

**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

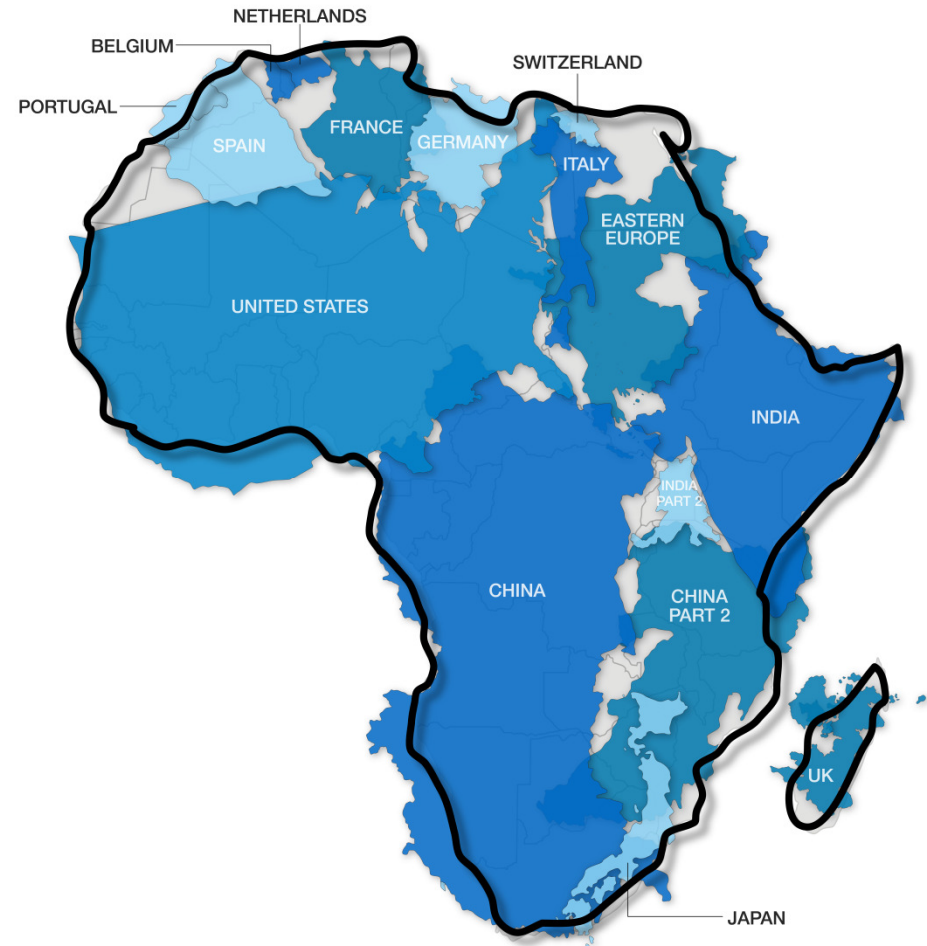
**The Cloud allows customers to:**

- 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**

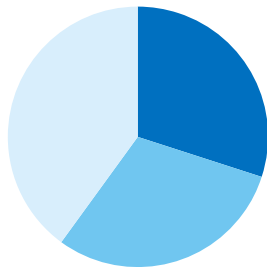




## Our customers

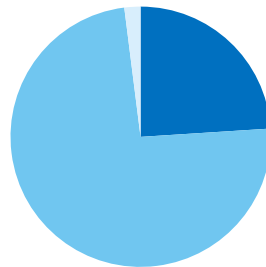
- Avanti sells on a business-to-business basis
- Customers chose from:
  - **Pure:** Raw MHz
  - **Custom:** Fully flexible managed bandwidth
  - **Select:** Pre-processed packages
- The customer base is evolving from a core of regional ISPs and specialist providers to include organisations with potentially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

Revenue by region (FY 2015)



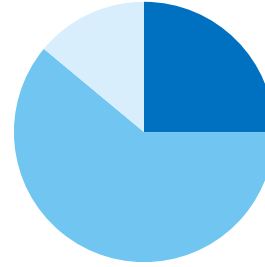
■ Europe ■ Middle East ■ Africa

Revenue by satellite (FY 2015)



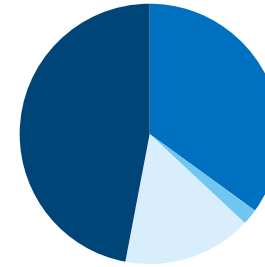
■ HYLAS 1 ■ HYLAS 2 ■ Artemis

Revenue by product (FY 2015)



■ Pure ■ Custom ■ Select

Revenue by market segment (FY 2015)



