

7 December 2020

Corp

Ticker BBB:AIM

Technology & Telecoms

Shares in issue (m) 57.6

Next results FY Mar

Price 100.0p

Target price 180.0p

Upside 80%

Market cap £57.6m

Net debt/(cash) -£7.2m

Other EV adjustments £20.7m

Enterprise value £71.0m

What's changed? From To

Adjusted EPS 4.4 4.4

Target price 170.0 180.0

Share price performance



%	1M	3M	12M
Actual	-0.5	12.4	-8.7

Company description

Bigblu Broadband provides broadband to homes and businesses in predominantly rural areas

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► Bigblu Broadband*

Major subsidy win drives further FY21 & FY22 upgrades

Quickline has today won a £12.3m subsidy to provide 15.8k premises with superfast (>30 Mbps), ultrafast (>100 Mbps), and in some cases gigabit-capable broadband on behalf of the North Yorkshire Local Authority. This almost doubles the amount of cash subsidies that Quickline has won since September 2020 to £27.4m, almost doubles the related network investment to £33.5m, and almost doubles the premises covered by these grants to 32.0k. The tender win today will see total investment of £14.5m in fibre-backed fixed wireless networks over the next two years, with the £12.3m subsidy funded by the Authority in partnership with BDUK, and Quickline investing £2.2m. As we explain from p17 of our [1 December 2020 report](#), this leads to upgrades to our Quickline revenue and EBITDA, which drives an upgrade to group revenue forecasts of +1% in FY21 and +3% in FY22, and an upgrade to group EBITDA of +6% in FY21 and +12% in FY22. As BBB focuses on creating shareholder value across all of its three core assets, we are now forecasting group FY21 organic revenue growth of +22% (+13% excluding grants), and +15% (+10% exc grants) in FY22. Our next 12-month group EBITDA growth of +28% then compares with peers with +8-10%, and this makes BBB look undervalued on 10x 12-month forward EV/EBITDA with peers on 12-17x. We upgrade our price target to 180p based on 12x FY22 EV/EBITDA.

► **Quickline has now won four tenders to provide fibre-backed network coverage to 32k premises in the next 2 years** – This is the fourth BDUK Superfast Broadband Programme contract that Quickline has won since September, and when combined with Quickline's existing network footprint and Rural Gigabit Vouchers, Quickline will be able to target over 100k premises in the next 2 years, and quickly build from its current subscriber base of c7k. In 2021, we expect Quickline will be focused on a fast, diligent deployment of its network to release grant funding, connecting subscribers in grant premises or using Rural Gigabit Vouchers, and engaging in future tenders after Quickline's successes in the past four months.

► **Momentum is building strongly for BBB's investment case** – Today's win reflects the focus of BBB's management and board to drive growth and create value in its three core assets, where we expect: Australia can deliver organic revenue growth of +10-20% pa and generate OpFCF of over £3.5m pa; Quickline's investment in gigabit-capable rural networks is creating an infrastructure asset that could generate over £10m of EBITDA pa in the long term; focused investment in the Nordic business can enhance the subscriber base and deliver a return to organic growth in FY22.

Key estimates		2018A	2019A	2020E	2021E	2022E
Year end:		Nov	Nov	Nov	Nov	Nov
Revenue	£m	55.4	62.1	27.0	33.7	38.9
Adj EBITDA	£m	6.8	11.7	6.1	7.7	10.4
Adj EBIT	£m	0.2	7.1	4.5	5.3	6.7
Adj PBT	£m	-2.0	4.5	2.8	4.8	6.2
Adj EPS	p	-0.2	8.4	4.4	7.3	8.5
DPS	p	0.0	0.0	0.0	0.0	0.0

Key valuation metrics		2018A	2019A	2020E	2021E	2022E
EV/EBIT (adj)	x	401.2	10.0	15.8	13.5	10.6
P/E (adj)	x	-429.6	11.9	22.6	13.6	11.8
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Free cash yield	%	1.9%	-6.7%	-9.4%	-13.0%	2.5%
Pre-tax ROCE	%	0.7%	21.9%	11.1%	12.4%	14.8%

