



Avanti Communications Group plc

First half 2015 results

5 February 2015

MONETISING GLOBAL DATA GROWTH



Cautionary note regarding forward-looking statements

This presentation contains forward-looking statements and other statements that are not historical facts. Such statements are made on the basis of assumptions and expectations that we believe to be reasonable as of the date of this presentation, but may prove to be erroneous and are subject to a variety of significant uncertainties that could cause actual results to differ materially from those expressed in forward-looking statements. Among these factors are changes in overall economic conditions, changes in demand for our products, risk of terrorism, war, geopolitical or other exogenous shocks to the satellite sector, risks of increased competition, manufacturing and product development risks, loss of key customers, changes in government regulations, foreign and domestic political and legislative risks, risks associated with foreign operations and foreign currency exchange rates and controls, strikes, embargoes, weather-related risks and other risks and uncertainties. We therefore caution investors and prospective investors against relying on any of these forward-looking statements. We assume no obligation to update forward-looking statements or to update the reasons for which actual results could differ materially from those anticipated in such forward-looking statements, except as required by law.



H1 2015 highlights

- **Revenue up 24.4% to \$31.1m (H1 2014: \$25.0m)**
- **EBITDA before ex gratia receipt and share based payments \$3.5m loss (H1 2014: \$4.1m loss)**
- **Construction of the key HYLAS 4 satellite commenced during the period and HYLAS 3 project is on-track**
- **Positive outlook**
 - Significant growth visible in Q3
 - Substantial pipeline of new business
 - Largely fixed cost base



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Operational review



About Avanti


- **Avanti is a leading provider of satellite data communications services in Europe, the Middle East and Africa with significant international spectrum rights and a network covering over one billion people. Avanti has:**
 - Designed and launched a new generation of high throughput Ka band geostationary satellites in order to address a market opportunity of over \$11bn per annum
 - Highly resilient Ground Earth Stations and a proprietary cloud software management system that can deliver network performance, service and resilience levels that have been previously unmatched in the industry
 - A customer base that includes many of the World's leading telecoms and media companies, together with government users with civil and security requirements

Ka band beam coverage including HYLAS 4



Ka band: A disruptive technology

Satellite spectrum bands

Frequency range (GHz)		‘Band’	Usage / markets
Broader reception 	1.518 – 1.675	L	Mobile satellite services
	1.970 – 2.690	S	Mobile satellite services Hybrid satellite-terrestrial mobile network
	3.400 –7.025	C	Cable head-end broadcasting Video trunking
	8.000 – 12.000	X	Military Feeder links
	10.700 – 14.500	Ku	Direct to home broadcasting Enterprise VSAT Military applications
	Higher data rates	17.300 – 30.000	Ka

Ka-band Advantages

Higher data throughput

- Higher frequency range and spectral efficiency enables larger data carrying capacity
 - Ka-band wide transponders (300–600 MHz), 10 fold Ku-band transponders (27–54 MHz)

Highly efficient

- Multiple spot beams are used to cover the same territory
- Frequency re-use allows depth of coverage
 - Ka frequencies (~30 GHz uplink & ~20 GHz downlink) twice those used by Ku (~14 GHz uplink and ~12 GHz downlink)

Cost-effective

- Lowest cost/MB produced relative to competing offerings
- Customer equipment (dish + modem) is cheaper and easier to install
- Ka-band capacity may be sold at <50% price of Ku-band in many markets, and with higher speeds

