RNS Number : 3901X
Bigblu Broadband PLC
28 August 2020

*This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 ("**MAR**"). Upon the publication of this announcement, the inside information is now considered to be in the public domain for the purposes of MAR.*

Bigblu Broadband plc
('BBB' or the 'Company')
Interim Results
& Investor Presentation

Solid performance with continued delivery of organic customer growth

Bigblu Broadband plc (AIM: BBB.L), a leading provider of alternative super-fast broadband solutions, announces its unaudited half year results for the six months ended 31 May 2020, a period that reflects the Company before the announcement of the proposed disposal of the Company's UK and European satellite broadband operations (the "Sale Companies") to Eutelsat S.A. for a maximum aggregate consideration of up to approximately £39.3m on a cash free/debt free basis (the "Disposal"). Eutelsat will also be assuming certain existing net working capital creditors within the Sale Companies amounting to £13.9 million. As previously stated, it is anticipated that Bigblu will be left with net cash of c.£6m and plans to significantly reduce central costs post the transaction.

Following completion of the Disposal, the Company's ongoing operations will consist of its Australian operations (Skymesh Pty Limited), its majority interest in Quickline (QCL Holdings Limited) and its Nordics business (Bigblu Norge AS), (together, the "Continuing Group").

Financial Highlights

- Revenue of £25.8m (1H19: £30.5m) reflecting customer rationalisation during Q4 2019 and COVID-19 impact on installations
- Recurring airtime revenue, defined as revenue generated from the Company's broadband airtime, which is typically linked to contracts, increased to 87% of revenue (1H19: 82%)
- Adjusted EBITDA[1] of £3.1m (1H19: £5.1m)
- The Continuing Group generated LFL[2] revenues of £12.1m (1H19: £11.7m) and Adjusted EBITDA[1] of £2.4m (1H19: £1.6m)
- Net debt[3] increased following the refinancing activities to £20.1m (1H19: £16.9m), with net debt to adjusted last 12m EBITDA improving to 2.3x (1H19: 2.4x)

Operational Highlights

- Customer numbers increased by c.5k during the period to c.115k (FY19: 110K) with particularly strong growth from its Preferred Partner Programme with EBI ("PPP") and Australian customers
- Continuing Group customers increased to c.64k (FY19:60k)
- Net organic customer growth in 1H20 showed a year on year increase of 10% to 6.3k (1H19: 5.7k)
- Leading position in Australia maintained with SkyMesh named best NBN Co satellite provider (NBN Co was established in 2009 to design, build and operate Australia's wholesale broadband access network). SkyMesh now commands a c.50 per cent market share of net new adds under the NBNCo contract
- Agreed £30m revolving credit facility with Santander Bank UK plc to replace loan notes totalling £12m issued in 2016 by Business Growth Fund ("BGF") and the Company's £10m revolving credit facility with HSBC plc and to provide additional working capital to support the Company. HSBC continues to provide a £4m revolving credit facility and operational banking support to QCL Holdings Limited ("QCL")
- Quickline selected to lead a £6m Government-backed project to boost rural connectivity in North Yorkshire, England's largest rural county

[1] *Adjusted EBITDA is stated before interest, taxation, depreciation, amortisation, share based payments and exceptional items. It also excludes property lease costs which, under IFRS 16, are replaced by depreciation and interest charges.*

[2] *Like for like revenue and adjusted EBITDA treat acquired/disposed businesses as if they were owned for the same period across both the current and prior year and adjusts for constant currency and changes in the commercials of the PPP contract and accounting treatment for Grants.*

[3] *Net debt excludes lease-related liabilities of £5.2m arising from the implementation of IFRS 16.*

COVID-19

Mid way through our first half year, we saw the most unprecedented global healthcare issue with the proliferation of the COVID-19 pandemic. As a result, the economic environment was extremely challenging across all sectors. BBB, whilst to an extent protected, based on the increased requirement for remote connectivity, was also subject to the impacts. BBB's management team carefully monitored and managed these impacts with particular reference to customer debt management, customer discounting, operational delays from installation availability and the pressures on our supplier network.

As highlighted in the AGM Statement, the Company was impacted by fluctuating foreign exchange rates while there was also some slippage in new satellite capacity coming on-line from suppliers. In addition, due to restrictions caused by COVID-19, the Company experienced some installation delays which has led to an increase in in-flight sales (the period between a new contract being signed and the installation being completed).

It is worth noting that there was a seamless transition to home working with over 95% of all staff across all our global hubs now working full time from home, enabling the Company to continue servicing existing customers at the same time as converting a growing number of new business leads.

Post Period Events

On 31 July 2020, BBB announced the proposed "Disposal" of its European Satellite business to Eutelsat S.A. ("Eutelsat"). The

Disposal is conditional upon the approval of a simple majority of Shareholders at a General Meeting of the Company being held at 10am today, 28 August 2020, and on certain regulatory approvals and clearances being obtained.

The Disposal is for a maximum aggregate consideration of up to £39.3m on a cash free/debt free basis and the assumption of approximately £13.9m of working capital creditors. An initial consideration of £37.8m is payable in cash, with £36.8m paid on completion and £1.0m, subject to adjustment, paid following the finalisation of completion accounts. Additional consideration of up to approximately £1.5m could be paid over the course of the 12 months following completion, subject to certain conditions. Eutelsat will also be assuming certain existing net working capital creditors within the Sale Companies amounting to approximately £13.9m. The final consideration due to Bigblu is subject to other customary adjustments at completion, such as the actual working capital at completion against an agreed target level and adjustments for cash or debt items.

Upon completion, BBB's continuing operations will consist of its Australian operations (Skymesh Pty Limited), its majority interest in Quickline (QCL Holdings Limited) and its Nordics business (Bigblu Norge AS), together, the "Continuing Group". It is anticipated that BBB will be left with net cash of c.£6m post the transaction. The Continuing Group had revenue in the period of £12.1m (1H19: LFL £11.7m), with adjusted EBITDA[1] of £2.4m (1H19: LFL £1.6m).

Andrew Walwyn will remain as CEO of the Continuing Group and will provide transitional and ongoing consultancy advice and support to the Sale Companies.

This post period event clearly has significant and material effects on the structure of the business and the financial statements going forward, therefore, it has been referenced within the introductory statements as the Company will be materially different following completion of the Disposal.

Andrew Walwyn, CEO of BBB, commented:

"*Like many businesses, so far 2020 has been a very eventful year for the Company. The focus during the period was very much on putting the Company on an even stronger footing to execute our strategy while increasing value for shareholders. The period started with the Company refinancing its debt facilities with the funding designed to supplement our increasingly cash generative business model. While the onset of COVID-19 presented us with a number of challenges, trading during the period highlighted the resilience of our operations and scope for continued organic growth.*

"*It is also very important to mention the first half of this year has seen the COVID-19 pandemic unfold creating an unprecedented impact on our way of life and at the very core of our economy and business. BBB were no exception with virtually the entire workforce working remotely and careful planning to ensure we could still meet the demands and needs of our customers whilst protecting our employees and representatives. We also worked tirelessly with our partners, resellers and suppliers to support our customers during the continuing COVID-19. However, as previously announced, our results in the period were also impacted by widely fluctuating foreign exchange rates, and we also saw some slippage in new satellite capacity coming on-line from suppliers due to COVID-19 and experienced some installation delays, which has led to an increase in in-flight sales (the period between a new contract being signed and the installation being completed) at the period end.*

"*Given the underlying dynamic across the UK and European satellite operations, we were very pleased to announce last month the agreement in principle for Eutelsat to purchase our UK and European Satellite business. The purchase is a major step in the history of the Company coming off the back of five years of successfully executing our strategy of becoming a leading provider of last mile rural broadband solutions in a number of European territories. As well as offering an excellent return on investment for our shareholders, Eutelsat have purchased a fully operational retail business thereby enabling it to solidify its direct to consumer presence in the UK and Europe.*

"*We remain extremely excited by the growth potential of the Continuing Group and believe that the Company is well-placed to generate further value for shareholders. Following completion of the Disposal, the Company will be in a position to pay down debt, return to a net cash position of c.£6 million and accelerate investment and growth opportunities.*"

Investor Presentation:

BBB's management team will be hosting a remote presentation at 3.00 p.m. on Tuesday 29 September 2020 for existing shareholders and prospective investors. If you are interested in attending please contact Walbrook PR via either BigbluBroadband@walbrookpr.com or calling 020 7933 8780.

