AVANTI COMMUNICATIONS GROUP PLC

2018 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 2017.

Highlights

- The balance sheet restructuring continues as planned and is expected to complete in April
- Revenue for the 6 months of $20.2 million (2016: $32.3 million)
- EBITDA loss of $11.4 million (2016: loss of $6.3 million)
- Cash balances of $47 million as of February 19, 2018
- Net debt at the period end of $729.4 million (30 June 2017: $562.0 million)
- The Artemis satellite was re-orbited from its position at 123E in November 2017
- Post period-end, Kyle Whitehill was appointed to the position of Chief Executive Officer with effect from 3 April 2018
- Launch of HYLAS 4 confirmed for 21 March 2018

Alan Harper, Avanti's interim CEO said:

"The re-structuring of the balance sheet and the re-focus of the sales and marketing activities has created a new platform for growth for Avanti. With the imminent launch of Hylas 4 and Kyle joining as CEO at the start of April the business is poised for an exciting new phase of development."

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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 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, 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 two 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.

Restructuring

The Restructuring comprises: (1) an exchange of all of Avanti's outstanding 2023 Notes for 92.5% of its enlarged outstanding issued share capital, to be effected by a UK Scheme of Arrangement and a Chapter 15 proceeding in the US; and (2) the following amendments to the 2021 Notes Indenture: (a) an extension of the final maturity date to 1 October 2022; (b) a reduction of the interest payable from 10% Cash/15% PIK to 9% Cash & PIK; (c) the ability to PIK future interest under a Pay If You Can mechanism; (d) the elimination of the Maintenance of Minimum Consolidated LTM EBITDA covenant; (e) the elimination of the Margin Increase payable on the 2021 Notes if the Minimum Consolidated LTM EBITDA covenant is not met; and (f) the ability to issue up to $30 million of additional Indebtedness.

Progress to Date

On 13 December 2017, a Lock Up and Restructuring Agreement was executed with certain bondholders and shareholders supporting the Restructuring. Subsequently, other bondholders acceded to the agreement, resulting in support of approximately 80% of the 2021 Notes and 71% of the 2023 Notes.

On 7 February 2018, Consent Solicitations were successfully achieved for the Restructuring amendments to the 2021 Notes and for a change of jurisdiction to the 2023 Notes (to facilitate the UK Scheme of Arrangement). 98.9% of holders of the 2021 Notes and 87.7% of holders of the 2023 Notes (Scheme Creditors) provided their consents. As a consequence of the 2021 Notes consent solicitation, a 2021 Notes scheme of arrangement will not now be required to implement the Restructuring changes.

On 19 February 2018, a Convening Hearing under the 2023 Scheme of Arrangement was successfully heard at the High Court in London. The Court ordered the convening of a Scheme Meeting of the Scheme Creditors on March 20, 2018; ordered that notice of the Scheme be made available to the Scheme Creditors; and authorised the appointment of Patrick Willcocks to act as a Foreign Representative in the Chapter 15 recognition proceedings in the US.

Outlook

HYLAS 4 is now scheduled to launch on 21 March 2018 and should be ready for service at the beginning of the next financial year. As reported in the Annual Report, HYLAS 3 is delayed and we continue to consider our strategic options.

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 financial disruption that existed in the first six months. With the confidence delivered by the announced restructuring, revenue in the second half is expected to improve.

Financial Review

Income Statement

Revenue decreased by 37.5% to $20.2 million from $32.3 million for the comparative period.

Costs of sale decreased to $18.3 million against $24.1 million in the 6 months to December 2016, and significantly lower than the $35.3 million recorded in the 6 months to June 2017.

Staff and other operating expenses were $19.0 million (2016: $15.1 million) due to an end to a hiring freeze in place for the first 6 months of the prior year. Other operating income increased from $0.6 million to $5.7 million being compensation for late delivery of the HYLAS 4 satellite.

This left EBITDA loss of $11.4 million which widened from EBITDA loss of $6.3 million primarily driven by reduced revenue.