Major subsidy win drives further FY21 & FY22 upgrades

Income statement		2019A	2020E	2021E	2022E
Year end:		Nov	Nov	Nov	Nov
Sales	£m	62.1	27.0	33.7	38.9
Gross profit	£m	27.2	12.2	15.6	19.4
EBITDA (adjusted)	£m	11.7	6.1	7.7	10.4
EBIT (adjusted)	£m	7.1	4.5	5.3	6.7
Associates/other	£m	0.0	0.0	0.0	0.0
Net interest	£m	-2.6	-1.7	-0.5	-0.5
PBT (adjusted)	£m	4.5	2.8	4.8	6.2
Total adjustments	£m	-12.7	22.7	-2.8	-3.8
PBT (stated)	£m	-8.3	25.5	2.0	2.5
Tax charge	£m	0.2	-0.3	-0.2	-0.3
Minorities	£m	0.1	0.1	0.1	0.0
Reported earnings	£m	-7.9	25.3	1.9	2.2
Adjusted earnings	£m	4.8	2.6	4.2	4.9
Shares in issue (year end)	m	57.6	57.7	57.9	58.2
EPS (stated)	p	-13.9	43.9	3.3	3.8
EPS (adjusted, fully diluted)	p	8.4	4.4	7.3	8.5
DPS	p	0.0	0.0	0.0	0.0

Cash flow		2019A	2020E	2021E	2022E
Year end:		Nov	Nov	Nov	Nov
EBITDA	£m	11.7	6.1	7.7	10.4
Net change in working capital	£m	0.9	1.6	6.0	3.4
Other operating items	£m				
Cash flow from op. activities	£m	7.2	1.4	13.2	13.8
Cash interest	£m	-2.1	-2.1	-0.5	-0.5
Cash tax	£m	0.0	0.0	0.0	-0.2
Capex	£m	-8.9	-4.6	-20.2	-11.7
Free cash flow	£m	-3.9	-5.4	-7.5	1.5
Acquisitions / disposals	£m	-0.9	36.5	1.5	0.0
Dividends	£m	0.0	0.0	0.0	0.0
Shares issued	£m	0.0	0.0	0.0	0.0
Other	£m	5.6	-21.9	0.0	0.0
Net change in cash flow	£m	0.9	9.2	-5.9	1.5
Opening net cash (debt)	£m	-12.1	-14.2	7.2	3.3
Closing net cash (debt)	£m	-14.2	7.2	3.3	4.8

Balance sheet		2019A	2020E	2021E	2022E
Year end:		Nov	Nov	Nov	Nov
Tangible fixed assets	£m	15.9	15.6	30.5	35.5
Goodwill & other intangibles	£m	29.4	28.4	27.7	27.2
Other non current assets	£m	0.7	0.7	0.7	0.7
Net working capital	£m	-17.8	-4.0	-4.7	-4.4
Other assets	£m	0.0	0.0	0.0	0.0
Other liabilities	£m	-1.7	-15.4	-20.9	-24.6
Gross cash & cash equivs	£m	6.0	15.2	9.3	10.8
Capital employed	£m	32.4	40.6	42.6	45.2
Gross debt	£m	25.8	12.5	10.5	10.5
Net pension liability	£m	0.0	0.0	0.0	0.0
Shareholders equity	£m	3.1	24.9	27.0	29.6
Minorities	£m	3.4	3.3	5.1	5.1
Capital employed	£m	32.4	40.6	42.6	45.2

Growth analysis		2019A	2020E	2021E	2022E
Year end:		Nov	Nov	Nov	Nov
Sales growth	%	12.2%	-56.6%	25.0%	15.4%
EBITDA growth	%	71.8%	-47.8%	26.8%	34.0%
EBIT growth	%	n/m	-36.4%	17.1%	27.0%
PBT growth	%	324.3%	-37.7%	71.7%	30.7%
EPS growth	%	n/m	-47.3%	65.9%	15.8%
DPS growth	%	n/m	n/m	n/m	n/m

Profitability analysis		2019A	2020E	2021E	2022E
Year end:		Nov	Nov	Nov	Nov
Gross margin	%	43.8%	45.1%	46.2%	49.8%
EBITDA margin	%	18.8%	22.6%	23.0%	26.7%
EBIT margin	%	11.4%	16.7%	15.7%	17.2%
PBT margin	%	7.2%	10.3%	14.2%	16.1%
Net margin	%	7.7%	9.5%	12.6%	12.7%

