finnCap CAPITAL MARKETS

Company Note

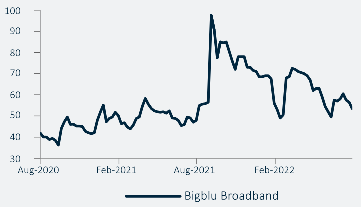
30 August 2022

Corp

Ticker	BBB:AIM
Technology & Telecoms	
Shares in issue (m)	58.4
Next results	FY Mar
Price	53.5p
Target price	90.0p
Upside	68%
Market cap	£31.2m
Net debt/(cash)	-£4.5m
Other EV adjustments	-£7.3m
Enterprise value	£19.4m

What's changed?	From	To
Adjusted EPS	4.5	4.5
Target price	90.0	n/c

Share price performance



%	1M	3M	12M
Actual	-7.8	-13.7	11.6

Company description

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

Michael Hill
Director of Research
mhill@finncap.com
020 7220 0554

Andrew Darley
Director of Research
adarley@finncap.com
020 7220 0547

Sales desk 020 7220 0522

Trading desk 020 7220 0533

* denotes corporate client of finnCap

BIGBLU BROADBAND*

H1 22 organic revenue growth of +12% and positive EFCF

BBB's H1 22 results demonstrate strong organic revenue growth of +12% to £14.9m, adjusted EBITDA of £2.0m, and adjusted EFCF of £0.4m. The group's performance has continued to be driven by Australasia's +16% organic revenue growth to £12.6m, with subscriber growth and upselling further boosted by the successful acquisition and integration of Clear to strengthen the division's presence around Melbourne and in B2B. The Nordics faced a challenging H1 due to the cyber-attack on ViaSat impacting BBB's satellite customers, and following the lapping of the decommissioning of c100 fixed wireless towers in FY21, revenue was 20% lower at £1.9m in H1. Despite being unable to receive a service for several months, the loss of only 0.8k of its 3k Nordic satellite subscribers highlights the importance and quality of BBB's solution, and its 5G fixed wireless service is demonstrating strong early momentum, as it has already reached 0.5k customers with annualised churn of 7%. H1 22 adjusted EBITDA of £2.0m is unchanged on H1 21, as Australasia has delivered strong growth while BBB has invested to achieve a return to growth in the Nordics. H1 22 underlying EFCF of £0.4m has driven unadjusted EFCF of £0.5m, which was supported by an exceptional payment from earlier M&A activities offsetting exceptionals relating to set-up costs and M&A. The acquisition of Clear for £1.2m in January 2022 then led H1 22 net cash to £4.5m from £5.2m at FY21. We reiterate our FY22 and FY23 forecasts alongside today's outlook confirming comfort with FY22 forecasts, and following the return of £26m of cash to shareholders in October 2021, we value BBB at 90p, which includes 73p or 8x FY23 EV/EBITDA for the continuing operations, 12p from BBB's 5% stake in Quickline, and 4p from FY22 net cash. At 54p, the continuing operations are trading on only 4x 12-month forward EV/EBITDA with +7% NTM EBITDA growth, and we look forward to further updates on the group's strategic progress and the FY22 trading update in December.

- **BBB's hybrid investment case** – Following the disposal of Quickline and the return of capital, BBB's management and board are focused on creating shareholder value from its two continuing operations and the remaining stake in Quickline, through a complementary set of broadband technologies: In Australasia, we conservatively expect BBB will deliver organic revenue growth of +14% in FY22 and a conservative +6% in FY23, with OpFCF of over £3m pa, and an excellent platform to expand into neighbouring territories such as New Zealand; In the Nordics, we expect the rationalisation and upgrade of BBB's operations through FY21, and the launch of its 5G FWA solution, will enable it to return to +15% organic growth in FY23, with attractive opportunities as new satellites launch from 2022; At Quickline, the board is actively involved in supporting the business to achieve its excellent potential within UK rural broadband, and increasing the value of BBB's c5% stake.

Key estimates		2019A	2020A	2021A	2022E	2023E
Year end:		Nov	Nov	Nov	Nov	Nov
Revenue	£m	62.1	27.2	27.1	31.9	35.0
Adj EBITDA	£m	11.7	6.2	4.6	4.8	5.2
Adj EBIT	£m	7.1	3.4	3.2	3.4	3.8
Adj PBT	£m	4.5	1.9	2.4	3.3	3.7
Adj EPS	p	8.4	3.1	4.7	4.5	5.2
DPS	p	0.0	0.0	0.0	0.0	0.0
Key valuation metrics						
EV/EBIT (adj)	x	2.7	5.7	6.1	5.7	5.2
P/E (adj)	x	6.4	17.2	11.3	12.0	10.2
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Free cash yield	%	-16.3%	-11.5%	3.7%	0.0%	3.4%
Pre-tax ROCE	%	21.9%	11.3%	18.4%	18.8%	18.4%

H1 22 organic revenue growth of +12% and positive EFCF

Income statement		2020A	2021A	2022E	2023E
Year end:		Nov	Nov	Nov	Nov
Sales	£m	27.2	27.1	31.9	35.0
Gross profit	£m	13.6	12.2	13.0	14.0
EBITDA (adjusted)	£m	6.2	4.6	4.8	5.2
EBIT (adjusted)	**£m**	**3.4**	**3.2**	**3.4**	**3.8**
Associates/other	£m	5.4	0.0	0.0	0.0
Net interest	£m	-7.0	-0.8	-0.1	-0.1
PBT (adjusted)	**£m**	**1.9**	**2.4**	**3.3**	**3.7**
Total adjustments	£m	7.9	-4.1	-1.8	-1.0
PBT (stated)	£m	9.7	-1.7	1.5	2.7
Tax charge	£m	-0.3	0.1	-0.7	-0.5
Minorities/Disc ops	£m	0.2	28.7	0.0	0.0
Reported earnings	£m	9.7	27.0	0.9	2.2
Adjusted earnings	**£m**	**1.8**	**2.7**	**2.8**	**3.1**
Shares in issue (year end)	m	57.6	58.3	58.5	58.7
EPS (stated)	p	16.6	46.4	1.3	3.6
EPS (adjusted, fully diluted)	**p**	**3.1**	**4.7**	**4.5**	**5.2**
DPS	**p**	**0.0**	**0.0**	**0.0**	**0.0**

