28 February 2017

AVANTI COMMUNICATIONS GROUP PLC

2017 First Half Results

Avanti Communications Group plc ("Avanti" or "the Group"), a leading provider of satellite data communications services in Europe, the Middle East and Africa, issues the following results for the six months ended 31 December 2016.

Highlights

- Completed Strategic review with new financing of $242.0 million closed
- Revenue for the 6 months of $32.3 million (2015: $31.0 million)
- EBITDA loss of $6.3 million (2015: loss of $3.8 million)
- Cash balances of $62 million as of February 17th, 2017
- Available fleet capacity now enlarged by 21% with the introduction of Hylas 2B
- Fleet utilisation calculation on the enlarged capacity in the 30-35% band (June 2016 pro-forma: 25-30% band)

David Williams, Avanti's CEO said:

Avanti has begun 2017 with a renewed focus having secured additional financing to help us carry out our strategy. Whilst the effect of financial disruption hampered our ability to grow, activity since the announcement of financing in December has been encouraging. Geopolitical risks across all of our markets persist, with issues like Brexit, Middle Eastern instability and African currency weakness continuing to challenge. However, contract wins with larger telcos and government customers have continued with tender awards and contract awards amounting to $26.0 million since we announced financing in December. The market leading innovations that we have created, like our 4G cellular backhaul product, successfully sold in a global first to EE, are giving us momentum in marketing to new customers.

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Notes to editors

Avanti connects people wherever they are – in their homes, businesses, in government and on mobiles. Through the HYLAS satellite fleet and more than 180 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 was 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, gateway earth 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 satellites under construction.

Avanti Communications is listed in London on AIM (AVN:LSE).
www.avantiplc.com

This announcement contains Inside Information.

Strategic Review

The period was dominated by the Strategic Review that we commenced in July 2016. An initial consent was received from 89% of the Bondholders to convert the majority of the October 2016 interest coupon into additional bonds in order to allow the Board to fully consider their options.

In December 2016 the Board entered into a second consent solicitation with the Bondholders for additional liquidity of up to $242 million. This consent was concluded in January 2017 and will be reflected on the year-end balance sheet.

Operating review

The trading in the first half of the year, has been slower than hoped for primarily as a result of the uncertainty associated with the Strategic Review which the Company initiated in July 2016.

This uncertainty manifested itself in lower than normal levels of pipeline conversion and an extension in the sales cycle. Of the pipeline that existed at 30 June 2016, approximately 30% was signed by 31 December 2016 compared to historic conversion rates of over 60%. Since the conclusion of the Strategic Review and the successful conclusion of new financing we have won some significant new business and believe that pipeline conversion rate should now accelerate.

In late December we received significant new Tender awards and signed contracts in the wi-fi and cellular backhaul markets and in government networks. We also picked up new customers for broadband in Europe, spurred by our launch of new 40Mb platforms – the highest speed satellite broadband in Europe.

As we reported at the end of the last financial year in order to win volume in certain markets where end-customers are highly price sensitive – such as broadband in Europe - we have adjusted our prices. Our products are sold as Mb or managed accounts or as fully integrated projects but we calculate the Price, or Yield, per MHz per month. Yield was in the $1,500-$1,600 band during the period.

The 3GHz 'HYLAS 2-B' satellite payload that joined the fleet in 2015 came on-line in the period with coverage over France, Germany, Poland and the Baltic Sea. The addition of this new capacity, which increases available capacity from 14GHz to 17GHz means the utilisation metric has been re-based. The amended fleet utilisation is in the 30-35% band (June 2016 re-based: 25-30% band).

The 4 GHz HYLAS 3 is a hosted payload flying on board a European Space Agency ('ESA') satellite, for which the ESA is presently declaring a late-2017 launch which could slip further. We are disappointed in the performance of the manufacturer of this system.

The construction of Avanti's key 28GHz HYLAS 4 satellite is at an advance stage but has experienced some delays in the factory. The spacecraft is now planned to be delivered towards the end of the quarter ending June 2017. The timing of launch of HYLAS 4 is currently under review pending its completion in the factory, to be coordinated with a busy manifest from the launch vehicle provider. HYLAS 4 will complete Avanti's coverage of EMEA. This will materially enhance the Group's revenue generation potential, largely within the existing fixed cost base.

Outlook

With new satellite launches pending we continue to target medium term revenue growth as previously guided. Growth in the current year has been limited by the disruption that existed in the first six months. With the confidence delivered by the recent refinancing, revenue in the second half is expected to improve.