Cash flow analysis		2019A	2020E	2021E	2022E
Year end:		Nov	Nov	Nov	Nov
Cash conv'n (op cash / EBITDA)	%	61.5%	22.5%	171.0%	133.2%
Cash conv'n (FCF / EBITDA)	%	-33.0%	-88.4%	-96.5%	14.0%
U/lying FCF (capex = depn)	£m	0.4	-2.4	10.3	9.5
Cash quality (u/l FCF / adj earn)	%	9.3%	-92.9%	242.0%	192.0%
Investment rate (capex / depn)	x	1.9	2.9	8.2	3.2
Interest cash cover	x	3.4	0.6	26.6	30.2
Dividend cash cover	x	n/a	n/a	n/a	n/m

Working capital analysis		2019A	2020E	2021E	2022E
Year end:		Nov	Nov	Nov	Nov
Net working capital / sales	%	-28.7%	-14.9%	-13.9%	-11.4%
Net working capital / sales	days	-105	-54	-51	-42
Inventory (days)	days	23	28	28	26
Receivables (days)	days	49	88	88	88
Payables (days)	days	177	171	167	156

Leverage analysis		2019A	2020E	2021E	2022E
Year end:		Nov	Nov	Nov	Nov
Net debt / equity	%	630.5%	net cash	4.5%	net cash
Net debt / EBITDA	x	1.7	net cash	0.2	net cash
Liabilities / capital employed	%	79.8%	30.8%	24.6%	23.3%

Capital efficiency & intrinsic value		2019A	2020E	2021E	2022E
Year end:		Nov	Nov	Nov	Nov
Adjusted return on equity	%	151.7%	10.3%	15.7%	16.7%
RoCE (EBIT basis, pre-tax)	%	21.9%	11.1%	12.4%	14.8%
RoCE (u/lying FCF basis)	%	1.4%	-5.8%	24.1%	21.0%
NAV per share	p	5.5	43.1	46.7	50.8
NTA per share	p	-45.5	-6.2	-1.2	4.0

Investment case

Company description – Bigblu Broadband (BBB) is focused on providing broadband to homes and businesses in the UK, Australia, and Nordics, which are outside of the fibre footprint and predominantly in rural areas. This means that the alternative for these homes and businesses is traditional fixed telecoms networks (like BT Openreach in the UK) that typically offer a low speed/quality service. To provide its service, BBB deploys its own network infrastructure in the UK and Nordics to offer fibre-backed fixed wireless solutions, or BBB procures satellite capacity from satellite operators in Australasia and the Nordics to offer satellite broadband to customers. Following the disposal of its satellite operations in the UK and mainland Europe to Eutelsat in September 2020, its main markets are Australia (c60% of FY21 revenue), the UK (c20% of FY21 revenue) and the Nordics (primarily Norway, c20% of FY21 revenue).

Valuation (p5)

- ▶ We value Bigblu Broadband at 12x FY 2022 adjusted EBITDA or 180p.
- ▶ BBB is trading at a discount to peers with similar financial growth forecasts.

Investment Factor 1 – BBB's Australian business can deliver organic revenue growth of +10-20% pa, OpFCF of over £3.5m pa, and support expansion into neighbouring markets (p5 of [1 December 2020 report](#))

- ▶ Australia's government-backed NBN Co provides wholesale broadband access across Australia to Retail Service Providers (RSPs) such as BBB.
- ▶ BBB's SkyMesh was awarded the Best Satellite NBN provider in both 2019 and 2020, and we expect BBB to add at least 6k net adds pa in our forecasts.
- ▶ The new Sky Muster Plus product can drive ARPU growth, and we forecast organic revenue growth of +10-20% pa, with EBITDA and OpFCF of over £3.5m.
- ▶ Broader opportunities in Australasia could supplement Australia's strong organic growth, and grow the division's subscriber base to over 80k in the next 3 years.
- ▶ We watch for continued organic growth in Australia, and BBB expanding in the region.