For further information:

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About Bigblu Broadband plc:

Bigblu Broadband plc (AIM: BBB), is a leading provider of alternative super-fast broadband solutions throughout Europe and Australia. BBB delivers a portfolio of super-fast wireless broadband products for consumers and businesses unserved or underserved by fibre.

High levels of recurring revenue, increasing economies of scale and Government stimulation of the alternative broadband market in many countries provide a solid foundation for significant organic growth as demand for alternative super-fast broadband services increases around the world.

In July 2020, BBB announced the conditional sale of its European Satellite business to Eutelsat and whilst the completion has yet to be concluded this offers an excellent return for its shareholders whilst providing a key asset for Eutelsat to solidify its position in the European Satellite market. With the remaining businesses, BBB is extremely well positioned to continue growing as it targets customers that are trapped in the 'digital divide' with limited fibre broadband options.

BBB provides customers ongoing services including hardware supply, installation, pre and post-sale support billings and collections, whilst offering appropriate tariffs depending on the requirements of each end user.

CHIEF EXECUTIVE'S REPORT

Overview

The first half of this financial year has been a period where we have had to, like all businesses, contend with the challenges created by the global proliferation of COVID-19 across all our key markets. Whilst the period was a challenging one for the Company, we were delighted by the resilient performance of the Company and our ability to ensure all of our staff across all jurisdictions advanced to 95% home working to support our customers within 72 hours, following the government guidance on the pandemic. In the context of the near-term global challenges created by COVID-19, our long term relationships with our satellite partners were vital as we worked together to ensure we could deliver against the growing demand for rural broadband services.

Off the back of this long-term relationship, we were delighted to announce last month that Eutelsat S.A. have agreed to purchase BBB's UK and European Satellite business, subject to shareholder approval and certain regulatory approvals and clearances in Australia and Italy. I firmly believe that this offers both an excellent return on investment for shareholders but also a hugely capable retail business for Eutelsat to cement is position as the foremost Satellite Provider in the European market and further afield.

The Disposal provides BBB with an excellent return, transforms its balance sheet and allows management to concentrate on businesses with strong market opportunities to therefore provide increased returns to shareholders.

Australasia

Our Australian business Skymesh, is the leading Australian satellite broadband service provider. It has over 40k customers in total and continues to grow rapidly. Having been named Best Satellite NBN Provider in both 2019 and 2020, SkyMesh commands a 50 per cent. market share of net new adds under the NBN scheme in the 12 months to 30 June 2020. Recently, SkyMesh has benefited from a strong take up of Australia's new Sky Muster Plus product, which has added 2,500 customers to SkyMesh since it was released on 1 April 2020, representing 52 per cent. of the total subscribers in SkyMesh to this product to date.

The Board believes that it could complement organic growth opportunities by acquisitions that could accelerate the Company's presence into the wider Australasia region. Overall, the Board believes the business could potentially double the number of customers in the Australasia region in the next three years to 80k through organic and acquisitive growth, with New Zealand a current area of focus for potential expansion.

UK - Fixed Wireless

Quickline is one of UK's leading rural broadband fixed wireless operators and is currently 69.7 per cent owned by the Company. It builds and operates its own fixed wireless access network, supported by increasing amounts of fibre infrastructure, avoiding the high cost and lengthy build periods which makes the economics of full fibre to the home unattractive in certain rural settings.

There is significant scope for further growth within Quickline through securing government tenders, M&A and organic investment. In August 2019, Quickline secured £12m of additional financing of which £8m remains committed but currently undrawn. It is currently investing in key resources including people, systems, and capacity as Quickline prepares to accelerate its growth.

The Directors consider that Quickline's future success is directly linked to its ability to increase the size and scale of its infrastructure business. Quickline is currently targeting a customer base of approximately 30k subscribers over the next three years.

Nordics

In Norway we continue to attract new fixed wireless clients with targeted investment in new towers and whilst the fixed wireless product comes under some pressure from the accelerated roll out of fibre in Norway, the business continues to investigate ways to diversify and find new routes to market. In this respect, it is worth highlighting the Norwegian's incumbent decision to turn-off its copper network in certain geographic areas, leaving several hundred thousand premises reliant, at least initially, on wireless solutions. As previously announced, the Board intends to evaluate the opportunity to allocate part of the net proceeds from the Disposal to refining and enhancing the Company's service proposition in the Nordic market in both fixed wireless and satellite.

Santander

The first half of the year started with the securing of our new £30m revolving credit facility with Santander UK, thus ensuring that the Company was and is well funded with a stronger balance sheet as we sought to deliver enhanced shareholder value from the opportunities available to the Company. We are very grateful to Santander for their support.

Key Financials

Total revenue including recurring airtime, equipment, installation sales and network support was £25.8m (1H19: £30.5m), This reduction in revenue was a reflection of a lower number of customers against the comparative period in 2019 following the rationalisation of c.13k customers towards the tail end of FY19 as well as installation delays due to COVID-19 restrictions and fluctuating FX rates in the period. Recurring airtime revenue, defined as revenue generated from the Company's broadband airtime, which is typically linked to contracts, was £22.4m representing 87% of total revenue (1H19: 82%).

Total LFL revenue for the Continuing Group in the period was £12.1m (1H19: LFL £11.7m).

Adjusted EBITDA for the period was £3.1m representing an adjusted EBITDA margin of 12.0% compared to £5.1m in 1H19 and an adjusted EBITDA margin of 16.8%. In addition to the impact on EBITDA linked to the revenue comments above, there was a change in the commercial arrangements in our PPP contract with EBI compared to 1H19. Furthermore, BBB benefited from the timing of certain grant awards through our Quickline subsidiary in 1H19. In February 20, Quickline announced that it had been selected to lead a £6m project to boost rural connectivity in North Yorkshire. The project will focus on bringing mobile connectivity to the County where 35% of the population currently has no 4G mobile coverage.

Adjusted LFL EBITDA for the Continuing Group in the period was £2.4m (1H19: LFL £1.6m).

Total customers increased by c.5k to 115.1k at the period end (FY19: 110K) with particular strong growth in UK / European PPP and Australian customers. Total LFL customers for the Continuing Group at the period end was c64k (FY19: LFL 60k).

Net organic customer growth in the first half of 2020 showed a year on year increase of 10% to 6,300 (1H19: 5,700). In-flight customers at the end of 1H20 were 2,500 compared with 1,100 at the end of 1H19 reflecting increased demand but also installation delays following the outbreak of COVID-19. We are delighted with the support that we have had from all our network partners and our reseller / installer partners during this period in helping our customers, especially those forced with home working.

Strategy

The opportunity in the super-fast broadband market remains extremely exciting across the continuing operations as it is changing significantly and accelerating at pace, where in the past a service of 30Mbps was seen as an appropriate solution to a typical customer, nowadays this is north of 50Mbps and our satellite and fixed wireless solutions will ensure that all customers can be served and not left in the digital divide.