Financial Review

Income Statement

Revenue increased by 4.2% to $32.3 million from $31.0 million for the comparative period. There was no revenue from spectrum co-ordination or sale of exclusivity rights in the period. On a constant currency basis, revenue increased by 11.9 %.

Costs of sale increased to $24.1 million against $18.4 million in the 6 months to December 2015, and were marginally up from the $22.5 million recorded in the 6 months to June 2016.

Staff and other operating expenses were $15.1 million (2015: $17.0 million) reflecting some benefit from movement in foreign exchange rates but also cost control measures. Other operating income remained flat at $0.6 million.

This left EBITDA loss of $6.3 million which widened from EBITDA loss of $3.8 million primarily driven by the increased costs of sale reflecting higher kit costs and third party sub contract costs on government contracts.

There was a significant increase in the finance expense during the period as the initial costs of the strategic review were expensed prior to the conclusion of new financing. It is worth noting that the finance expense will be volatile in the second half of the financial year due to the amendment of the existing notes.

Cash flow

Cash absorbed from operations was $20.4 million (2015: $18.9 million). However with materially lower cash interest paid of $3.5 million (2015: $27.0 million) cash absorbed from operating activities reduced to $23.9 million (2015: absorbed $45.9 million).

Capital expenditure was low at just $4.1 million (2015: $36.4 million). With payment on finance leases and strategic review costs, net cash decreased by $42.0 million (2015: increased $40.4 million).

Balance sheet

Movements on the balance sheet below refer to comparison with 30 June 2016.

Total non-current assets remained at a similar level to the last financial year end as the impact of limited capital expenditure together with depreciation and foreign exchange movements in the translation of non-dollar assets generated a reduction of $9.9 million.

In current assets, trade and other receivables reduced to $73.5 million from $79.5 million. Whilst some of the adverse movements in debtors at the year-end have reversed, there have been further increases in government debtors and prepayments. There was a similar reduction in trade and other payables.

The most significant movement in the period was the increase in loans and other borrowings following the increase in the bonds relating to the payment in kind of the October interest payment.

Period end cash of $14.4m increased to $62m as of 17 February following the receipt of the first tranche of new money offset by certain HYLAS 4 capex payments.

Backlog

Our backlog comprises our customers' committed contractual expenditure under existing contracts for the sale of bandwidth, satellite services, consultancy services and equipment sales over their current terms. Backlog does not include the value arising from potential renewal beyond a contract's current term or projected revenue from framework contracts. We do include projected revenue from consultancy services provided to government customers at the rate of $3.3 million per year, based on the average revenue generated by these services for the last five fiscal years. Our backlog totalled $264 million (June 2016: $290.4million).

CONSOLIDATED UNAUDITED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Notes	Unaudited Half year 31-Dec-16 $'m	Unaudited Half year 31-Dec-15 $'m	Audited Year ended 30-June-16 $'m
Revenue				
Capacity, services & equipment		*32.3*	*31.0*	*74.5*
Spectrum coordination		-	-	-
Sale of exclusivity rights		-	-	*8.3*
Total revenue		**32.3**	**31.0**	**82.8**
Cost of sales - capacity, services & equipment (excl. satellite depreciation)		(24.1)	(18.4)	(40.9)
Staff costs		(9.9)	(10.8)	(19.8)
Other operating expenses		(5.2)	(6.2)	(16.3)
Other operating income		0.6	0.6	1.5
EBITDA		**(6.3)**	**(3.8)**	**7.3**
Depreciation and amortisation		(22.6)	(24.1)	(47.3)
Operating loss		**(28.9)**	**(27.9)**	**(40.0)**
Finance income	6	1.0	2.8	13.9
Finance expense	6	(34.7)	(20.4)	(40.9)
Loss before taxation		**(62.6)**	**(45.5)**	**(67.0)**
Income tax		-	-	(2.2)
Loss for the period		**(62.7)**	**(45.5)**	**(69.2)**
Loss attributable to:				
Equity holders of the parent	7	(61.2)	(45.6)	(68.7)
Non-controlling interests		(1.4)	0.1	(0.5)
Basic loss per share (cents)	7	(43.75c)	(32.80c)	(49.27c)
Diluted loss per share (cents)	7	(43.75c)	(32.80c)	(49.27c)

CONSOLIDATED UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Notes	Unaudited Half year 31-Dec-16 $'m	Unaudited Half year 31-Dec-15 $'m	Audited Year ended 30-June-16 $'m
Loss for the period		(62.6)	(45.5)	(69.2)
Other comprehensive income				
Exchange differences on translation of foreign operations and investments that may be recycled to the Income Statement		(15.7)	4.2	13.8
Exchange differences on translation of foreign operations and investments that will not be recycled to the Income Statement		-	(20.1)	(58.9)
Total comprehensive loss for the period		(78.3)	(61.4)	(114.3)
Attributable to:				
Equity holders of the parent		(76.9)	(61.5)	(113.8)
Non-controlling interests		(1.4)	0.1	(0.5)