Growth analysis		2020A	2021A	2022E	2023E
Year end:		Nov	Nov	Nov	Nov
Sales growth	%	-56.2%	-0.4%	17.7%	10.0%
EBITDA growth	%	-46.7%	-26.6%	4.3%	8.4%
EBIT growth	%	-51.7%	-6.8%	6.8%	10.2%
PBT growth	%	-57.5%	25.9%	38.9%	11.0%
EPS growth	%	-62.9%	51.3%	-5.2%	16.9%
DPS growth	%	n/m	n/m	n/m	n/m

Profitability analysis		2020A	2021A	2022E	2023E
Year end:		Nov	Nov	Nov	Nov
Gross margin	%	49.9%	45.0%	41.0%	39.9%
EBITDA margin	%	23.0%	16.9%	15.0%	14.8%
EBIT margin	%	12.6%	11.8%	10.7%	10.7%
PBT margin	%	7.0%	8.8%	10.4%	10.5%
Net margin	%	6.7%	10.2%	8.7%	9.0%

Cash flow		**2020A**	**2021A**	**2022E**	**2023E**
Year end:		**Nov**	**Nov**	**Nov**	**Nov**
EBITDA	£m	6.2	4.6	4.8	5.2
Net change in working capital	£m	-0.5	1.7	-1.1	-0.3
Other operating items	£m	-0.6	-1.1	0.1	-0.3
Cash flow from op. activities	**£m**	**5.1**	**5.2**	**3.7**	**4.6**
Cash interest	£m	-1.3	-0.4	-0.1	-0.1
Cash tax	£m	-0.1	-0.5	-0.7	-0.7
Capex	£m	-5.6	-2.2	-2.3	-2.1
Other items	£m	-1.7	-1.0	-0.7	-0.7
Free cash flow	**£m**	**-3.6**	**1.1**	**0.0**	**1.0**
Acquisitions / disposals	£m	36.2	28.7	1.8	0.0
Dividends	£m	0.0	0.0	0.0	0.0
Shares issued	£m	0.0	-25.7	0.0	0.0
Other	£m	-11.0	-6.3	-3.3	-0.0
Net change in cash flow	**£m**	**21.6**	**-2.2**	**-1.5**	**1.0**
Opening net cash (debt)	£m	-14.2	7.4	5.2	3.7
Closing net cash (debt)	**£m**	**7.4**	**5.2**	**3.7**	**4.7**

Cash flow analysis		2020A	2021A	2022E	2023E
Year end:		Nov	Nov	Nov	Nov
Cash conv'n (op cash / EBITDA)	%	81.2%	114.4%	78.5%	88.4%
Cash conv'n (FCF / EBITDA)	%	-57.6%	25.1%	0.3%	20.2%
U/lying FCF (capex = depn)	£m	-0.8	2.0	0.9	1.7
Cash quality (u/l FCF / adj earn)	%	-46.4%	71.6%	32.7%	54.9%
Investment rate (capex / depn)	x	2.0	1.6	1.7	1.5
Interest cash cover	x	3.9	12.7	43.7	68.9
Dividend cash cover	x	n/a	n/m	n/m	n/m

Working capital analysis		2020A	2021A	2022E	2023E
Year end:		Nov	Nov	Nov	Nov
Net working capital / sales	%	-28.8%	-14.5%	-14.1%	-12.0%
Net working capital / sales	days	-105	-53	-51	-44
Inventory (days)	days	12	9	13	13
Receivables (days)	days	51	65	32	32
Payables (days)	days	168	127	96	89

Balance sheet		2020A	2021A	2022E	2023E
Year end:		Nov	Nov	Nov	Nov
Tangible fixed assets	£m	10.9	4.1	5.2	6.4
Goodwill & other intangibles	£m	12.0	5.6	7.7	7.3
Other non current assets	£m	0.5	6.4	6.5	6.5
Net working capital	£m	-7.8	-3.9	-4.5	-4.2
Other assets	£m	0.0	0.1	0.0	0.0
Other liabilities	£m	-0.7	-0.1	-0.5	-0.3
Gross cash & cash equivs	£m	15.3	5.2	3.7	4.7
Capital employed	**£m**	**30.2**	**17.3**	**18.1**	**20.3**
Gross debt	£m	11.4	1.4	1.0	0.8
Net pension liability	£m	0.0	0.0	0.0	0.0
Shareholders equity	£m	14.2	15.9	17.1	19.5
Minorities	£m	4.6	0.0	0.0	0.0
Capital employed	**£m**	**30.2**	**17.3**	**18.1**	**20.3**

Leverage analysis		2020A	2021A	2022E	2023E
Year end:		Nov	Nov	Nov	Nov
Net debt / equity	%	net cash	net cash	net cash	net cash
Net debt / EBITDA	x	net cash	net cash	net cash	net cash
Liabilities / capital employed	%	37.8%	8.1%	5.5%	3.9%

Capital efficiency & intrinsic value		2020A	2021A	2022E	2023E
Year end:		Nov	Nov	Nov	Nov
Adjusted return on equity	%	12.7%	17.3%	16.2%	16.1%
RoCE (EBIT basis, pre-tax)	%	11.3%	18.4%	18.8%	18.4%
RoCE (u/lying FCF basis)	%	-2.8%	11.4%	5.0%	8.5%
NAV per share	p	24.6	27.3	29.2	33.3
NTA per share	p	3.9	17.7	16.1	20.9

Investment case

Strong H1 22 results with organic growth of +12% (p5)

- H1 22 results follow a transformational 2 years for BBB, and there is an excellent foundation to create additional shareholder value from the two continuing operations and stake in Quickline.
- H1 22 organic revenue grew +12% to £14.9m with 95% recurring airtime revenue, and Australasia continued to drive the group with +16% organic growth, as the Nordics faced a challenging H1.
- H1 22 adjusted EBITDA of £2.0m is unchanged on H1 21, and we reiterate our FY22 forecast of +4% growth to £4.8m, and +8% FY23 growth to £5.2m.
- After returning £26.1m of capital to shareholders in October 2021, we expect BBB will continue to add to its net cash through positive EFCF in FY22 and FY23, including all exceptionals.
- In the table below, we summarise the changes to our forecasts, and we reiterate our FY22 and FY23 revenue and adjusted EBITDA forecasts.