Investment Factor 2 – BBB's Quickline business is excellently positioned to deploy gigabit-capable rural networks in the UK, and Quickline is creating an infrastructure asset that could generate over £10m of EBITDA pa in the long term (p9 of [1 December 2020 report](#))

Quickline's market and structural position:

- ▶ The UK government is targeting gigabit-capable broadband for 85% of UK households by 2025 and 100% in the long term, but less than 60% of households can currently access 100 Mbps.
- ▶ To achieve faster broadband speeds, traditional telecoms networks are being upgraded to FTTP, but as it is typically not commercially viable to deploy FTTP in rural areas, these areas are very likely to be left behind with slower broadband.
- ▶ This is leading the UK government to provide funding to deploy gigabit-capable broadband in rural areas, including £5bn from 2021, which presents Quickline with a major growth opportunity.
- ▶ BBB's Quickline business uses 5G, other fixed wireless technologies, and FTTP to provide consumers and businesses with broadband speeds of up to 1 Gbps across the North of England.

Major subsidy win drives further FY21 & FY22 upgrades

- ▶ Quickline competes to win government contracts to build next generation networks with government subsidies, then focuses on migrating subscribers from the slower copper-based fixed broadband networks.
- ▶ Quickline is excellently positioned due to the strategic relationships it has developed with governments and other stakeholders, and economies of scale from first-mover advantages and BBB's platform.

Quickline's 2020 tender wins and forecasts:

- ▶ The four September-December 2020 tender wins will see Quickline invest £33.5m of capex and receive cash subsidies of £27.4m, to provide network coverage to 32k intervention premises and deliver a ROIC of at least 15% on a wholesale basis.
- ▶ Quickline will expand its network to target over 100k premises in 2 years, and grant income and subscriber revenue will grow Quickline's revenue to £9.7m in FY22 from £3.6m in FY20.
- ▶ To deliver the tenders and prepare for future contract wins we assume Quickline's opex increases to £2.7m in FY22, but the receipt of grant cash means that EBITDA grows to £5.5m in FY22 from £1.0m in FY20.
- ▶ Quickline's investment will create a future-proof infrastructure asset, which could become the incumbent network where it is deployed within 5-20 years, potentially generate over £10m pa of EBITDA in the long term, and attract interest from a range of parties.
- ▶ We watch for Quickline successfully delivering on its existing tender wins, for continued growth in Quickline's subscribers and financials, and Quickline announcing further contract wins in 2020 and beyond.

Investment Factor 3 – Focused investment in BBB's Nordic business can enhance the subscriber base, deliver a return to organic growth, and create value ahead of new satellites launching in 2022 (p24 of [1 December 2020 report](#))

- ▶ BBB's Nordic business currently provides fixed wireless and satellite broadband in Norway, and BBB is investing £2m in FY21 to selectively upgrade its fixed wireless network.
- ▶ We expect the fixed wireless subscriber base to stabilise in FY21, and expect growth in BBB's satellite business as it expands across the region, potentially with support from incumbents Telenor and Telia.
- ▶ Upgraded fixed wireless towers can drive higher ARPUs, and enable the Nordics to return to +8% organic revenue growth in FY22 after a flat FY21.
- ▶ Decommissioning costs of £0.5m reduce our FY21 EBITDA to £2.2m, before growth to £2.3m in FY22 reflects management's focus on controlling costs and creating value.
- ▶ In 2022, BBB's Nordic operations will benefit from greater satellite capacity from both Eutelsat and ViaSat, and this could provide attractive opportunities for the division.
- ▶ We watch for growth in BBB's satellite business, stabilisation then growth in fixed wireless KPIs through 2021, and the operational launch of new satellites in 2022.

Management, board, and major shareholders (p30 of [1 December 2020 report](#))

- ▶ BBB's major shareholders include a mix of major UK fund managers and substantial management stakes.
- ▶ BBB's management and board demonstrate extensive experience in telecoms, technology, and public markets.

Valuation

- ▶ We value Bigblu Broadband at 12x FY 2022 adjusted EBITDA or 180p.
- ▶ BBB is trading at a discount to peers with similar financial growth forecasts.

We value Bigblu Broadband at 12x FY 2022 adjusted EBITDA or 180p

We include the Quickline minority investors as an 'Other EV adjustment' in the table below. Following today's announcement, we update the BBB stake in Quickline to 56.9% from 62.7%, as we expect Quickline to draw down the final £2m of equity committed by Harwood Capital and Quickline's Chairman, to leave a balance of £4m of debt available for Quickline to draw upon. We include the £2m draw down as a positive cash inflow in our BBB group cash flow statement in FY21.