CONSOLIDATED UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	Unaudited Half year 31-Dec-16 $'m	Unaudited Half year 31-Dec-15 $'m	Audited Year ended 30-June-16 $'m
ASSETS				
Non-current assets				
Property, plant and equipment		768.8	730.1	775.1
Intangible assets		10.4	11.0	10.8
Deferred tax assets		15.4	18.4	18.6
Total non-current assets		794.6	759.5	804.5
Current assets				
Inventories		2.6	3.2	1.9
Trade and other receivables	8	73.5	44.2	79.5
Cash and cash equivalents		14.4	162.6	56.4
Total current assets		90.5	210.0	137.8
Total assets		885.1	969.5	942.3
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables		77.5	57.4	82.8
Loans and other borrowings	9	4.8	3.3	3.3
Total current liabilities		82.2	60.7	86.1
Non-current liabilities				
Trade and other payables		10.4	14.7	12.7
Loans and other borrowings	9	669.2	640.0	642.0
Total non-current liabilities		679.6	654.7	654.7
Total liabilities		761.8	715.4	740.8
Equity				
Share capital		2.5	2.5	2.5
EBT shares		(0.1)	(0.1)	(0.1)
Share premium		515.9	515.7	515.9
Foreign currency translation reserve		(77.2)	(32.3)	(61.5)
Retained earnings		(313.9)	(229.7)	(252.7)
Total parent shareholders' equity		127.2	256.1	204.1
Non-controlling interests		(4.0)	(2.0)	(2.6)
Total equity		123.2	254.1	201.5
Total liabilities and equity		885.1	969.5	942.3

CONSOLIDATED UNAUDITED STATEMENT OF CASHFLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Notes	Unaudited Half year 31-Dec-16 $'m	Unaudited Half year 31-Dec-15 $'m	Audited Year ended 30-June-16 $'m
Cash flow from operating activities				
Cash (absorbed) by operations	10	(20.3)	(18.9)	(31.8)
Interest paid		(3.5)	(27.0)	(60.5)
Interest received		-	-	-
Net cash (absorbed) by operating activities		(23.9)	(45.9)	(92.3)
Cash flows from investing activities				
Payments for other financial assets and investments		-	-	-
Payments for property, plant and equipment		(4.1)	(36.4)	(95.7)
Proceeds from sale and leaseback		-	-	2.2
Net cash used in investing activities		(4.1)	(36.4)	(93.5)
Cash flows from financing activities				
Proceeds from bond issue		-	115.0	115.0
Proceeds from share issue		-	10.5	10.7
Repayment of borrowings		-	-	
Payment of finance lease liabilities		(2.2)	(2.2)	(4.1)
Cost of existing finance		-	-	-
Debt issuance costs		(10.9)	(0.2)	(0.2)
Net cash received from (used by)/financing activities		(13.1)	123.1	121.4
Effects of exchange rate on the balances of cash and cash equivalents		(0.9)	(0.4)	(1.4)
Net (decrease)/increase in cash and cash equivalents		(42.0)	40.4	(65.8)
Cash and cash equivalents at the beginning of the financial year		56.4	122.2	122.2
Cash and cash equivalents at the end of the financial period		14.4	162.6	56.4

CONSOLIDATED UNAUDITED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Share capital $'m	Employee benefit trust (EBT) $'m	Share premium $'m	Retained earnings $'m	Foreign currency translation reserve $'m	Non-controlling interests $'m	Total equity $'m
As at 1 July 2015	2.4	(0.1)	505.3	(184.4)	(16.4)	(2.1)	304.7
Loss for the year	-	-	-	(45.6)	-	0.1	(45.5)
Other comprehensive income	-	-	-	-	(15.9)	-	(15.9)
Issue of share capital	0.1	-	10.4	-	-	-	10.5
Share based payments	-	-	-	0.3	-	-	0.3
As at 30 December 2015 (Unaudited)	2.5	(0.1)	515.7	(229.7)	(32.3)	(2.0)	254.1
As at 1 January 2016	2.5	(0.1)	515.7	(229.7)	(32.3)	(2.0)	254.1
Loss for the year	-	-	-	(22.9)	-	(0.6)	(23.5)
Other comprehensive income	-	-	-	-	(29.2)	-	(29.2)
Issue of share capital	-	-	0.2	-	-	-	0.2
Share based payments	-	-	-	0.2	-	-	0.2
As at 30 June 2016 (Audited)	2.5	(0.1)	515.9	(252.4)	(61.5)	(2.6)	201.8
As at 1 July 2016	2.5	(0.1)	515.9	(252.7)	(61.5)	(2.6)	201.5
Loss for the year	-	-	-	(61.3)	-	(1.4)	(62.7)
Other comprehensive income	-	-	-	-	(15.7)	-	(15.7)
Issue of share capital	-	-	-	-	-	-	-
Share based payments	-	-	-	0.1	-	-	0.1
As at 30 December 2016 (Unaudited)	2.5	(0.1)	515.9	(313.9)	(77.2)	(4.0)	123.3