The announcement last month of the conditional purchase of our European Satellite business by Eutelsat will enable the new Company to take maximum advantage of these technological developments and continue the organic growth trajectory that Bigblu have set.

For the continuing Company, the business will still have over 60k customers. The Directors consider that, given their respective strengths, each of the three business units has potential opportunities to enhance shareholder value and therefore the Board will be focused on ensuring that it can fully capitalise on this opportunity.

For the SkyMesh business in Australia, the Board believes that it could also complement organic growth opportunities by acquisitions that could accelerate the Company's presence into the wider Australasia region. As noted above, the Board believes the business could potentially double the number of customers in the Australasia region in the next three years to 80,000 through organic and acquisitive growth, with New Zealand a current area of focus for potential expansion.

For Quickline, there is potential scope for further growth through securing government tenders, M&A and organic investment. It builds and operates its own fixed wireless access network, supported by increasing amounts of fibre infrastructure, avoiding the high cost and lengthy build periods which makes the economics of full fibre to the home unattractive in certain rural settings.

The Directors consider that the 'digital divide' in the UK presents potential opportunities for the continuing Company with around 1.0m homes still unable to receive superfast broadband services and around 12.4m homes unable to access ultrafast speeds. There are various government programmes to address this digital divide which are overseen by Building Digital UK (BDUK), part of the Department for Digital, Culture, Media & Sport (DCMS). These include the £1.7bn Superfast Broadband Programme that is committed to run until 2026 and the £200m Rural Gigabit Connectivity Programme. In May 2019, the Chancellor also announced a £5.0bn commitment to fund gigabit-capable deployment in the hardest to reach 20 per cent. through the 'Outside-In' approach.

The Directors consider that Quickline's future success is directly linked to its ability to increase the size and scale of its infrastructure business. Quickline is currently targeting a customer base of approximately 30k subscribers over the next three years. In line with this ambition, the Board believes that there is a clear path ahead for the business to deploy in excess of the funding of up to £12m raised last year and achieve such scale.

To date, the Nordics business has been focused on the Norwegian market and there has been limited investment by the Company in improving the fixed wireless network over the last 24 months. There have been relatively high levels of customer churn in this region due, in part, in the view of the Directors, to relatively low broadband speeds. However, the launch of the Preferred Partner Program satellite operations in the Nordic region has been a success with new customers being attracted to the packages on offer.

Following the Disposal, the Board intends to evaluate the opportunity to allocate part of the net proceeds from the Disposal to refining and enhancing the Company's service proposition in the Nordic market. Initiatives considered will include adding a "sales and marketing" director for the Nordics with a strategic objective to, among other things, expand the geographic focus of the operation into Sweden and Finland. In addition to the launch of new product satellite offerings across the region offering speeds of 50Mbps and unlimited capacity, the Company will also consider investing to upgrade its fixed wireless network whilst also looking to provide services over a virtual network backed by Telenor, redeploying the successful strategy used by BBB in Italy.

The Directors consider that the Company's ability to offer improved fixed wireless and satellite solutions in the Nordics means that there is potentially significant scope to expand its presence and reach in this region. The suite of competitive offerings and growing demand for working from home solutions means that the target market continues to increase in size. Market growth, alongside the operational investment outlined above, provides the Directors with confidence of stronger demand for its FWA solutions in Norway whilst, capital-light satellite solutions are expected to be successfully deployed across the wider Nordic region.

Accelerating Technology Evolution

Products

Our fixed wireless businesses are also benefiting from significant advances in technology, improving speeds and throughput. The Company has now demonstrated the first gigabit capable network with a pioneering mmWave technology, utilising the newly released 60 GHz spectrum. Importantly, all customers who have been connected to the Company's networks in Norway and the UK within the last year are now able to be connected at up to 100 Mbps if desired.

New satellites from our European partners, which are fully funded and already in build, will usher in a completely different satellite broadband proposition for customers signing up. In Australia, new NBN product Sky Muster Plus is stimulating market growth leading to increased ARPU levels for the premium product. Sky Muster Plus and extending its reach to new and existing customers will be a focus for the coming year.

Marketing

We use a digital-first strategy to both acquire new customers, retain and up-sell (ensuring our customers are on the most appropriate package) to our existing base. For customer acquisition, we target in-market prospects based on geography, broadband speed and purchase intent. Channels used vary depending on in-country results, blending Facebook, Google, Bing and lead-generation partners in order to achieve our internal KPI's in terms of cost per lead and cost per activation. We deploy a suite of engaging content from ad copy, through to static display ads and video. Most important of all is word of mouth or customer referral hence the importance of looking after our existing customers.

Board Changes

Non-Executive Director Simon Clifton has decided to step down from his role post completion of the Disposal. As a co-founder of Bigblu Broadband, Simon was instrumental in establishing its leading technology platforms and assisting its geographic growth. His knowledge base and experience played a key role in the Company's transition from a private to public entity, its buy and build roll up strategy as well as the integration and development of its European operations - ultimately enabling the Company to maximise shareholder value via the Disposal. Simon remains a supportive shareholder and the Company would like to put on record its appreciation of his support and efforts in developing its growth strategy.

Current Trading and Outlook

The Company has continued its successful positioning at the forefront of the alternative super-fast broadband industry. During 1H20, the Company continued to grow its customer base while still benefiting from the strong visibility afforded by the high percentage of recurring revenues. Our robust model and infrastructure continued to underpin growth in customers and revenues per user. This will prove to be key to the Continuing Group as we seek to maximise shareholder value from Quickline and our Nordic and Australian businesses.

With the announcement last month of the conditional sale of its UK and European Satellite business to Eutelsat, BBB enters a new era in its history. The customer base and operational capability that Eutelsat will purchase gives them the depth and strength to fully capitalise on the launch of the Eutelsat Konnect Satellite (launched in January 2020) and the significant increase in capacity in the core markets.

Looking beyond and with the Company's continuing businesses, the Board remains very convinced that there is plenty of scope for the Company to take advantage of the long-term global growth opportunities. These include, but are not limited to, taking advantage of the Government support in addressing the 'digital divide' in the UK through our Quickline business; capitalising on organic growth opportunities in Australia to further solidify our hold in the region and to push on with Sales and Marketing strategies in the Nordics.

In the current environment, whilst we are clearly dealing with unprecedented events, we have carefully monitored the impacts on the business that the COVID-19 pandemic has brought. Part of our continued growth, and improvement year on year, is satisfying the increased demand for high speed Broadband in rural areas as more and more employees work from home. We have also closely monitored a number of business KPIs to ensure that the economic pressures faced by our customers and suppliers have not materially impacted our operations and financial performance. These KPIs include: customer debt profiles, customer discounting, lead times for activations, and movement flexibility of stock. As a global business with customers in some of the countries that have been most affected by COVID-19, we continue to support staff and customers during these difficult times. Whilst the Company goes through significant change and completes the Disposal, the Board continues to work hard in taking action to mitigate any COVID-19 impacts so as to manage any short-term disruption to the business or for customers.

The Board's current view is that the continuing Company has a strong basis to further enhance shareholder value in the future with several growth opportunities across each business. Whilst the Board recognises that it is difficult to predict with absolute certainty the impact COVID-19 will have on the business and indeed our customers, the Board recognises the robust nature of the business, including but not limited to, delivering a product existing and potential customers urgently need, strong underlying recurring revenue, a materially improved balance sheet and focussing on the growth opportunities that are available.

Following typical seasonal trends, we expect a strong second half and are comfortable with current market expectations.

Andrew Walwyn
CEO

FINANCIAL REVIEW

The first half of FY20 was characterised by an underlying solid trading performance across the Company's key indicators especially in light of the challenges associated with COVID-19 on the business and our customers. This financial review describes the performance of the entire Company during the course of 1H20.