Figure 1: Bigblu Broadband multiples at the current and target price, and forecast growth of the relevant financials over the next 12 months

			At current: 100p			At target: 180p		
			12m fwd	2021	2022	12m fwd	2021	2022
Market cap (diluted)	£m			57.9	58.2		104.3	104.8
FX adjustment	x			1.00	1.00		1.0	1.0
Market cap (diluted)	£m			57.9	58.2		104.3	104.8
Net debt/(cash) inc leases	£m			1.2	-0.3		1.2	-0.3
Other EV adjustments	£m			20.7	20.7		20.7	20.7
Rolling Group EV	£m			79.8	78.6		126.2	125.2
Adj net cash/(debt) /share	p			5.7	8.2		5.7	8.2
EV/Sales	x	26.6%	2.4	2.4	2.0	3.7	3.7	3.2
EV/EBITDA	x	28.0%	10.3	10.3	7.6	16.3	16.3	12.1
EV/EBIT	x	17.8%	15.1	15.1	11.7	23.9	23.9	18.7
EV/OpFCF (unadj cash)	x	nm	-12.2	-12.3	37.3	-19.3	-19.5	59.4
FCFF yield	%	nm	-17.7%	-17.6%	-3.6%	-11.2%	-11.2%	-2.3%
P/E (adjusted, diluted)	x	67.7%	13.6	13.6	11.8	24.4	24.5	21.2
P/E (reported, diluted)	x	-93.3%	33.5	30.1	26.4	60.3	54.2	47.6
EFCF yield (unadj cash)	%	nm	-12.9%	-12.9%	2.5%	-7.2%	-7.2%	1.4%
Dividend yield	%		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Adj ND/EBITDA exc leases	x	28.0%	cash	cash	cash	cash	cash	cash

Source: finnCap

BBB is trading at a discount to peers with similar financial growth forecasts

Figure 2: Bigblu Broadband trades at a discount to peers with similar financial growth forecasts (table shows 12-month forward multiples and growth rates of 12-month forward estimates vs the last 12 months; index and peer figures are median averages)

	Security Currency	Mkt Cap (£m)	EV/ Sales	Sales Growth	EV/ EBITDA	EBITDA Growth	FCF yield	P/E	EPS Growth
American Tower	\$	75,394	15.6	7.6%	24.1	8.7%	3.7%	41.8	28.1%
Crown Castle	\$	52,340	15.2	5.4%	26.0	5.7%	3.3%	70.5	29.8%
SBA Communications	\$	23,624	20.7	5.2%	28.8	5.7%	4.0%	109.1	nm
Cellnex	€	21,948	13.3	26.0%	17.3	34.5%	-3.5%	334.7	nm
Tower peers		37,982	15.4	6.5%	25.1	7.2%	3.5%	89.8	28.9%
BT	£	13,378	1.5	-2.1%	4.3	-0.8%	8.8%	7.1	-6.4%
LBTY / (VMED)	\$	10,563	1.8	3.2%	4.6	-2.1%	13.3%	20.9	-39.1%
TalkTalk	£	1,098	1.4	-0.4%	7.3	-4.4%	6.6%	21.6	-7.0%
Telecom Plus	£	1,170	1.3	3.4%	16.8	9.2%	3.3%	23.8	4.4%
Vodafone	£	34,927	2.2	-0.2%	6.3	2.4%	12.6%	16.1	30.4%
UK Telecoms peers		10,563	1.5	-0.2%	6.3	-0.8%	8.8%	20.9	-6.4%
iomart Group plc	£	340	3.4	3.6%	9.2	3.0%	4.8%	19.7	2.0%
NCC Group plc	£	638	2.4	6.5%	14.4	10.9%	4.0%	25.1	18.0%
Redcentric Plc	£	199	2.2	7.6%	8.2	9.7%	7.7%	16.7	22.7%
Gamma	£	1,517	3.5	13.3%	17.8	12.8%	2.7%	29.4	12.2%
fC T40 & N50 peers		489	2.9	7.0%	11.8	10.3%	4.4%	22.4	15.1%
fC Tech 40		358	3.5	6.8%	15.8	7.9%	2.2%	32.3	7.3%
fC T40 MS & Telco		271	2.3	5.7%	9.4	6.4%	4.4%	18.2	20.3%
fC Next 50		55	2.7	9.6%	16.8	8.5%	2.4%	26.4	7.7%
FTSE All-Share			1.6	7.0%	8.9	12.8%	5.6%	16.1	41.0%