There was a significant increase in the finance expense during the period as the business had higher debt compared to the 6 months to December 2016. It is worth noting that finance expense is expected to significantly decrease in the last quarter of this financial year following the completion of debt restructuring.

Cash flow

Cash absorbed from operations was $41.2 million (2016: $20.4 million). With lower cash interest paid of $2.1 million (2016: $3.5 million), cash absorbed from operating activities was $42.5 million (2016: absorbed $23.9 million).

Capital expenditure was significantly higher at $34.4 million (2016: $4.1 million) reflecting the approach to the launch of HYLAS 4. With net proceeds from new bond issues of $114.2 million during the period, cash increased by $35.7 million (2016: decreased $42.0 million) to $68.4 million.

Balance sheet

Movements on the balance sheet below refer to comparison with 30 June 2017.

Total non-current assets have increased by $61.4 million from the last financial year end due to significant capital expenditure on HYLAS 4, and capitalised interest costs.

In current assets, trade and other receivables reduced to $56.2 million from $60.6 million, primarily due to a reduction in prepaid bond issue costs. Inventories have increased by $18.2 million to $20.8 million as a result of Spectrum held for resale.

The most significant movement in the period was the increase in loans and other borrowings following the drawdown of Super Senior debt of $118.0 million, and the PIK of interest in October of $67.4 million.

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. Our backlog totalled $84 million (June 2017: $104 million).

CONSOLIDATED UNAUDITED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	Notes	Unaudited Half year 31-Dec-17 $'m	Unaudited Half year 31-Dec-16 $'m	Audited Year ended 30-June-17 $'m
Revenue				
Capacity, services & equipment		*20.2*	*32.3*	*56.6*
Total revenue		**20.2**	**32.3**	**56.6**
Cost of sales - capacity, services & equipment (excl. satellite depreciation)		(18.3)	(24.1)	(59.4)
Staff costs		(13.4)	(9.9)	(19.7)
Other operating expenses		(5.6)	(5.2)	(12.0)
Other operating income		5.7	0.6	2.0
EBITDA		**(11.4)**	**(6.3)**	**(32.5)**
Depreciation and amortisation		(18.6)	(22.6)	(47.2)
Impairment of satellites in operation		-	-	(114.1)
Impairment of goodwill		-	-	(9.9)
Operating loss		**(30.0)**	**(28.9)**	**(203.7)**
Finance income	6	1.2	1.0	-
Finance expense	6	(56.8)	(34.7)	(93.2)
Exceptional gain on substantial modification of debt	6	-	-	219.2
Loss before taxation		**(85.6)**	**(62.6)**	**(77.7)**
Income tax		-	-	12.0
Loss for the period		**(85.6)**	**(62.6)**	**(65.7)**
Loss attributable to:				
Equity holders of the parent	7	(85.2)	(61.2)	(65.2)
Non-controlling interests		(0.4)	(1.4)	(0.5)
Basic loss per share (cents)	7	(55.07c)	(43.75c)	(44.74c)
Diluted loss per share (cents)	7	(55.07c)	(43.75c)	(44.74c)

CONSOLIDATED UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	Notes	Unaudited Half year 31-Dec-17 $'m	Unaudited Half year 31-Dec-16 $'m	Audited Year ended 30-June-17 $'m
Loss for the period		(85.6)	(62.6)	(65.7)
Other comprehensive income Exchange differences on translation of foreign operations and investments that may be recycled to the Income Statement:				
Foreign currency translation differences on foreign operations		3.3	(15.7)	3.7
Monetary items that form part of the net investment in a foreign operation		2.3	-	(9.7)
Total comprehensive loss for the period		(80.0)	(78.3)	(71.7)
Attributable to:				
Equity holders of the parent		(79.6)	(76.9)	(71.2)
Non-controlling interests		(0.4)	(1.4)	(0.5)