Valuation (p10)

- We value BBB at 90p, including the continuing operations at 8x FY23 EV/EBITDA, and 12p from BBB's Quickline stake.
- At a price of 54p, BBB's continuing operations are trading on only 4x 12-month forward EV/EBITDA.
- BBB's continuing operations are trading at a major discount to peers with similar financial growth forecasts.

Investment Factor 1 – BBB's Australasian business will deliver organic revenue growth of +14% in FY22 and a conservative +6% in FY23, with OpFCF of over £3m pa, as robust growth in Australia is boosted by organic expansion into New Zealand

- Australia's government-backed NBN Co provides wholesale broadband access across Australia to Retail Service Providers (RSPs) with scope for c400k satellite broadband subscribers from c110k today, and in New Zealand BBB has entered into a distribution agreement with satellite operator Kacific.
- BBB's SkyMesh was awarded the Best Satellite NBN provider in 2019, 2020, 2021, and 2022, and BBB will leverage its Australian hub and extensive experience launching satellite operations, to expand into New Zealand.
- In Australia, the Sky Muster Plus product has helped drive ARPU and subs growth, while in New Zealand BBB can scale with high ARPUs from high speed products.
- We forecast organic revenue growth for Australasia of +14% in FY22 and a conservative +6% in FY23.
- Including investment into the launch of the New Zealand operation, we expect Australasia EBITDA and OpFCF of over £3m in FY22 and FY23.
- We watch for continued organic growth in Australia, the successful scaling of BBB's operations in New Zealand, organic or acquisitive expansion into neighbouring territories, and the potential disposal or IPO of BBB's Australasian asset.

Investment Factor 2 – 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 from 2022

- BBB's Nordic business currently provides fixed wireless and satellite broadband in Norway, and BBB invested c£2m in FY21 to selectively upgrade its fixed wireless network.

- We expect the fixed wireless subscriber base will return to growth in H2 22 as BBB scales across Norway with the Telenor fixed wireless agreement, and after the H1 22 impacts on its satellite subscriber base from the ViaSat cyber attack, we expect BBB's satellite business will return to growth across the region in H2 22.
- We expect upgraded fixed wireless solutions will drive higher ARPUs, and enable the Nordics to return to +2% organic revenue growth in FY22 and +15% in FY23.
- Our FY22 and FY23 EBITDA of £1.6m and £2.0m reflect selective investments to scale the business and create value from the refreshed operations.
- From 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 fixed wireless KPIs, stabilisation then growth in its satellite subscriber base through 2022, and the operational launch of new satellites from 2022.

Management, board, and major shareholders (p12)

- 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.
- Our BBB Need to Know table.

Strong H1 22 results with organic growth of +12%

H1 22 results follow a transformational 2 years for BBB, and there is an excellent foundation to create additional shareholder value from the two continuing operations and stake in Quickline

Over the past 24 months, BBB's board and management have successfully delivered two attractively valued disposals that have generated over £60m of cash proceeds, returned £26.1m of cash to shareholders, and transformed the group from net debt of £14.2m at FY19 to net cash of £4.5m at H1 22, which it can selectively deploy to strengthen its two continuing operations:

- **July 2020** – BBB announced the sale of its UK and European satellite operations to Eutelsat for a maximum aggregate consideration of £39.3m, or a highly attractive 7x FY19 EBITDA compared to UK Telecoms and satellite peers on c6x EV/EBITDA.
- **October 2020 –** BBB completed the sale of its UK and European satellite operations to Eutelsat.
- **September-December 2020 –** Quickline won four BDUK Superfast Broadband contracts to provide fibre-backed network coverage to 32k premises in the next 2 years. To expand its network, Quickline planned to invest £33.5m with up to £27.4m of the investment funded by subsidies.
- **February 2021 –** BBB signed an exclusive agreement with satellite operator Kacific to launch operations in New Zealand from its highly successful Australian hub.
- **March 2021 –** Quickline strengthened its board with the appointment of Sean Royce as its new CEO, and its current CEO and founder Steve Jagger became Quickline CTO.
- **April 2021 –** BBB announced the sale of its 52.7% stake in Quickline to Northleaf for a maximum initial consideration to BBB of up to £48.6m, or a highly attractive valuation of 11x 12-month forward EV/Sales and 23x EV/EBITDA, which values Quickline on a comparable basis to established tower companies.
- **June 2021 –** BBB completed the sale of its stake in Quickline to Northleaf.
- **August 21 –** BBB announces that it intends to return £26m of capital to shareholders by the end of October 2021, from its July 21 net cash position of £33m.
- **October 21 –** BBB completes the 45p return of capital through a B share scheme, after receiving shareholder approval in September 21.
- **December 21 –** To further strengthen its position within Australia, BBB announced the complementary acquisition of Clear Networks for up to AU$2.9m or less than 6x trailing EBITDA, which will add c2.2k subscribers, and an established B2B team to drive its initial progress selling B2B solutions in Australia.
- **December 21 –** BBB signed a Distribution Partner Agreement with OneWeb to distribute Low Earth Orbit satellite broadband services as the constellation scales.

During this period, BBB's management and board have continued to focus on creating shareholder value from the group's two continuing operations of Australasia and the Nordics, and have looked to strengthen its position through the December 2021 acquisition of Clear, the reseller agreement with Telenor in the Nordics, and the relationship with OneWeb to provide satellite broadband speeds of over 100 Mbps with low latency.

BBB also retains exposure to the excellent prospects of Quickline within UK rural broadband through its 5% stake, and Northleaf has invested an additional £40m of capital to accelerate the deployment of hybrid 5G and FTTP infrastructure.

H1 22 organic revenue grew +12% to £14.9m with 95% recurring airtime revenue, and Australasia continued to drive the group with +16% organic growth, as the Nordics faced a challenging H1

Following the sale of Quickline in June 2021, BBB has reported H1 22 organic revenue growth of +12% to £14.9m for the continuing operations of Australasia and the Nordics. The H1 22 results are in line with our FY22 and FY23 forecasts, and the outlook in today's release confirms that management and the board are comfortable with market expectations.

The +16% H1 organic growth of BBB's Australasian business, SkyMesh, continues to drive the group's performance. Through H1 it continued to command over 50% market share of net new NBN satellite adds, and in August 2022 it has further enhanced its reputation by being named as the Best Satellite NBN provider for the fourth year in a row.