■ Broadband ■ Carrier ■ Enterprise ■ Govt





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## 2015 Financial review

## Income statement

	Year ended 30 June 2015 \$m	Year ended 30 June 2014 \$m	Year ended 30 June 2013 \$m
<b>Revenue</b>	<b>85.2</b>	<b>65.6</b>	<b>32.1</b>
Cash costs of sale	(38.0)	(39.4)	(19.5)
Cash operating costs	(32.6)	(31.7)	(26.5)
<b>Total</b>	<b>(70.6)</b>	<b>(71.1)</b>	<b>(46.0)</b>
Other operating income	1.4	7.2	1.5
<b>EBITDA</b>	<b>16.0</b>	<b>1.7</b>	<b>(12.4)</b>

- Revenue in the year increased 29.9%
- On a continuing business, constant currency basis, revenues grew over 50%
- Average pricing remained above our target rate of \$2,000 per MHz per month

## Cost of sales

	Year ended 30 June 2015 \$m	Year ended 30 June 2014 \$m	Year ended 30 Jun 2013 \$m
<b>Cost of sales</b>			
Depreciation	45.8	47.3	38.5
Other	38.0	39.4	19.5
<b>TOTAL</b>	<b>83.8</b>	<b>86.7</b>	<b>58.0</b>

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



## Operating costs

	Year ended 30 June 2015 \$m	Year ended 30 June 2014 \$m	Year ended 30 Jun 2013 \$m
<b>Operating costs</b>			
Employment costs	20.0	19.4	16.0
SG&A and other	15.6	15.4	12.5
<b>TOTAL</b>	<b>35.6</b>	<b>34.8</b>	<b>28.5</b>

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

## Balance sheet

	Year ended 30 June 2015 \$m	Year ended 30 June 2014 \$m	Year ended 30 June 2013 \$m
Non-current assets	721.5	645.9	646.2
Current assets	160.3	235.6	83.9
<b>Total assets</b>	<b>881.8</b>	<b>881.5</b>	<b>730.1</b>
Current liabilities	36.6	44.5	55.1
Total liabilities	577.1	572.2	362.8
<b>Total equity</b>	<b>304.7</b>	<b>309.3</b>	<b>367.3</b>
<b>Total liabilities and equity</b>	<b>881.8</b>	<b>881.5</b>	<b>730.1</b>

## Net debt

	Year ended 30 June 2015 \$m	Year ended 30 June 2014 \$m	Year ended 30 June 2013 \$m
High yield bond	510.3	508.4	-
Bank loans	-	-	305.4
Finance leases	18.1	8.6	7.6
<b>Gross debt</b>	<b>528.3</b>	<b>517.0</b>	<b>313.0</b>
Cash	122.2	195.3	58.7
<b>Net debt</b>	<b>406.1</b>	<b>321.7</b>	<b>254.3</b>

- Pro-forma year end cash including the receipts from the debt and equity raises was \$248.5m
- Annual charges for the management of the HYLAS 2-B payload are reflected in finance leases

## Cash flow

	Year ended 30 June 2015 \$m	Year ended 30 June 2014 \$m	Year ended 30 June 2013 \$m
Operating activities	(10.2)	(13.5)	(16.4)
Interest	(52.3)	(20.4)	(8.0)
Capital expenditure	(102.0)	(25.8)	(73.8)
Financing	90.5	193.7	38.6
FX	0.9	2.6	(2.1)
Net cash flow	(73.1)	136.6	(61.7)
<b>Opening cash</b>	<b>195.3</b>	<b>58.7</b>	<b>120.4</b>
<b>Closing cash</b>	<b>122.2</b>	<b>195.3</b>	<b>58.7</b>

- Year-on-year working capital flat, with a significant inflow in 2H 2015
- Moderate working capital inflows expected as the business grows



- Continuing business growth rate, assuming constant currency, seen during 2015 is expected to continue in 2016
- Core recurring revenue growth to again be augmented with non-recurring revenue
- The combination of Avanti's strong revenue growth and largely fixed cash cost base will lead to substantial operating cash flows in the medium-term



# 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

	30 June 2015	30 June 2014	Change
£ / US\$	1.572	1.703	(7.7)%
€ / US\$	1.109	1.364	(18.7)%

## 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**



## Our board

### Chairman



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

Paul Walsh is the former CEO of Diageo Plc. He is also Chairman of Compass Group, Non-Executive Director of Unilever Plc, FedEx Corporation and Formula One Group

### 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 a non-executive director on the Board of ARM Holdings plc (and will be appointed senior independent director in January 2016). Andy is also a non-executive director of the CBI.



#### **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



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