Where appropriate, and recognising the significance of the post balance sheet announcement on July 31st 2020 that the Company agreed to the sale of its UK and European Satellite business to Eutelsat S.A. ("Eutelsat"), we have provided extracts of the performance of the business split between proposed Continuing and Discontinuing businesses to aid further analysis. Under IFRS 5, assets held for sale (including disposal groups) are classified as discontinued operations and should be presented separately in the income statement. As the sale announcement is a post balance sheet event it is considered the criteria for discontinued operations as laid out by IFRS 5 had not been met as at 31 May and as such there is no separate presentation of discontinued operations.

Financial Review

Total revenue was £25.8m (1H19: £30.5m). This reflects the lower like for like customer numbers, following the rationalisation of 13k customers in the last quarter of 1H19 as well as installation delays created by the restrictions imposed by COVID-19. For the businesses that will continue to remain part of the Company post the Disposal, like for like revenue in the period was £12.1m (1H19: LFL £11.7m).

Total customers at the period end were c.115k (FY19: c.110k). During the half year the Company had gross adds of 18k (1H19: 16k) and churn of 12k (1H19: 11k) giving c.6,000 net organic adds (1H19: c.5,000). In addition, during the period, we disposed of a small 4G loss making base in Australia and made two base acquisitions in strategically important countries in Europe, the net impact of which was c.1,000 reduction in subs linked to M&A activity. This is summarised as follows:

	Unaudited As at 31 May 2020 000	**Unaudited As at 31 May 2019 000**	**Audited As at 30 Nov 2019 000**
Opening base	110	113	113
Acquisition / Disposal	(1)	0	1
Gross Additions	18	16	33
Churn	(12)	(11)	(24)
Base Management	-	-	(13)
Closing Base	115	119	110
Net Organic Additions in the period	6	5	9

For the Continuing Group customer numbers increased to 64k (FY19: 60k), an increase of 7% in the six month period.

The sales revenue mix across the Company at the end of the period was c.80% Satellite and c.20% Fixed Wireless (1H19: c.80% Satellite and c.20% Fixed Wireless). Following the Disposal, the sales revenue mix is expected to be approximately 56% Satellite and 44% Fixed Wireless.

Underlying ARPU, calculated by dividing total revenues from all sources by the average customer base, increased in the first half to £38.9 per month (1H19: £35.3) after adjusting for the change in network policy as we sought to offer better packages to customers with increased revenue from services, installations and network support.

Churn rates (defined as the number of subscribers who discontinue their service as a percentage of the average total number of subscribers within the period, excluding the rationalisation of customers), increased to an average annualised churn rate of 21% in 1H20 (1H19: 18.0%). The main area of increased churn was in fixed wireless in Norway and in certain countries in Europe where beam congestion arose prior to the delayed launch of the Konnect Satellite capacity and associated products.

Gross profit margins improved to 44.5% in 1H20 (1H19: 43.7%) because of improved product sales mix and the removal of less profitable JV trading.

Distribution and Administrative expenses, before items identified as exceptional in nature, increased to £9.7m (1H19: £8.6m) representing 37.6% of revenue (1H19: 27.9%) due in the main to increased marketing costs in the period to £0.9m from £0.1m, representing 3.3% of revenue (1H19: 2.6%).

Depreciation increased to £2.8m in the first half of the year from £2.1m in 1H19 due to the increased CAPEX programme around our PPP relationship and is analysed as follows:

	Unaudited As at 31 May 2020 £000	**Revised Unaudited As at 31 May 2019 £000**	**Audited As at 30 Nov 2019 £000**
Base depreciation	2,017	1,440	3,365
IFRS 16 impact	802	613	1,245
Reported depreciation	2,819	2,053	4,610

Amortisation decreased to £1.3m in 1H20, from £1.9m in 1H19, mainly due to the completed amortisation of assets acquired through business combinations in 2016 and 2017, which are written off over a 24-month period, offset against increased amortisation for acquisitions completed in FY18 and FY19.

The Company incurred charges identified as exceptional in nature during the period, including costs related to internal restructuring and continued Hub consolidation (£0.5m), new RCF for the Company across multiple jurisdictions, legal and related costs associated with acquisition and disposal activity (£0.2m) and other costs deemed exceptional to ordinary activities (£0.3m).
Interest costs increased during the period to £4.4m (1H19: £1.2m) as a result of £2.1m of additional charge related to the BGF redemption premium following the refinancing at the start of the period and £1.2m additional interest from the penalty incurred by settling the BGF loan and the RCF facility with HSBC.

	Unaudited As at 31 May 2020 £000	**Revised Unaudited As at 31 May 2019 £000**	**Audited As at 30 Nov 2019 £000**
Underlying Interest	4,287	1,096	2,340

IFRS 16 impact	152	142	282
Reported Interest	4,439	1,238	2,622

The HSBC RCF and the BGF loans were repaid in full in December 2019 other than the redemption premium which is not due until May 2024 under the current terms of the deal with BGF. This was replaced by the Santander facility announced in December 2019. Due to the announcement of BBB disposing part of the Company and based on the terms and conditions of the BGF redemption premium, we have taken an additional charge of £2.1m in 1H20 to provide 100% of the redemption premium payable of £5.5m, less a net present value adjustment of £0.7m. In accordance with previous years the redemption premium is included within non-current liabilities 'Other Payable' at £4.8m (1H19: £2.0m).

The tax credit arises from the release of deferred tax on amortised customer base intangible assets.

Company results

Adjusted EBITDA (before share based payments and specific items relating to M&A, the new RCF for the Company across multiple jurisdictions, integration and the establishment of the network partnerships) for the half year decreased 39% to £3.1m (1H19: £5.1m). A reconciliation of the adjusted EBITDA to statutory operating loss of £2.4m (1H19: £0.8m profit) is shown below:

		Unaudited 6 months to 31 May 2020	Revised Unaudited 6 months to 31 May 2019	Audited 12 months to 30 Nov 2020
		£000	**£000**	**£000**
Adjusted EBITDA	1	**3,064**	**5,090**	**11,695**
Depreciation - Core	2	(2,017)	(1,440)	(3,365)
Depreciation - IFRS 16	2	(802)	(613)	(1,245)
Amortisation		(1,301)	(1,891)	(4,071)
Impairment of goodwill	3	-	-	(3,286)
Adjusted EBIT		**(1,056)**	**1,146**	**(272)**
Share based payments		(325)	(204)	(437)
Exceptional items relating to M&A, fundraising, hub consolidation, integration and the establishment of the network partnerships.	4	(970)	(101)	(4,921)
Employee related costs associated with consolidations in the regions		(517)	(51)	(1,999)
Fundraise, legal and related costs associated with acquisition and disposal activity		(185)	(50)	(2,431)
Other		(268)	-	(491)
Statutory operating loss		**(2,351)**	**841**	**(5,630)**

Company Statutory Results and EBITDA Reconciliation

1) Adjusted EBITDA (before share based payments, depreciation, intangible amortisation, impairment of goodwill, acquisition, employee related costs, deal related costs, start-up costs and) was £3.1m (1H19: £5.1m).
2) Depreciation increased to £2.0m in 1H20 from £1.4m in 1H19 following increased CAPEX in the period. In FY19 we adopted IFRS 16, with the depreciation element in 1H20 £0.8m (1H19: £0.6m).
3) Total amortisation decreased to £1.3m in the period, from £1.9m in 1H19. Underlying amortisation reduced significantly (down 31% on 1H19) mainly due to the completed amortisation of acquisitions made in 2017 and 2018, which were written off over 24-month period, offset against amortisation for acquisitions completed in FY18 and FY19.
4) The Company incurred significant expenses in the period, that are considered exceptional in nature and appropriate to identify. These comprise:
   a. £0.5m (1H19: £0.05m) employee termination and redundancy costs where internal restructuring has occurred
   b. £0.2m (1H19: £0.05m) of net acquisition, deal, legal and other costs relating to M&A activities and fundraising during the period. These costs comprise mainly professional and legal fees.
   c. £0.3m (1H19: £nil) Other one off set up costs including legals of new businesses including Greece and Hungary (£0.1m), market launch costs associated with new regions (£0.1m) and other (£0.1m).