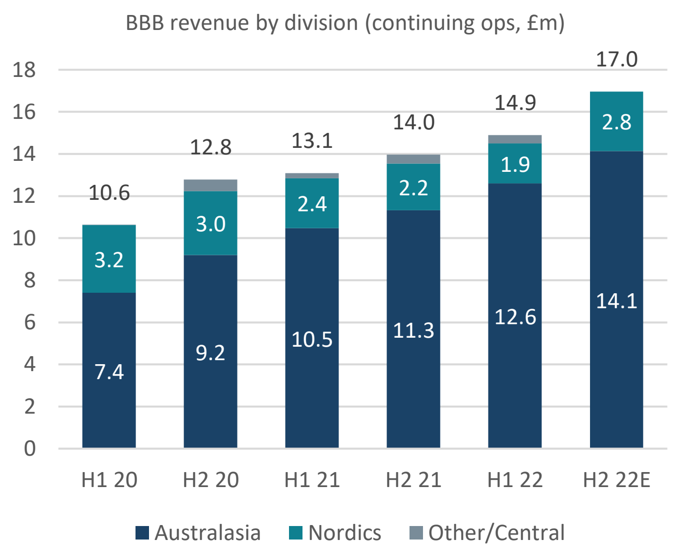
Following NBN Co moving to free up satellite capacity by removing unlimited data tariffs that it offered in response to COVID-19, SkyMesh has focused on selectively winning new subscribers and upselling customers onto the higher ARPU Sky Muster Plus products. The bolt-on acquisition of Clear in December 2021 has then added an additional 2.2k customers, £0.5m of revenue, and importantly strengthened SkyMesh's proposition in B2B.

To accelerate Australasian growth, the expansion into New Zealand has continued to sign up customers through H1 22, and BBB is focused on driving scale through H2 22 now that NZ has fully opened its borders following COVID-19.

From FY23, BBB will also be able to resell OneWeb's new satellite constellation to subscribers, as it focuses on delivering the best broadband solution for each customer's location.

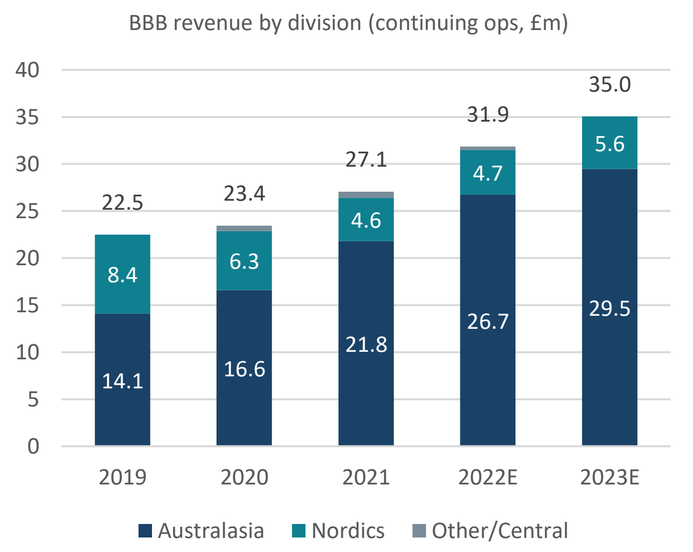
As it looks to build upon organic revenue growth of +14% for FY22 and a conservative +6% for FY23, we expect it will continue to evaluate complementary opportunities such as Clear, the expansion into New Zealand, and the relationship with OneWeb, as it focuses on maximising shareholder value within the region.

Figure 1: Australasia's +16% H1 22 organic revenue growth has driven group organic revenue growth of +12%



Source: finnCap

Figure 2: We expect revenue of £31.9m in FY22 and £35.0m in FY23, or +11% and a conservative +6% organic growth



Source: finnCap

In the Nordics, BBB faced a challenging H1 due to the cyber-attack that impacted its ViaSat satellite subscribers, but it is demonstrating strong, early momentum in its KPIs from the Telenor FWA agreement:

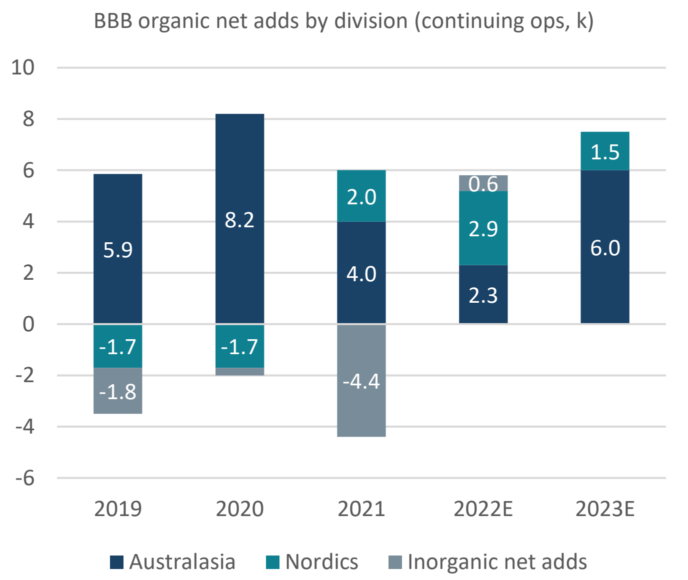
- **Following the cyber-attack on ViaSat, BBB only lost 0.8k of its 3k Nordic satellite subscribers –** The 24 February 2022 cyber attack on ViaSat, which supplies BBB's satellite capacity in the Nordics, led to its c3k customer base being unable to receive a satellite service for several months. Despite the length of the outage, BBB's efforts to support and retain its customers has led to only 0.8k of the 3k leaving, which highlights the importance and quality of its broadband solution relative to the alternatives for these customers.

- **The 5G fixed wireless solution has already reached 0.5k customers with annualised churn of 7% –** Despite equipment shortages causing a 6 month delay in BBB's plans for the Telenor fixed wireless agreement, the early KPIs are demonstrating its potential to deliver strong revenue growth in the region. The impressively low churn is based on customers that are currently taking monthly contracts, and BBB plans to convert its growing subscriber base to 1 year contracts in the coming months.

The H1 22 revenue decline of -20% yoy reflects the cyber attack and the successful completion of the Nordic infrastructure upgrade program through FY21, where BBB upgraded c55 towers and decommissioned c100 loss-making sites in areas where it was or expected to be competing with fibre.