CONSOLIDATED UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	Unaudited Half year 31-Dec-17 $'m	Unaudited Half year 31-Dec-16 $'m	Audited Year ended 30-June-17 $'m
ASSETS				
Non-current assets				
Property, plant and equipment		733.5	768.8	671.8
Intangible assets		8.5	10.4	9.3
Deferred tax assets		31.3	15.4	30.8
Total non-current assets		773.3	794.6	711.9
Current assets				
Inventories		20.8	2.6	2.6
Trade and other receivables	8	56.2	73.5	60.6
Cash and cash equivalents		68.4	14.4	32.7
Total current assets		145.4	90.5	95.9
Total assets		918.7	885.1	807.8
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables		58.2	77.5	70.3
Loans and other borrowings	9	1.7	4.8	2.1
Total current liabilities		59.9	82.3	72.4
Non-current liabilities				
Trade and other payables		8.9	10.4	9.1
Loans and other borrowings	9	796.1	669.2	592.6
Total non-current liabilities		805.0	679.6	601.7
Total liabilities		864.9	761.9	674.1
Equity				
Share capital		2.7	2.5	2.7
EBT shares		(0.1)	(0.1)	(0.1)
Share premium		519.4	515.9	519.4
Foreign currency translation reserve		(61.9)	(77.2)	(317.7)
Retained earnings		(402.8)	(313.9)	(67.5)
Total parent shareholders' equity		57.3	127.2	136.8
Non-controlling interests		(3.5)	(4.0)	(3.1)
Total equity		53.8	123.2	133.7
Total liabilities and equity		918.7	885.1	807.8

CONSOLIDATED UNAUDITED STATEMENT OF CASHFLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	Notes	Unaudited Half year 31-Dec-17 $'m	Unaudited Half year 31-Dec-16 $'m	Audited Year ended 30-June-17 $'m
Cash flow from operating activities				
Cash absorbed by operations	10	(41.2)	(20.4)	(4.1)
Interest paid		(2.1)	(3.5)	(3.5)
Interest received		0.8	-	-
Net cash absorbed by operating activities		(42.5)	(23.9)	(7.6)
Cash flows from investing activities				
Payments for property, plant and equipment		(34.4)	(4.1)	(66.5)
Net cash used in investing activities		(34.4)	(4.1)	(66.5)
Cash flows from financing activities				
Net proceeds from Super Senior debt facility		114.2	-	-
Net proceeds from bond issue		-	-	78.7
Net proceeds from share issue		-	-	0.2
Payment of finance lease liabilities		(1.6)	(2.2)	(3.8)
Debt restructuring costs		(0.7)	(10.9)	(23.2)
Net cash received from/(used by) financing activities		111.9	(13.1)	51.9
Effects of exchange rate on the balances of cash and cash equivalents		0.7	(0.9)	(1.5)
Net increase/(decrease) in cash and cash equivalents		35.7	(42.0)	(23.7)
Cash and cash equivalents at the beginning of the financial year		32.7	56.4	56.4
Cash and cash equivalents at the end of the financial period		68.4	14.4	32.7

CONSOLIDATED UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	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 2016	2.5	(0.1)	515.9	(252.7)	(61.5)	(2.6)	201.5
Loss for the period	-	-	-	(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 31 December 2016 (Unaudited)	2.5	(0.1)	515.9	(313.9)	(77.2)	(4.0)	123.2
As at 1 January 2017	2.5	(0.1)	515.9	(313.9)	(77.2)	(4.0)	123.2
Loss for the period	-	-	-	(3.9)	-	0.9	(3.0)
Other comprehensive income	-	-	-	-	9.7	-	9.7
Issue of share capital	0.2	-	3.5	-	-	-	3.7
Share based payments	-	-	-	0.1	-	-	0.1
As at 30 June 2017 (Audited)	2.7	(0.1)	519.4	(317.7)	(67.5)	(3.1)	133.7
As at 1 July 2017	2.7	(0.1)	519.4	(317.7)	(67.5)	(3.1)	133.7
Loss for the period	-	-	-	(85.2)	-	(0.4)	(85.6)
Other comprehensive income	-	-	-	-	5.6	-	5.6
Share based payments	-	-	-	0.1	-	-	0.1
As at 31 December 2017 (Unaudited)	2.7	(0.1)	519.4	(402.8)	(61.9)	(3.5)	53.8

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 1 March 2018.