Source: finnCap

Major subsidy win drives further FY21 & FY22 upgrades

Income statement		2018A	2019A	2020E	2021E	2022E
Year end:		Nov	Nov	Nov	Nov	Nov
Sales	£m	55.4	62.1	27.0	33.7	38.9
Cost of sales	£m	-32.9	-34.9	-14.8	-18.1	-19.5
Gross profit	£m	22.5	27.2	12.2	15.6	19.4
Operating expenses	£m	-15.7	-15.5	-6.1	-7.8	-9.0
EBITDA (adjusted)	£m	6.8	11.7	6.1	7.7	10.4
Depreciation	£m	-6.6	-4.6	-1.6	-2.5	-3.7
Amortisation	£m	0.0	0.0	0.0	0.0	0.0
EBIT (adjusted)	£m	0.2	7.1	4.5	5.3	6.7
Associates/other	£m	0.0	0.0	0.0	0.0	0.0
Net interest	£m	-2.2	-2.6	-1.7	-0.5	-0.5
PBT (adjusted)	£m	-2.0	4.5	2.8	4.8	6.2
restructuring costs	£m	-5.3	-4.9	-1.0	-0.5	0.0
share based payments	£m	-0.4	-0.4	-0.2	-0.2	-0.3
other adjustments	£m	-7.5	-7.4	23.9	-2.1	-3.5
Total adjustments	£m	-13.2	-12.7	22.7	-2.8	-3.8
PBT (stated)	£m	-15.2	-8.3	25.5	2.0	2.5
Tax charge	£m	1.9	0.2	-0.3	-0.2	-0.3
tax rate	%	n/a	n/a	1.2	10.1	11.0
Minorities	£m	0.0	0.1	0.1	0.1	0.0
Reported earnings	£m	-13.3	-7.9	25.3	1.9	2.2
Tax effect of adjustments / other	£m	0.0	0.0	0.0	-0.5	-1.0
Adjusted earnings	£m	-0.1	4.8	2.6	4.2	4.9
shares in issue (year end)	m	56.7	57.6	57.7	57.9	58.2
shares in issue (weighted average)	m	51.6	56.9	57.6	57.8	58.1
shares in issue (fully diluted)	m	51.6	56.9	57.6	57.8	58.1
EPS (adjusted, fully diluted)	p	-0.2	8.4	4.4	7.3	8.5
EPS (stated)	p	-25.8	-13.9	43.9	3.3	3.8
DPS	p	0.0	0.0	0.0	0.0	0.0

Growth analysis (adjusted basis where applicable)						
Sales growth	%	26.1%	12.2%	-56.6%	25.0%	15.4%
EBITDA growth	%	45.7%	71.8%	-47.8%	26.8%	34.0%
EBIT growth	%	-90.9%	n/m	-36.4%	17.1%	27.0%
PBT growth	%	n/m	324.3%	-37.7%	71.7%	30.7%
EPS growth	%	-157.4%	n/m	-47.3%	65.9%	15.8%
DPS growth	%	n/m	n/m	n/m	n/m	n/m

Profitability analysis (adjusted basis where applicable)						
Gross margin	%	40.6%	43.8%	45.1%	46.2%	49.8%
EBITDA margin	%	12.3%	18.8%	22.6%	23.0%	26.7%
EBIT margin	%	0.3%	11.4%	16.7%	15.7%	17.2%
PBT margin	%	-3.6%	7.2%	10.3%	14.2%	16.1%
Net margin	%	-0.2%	7.7%	9.5%	12.6%	12.7%