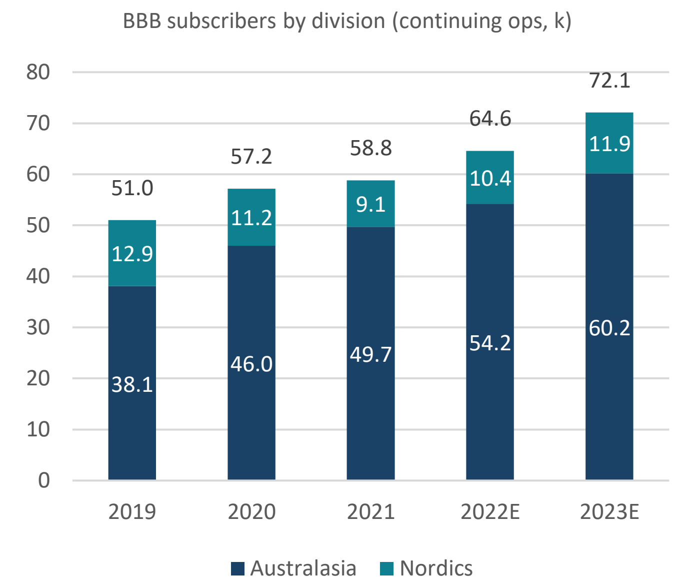
After these challenges, our H2 22 revenue implies a strong rebound to £2.8m vs £1.9m in H1, and a fast scaling of the 5G fixed wireless solution will be pivotal in achieving our forecast. As the decommissioning program stops impacting the yoy comp in FY23, we look forward to the Nordics returning to +15% organic growth, and note the potential for its relationships with OneWeb and ViaSat to evolve and accelerate its growth.

Figure 3: Australasia is driving the growth in BBB's subscriber base, as the Nordics faced a challenging H1



Source: finnCap

Figure 4: We expect selective subscriber growth in Australasia and the Nordics will drive FY22 subs of 65k and FY23 subs of 72k



Source: finnCap

H1 22 adjusted EBITDA of £2.0m is unchanged on H1 21, and we reiterate our FY22 forecast of +4% growth to £4.8m, and +8% FY23 growth to £5.2m

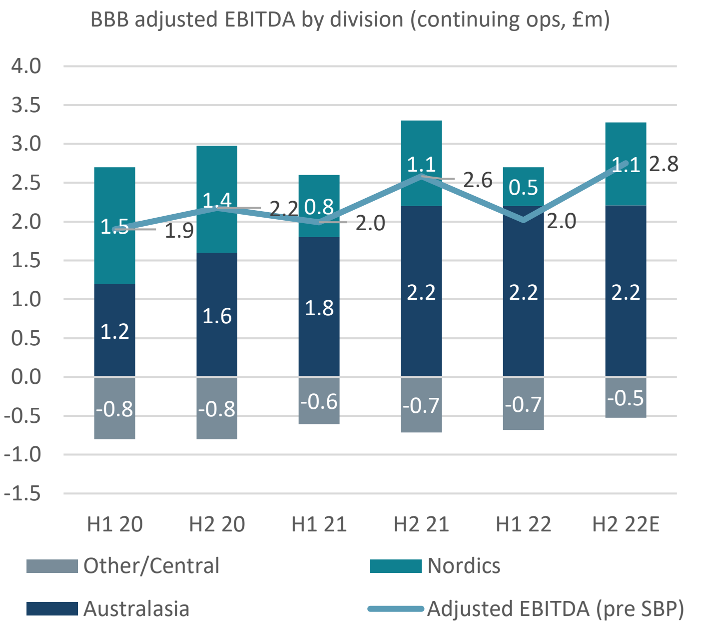
For the continuing operations, H1 22 adjusted EBITDA of £2.0m is unchanged vs H1 21, as management has continued to focus on effectively managing the cost base while selectively investing to drive growth.

Within the divisions, Australasia's revenue growth has continued to convert to adjusted EBITDA growth of +22%, while the Nordics H1 performance included the impacts of the cyber attack, and an investment across opex and capex to enhance its offering and integrate the Telenor FWA solution.

Through H2 22, we expect BBB will continue to selectively invest in scaling its operations across the Nordics, scaling its presence in B2B and fixed wireless areas in Australia, and scaling its presence in New Zealand.

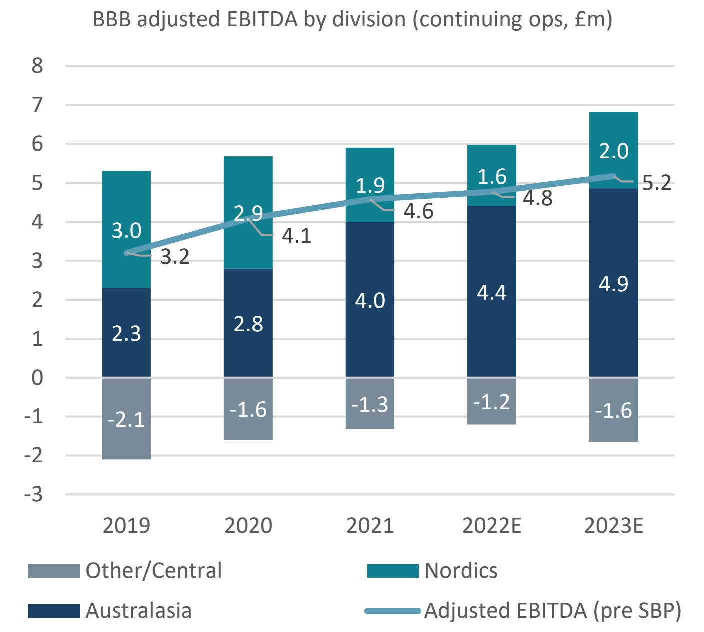
As it evaluates options to further accelerate its growth, such as through its relationship with OneWeb, we expect it will focus on maintaining variability in its cost base, and the flexibility to offer customers the technology that will deliver the best broadband service for their location.