1. General information

Avanti Communications Group plc ('the Company') is a public company incorporated and domiciled in the United Kingdom. The address of its registered office is 20 Black Friars Lane, London EC4V 6EB. The Company is listed on AIM.

These unaudited condensed consolidated interim financial statements ("the interim financial statements") were approved for issue on 28 February 2017.

2. Basis of preparation

These interim financial statements for the six months ended 31 December 2016 have been prepared in accordance with IAS 34, "Interim Financial Reporting", as adopted by the EU. The interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the EU.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2016.

The interim financial statements have not been audited or reviewed and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The audited statutory accounts for the year ended 30 June 2016 were approved by the Board of Directors on 20 December 2016 and have been delivered to the Registrar of Companies. The auditor's report on these accounts was not qualified, did not contain statements under section 498(2) or (3) of the Companies Act 2005 but did draw attention to a matter by way of emphasis.

3. Accounting policies

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated interim financial statements as were applied in the preparation of the Group's annual financial statements for the year ended 30 June 2016.

The condensed consolidated interim financial information presented does not comply with the full disclosure requirements of all applicable IFRSs.

4. Segmental reporting

The Group currently earn revenue primarily from the sale of satellite broadband services to customers and from providing consultancy advice connected with the exploitation of the space assets. On adoption of IFRS 8, 'Operating Segments', the Group concluded that the Chief Operating Decision Maker (the Avanti Executive Board) manage the business and the allocation of resources on the basis of the provision of satellite services, resulting in one segment.

5. Income tax

No income tax credit or deferred tax asset has been recognised in respect of the losses for the six month period to 31 December 2016 (30 June 2016: charge $2.2 million, 31 December 2015: $ nil). Whilst the company foresees utilising the losses in future periods, it has not recognised the income tax credit or deferred tax in this period.

6. Net finance (expense)/income

	Unaudited Half year 31-Dec-16 $'m	Unaudited Half year 31-Dec-15 $'m	Audited Year ended 30-June-16 $'m
Finance income			
Financing exchange gain	1.0	2.8	13.9
	1.0	2.8	13.9
Finance expense			
Interest expense on borrowings and loans	(33.1)	(30.7)	(67.4)
Finance lease expense	(1.7)	(1.9)	(1.8)
Financing costs (strategic review)	(14.6)	-	-
Less: interest capitalised to satellite in construction	14.6	12.2	28.3
	(34.8)	(20.4)	(40.9)
Net finance expense	(33.7)	(17.6)	(27.0)

7. Earnings/(loss) per share

	Unaudited Half year 31-Dec-16 Cents	Unaudited Half year 31-Dec-15 Cents	Audited Year ended 30-June-16 Cents
Basic and diluted loss per share	(43.75)	(32.80)	(49.27)

The calculation of basic and diluted earnings/(loss) per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

	Unaudited Half year 31-Dec-16	Unaudited Half year 31-Dec-15	Audited Year ended 30-Jun-16
Loss for the year attributable to equity holders of the parent Company	$(62.6)m	$(45.6)m	$(68.7)m
Weighted average number of ordinary shares for the purpose of basic earnings per share	139,891,059	138,977,660	139,428,427

8. Trade and other receivables

	Unaudited Half year 31-Dec-16 $'m	Unaudited Half year 31-Dec-15 $'m	Audited Year ended 30-June-16 $'m
Trade receivables	43.5	27.1	45.8
Less provision for impairment of trade receivables	(6.7)	(5.2)	(6.5)
Net trade receivables	36.8	21.9	39.3
Accrued income	26.5	13.5	27.7
Prepayments	6.3	6.8	10.3
Other receivables	4.0	2.0	2.2
	73.6	44.2	79.5