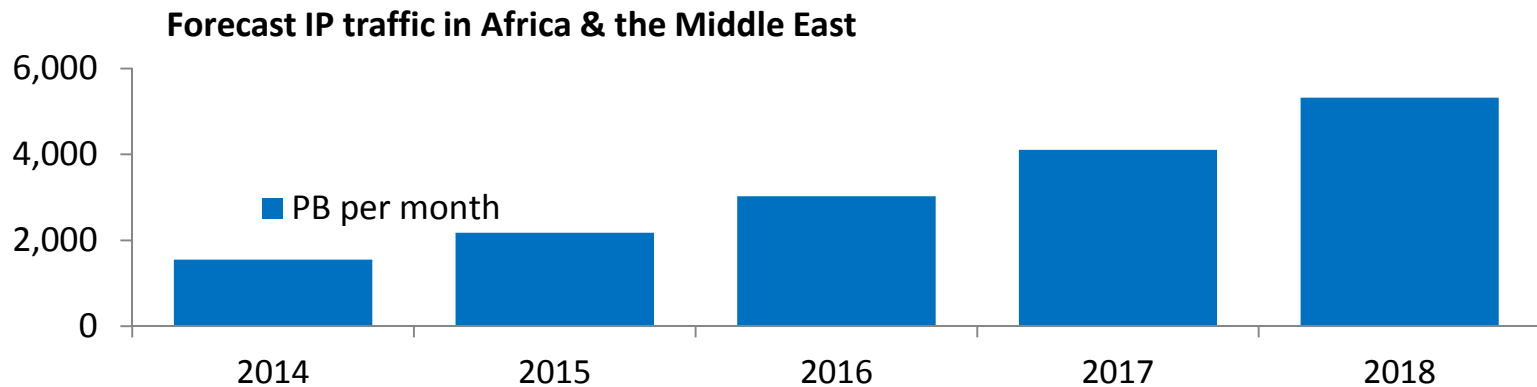
Large addressable market

- Cheaper for traditional Ku-band markets (milsatcom, enterprise VSAT, mobile backhaul) as well as new markets (consumer broadband, IP trunking)

Technological superiority and efficiency allows for cheaper cost/MB produced — 10x Ku-band capacity

Demand drivers for Ka band satellites

- Ka band is proven to be superior to legacy technology for data communications, due to its ability to deliver high throughput at a low cost per Megabit
- With proprietary patented technology specifically designed for data, Avanti is able to serve customers with 99.99% operational uptime, a flexible cloud interface and small, low cost satellite dishes
- Avanti takes market share from less efficient operators and a disproportionate amount of share in a growing market as demand for data increases. Customer segments are as follows:
 - **Broadband:** Enterprises / consumers where fast terrestrial broadband is not available
 - **Carrier Services:** Primarily connecting mobile phone base stations to core networks
 - **Enterprise:** High bandwidth broadband connections to link remote offices or businesses with machine-to-machine data communications needs
 - **Government:** Defence and security, schools, healthcare and regional government offices