2. Basis of preparation

These interim financial statements for the six months ended 31 December 2017 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 2017, 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 2017.

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 2017 were approved by the Board of Directors on 27 December 2017 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 2017.

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

4. Segmental reporting

Operating segment(s) are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment(s), has been identified as the Avanti Executive Board who make the strategic decisions.

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 2017 (30 June 2017: credit $12.0 million, 31 December 2016: $ 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-17 $'m	Unaudited Half year 31-Dec-16 $'m	Audited Year ended 30-June-17 $'m
Finance income			
Interest income	1.2	-	-
Foreign exchange gain	-	1.0	-
	1.2	1.0	-
Finance expense			
Interest expense on borrowings and loans	(87.8)	(33.1)	(117.7)
Foreign exchange loss	(0.7)	-	0.1
Finance lease expense	(0.7)	(1.6)	(1.5)
Costs of refinancing	(2.7)	(14.6)	(22.3)
Less: interest capitalised to satellite in construction	35.1	14.6	48.2
	(56.8)	(34.7)	(93.2)
Exceptional gain on substantial modification of debt	-	-	219.2
Net finance (expense)/income	(55.6)	(33.7)	126.0

7. Earnings/(loss) per share

	Unaudited Half year 31-Dec-17 Cents	Unaudited Half year 31-Dec-16 Cents	Audited Year ended 30-June-17 Cents
Basic and diluted loss per share	(55.07)	(43.75)	(44.74)

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-17	Unaudited Half year 31-Dec-16	Audited Year ended 30-Jun-17
Loss for the year attributable to equity holders of the parent Company	$(85.2)m	$(61.2)m	$(65.2)m

Weighted average number of ordinary shares for the purpose of basic earnings per share	154,630,658	139,891,059	145,625,369

8. Trade and other receivables

	Unaudited Half year 31-Dec-17 $'m	Unaudited Half year 31-Dec-16 $'m	Audited Year ended 30-June-17 $'m
Trade receivables	44.6	43.5	44.3
Less provision for impairment of trade receivables	(23.0)	(6.7)	(21.5)
Net trade receivables	21.6	36.8	22.8
Accrued income	12.6	26.5	13.7
Prepayments	18.1	6.3	17.7
Other receivables	3.9	3.9	6.4
	56.2	73.5	60.6

9. Loans and borrowings

	Current			Non-current		
	Unaudited Half year 31-Dec-17 $'m	Unaudited Half year 31-Dec-16 $'m	Audited Year ended 30-June-17 $'m	Unaudited Half year 31-Dec-17 $'m	Unaudited Half year 31-Dec-16 $'m	Audited Year ended 30-June-17 $'m
Secured at amortised cost						
High yield bonds - original notes	-	-	-	-	660.2	-
High yield bonds - Amended Existing Notes	-	-	-	359.2	-	293.6
High yield bonds - PIK Toggle Notes	-	-	-	311.7	-	287.6
Super Senior Notes	-	-	-	114.3	-	-
Finance lease liabilities	1.7	4.8	2.1	10.9	9.0	11.4
	1.7	4.8	2.1	796.1	669.2	592.6

9. Loans and borrowings (continued)

Issuer	Description of instrument	Original notional value	Due
Avanti Communications Group plc	Amended Existing Notes	$557.0m	1 October 2022
Avanti Communications Group plc	PIK Toggle Notes	$323.3m	1 October 2021
Avanti Communications Group plc	Super Senior Notes	$118.0m	21 June 2020

	Unaudited Half year 31-Dec-17 $'m	Unaudited Half year 31-Dec-16 $'m	Audited Year ended 30-June-17 $'m
High yield bonds	880.3	685.2	813.0
Super Senior notes	118.0	-	-
	998.3	685.2	813.0
Add:			
Issue premium	-	3.9	-
Less:			
Unamortised credit on substantial modification	(197.8)	-	(218.6)
Debt issuance costs	(15.3)	(17.6)	(13.2)
Issue discount	-	(11.3)	-
	785.2	660.2	581.2

The Company had Notes with a nominal value of $813.0m in issue at the beginning of the period. In July 2017 the Company drew down $100 million of the three-year super senior facility agreed in June 2017 which has an interest rate of 7.5%. In October 2017, the Company drew down a further $18 million of the super senior facility.