Figure 5: BBB's H1 22 EBITDA of £2.0m is unchanged on H1, as Australasia continued to deliver strong growth



Source: finnCap

Figure 6: We continue to expect BBB's continuing operations will deliver FY22 adjusted EBITDA of £4.8m and £5.2m in FY23



Source: finnCap

After returning £26.1m of capital to shareholders in October 2021, we expect BBB will continue to add to its net cash through positive EFCF in FY22 and FY23, including all exceptionals

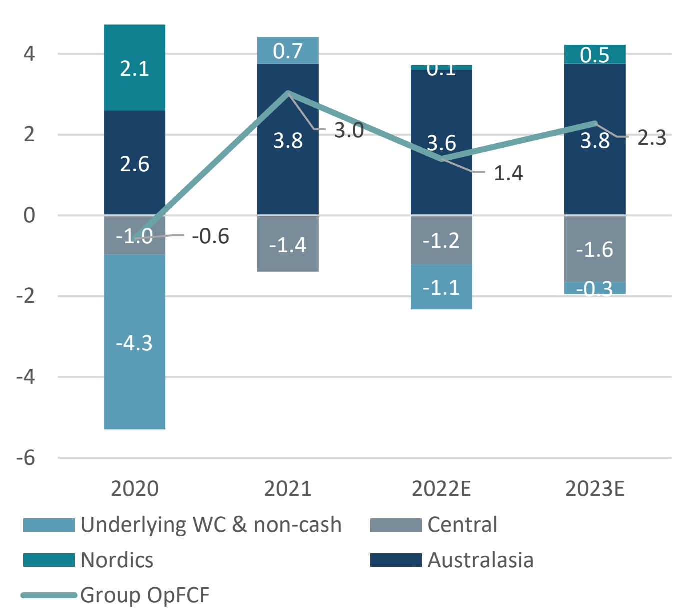
Following the cash return of £26.1m of capital to shareholders in October 2021, BBB has focused on effectively managing its cash position. Through H1 22, it generated underlying OpCF of £1.3m, driven by Australasia achieving £2.7m, and following capex, tax, and interest, it delivered underlying EFCF of £0.4m in H1.

It then benefitted from a c£2.8m exceptional payment from earlier M&A activities, before set up costs in NZ and Norway (-£0.7m), restructuring costs in Norway (-£0.5m), costs relating to M&A (-£1.0m), and other exceptionals (-£0.3m).

The acquisition of Clear for £1.2m then brought its H1 22 net cash to £4.5m from £5.2m at FY21.

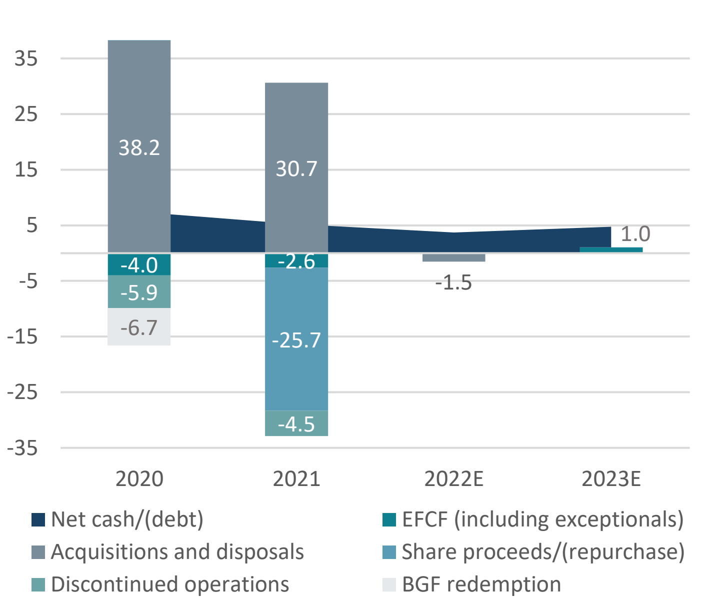
Over FY22 and FY23, we expect BBB will continue to build upon its net cash position, through generating positive EFCF including conservative working capital cash outflows, and including all exceptionals. We expect the strong OpFCF generation of Australasia will continue to drive the group's cash generation, and that BBB will continue to evaluate bolt-on acquisitions that could strengthen its footprint and cash generation, such as the Clear acquisition in December 2021.

Figure 7: Including investment into New Zealand in FY22, we expect Australasia will continue to drive group OpFCF, with Nordic OpFCF scaling as BBB selectively invests in growth



Source: finnCap

Figure 8: Including all exceptionals, we expect BBB will grow its net cash position following the acquisition of Clear, with EFCF breakeven in FY22 then £1.0m of EFCF in FY23



Source: finnCap

In the table below, we summarise the changes to our forecasts, and we reiterate our FY22 and FY23 revenue and adjusted EBITDA forecasts

Figure 9: Changes to our BBB forecasts (EC = Estimate Changes; NE = New Estimates; PE = Previous Estimates)

		EC			NE			PE		
		2021	2022E	2023E	2021	2022E	2023E	2021	2022E	2023E
Australasia	£m	0.0%	0.0%	0.0%	21.8	26.7	29.5	21.8	26.7	29.5
Nordics	£m	0.0%	-7.6%	0.2%	4.6	4.7	5.6	4.6	5.1	5.6
Other/Central	£m	0.0%			0.7	0.4	0.0	0.7	0.0	0.0
Group revenue	**£m**	**0.0%**	**0.0%**	**0.0%**	**27.1**	**31.9**	**35.0**	**27.1**	**31.9**	**35.0**
Organic growth	%				15.3%	10.6%	6.0%	15.3%	10.0%	9.0%
Group revenue growth	%				-0.4%	17.7%	10.0%	-0.4%	17.7%	10.0%
Australasia	£m	0.0%	0.0%	0.0%	4.0	4.4	4.9	4.0	4.4	4.9
Nordics	£m	0.0%	-19.9%	0.0%	1.9	1.6	2.0	1.9	2.0	2.0
Other/Central	£m	0.0%	-24.7%	0.0%	-1.3	-1.2	-1.6	-1.3	-1.6	-1.6
Adj EBITDA (pre SBP)	**£m**	**0.0%**	**0.0%**	**0.0%**	**4.6**	**4.8**	**5.2**	**4.6**	**4.8**	**5.2**
Adjusted EBITDA margin	%				16.9%	15.0%	14.8%	16.9%	15.0%	14.8%
Reported EPS (diluted)	p	0.0%	-63.7%	-16.7%	46.4	1.3	3.6	46.4	3.6	4.3
Adjusted EPS (diluted)	p	0.0%	0.2%	0.3%	4.7	4.5	5.2	4.7	4.5	5.2
Net debt/(cash)	**£m**	**0.0%**	**0.5%**	**0.6%**	**-5.2**	**-3.7**	**-4.7**	**-5.2**	**-3.7**	-4.7
EFCF (including exceptionals)	£m	0.0%	34.1%	3.9%	-2.6	0.1	1.0	-2.6	0.0	1.0

Source: finnCap

Valuation

We value BBB at 90p, including the continuing operations at 8x FY23 EV/EBITDA, and 12p from BBB's Quickline stake

Following the £26m return of capital to shareholders in October 2021, we value BBB using a SOTP that includes its continuing operations and its Quickline stake.