Total Revenue and Adjusted EBITDA in 1H20 and the comparative period is categorised as follows:

Revenue			Adjusted EBITDA[3]		
Unaudited	**Unaudited**	**Audited**	**Unaudited**	**Revised Unaudited**	**Audited**
6 months to	**6 months to**	**12 months**	**6 months To**	**6 months to**	**12 months**

	31 May 2020 £m	31 May 2019 £m	to 30 Nov 2019 £m	31 May 2020 £m	31 May 2019 £m	To 30 Nov 2019 £m
UK	7.6	10.3	19.1	2.6	2.6	6.9
Europe[1]	11.0	13.1	28.1	1.5	2.6	5.4
Australia	7.2	7.1	14.9	1.2	0.9	2.9
Plc and Central Costs[2]				(2.2)	(1.0)	(3.5)
Total	**25.8**	**30.5**	**62.1**	**3.1**	**5.1**	**11.7**

[1] Europe includes Norway, France, Ireland, Poland, Italy, Germany, Sweden, Finland, Poland and Spain

[2] Central costs include finance, IT, marketing and plc costs

[3] Adjusted EBITDA includes the impact of adoption of IFRS16

The Company's total customer base of c.115k as at 31 May 2020 (FY19: c.110k) was split as follows: UK: 19% (1H19: 23%), Europe: 45% (1H19: 49%), Australia: 36% (1H19: 28%).

The year on year analysis from both a revenue and EBITDA perspective is explained as follows:

UK

- The decrease in revenue originates from a reduction of c.£1.6m of SAC contribution and Kit revenue vs 1H19 from the networks due to a change in how the PPP scheme operates and c.£1m of grant revenue received in 1H19.
- Notwithstanding this EBITDA has remained in line with previous year

Europe

- Revenue in satellite decreased mainly due to the rationalisation of 13k satellite customers in 2H19 as well as beam congestion in certain European territories.
- Revenue in fixed wireless reduced marginally due to churn increasing in the Nordic region which is being addressed.
- EBITDA decreased due to increased marketing investment in the period

Australia

- The increase in revenue was due to continued growth of the customer base. EBITDA improved following the disposal of the fibre business in 1H19 and the cost control actions subsequently taken.

An analysis of continued and discontinued activities on a like for like basis (like for like revenue and adjusted EBITDA treat acquired/disposed businesses as if they were owned for the same period across both the current and prior year and adjusts for constant currency and changes in the commercials of the PPP contract and accounting treatment for Grants), is provided as follows:

	Continuing Operations*		Discontinuing Operations*	
	1H20	**1H19**	**1H20**	**1H19**
Customers	64.0k	56.0k	51.0k	50.0k
Revenue	£12.1m	£11.7m	£13.7m	£12.7m
Adjusted EBITDA	£2.4m	£1.6m	£0.7m	£1.0 m

* split between continuing and discontinuing is an estimate based on those businesses transferring announced in the Disposal on 31 July 2020

Continuing Operations

- The growth in customers, revenue and adjusted EBITDA, remained strong throughout the period in Continuing Operations, underpinned by a strong Australian attainment with a slight reduction in fixed wireless performance, in the main, due to timing of grant awards and installation delays.

Discontinuing Operations

- Customers: The discontinuing customer base increased by c1.2k after adjusting for the rationalisation in 2H19 of c12k customers. In addition, there were some delays in installations which resulted in inflight customers increasing by c1k in the period. Discontinued businesses will benefit from the Disposal with access to Eutelsat's Konnect satellite in congested beams.
- Revenue: 1H20 revenue increased by 8% (£1.0m) vs 1H19 LFL following increased sales and ARPU improvements
- Adjusted EBITDA: reduced by £0.3m due in the main to timing of marketing investment and launch costs incurred in Hungary and Greece.

Underlying average revenue per user across continuing and discontinuing operations ("ARPU") increased by c.12% to £38.9 per month in 1H20 (1H19: £34.8 LFL). Customer average annualised churn was 21% (1H19: 18.0%) in the period.

Balance Sheet

There was a step change in the balance sheet following the investment in capital expenditure during the half year to support the PPP roll out in Europe and the continued investment in fixed wireless in UK and Norway.

Fixed Assets have increased in the last 12 months to £18.1m (1H19: £12.3m), following a planned capital expenditure investment as a direct result of growth in the PPP (CAPEX incurred by the Company). The main components of the £5.8m increase include the purchase of rental equipment of £7.2m, fixed wireless investment of £0.4m and the continued adoption of IFRS 16 creating a right to use asset £1.0m, adjusted by depreciation provided in the year (£2.8m) and foreign exchange movements.

Intangible Assets decreased to £29.7m (1H19: £34.6m) following amortisation charges of £3.5m in 12 months ending May 2020 and the goodwill impairment of £3.2m in the second half of FY19. Total amortisation reduced slightly to £1.3m in 1H20 (1H19: £1.9m). Underlying amortisation reduced significantly (down by 32% on 1H19) mainly due to the completed amortisation of acquisitions made in FY16, which are written off over 24-month period, offset against amortisation for acquisitions completed in FY18 and 1H19.

Goodwill and Amortisation	Unaudited 6 months to 31 May 2020 £000	Unaudited 6 months to 31 May 2019 £000	Audited 12 months to 30 Nov 2019 £000	Comments
Underlying Amortisation	1,302	1,891	4,071	2016 acquisitions now fully amortised
Additional charge - Impairment	-	-	3,286	BBS Ltd/BeyonDSL as integrated with BBO Ltd
Reported Amortisation	1,302	1,891	7,357	

Working Capital

Inventory days decreased to 28 days (1H19: 30 days) due to increased sales.

Debtor days decreased to 22 days (1H19: 33 days) following strengthening of the recovery team and implementation of auto suspend in several regions.

Creditor days increased to 138 days (1H19: 107 days) due to extended terms from our airtime providers and agreed payments to a key supplier in Australia.

Total net debt, excluding IFRS 16, increased in the year by £5.9m to £20.1m (FY19: £14.2m) and is explained further in the Cash Flow Analysis section.

As at 31 May 2020, the Company had a cash balance of £5.9m and £3.5m of headroom under the Santander facility. The increase in cash is largely due to the continued support of our network partners. However, we recognise as we work closer with our network partners across existing and new territories, there will be a desire to reduce creditor days. We will continue to work with them to ensure payment terms are appropriate for our size of business alongside the ongoing marketing and product support obligations to ensure the Company can deliver consistently improving products and services to its customers.