Source: Cisco, VNI, 2014

Demand case study: Cellular backhaul

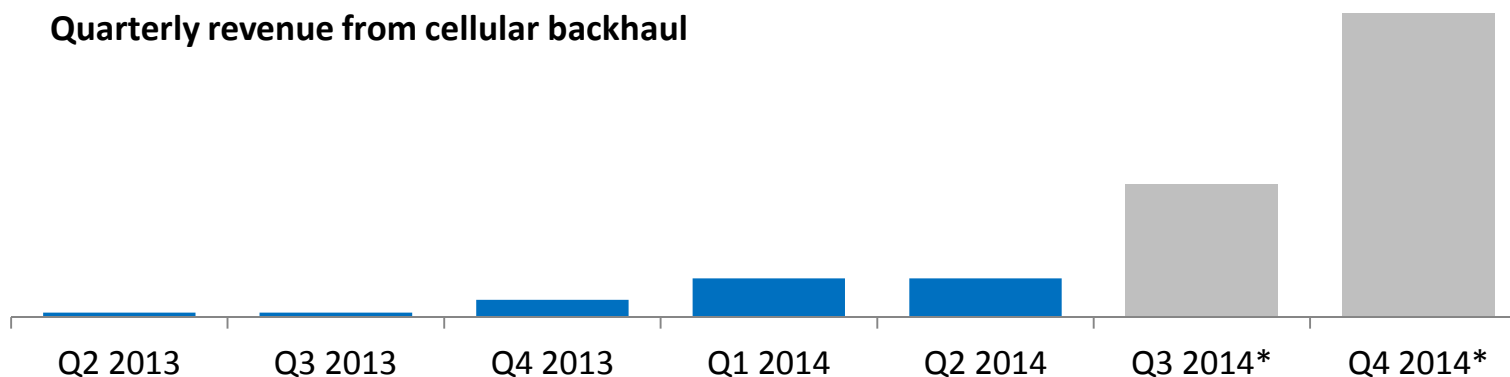
■ Reason for demand

- Development of broadband data is growing rapidly across the globe
- In areas lacking fibre infrastructure, mobile networks are expected to play a major role in providing connectivity
- Satellite can be used for mobile backhaul when the distance between the base station equipment and the core of the network is too large for microwave to be viable

■ How Avanti can meet demand

- Avanti was the first satellite company to fulfil 3G and 4G backhaul requirements
- Avanti's high throughput Ka band satellites and resilient network, are able to provide levels of performance and cost that have previously been unobtainable for customers