Figure 10: We value BBB at 90p using a SOTP

		EV/EBITDA	CAGR	EV	Stake	Prop EV	Per share	% of EV
		2023	2021-2023	£m	%	£m	p	%
EV	**£m**	**8.4**	**6.3%**	**44**	**100%**	**44**	**73**	**100%**
Associates / JVs	£m					0	0	0%
Net cash inc leases (end FY22)	**£m**					**3**	**4**	**6%**
Proposed capital return	£m					0	0	0%
Conditional Quickline payment	£m					0	0	0%
Quickline stake	£m					7	12	17%
Equity	**£m**					**54**	**90**	**123%**
Shares (end FY22)	m					60		
Equity value per share	**p**					**90**		

Source: finnCap

At a price of 54p, BBB's continuing operations are trading on only 4x 12-month forward EV/EBITDA

In the table below, other EV adjustments includes BBB's stake in Quickline.

Figure 11: Bigblu Broadband multiples at the current and target price, and forecast growth of the relevant financials

		NTM	At current:	54p		At target:	90p	
		Growth	12m fwd	2022	2023	12m fwd	2022	2023
Diluted Shares outstanding	m			60.0	60.3		60.0	60.3
Market cap (diluted)	£m			32.4	32.5		54.0	54.2
FX adjustment	x			1.00	1.00		1.0	1.0
Market cap (diluted)	**£m**			**32.4**	**32.5**		**54.0**	**54.2**
Net debt/(cash) inc leases	£m			-2.7	-3.9		-2.7	-3.9
Other EV adjustments	£m			-7.3	-7.3		-7.3	-7.3
Rolling Group EV	**£m**			**22.4**	**21.3**		**44.0**	**43.0**
Adj net cash/(debt) /share	p			6.2	7.9		6.2	7.9
EV/Sales	x	11.7%	0.6	0.7	0.6	1.3	1.4	1.2
EV/EBITDA	**x**	**7.4%**	**4.3**	**4.7**	**4.1**	**8.5**	**9.2**	**8.3**
EV/EBIT	x	9.4%	5.9	6.6	5.7	11.8	12.9	11.5
EV/OpFCF (unadj cash)	x	nm	8.9	16.0	7.7	17.9	31.5	15.5
P/E (adjusted, diluted)	x	11.1%	10.7	12.1	10.3	17.9	20.1	17.2
P/E (reported, diluted)	x	-76.4%	17.9	40.9	15.0	30.0	68.2	25.0
EFCF yield (unadj cash)	%	nm	2.4%	0.2%	3.2%	1.5%	0.1%	1.9%
Dividend yield	%		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Adj ND/EBITDA exc leases	x	7.4%	cash	cash	cash	cash	cash	cash

Source: finnCap

BBB's continuing operations are trading at a major discount to peers with similar financial growth forecasts

Figure 12: 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)

	Sec Ccy	Mkt Cap (£m)	EV/ Sales	Sales Growth	EV/ EBITDA	EBITDA Growth	P/E	EPS Growth	FCF Yield
American Tower	$	105,614	15.8	12.2%	25.2	11.3%	53.1	-4.1%	3.0%
Crown Castle	$	64,972	14.8	8.1%	23.6	9.4%	45.4	18.0%	3.0%
SBA Communications	$	30,922	18.5	11.5%	27.1	11.2%	75.6	31.3%	3.4%
Cellnex	€	23,714		17.3%		18.8%	nm	nm	1.2%
Tower peers		**47,947**	**15.8**	**11.8%**	**25.2**	**11.2%**	**53.1**	**18.0%**	**3.0%**
BT	£	15,147	1.6	0.7%	4.3	2.7%	7.5	-1.1%	9.2%
LBTY / (VMED)	$	8,902	3.1	-9.3%	8.5	-9.6%	nm	nm	12.9%
Telecom Plus	£	1,572	0.8	48.2%	17.6	18.3%	25.0	16.9%	2.3%
Vodafone	£	32,432	2.1	0.8%	6.3	0.7%	11.8	5.0%	11.8%
UK Telecoms peers		**12,024**	**1.9**	**0.7%**	**7.4**	**1.7%**	**11.8**	**5.0%**	**10.5%**
AdEPT Technology	£	35	1.0	5.7%	5.6	5.9%	4.6	8.4%	
iomart Group plc	£	204	2.3	5.3%	6.6	0.1%	15.4	0.5%	6.2%
NCC Group plc	£	629	2.1	8.9%	9.7	16.3%	15.7	22.2%	7.3%
Redcentric Plc	£	170	1.3	28.5%	6.4	18.2%	14.9	3.4%	7.0%
Gamma	£	1,087	2.1	7.6%	9.3	10.9%	15.5	6.3%	5.8%
fC T40 & N50 peers		**204**	**2.1**	**7.6%**	**6.6**	**10.9%**	**15.4**	**6.3%**	**6.6%**
fC Tech 40		300	2.3	12.2%	11.7	12.4%	20.7	7.6%	4.1%
fC T40 MS & Telco		**622**	**2.0**	**8.9%**	**9.2**	**10.0%**	**15.5**	**5.5%**	**6.1%**
fC Next 50		65	1.7	16.6%	11.5	16.6%	22.2	12.5%	3.2%

Source: finnCap

Management, board, and major shareholders

- 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.
- Our BBB Need to Know table.