Cash Flow Analysis:

Underlying Cashflow performance

The underlying cash flow performance analysis seeks to clearly identify underlying cash generation within the Company and separately identify the cash impact of M&A activities, identified exceptional items and the treatment of IFRS 16 and is presented as follows:

		Unaudited 6 months to 31 May 2020 £000	Revised Unaudited 6 months to 31 May 2019 £000	Audited 12 months to 30 Nov 2019 £000
Underlying adjusted EBITDA		**2,110**	**4,335**	**10,208**
IFRS 16 adoption	**1**	**954**	755	1,487
Revised underlying adjusted EBITDA		**3,064**	**5,090**	**11,695**
Underlying movement of working capital	**2**	2,008	(3,075)	2,426
Forex and non-cash	**3**	(717)	163	(1,494)
Underlying operating cash flow before interest, tax Capex and exceptional items	**4**	**4,355**	**2,178**	**12,627**
Tax and interest paid	**5**	(1,850)	(731)	(2,144)
Purchase of Assets	**6**	(3,694)	(3,386)	(8,913)
Underlying free cash flow before exceptional and M&A items		**(1,189)**	**(1,939)**	**1,570**
Cash Exceptional items	**7**	(970)	(101)	(3,337)
Cash impact of M&A Activity	**8**	(746)	(2,000)	(2,093)
Underlying free cash flow after exceptional and M&A items		**(2,905)**	**(4,040)**	**(3,860)**
Investing activities	**9**	(661)	(641)	(865)
Financing activities	**10**	3,484	2,977	5,647
Increase/(Decrease) in cash balance		**(82)**	**(1,704)**	**922**

1) IFRS 16 is shown as an adjusted item between underlying adjusted EBITDA and revised underlying adjusted EBITDA. The £1.0m is offset by £0.8m in Financing activities and £0.2m in non - cash interest. The net impact therefore eliminates to zero on the increase in cash balances.

2) Underlying movement in working capital was a benefit of £2.0m (1H19: outflow £3.1m and last 12 months (LTM) shows working benefit inflow of £7.5m). Working capital benefitted from an increase in creditors due to the support from EBI through our PPP agreement, which defers payments for kit over a 48 month period, resulting in deferred payment of £3.4m.

3) Forex and non-cash outflow of £0.7m (1H19: Inflow £0.2m) relate to the exchange movement in the Condensed consolidated statement of comprehensive income and the Condensed consolidated statement of financial position, as well as costs/income where there is no impact on operating cashflow.

4) This resulted in an underlying operating cash flow before Interest, Tax, Capital expenditure and Exceptional items of £4.4m (1H19: £2.2m and LTM £14.8m), and an underlying operating cash flow to EBITDA conversion of 142.1% (1H19: 42.7% and LTM 153%).

5) Tax and interest paid was £1.8m (1H19: £0.7m and LTM £3.3m) which included the £1.2m penalty to BGF, with the difference to the condensed consolidated statement of comprehensive income being accrued interest of £2.6m. LTM includes the £1.8m and £1.5m of loan and RCF interest, and due to the refinancing we are expecting a substantial reduction of interest.

6) Purchase of assets were £3.7m (1H19 £3.4m and LTM £9.2m). These purchases covered the rental equipment of £3.1m, fixed wireless investment of £0.2m, as well as installations and IT costs of £0.4m. Of the LTM £6.0m was for rental equipment in relation to the PPP customer base.

7) Cash Exceptional items of £1.0m (1H19: £0.1m and LTM £4.2m) is net of non-cash exceptional items including provisions made in accordance with IAS 37 which are expected to be incurred throughout 2020.

8) Cash impact of M&A activity was an outflow of £0.7m (1H19: £2.0m outflow and LTM £0.8m outflow) and includes the £0.7m deferred consideration paid to previous owners of OpenSky (1H19 QL £2.0m).

This resulted in an underlying Free Cash Flow in the year being an outflow of £2.9m (1H19: outflow £4.0m and LTM £2.7m outflow).

9) Purchase of intangibles were £0.7m compared to £0.6m in 1H19 (LTM £0.9m) due to less M&A activity. 1H20 consists of Software development costs of our Pathfinder project (£0.3m), as well as a few small investments of £0.4m.

10) In 1H20 the major financing activities related to the drawdown of cash on the RCF of £3.5m (1H19 £3.0m and the LTM £6.2m)

Statutory Cash flow Analysis

Operating cash flows improved to £2.6m in 1H20 (1H19: £0.1m), showing an improvement in working capital movements. This results in an operating cash flow to adjusted EBITDA (pre IFRS 16 adjustment) conversion of 86% (1H19: 1%).

In terms of working capital, during the year we have had great support from our main airtime suppliers and we will continue to work with them to ensure that trading and payment terms are appropriate alongside marketing and product support to ultimately ensure that the customer continues to get better product offerings.

Tax and interest paid increased to £1.8m in 1H20 from £0.8m in 1H19 following the £1.2m penalty payable to BGF, the revised RCF facility with Santander at a lower interest rate, and the interest element in relation to the adoption of IFRS 16 (£0.2m).

The net summary of the above is an equity free cash outflow of £2.9m as at 1H20 from a £4.0m outflow in 1H19 and is summarised as follows:

	Unaudited 6 months to 31 May 2020 £000	**Unaudited 6 months to 31 May 2019 £000**	**Audited 12 months to 30 Nov 2019 £000**
Underlying Operating Cash Flows[1]	**2,639**	**77**	**7,197**
Purchase of assets	(3,694)	(3,386)	(8,913)
Interest and Tax	(1,850)	(731)	(2,144)
Equity free cash flow (outflow)/inflow	**(2,905)**	**(4,040)**	**(3,860)**
	%	**%**	**%**
Underlying Operating cash flow analysis - Underlying Operating Cash Flow /Adjusted EBITDA	**86%**	**1%**	**61%**

[1] *Underlying Operating Cash flows is before interest, tax and exceptional items relating to M&A, integration costs and investment in network partnerships*

Net debt comprises:

	Unaudited 6 months to 31 May	**Unaudited 6 months to 31 May**	**Audited 12 months to 30 Nov**

	2020	2019	2019
	£000	**£000**	**£000**
Cash	5,907	3,363	5,989
Debt	(26,052)	(20,256)	(20,187)
Net Debt	**(20,145)**	**(16,893)**	**(14,198)**

In the LTM period, comparing 1H20 with 1H19, cash increased by c£2.6m and debt increased by £5.8m resulting in an increase in net debt of £3.2m to £20.1m from £16.9m. excluding IFRS 16 liabilities.

In the LTM period, we generated operating cash flows of £14.8m and this was utilised as follows; investment in fixed assets of £9.2m, purchase of intangibles £0.9m, refinancing penalty costs, fees and other interest of £3.3m, settlement of Opensky earnout payment of £0.8m, following successful post acquisition performance, and exceptional items of £4.2m, offset by £0.1m repayment of loans and drawdown from our RCF facility of £6.3m, resulting in an increase in cash of £2.6m. The increase in debt of £5.8m is net of £0.5m of borrowing costs incurred at the time of refinancing and charged to the P&L over the term of the Santander RCF facility.

Since the start of the year, cash balances have remained relatively constant at c.£5.9m. Debt increased by £5.8m following the repayment of the RCF facility with HSBC plc (£8.25m) and the loan with BGF (£12.0m), and replaced with a new RCF facility with Santander UK, which incurred penalty costs of c.£1.8m. In addition, the new RCF facility was also used to support the purchase of investment fixed assets and M@A activity of£1.6m.

The table above excludes the lease liabilities of £5.2m recognised for the first time in 2019 after the adoption of IFRS 16. Including this amount would give a total net debt of £25.3m.

Statutory EPS and Adjusted EPS
Statutory EPS loss per share increased to 12.1p from 1.2p. As for EBITDA, the revision to accounting policies and changes in presentation impact the results. We have therefore provided a reconciliation to previous presentation and policies to aid users of these accounts EPS movement following IFRS 16 adoption is (0.1)p due to the foreign exchange element of the calculations:

		Statutory EPS Pence	
	Unaudited	**Unaudited**	**Audited**
	6 months to	**6 months to**	**12 months to**
	31 May 2020	**31 May 2019**	**30 Nov 2019**
As reported with 2019 presentation and accounting policy	(12.0)	(1.2)	(13.8)
Changes due to accounting policy			
- **IFRS 16**	(0.1)	-	(0.1)
Consistent with 2020 presentation and accounting policy	**(12.1)**	**(1.2)**	**(13.9)**

Adjusted EPS loss increased to 12.1p versus an adjusted EPS loss of 1.2p in 1H19.