On 13 December 2017, the Company announced that it had reached agreement with noteholders representing approximately 62% of its outstanding 2021 Notes and 55% of its outstanding 2023 Notes (together, the “Majority Holders”) and shareholders representing 34% of its existing issued share capital to implement a restructuring of the Group’s indebtedness.

The restructuring consists of repayment of the outstanding 12%/17.5% Senior Secured Notes due 2023 of $557 million by issuing approximately 2.0 billion new ordinary shares with a nominal value of 1 pence each in Avanti Communications Group plc which will represent approximately 92.5% of the Company’s issued ordinary share capital. After the period end, on 8 February 2018, the Company announced the result of the successful consent solicitations. The Company received consents from holders representing 98.9% in aggregate principal amount of its 10%/15% Senior Secured Notes due 2021, and 87.7% in aggregate principal amount of its 12%/17.5% Senior Secured Notes due 2023.

In addition the terms of the 10%/15% Senior Secured Notes due 2021 will be revised such that the interest rate will be reduced to 9% for both cash and PIK and their maturity will be extended by one year to 2022. The effectiveness of this change remains subject to a formal UK Scheme of Arrangement process with the 2023 noteholders. On 19 February 2018, a Convening Hearing under the 2023 Scheme of Arrangement was successfully heard at the High Court in London. The Court ordered the convening of a Scheme Meeting of the Scheme Creditors on March 20, 2018; ordered that notice of the Scheme be made available to the Scheme Creditors; and authorised the appointment of Patrick Willcocks to act as a Foreign Representative in the Chapter 15 recognition proceedings in the US.

10. Cash absorbed by operations

	Unaudited Half year 31-Dec-17 $'m	Unaudited Half year 31-Dec-16 $'m	Audited Year ended 30-June-17 $'m
Loss before taxation	(85.6)	(62.6)	(77.7)
Interest receivable	(1.2)	-	-
Interest payable	34.9	33.7	74.4
Amortised bond issue costs	21.3	1.1	19.0
Foreign exchange losses in operating activities	0.7	(6.2)	(0.1)
Depreciation and amortisation of non-current assets	18.6	22.6	47.2
Provision for doubtful debts	(1.7)	1.7	15.0
Exceptional credit on substantial modification	-	-	(219.2)
Share based payment expense	0.1	0.1	0.2
Impairment	-	-	124.0
(Increase) in stock	(18.1)	(0.8)	(0.8)
Decrease in debtors	4.2	0.4	4.5
(Decrease)/increase in trade and other payables	(10.9)	(10.4)	4.4
Effects of exchange rate on the balances of working capital	(3.5)	-	5.0
Cash absorbed by operations	(41.2)	(20.4)	(4.1)

11. Post balance sheet events

After the period end, on 8 February 2018, the Company announced the result of the successful consent solicitations on the restructuring of the Group's indebtedness. The Company received consents from holders representing 98.9% in aggregate principal amount of its 10%/15% Senior Secured Notes due 2021, and 87.7% in aggregate principal amount of its 12%/17.5% Senior Secured Notes due 2023.

On 19 February 2018, a Convening Hearing under the 2023 Scheme of Arrangement was successfully heard at the High Court in London. The Court ordered the convening of a Scheme Meeting of the Scheme Creditors on March 20, 2018; ordered that notice of the Scheme be made available to the Scheme Creditors; and authorised the appointment of Patrick Willcocks to act as a Foreign Representative in the Chapter 15 recognition proceedings in the US.

On 2 February, the Company announced that Kyle Whitehill will join the board of Avanti as Chief Executive Officer, with effect from 3 April 2018.