Major subsidy win drives further FY21 & FY22 upgrades

Cash flow		2018A	2019A	2020E	2021E	2022E
Year end:		Nov	Nov	Nov	Nov	Nov
EBITDA	£m	6.8	11.7	6.1	7.7	10.4
Net change in working capital	£m	6.0	0.9	1.6	6.0	3.4
Share based payments	£m					
Profit/(loss) on sale of assets	£m					
Net pensions charge	£m					
Change in provision	£m					
Other items	£m	-8.0	-5.4	-6.3	-0.5	0.0
Cash flow from operating activities	£m	4.9	7.2	1.4	13.2	13.8
Cash interest	£m	-1.5	-2.1	-2.1	-0.5	-0.5
Tax paid	£m	-0.0	0.0	0.0	0.0	-0.2
Capex	£m	-2.3	-8.9	-4.6	-20.2	-11.7
Free cash flow	£m	1.1	-3.9	-5.4	-7.5	1.5
Disposals	£m	0.0	0.0	37.2	1.5	0.0
Acquisitions	£m	-13.7	-0.9	-0.7	0.0	0.0
Dividends on ord shares	£m	0.0	0.0	0.0	0.0	0.0
Other cashflow items	£m	2.2	5.6	-21.9	0.0	0.0
Issue of share capital	£m	11.9	0.0	0.0	0.0	0.0
Net change in cash flow	£m	1.6	0.9	9.2	-5.9	1.5
Opening net cash (debt)	£m	-13.1	-12.1	-14.2	7.2	3.3
Closing net cash (debt)	£m	-12.1	-14.2	7.2	3.3	4.8

Cash flow analysis						
Cash conversion (op cash flow / EBITDA)	%	71.6%	61.5%	22.5%	171.0%	133.2%
Cash conversion (free cash flow / EBITDA)	%	16.0%	-33.0%	-88.4%	-96.5%	14.0%
Underlying free cash flow (capex = depreciation)	£m	-3.3	0.4	-2.4	10.3	9.5
Cash quality (underlying FCF / adjusted earnings)	%	n/m	9.3%	-92.9%	242.0%	192.0%
Investment rate (capex / depn)	x	0.3	1.9	2.9	8.2	3.2
Interest cash cover	x	3.3	3.4	0.6	26.6	30.2
Dividend cash cover	x	n/m	n/a	n/a	n/a	n/m

Major subsidy win drives further FY21 & FY22 upgrades

Balance sheet		2018A	2019A	2020E	2021E	2022E
Year end:		Nov	Nov	Nov	Nov	Nov
Tangible fixed assets	£m	5.5	15.9	15.6	30.5	35.5
Goodwill	£m	29.0	25.7	25.7	25.7	25.7
Other intangibles	£m	7.1	3.7	2.8	2.1	1.5
Other non current assets	£m	0.1	0.7	0.7	0.7	0.7
<i>inventories</i>	£m	2.0	3.9	2.1	2.6	2.8
<i>trade receivables</i>	£m	9.9	8.3	6.5	8.1	9.4
<i>trade payables</i>	£m	-28.4	-30.0	-12.6	-15.4	-16.6
Net working capital	£m	-16.5	-17.8	-4.0	-4.7	-4.4
Other assets	£m	0.9	0.0	0.0	0.0	0.0
Other liabilities	£m	-3.9	-1.7	-15.4	-20.9	-24.6
Gross cash & cash equivalents	£m	5.1	6.0	15.2	9.3	10.8
Capital employed	£m	27.2	32.4	40.6	42.6	45.2
Gross debt	£m	17.1	25.8	12.5	10.5	10.5
Net pension liability	£m	0.0	0.0	0.0	0.0	0.0
Shareholders equity	£m	10.1	3.1	24.9	27.0	29.6
Minorities	£m	0.0	3.4	3.3	5.1	5.1
Capital employed	£m	27.2	32.4	40.6	42.6	45.2

Leverage analysis						
Net debt / equity	%	119.4%	630.5%	net cash	4.5%	net cash
Net debt / EBITDA	x	1.8	1.7	net cash	0.2	net cash
Liabilities / capital employed	%	62.9%	79.8%	30.8%	24.6%	23.3%

Working capital analysis						
Net working capital / sales	%	-29.8%	-28.7%	-14.9%	-13.9%	-11.4%
Net working capital / sales	days	-109	-105	-54	-51	-42
Inventory (days)	days	13	23	28	28	26
Receivables (days)	days	65	49	88	88	88
Payables (days)	days	187	177	171	167	156

Capital efficiency & intrinsic value						
Adjusted return on equity	%	-1.2%	151.7%	10.3%	15.7%	16.7%
RoCE (EBIT basis, pre-tax)	%	0.7%	21.9%	11.1%	12.4%	14.8%
RoCE (underlying free cash flow basis)	%	-12.0%	1.4%	-5.8%	24.1%	21.0%
NAV per share	p	17.8	5.5	43.1	46.7	50.8
NTA per share	p	-45.8	-45.5	-6.2	-1.2	4.0

Major subsidy win drives further FY21 & FY22 upgrades

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