Quarterly revenue from cellular backhaul



*forecast



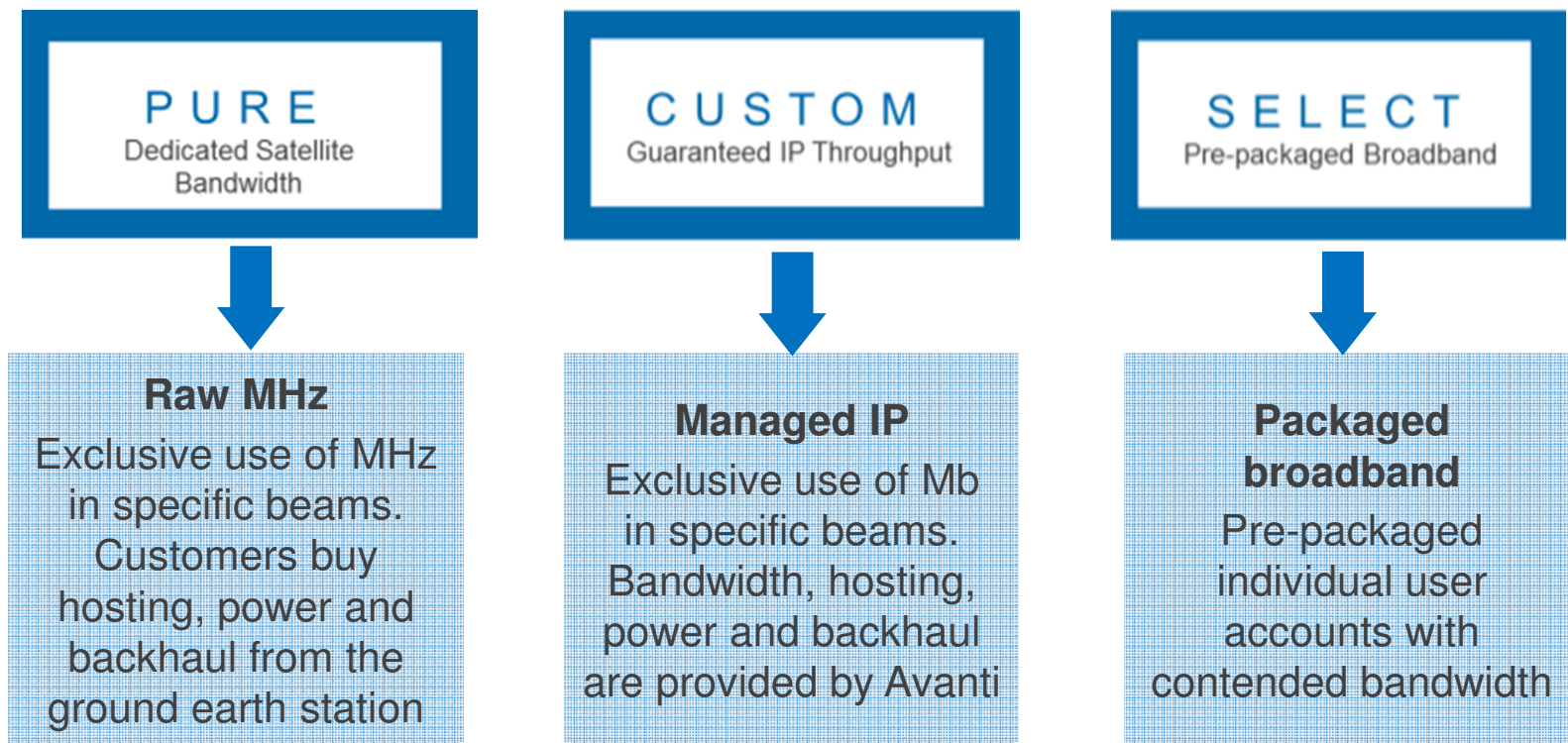
Our assets

- Avanti has invested some \$1bn in building a fleet of satellites and establishing its resilient ground infrastructure, which includes its Gateway Earth Stations and Cloud based customer interface
- In addition to this, Avanti has secured valuable orbital slots and spectrum rights

Satellites	HYLAS 1	HYLAS 2	Artemis	HYLAS 3	HYLAS 4
Launch date	November 2010	August 2012	July 2001	2016/17	2017
Orbital position	33.5° West	31° East	21.5° East	TBD	TBD
Footprint	Europe	EMEA	EMEA	EMEA	EMEA
Capacity (GHz)	3.0	11.0	1.0	4.0	28.0
Features	8x Ka band beams 1x Ku band beam	44x Ka band fixed and steerable beams	Ka/S-band inter-satellite link, L-band mobile payload, navigation Payload	Steerable cluster of Ka band beams	66x fixed Ka band beams 4x steerable Ka band beams

Our products

- **Cloud based platform that allows customers to buy and configure capacity with no capital or systems investment of their own. Customers can access the fleet and ground infrastructure to control it as if they owned it**
 - Customers can choose from three main product configurations, all of which can be accessed through the Avanti Cloud based operating system



Our revenue model

- **Avanti's primary objective is to sell units of satellite capacity**
 - Avanti's satellite capacity is expressed in GHz / Gb
- **Avanti is creating a 200 Gbps satellite fleet and ground infrastructure that will serve 118 countries in EMEA. Nearly half of this capacity is now operational, with the remainder being under construction**
- **Customers are billed quarterly in advance for the capacity that they have contracted**
 - Revenue is typically recognised in accordance with contracted capacity within a given month

How we sell

- **Regional, country and sector (e.g. government services) focused sales teams**
 - Commission is uncapped and based on revenue
 - 'Everyone sells': executive directors support the sales process and relationships with key accounts
- **1,400 target customers across broadband, cellular backhaul, enterprise and government**
 - 155 customers with contracts today
 - Focus on securing initial business with the telecoms and tech giants who have the potential demand requirements to fill the Avanti fleet
- **Framework contracts are established initially, defining terms of business**
 - Customers are 'sticky by nature', leading to a growing recurring revenue stream

Competition and barriers to market entry

- **Avanti is the only successful start-up in EMEA in the last decade**
- **Avanti faces mainly localised competition**
 - Larger global satellite companies being focused on other markets and business models
 - Local competitors cannot offer pan-continental coverage
- **Barriers to entry are significant**
 - Orbital slots and spectrum are by their nature finite and already allocated to incumbent operators. Communications satellites are governed by the Radio Regulations of the International Telecommunications Union (part of the UN). The ITU 'Co-ordinates' the use of frequencies to prevent 'harmful interference' and once in the Master Register an incumbent's slot has priority over new fillings
 - Specialist technical expertise is in limited supply
 - High upfront capital costs make market entry challenging

The Avanti logo is positioned in the upper left corner. It features a blue square with a white circle and a white crosshair. The word "avanti" is written in white lowercase letters on the blue background.