Frank Waters
CFO

Bigblu Broadband plc
Condensed consolidated statement of comprehensive income
6 months ended 31 May 2020

	Note	Unaudited 6 months to 31 May 2020	Revised Unaudited 6 months to 31 May 2019	Audited 12 months to 30 Nov 2019
		£000	**£000**	**£000**
Revenue		**25,826**	**30,526**	**62,088**
Cost of goods sold		(14,333)	(17,198)	(34,868)
Gross Profit		**11,493**	**13,328**	**27,220**
Distribution and administration expenses	**2**	(9,723)	(8,543)	(20,883)
Depreciation		(2,017)	(1,440)	(3,365)
Depreciation - IFRS 16		(802)	(613)	(1,245)
Amortisation		(1,302)	(1,891)	(7,357)
Operating Loss		**(2,351)**	**841**	**(5,630)**
Interest Payable		(4,287)	(1,096)	(2,340)
Interest - IFRS 16		(152)	(142)	(282)
Loss before Tax		**(6,790)**	**(397)**	**(8,252)**
Taxation		(229)	(280)	231
Loss for the period		**(7,019)**	**(677)**	**(8,021)**
Foreign currency translation difference		(407)	221	(879)

Total comprehensive Income		**(7,426)**	**(456)**	**(8,900)**
Owners of Bigblu Broadband Plc		**(7,378)**	**(456)**	**(8,816)**
Non-Controlling Interests		**(48)**	**-**	**(84)**
Loss per share				
Basic and diluted	**3**	**(12.1p)**	**(1.2p)**	**(13.9p)**

Bigblu Broadband plc
Condensed consolidated statement of financial position
As at 31 May 2020

	Note	**Unaudited**	**Revised Unaudited**	**Audited**
		As at 31 May 2020	**As at 31 May 2019**	**As at 30 Nov 2019**
		£000	**£000**	**£000**
Non-Current Assets				
Intangible assets		29,673	34,610	29,362
Property Plant and Equipment		18,064	12,286	15,865
Investments		52	26	52
Deferred Tax asset		643	882	643
Total Fixed Assets		**48,432**	**47,804**	**45,922**
Current Assets				
Inventory		2,827	2,818	3,911
Trade Debtors		4,095	5,653	2,618
Other Debtors		9,851	8,346	5,707
Cash and Cash Equivalents		5,907	3,363	5,989
Total Current Assets		**22,680**	**20,180**	**18,225**
Current Liabilities				
Trade Payables		(16,805)	(10,274)	(11,750)
Recurring Creditors and Accruals		(11,874)	(7,777)	(3,865)
Other Creditors		(5,767)	(11,456)	(12,117)
Payroll taxes and VAT		(3,330)	(2,931)	(2,760)
Total Current Liabilities		**(37,776)**	**(32,438)**	**(30,492)**
Non-Current Liabilities				
Loans and debt facilities		(26,052)	(20,256)	(20,187)
Other payables		(8,199)	(5,723)	(6,706)
Deferred taxation		(234)	(657)	(234)
Total Non-Current Liabilities		**(34,485)**	**(26,636)**	**(27,127)**
Total Liabilities		**(72,261)**	**(59,074)**	**(57,619)**
Net Assets		**(1,149)**	**8,910**	**6,528**
Equity				
Share Capital		8,638	8,522	8,636
Share Premium		23,918	23,900	23,900
Other Reserves	**4**	12,776	12,074	13,025
Revenue Reserves		(49,754)	(35,586)	(42,412)
Capital & Reserves attributable to owners of Bigblu Broadband Plc		**(4,422)**	**8,910**	**3,149**
Non-controlling interests		3,273	-	3,379
Total Equity		**(1,149)**	**8,910**	**6,528**

Bigblu Broadband plc
Condensed consolidated Cash Flow Statement
As at 31 May 2020

	Unaudited	**Unaudited**	**Audited**
	As at 31 May 2020	**As at 31 May 2019**	**12 months ended 30 Nov 2020**
	£000	**£000**	**£000**

Operating Loss after tax for the year	**(7,019)**	**(677)**	**(8,021)**
Interest	4,439	1,096	2,622
Taxation	229	280	(231)
Release of grant creditors	(84)	(615)	(605)
Amortisation of intangible assets	1,302	1,891	4,071
Impairment of goodwill	-	-	3,286
Depreciation charge	2,017	1,440	3,365
Depreciation - IFRS 16	802	613	1,245
Share based payments	325	204	437
Foreign exchange variance and other non-cash items	(717)	163	118
Movement in working capital	1,345	(4,318)	910
Operating cash flows after movements in working capital	**2,639**	**77**	**7,197**
Interest paid	(1,850)	(782)	(2,144)
Tax paid	-	51	-
Net cash generated in operating activities	**789**	**(654)**	**5,053**
Investing activities			
Purchase of assets	(3,694)	(3,386)	(8,913)
Purchase of intangibles	(661)	(308)	(665)
Purchase of investments	-	(333)	(200)
Net cash used in investing activities	**(4,355)**	**(4,027)**	**(9,778)**
Financing activities			
Proceeds from issue of ordinary share capital	20	310	37
Proceeds from loans	4,318	3,350	3,350
Investment by non-controlling interest	-	-	3,631
Loans paid/within subsidiaries acquired	(52)	(70)	(142)
Principal elements of lease payments	(802)	(613)	(1,229)
Cash generated from financing activities	**3,484**	**2,977**	**5,647**
Net increase in cash and cash equivalents	(82)	(1,704)	922
Cash and cash equivalents at beginning of period	5,989	5,067	5,067
Cash and cash equivalents at end of period	**5,907**	**3,363**	**5,989**

Bigblu Broadband plc
Condensed consolidated Reserves Movement
6 months ended 31 May 2020

	Share Capital	**Share Premium**	**Other Reserves**	**Revenue Reserve**	**Total**
	£000	**£000**	**£000** Note 4	**£000**	**£000**
At 31 May 2019	**8,522**	**23,900**	**12,074**	**(35,043)**	**9,453**
Loss for the period				(7,481)	(7,481)
Change in accounting policy -				(550)	(550)
IFRS 16	114		296		410
Issue of shares					
Share option reserve			233	-	233
Foreign Exchange Translation			422	(879)	(457)
Disposal of non-controlling interest in subsidiary				1,541	1,541
Capital & Reserves attributable to owners of Bigblu Broadband Plc	**8,636**	**23,900**	**13,025**	**(42,412)**	**3,149**
Attributable to non-controlling interest in subsidiary				3,379	3,379
At 30 November 2019	**8,636**	**23,900**	**13,025**	**(39,033)**	**6,528**
Loss for the period				(7,378)	(7,378)
Adjustment to non-controlling				36	36
interest	2	18	-		20
Issue of shares					
Share option reserve			325		325

Foreign Exchange Translation			(303)		(303)
Other Equity			(271)		(271)
Capital & Reserves attributable to owners of Bigblu Broadband Plc	**8,638**	**23,918**	**12,776**	**(49,754)**	**(4,422)**
Attributable to non-controlling interest in subsidiary				3,273	3,273
At 31 May 2020	**8,638**	**23,918**	**12,776**	**(46,481)**	**(1,149)**

Non-Controlling Interest

The loss attributable to shareholders is £7.3m, which represents the loss for the half year of £7.4m (2019: £0.5m) less the loss attributable to non-controlling interests of £0.1m (2019: £NIL). The £3.3m represents the carrying value of the non-controlling interest

Bigblu Broadband plc
Notes to the financial statements
For the period ended 31 May 2020

1. Presentation of financial information and accounting policies

Basis of preparation

The condensed consolidated financial statements are for the half year ending 31 May 2020.