9. Loans and borrowings

	Current			Non-current		
	Unaudited Half year 31-Dec-16 $'m	Unaudited Half year 31-Dec-15 $'m	Audited Year ended 30-Jun-16 $'m	Unaudited Half year 31-Dec-16 $'m	Unaudited Half year 31-Dec-15 $'m	Audited Year ended 30-Jun-16 $'m
Secured at amortised cost						
High yield bonds	-	-	-	660.2	627.4	629.5
Finance lease liabilities	4.8	3.3	3.3	9.0	12.6	12.5
	4.8	3.3	3.3	669.2	640.0	642.0

9. Loans and borrowings (continued)

High yield bonds

Issuer	Description of instrument	Original notional value	Due
Avanti Communications Group plc	10% Senior Secured Notes	$685.2m	1 October 2019

	Unaudited Half year 31-Dec-16 $'m	Unaudited Half year 31-Dec-15 $'m	Audited Year ended 30-Jun-16 $'m
High yield bonds	685.2	645.0	645.0
Add:			
Issue premium	3.9	5.3	4.6
Less:			
Debt issuance costs	(11.3)	(13.8)	(12.3)
Issue discount	(17.6)	(9.1)	(7.8)
	660.2	627.4	629.5

The Company had 10% Senior Secured Notes with a nominal value of $645.0m in issue at the beginning of the period. On 17 October 2016, the Company announced the result of a successful consent solicitation process ("September Consent Solicitation"). The Company received consents from holders of 89.5% of its Senior Secured Notes to permit paying the interest due on 1 October 2016 in respect of consenting holders' Senior Secured Notes in the form of additional Senior Secured Notes on the same terms as the existing Senior Secured Notes in lieu of cash. As a result, additional Senior Secured Notes with a nominal value of $40.4m were issued in lieu of $29.1m of cash coupon. A cash coupon of $3.4m was paid to the 10.5% of holders from whom consent was not received in October 2016.

10. Cash absorbed by operations

	Unaudited Half year 31-Dec-16 $'m	Unaudited Half year 31-Dec-15 $'m	Audited Year ended 30-June-16 $'m
Loss before taxation	(62.6)	(45.5)	(67.0)
Interest receivable	-	-	-
Interest payable	33.7	19.3	38.8
Amortised bond issue costs	1.1	1.1	2.4
Foreign exchange losses in operating activities	(6.2)	(2.6)	(15.1)
Depreciation and amortisation of non-current assets	22.6	24.1	47.3
Share based payment expense	0.1	0.3	0.4
(Increase)/ Decrease in stock	(0.8)	(0.6)	0.6
Decrease/(Increase) in debtors	2.1	(10.5)	(49.4)
(Decrease)/increase in trade and other payables	(10.3)	(4.5)	10.6
Cash absorbed by operations	(20.3)	(18.9)	(31.6)

11. Post balance sheet events

On 20 December 2016, the Company announced:

- the launch of a proposed refinancing of $242 million of additional liquidity through $130 million of new cash funding and up to $112 million of potential interest deferrals up to April 2018.
- the agreement of holders representing approximately 73% of Avanti's senior secured notes due 2019 (the "Existing Notes") to fully underwrite the $130 million of new cash funding and consent to certain amendments and waivers to the Existing Indenture (as defined herein) necessary to implement the proposed refinancing
- the launch of a consent solicitation and exchange offer (the "Consent Solicitation and Exchange Offer") to effect the proposed amendments and waivers to the Existing Indenture, requiring the support of holders representing at least 90% in aggregate principal amount of the Existing Notes (the "Requisite Consents"). Proposed Amendments (as defined herein) include creation of a new $132.5 million Super Senior Debt (as defined herein) basket which could be used in the near term to substantially reduce the Company's interest cost

After the period end on 23 January 2017, the Company announced the result of the successful consent solicitation and exchange offer to successfully complete the refinancing transaction. The Company received consents from holders representing 93.91% in aggregate principal amount of the Existing Notes in connection with the Consent Solicitation and holders representing approximately 92% in aggregate principal amount of the Existing Notes had elected to participate in the New Money Offer and validly tendered their Existing Notes in connection with the Exchange Offer.

Finally, on 8 February 2017, the Company announced that it had issued 14,739,599 new ordinary shares of 1p each ("New Ordinary Shares") in the Company as part of the Refinancing announced on 20 December 2016. Under the terms of the Refinancing, New Money Backstop Creditors that elected to purchase more than their pro rata share of PIK Toggle Notes pursuant to the New Money Offer were offered, together with the Initial Consenting Creditors, the right to subscribe for their pro rata share of the New Ordinary Shares at nominal value.