avanti

H1 2015 financial review



Income statement

	Half year ended 31 Dec 2014 \$m	Half year ended 31 Dec 2013 \$m	Year ended 30 Jun 2014 \$m
Revenue	31.1	25.0	65.6
Costs of sale (excl. depreciation)	(19.7)	(15.1)	(39.2)
Overheads (excl. depreciation)	(15.6)	(15.2)	(31.9)
Other operating income	0.7	1.2	1.9
EBITDA	(3.5)	(4.1)	(3.6)
Depreciation	(24.6)	(23.5)	(49.8)
Interest	(19.7)	(19.2)	(38.9)
Share based payment expense	(0.3)	(0.3)	(0.7)
Ex gratia receipt	-	5.3	5.3
Loss before tax	(48.1)	(41.8)	(87.7)
Basic loss per share (cents)	44.86	38.68	81.18

Overheads

	Half year ended 31 Dec 2014 \$m	Half year ended 31 Dec 2013 \$m	Year ended 30 Jun 2014 \$m
Overheads			
Employment costs	(9.6)	(9.2)	(19.1)
SG&A and other	(6.0)	(6.0)	(12.8)
TOTAL	(15.6)	(15.2)	(31.9)
<i>Headcount</i>	<i>194</i>	<i>173</i>	<i>177</i>

Balance sheet

	Half year ended 31 Dec 2014 \$m	Half year ended 31 Dec 2013 \$m	Year ended 30 Jun 2014 \$m
Non-current assets	673.3	647.7	645.9
Current assets	127.9	112.4	235.7
Total assets	801.2	760.1	881.6
Current liabilities	33.2	36.6	44.4
Total liabilities	564.7	412.7	572.2
Total equity	236.5	347.4	309.4
Total liabilities and equity	801.2	760.1	881.6

Net debt

	Half year ended 31 Dec 2014 \$m	Half year ended 31 Dec 2013 \$m	Year ended 30 Jun 2014 \$m
Loans and other borrowings	(517.6)	(362.5)	(517.0)
Cash	84.1	78.3	195.3
Net debt	(433.5)	(284.2)	(321.7)

Cash flow

	Half year ended 31 Dec 2014 \$m	Half year ended 31 Dec 2013 \$m	Year ended 30 Jun 2014 \$m
Operating activities	(4.3)	2.5	4.6
Working capital	(10.7)	(13.7)	(18.2)
Interest paid	(26.1)	(2.8)	(20.4)
Capex	(68.4)	(12.9)	(25.8)
Financing	0.3	44.5	193.7
FX	(2.0)	2.0	2.6
Net cash flow	(111.2)	19.6	136.5
Opening cash	195.3	58.7	58.8
Closing cash	84.1	78.3	195.3

- A material increase in revenue in the third quarter of 2015 is visible driven by contracts that have recently been awarded.
- Full year organic growth expectations before the negative impact of FX translation, are underpinned by a combination of the expected growth in Q3 and contracts that are still to be finalised, but are currently well progressed in Avanti's order pipeline
- Substantial and visible pipeline of new business that management expects to win over the next 12 months



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
 - In terms of transaction, strengthening of the US Dollar gives the Group a modest revenue headwind, and weakening a modest tailwind
 - In terms of translation, strengthening of the US Dollar gives the Group a modest cost base reduction, and weakening a modest cost base increase

	30 June 2014	31 Dec 2014	US\$ strengthening / weakening
£ / US\$	1.703	1.553	+10%
€ / US\$	1.365	1.215	+12%

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 United Spirits Limited.

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



Alan Foster

Former senior partner of deZoete & Bevan and Deputy Chairman of BZW Asset Management



Andy Green

Mr Green is Chairman of IG Group, NP Group, DockOn and the Digital Catapult. He is also a non-executive director on the Board of ARM Holdings Plc and 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 36yrs experience , previously Chairman of Inmarsat



Paul Johnson

For the last 12 years he was Chairman of KPMG London and Eastern Counties and a 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

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

2013: Equity raised to fund HYLAS 3

2014: Bond tap issued to part fund HYLAS 4

\$1bn raised in equity and debt to build a platform with a \$500m annual EBITDA potential



T | +44 20 7749 1666
E | contact@avantiplc.com



www.avantiplc.com

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