The nature of the Company's operations and its principal activities is the provision of last mile (incorporating Satellite and Wireless) broadband telecommunications and associated / related services and products.

The Company prepares its consolidated financial statements in accordance with International Accounting Standards ("IAS") and International Financial Reporting Standards ("IFRS") as adopted by the EU. The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments.

Under IFRS 5, assets held for sale (including disposal groups) are classified as discontinued operations and should be presented separately in the income statement. As the sale announcement is a post balance sheet event it is considered the criteria for discontinued operations as laid out by IFRS 5 had not been met as at 31 May and as such there is no separate presentation of discontinued operations.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed further. The principal accounting policies set out below have been consistently applied to all the periods presented in these financial statements, except as stated below.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive Report. The financial position of the Company, its cash flows and liquidity position are described in the Finance Review.

As at 31 May 2020 the Company generated an adjusted EBITDA before a number of non-cash and start-up costs expenses in the Condensed consolidated statement of financial position, of £3.1m (2019: £5.1m), and with cash inflow from operations of £0.8m (2019: outflow of £0.6m) and a net decrease in cash and cash equivalents of £0.1m in the year (2019: decrease £1.7m). The Company balance sheet showed net cash at 31 May 2020 of £5.9m (2019: £3.4m). Having reviewed the Company's budgets, projections and funding requirements, and taking account of reasonable possible changes in trading performance over the next twelve months, particularly in light of COVID-19 risks and counter measures, the Directors believe they have reasonable grounds for stating that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Board has concluded that no matters have come to its attention which suggest that the Company will not be able to maintain its current terms of trade with customers and suppliers or indeed that it could not adopt relevant measures as outlined in the Strategic report to reduce costs and free cash flow. The latest management information in terms of volumes, debt position and ARPU, are in fact showing a positive position compared to prior year and budget as a result of each government's response to COVID-19 resulting in the remote working position of individuals across our key territories. The forecasts for the combined Company projections, taking account of reasonably possible changes in trading performance, indicate that the Company has sufficient cash available to continue in operational existence throughout the forecast year and beyond. The Board has considered various alternative operating strategies should these be necessary and are satisfied that revised operating strategies could be adopted if and when necessary.

Furthermore, the announced post balance sheet event of the proposed disposal of part of the business to Eutelsat, together with continuing arrangements with key banking partners gives the Board further comfort on the going concern concept.

As a consequence, the Board believes that the Company is well placed to manage its business risks, and longer-term strategic objectives, successfully.

Estimates and judgments

The preparation of a condensed set of financial statements requires management to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities at each period end. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

In preparing these condensed set of consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimating uncertainty were principally the same as those applied to the Company's and Individual company's financial statements for the year ended 30 November 2019.

Basis of consolidation
The condensed consolidated financial statements comprise the financial statements of Bigblu Broadband plc and its controlled entities. The financial statements of controlled entities are included in the consolidated financial statements from the date control commences until the date control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All inter-company balances and transactions have been eliminated in full.

2. Distribution and Administration Expenditure
Distribution and administration costs are analysed as follows:

	Unaudited As at 31 May 2020 £000	Unaudited As at 31 May 2019 £000	Audited As at 30 Nov 2019 £000
Employee related costs	5,822	6,330	13,118
Marketing and communication costs	856	807	1,924
Logistics, Finance, IT, banking, insurance AIM and Other costs	1,750	1,101	483
Underlying costs	**8,428**	**8,238**	**15,525**
% of Revenue	**32.6%**	**26.9%**	**25.0%**
Share based payments	325	204	437
Employee related costs associated with consolidations in the regions	518	51	1,999
Fundraise, legal and related costs associated with acquisition and disposal activity	184	50	2,431
Other	268	-	491
Identified Exceptional Costs	**1,295**	**305**	**5,358**
% of Revenue	**5.0%**	**1.0%**	**8.5%**
Total	**9,723**	**8,543**	**20,883**
% of Revenue	**37.6%**	**27.9%**	**33.5%**

3. Loss per share
Basic loss per share is calculated by dividing the loss attributable to shareholders by the weighted average number of ordinary shares in issue during the period.

IAS 33 requires presentation of diluted EPS when a company could be called upon to issue shares that would decrease earnings per share or increase the loss per share. For a loss-making company with outstanding share options, net loss per share would be decreased by the exercise of options. Therefore, as per IAS33:36, the antidilutive potential ordinary shares are disregarded in the calculation of diluted EPS.

Reconciliation of the profit and weighted average number of shares used in the calculation are set out below:

	Loss £000	Weighted average Number of Shares units	Per share amount Pence
At 31 May 2019			
Basic and Diluted EPS			
Loss attributable to shareholders:			
- Continuing operations	**(677)**	**56,723,149**	**(1.2)**

	Loss £000	Weighted average Number of Shares Units	Per share amount Pence
At 30 November 2019			
Basic and Diluted EPS			
Loss for the financial year	**(8,021)**		
Less: adjustment for non-controlling interest	84		
Loss attributable to shareholders:			

	Loss £000	Weighted average Number of Shares Units	Per share amount Pence
- Continuing operations	**(7,937)**	**56,932,172**	**(13.9)**
	Loss £000	**Weighted average Number of Shares Units**	**Per share amount Pence**
At 31 May 2020 **Basic and Diluted EPS**			
Loss for the half year	(**7,019**)		
Less: adjustment for non-controlling interest	48		
Loss attributable to shareholders: **- Continuing operations**	**(6,971)**	**57,589,857**	**(12.1)**

4. Other capital reserves

	Listing Cost Reserve £000	Merger Relief reserve £000	Reverse acquisition Reserve £000	Other equity reserve £000	Foreign exchange translation reserve £000	Share option reserve £000	Total capital reserves £000
At 31 May 2019	**(219)**	**16,233**	**(3,317)**	**271**	**(2,647)**	**1,753**	**12,074**
Other equity						296	296
Foreign Exchange Translation					422		422
Equity settled Share based payments						233	233
At 30 November 2019	**(219)**	**16,233**	**(3,317)**	**271**	**(2,225)**	**2,282**	**13,025**
Other equity				(271)		-	(271)
Foreign Exchange Translation					(303)		(303)
Equity settled Share based payments						325	325
At 31 May 2020	**(219)**	**16,233**	**(3,317)**	**-**	**(2,528)**	**2,607**	**12,776**

- Listing cost reserve
  - The listing cost reserve arose from expenses incurred on AIM listing.
- Other equity reserve
  - Other Equity related to the element of the BGF Convertible Loan which has been settled in December 2019 due to the debt restructure
- Reverse acquisition reserve
  - The reverse acquisition reserve relates to the reverse acquisition of Bigblu Operations Limited (Formerly Satellite Solutions Worldwide Limited) by Bigblu plc (Formerly Satellite Solutions Worldwide Group plc) on 12 May 2015.
- Foreign exchange translation reserve
  - The foreign exchange translation reserve is used to record exchange difference arising from the translation of the financial statements of foreign operations.
- Share option reserve
  - The share option reserve is used for the issue of share options during the year plus charges relating to previously issued options.
- Merger relief reserve
  - The merger relief reserve relates to the share premium attributable to shares issued in relation to the acquisition of Bigblu Operations Limited (Formerly Satellite Solutions Worldwide Limited).

5. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed within the financial statements or related notes.

6. Availability of the Half Year Report

A copy of these results will be made available for inspection at the Company's registered office during normal business hours on any week day. The Company's registered office is at Broadband House, 108 Churchill Road, Bicester OX26 4XD. The Company is registered in England No. 9223439.

A copy can also be downloaded from the Company's website at https://www.bigblu.com