BBB's major shareholders include a mix of major UK fund managers and substantial management stakes

Figure 13: Major Bigblu Broadband shareholders

Shareholder	%
North Atlantic Smaller Cos Trust plc	13.7%
Oryx International Growth Fund	11.1%
Liontrust UK Micro Cap Fund	8.3%
BGF Investment Management Ltd	7.8%
Richard Griffiths	7.4%
Gresham House Asset Management	7.3%
Hargreaves Lansdown	5.7%
Andrew Walwyn (CEO)	5.6%
Other Directors	1.7%

Source: finnCap

BBB's management and board demonstrate extensive experience in telecoms, technology, and public markets

CEO – Andrew Walwyn

Andrew started on the shop floor at Carphone Warehouse, he was one of the very first members of staff. He quickly worked his way up the company and was then recruited into DX Communications in Glasgow where he was a Director and Shareholder. Having grown the company to 300 retail outlets and having been rewarded with a 2nd place in the Sunday Times Fast Track listing in 1997, DX Communications was sold to BT Cellnet in 1999. The retail footprint makes up much of what you see as the O2 chain of mobile phone stores today.

After a year's sabbatical, Andrew was appointed Managing Director of Tiny computers at a challenging time for the business and oversaw the sale of its ISP business to Tiscali, and the eventual sale of the business to Time Computers.

Andrew now felt he needed a new challenge away from traditional retail outlets focusing on the opportunity the internet offered. He set up the Flat TV Company in 2001 with a colleague Vince Tang, and by 2007 this had become the 7th Fastest Growing Company in the Sunday Times Fast Track listings. In 2008 Andrew returned to the Telecoms sector after discovering the Tooway offering from Skylogic. For the first time a consumer orientated satellite broadband solution had become available to help the many people living and working in the so-called "Not Spots", those outside the terrestrial ADSL footprint.

CFO – Frank Waters

Frank qualified as a Chartered Accountant (ICAS) with Ernst & Young in 1989. Frank has spent the last 20 years, primarily as finance director, in a number of fast-growing entrepreneurial companies in the mobile, consumer electronics and technology sectors. Frank has been actively involved in a number of corporate finance transactions and more recently responsible for the negotiation of substantial network contracts whilst at Redeem Limited, the mobile phone recycler. Frank was instrumental in the sale of DX Communications alongside Andrew Walwyn to what is now Telefonica.

Frank joined Bigblu Broadband in the autumn of 2013 and, as Chief Financial Officer, is responsible for all Group finance, commercial, legal, regulatory, HR, IT and M&A matters.

Chairman – Michael Tobin OBE

Michael joined the Board and became Chairman in September 2015. Michael chairs the Board's remuneration and nomination committees and is a member of the Audit and Risk Committee.

Michael is a highly successful serial technology entrepreneur & pioneer with over 30 years' experience in the telecoms & technology sector.

As Chief Executive, Michael Tobin OBE led Telecity Group plc, a leading FTSE250 Technology company from 2002 to 2015.

He joined Redbus in 2002 delisting it from the main market to AIM, & then took it private, winning the London Business Awards "Business Turnaround of the Year" award in 2005. After engineering the merger with Telecity he successfully re-listed Telecity Group in October 2007 winning the accolade of UK Innovation Awards IPO of the year 2008 & the techMARK Achievement of the year in the same year. Subsequently he grew the business from £6m market cap in 2002 to being a top performer in the FTSE250 worth over £2bn, being recognised as Britain's Most admired Tech Company in 2012.

Prior to joining Telecity Group, Michael headed-up Fujitsu's e-Commerce operations in Frankfurt, Germany. Before that, he ran ICL's Danish outsourcing subsidiary out of Copenhagen Denmark. He also held several senior positions based in Paris for over 11 years including Business Development Director at International Computer Group coordinating global distribution of IT infrastructure. As a Non Exec Director, Tobin was instrumental in transforming PACNET in Hong Kong from a Sub Sea Cable operator to a successful Datacenter operator culminating in its sale in 2015 to Telstra for $800m

Michael holds a number of non-executive and Chairmanship roles including EdgeConneX, Audioboom, Ultraleap, Pulsant, NorthC Datacenters, Everarc PLC, Sungard Availability Services, DC Byte, Instrumental, ScaleUp Group UK. LeaseWeb and The Lewis Moody Foundation where he is Ambassador.

He was named 'UK IT Services Entrepreneur of the Year' by Ernst & Young in 2009, 2010 & 2011; PWC Tech CEO of the Year 2007; London Chamber of Commerce 'Business Person of the Year' for 2009 and 2010; In 2009 was named techMARK 'Personality of the Year'; In 2007 and 2009 he was the winner of the DCE Outstanding Leader of the Year, and in 2008 won 'Data Centre Business Person of the Year' at the Data Centre Leaders awards. He was awarded 'Outstanding Contribution to the Industry' at the Data Centre Europe awards and in 2011 received a Lifetime Achievement Award for services to the industry. In 2005 he was named number 31 of Britain's Top 50 Entrepreneurs and in 2014 he was honoured in the Queens New Years Honours List with the Order of the British Empire medal for Services to the Digital Economy.

NED – Paul Howard

Paul joined the Board in September 2015 and serves on the Board's remuneration and Audit and Risk Committees. Paul is an advisor to Oakley Capital Corporate Finance and joined the business in April 2015. Paul spent over 15 years with Cazenove as a telecoms and media analyst and was one of Cazenove's youngest ever partners. He won numerous awards from Reuters and Starmine and was Head of the Number One ranked European telecoms research team as ranked by the Institutional Investor in 2011. Paul left J.P. Morgan Cazenove in 2011 and became an investor and non-executive director of various small telecoms companies. He also spent a year with Morgan Stanley in 2014 helping their Select Risk equity trading business.

NED – Christopher Mills

Christopher joined the Board in May 2019. Christopher founded Harwood Capital Management in 2011, a successor of the former parent company of Harwood, J O Hambro Capital Management which he co-founded in 1993. He is Chief Executive and Investment Manager of North Atlantic Smaller Companies Investment Trust plc and Chief Investment Officer of Harwood Capital LLP. He is a Non-Executive Director of several companies. Christopher was a Director of Invesco MIM, where he was head of North American Investments and Venture Capital, and of Samuel Montagu International.

NED – Philip Moses

Philip joined the Board in May 2020 and chairs the Board's Audit and Risk Committee. Phillip is a highly creative Finance Director with an extensive track record within the telco sector, having served in Executive positions at BT Group plc (where he spent 19 years) and Liquid Telecom. He has also worked for Arqiva, Legal and General plc and London City Airport (where he was Interim CFO). Philip has a successful track record of increasing the enterprise value of complex organisations, both plc and Private Equity, through expert leadership of the Finance function combined with strong commercial instincts and a deep understanding of how businesses make money. Experienced in all aspects of finance with a particular focus on financing, investor relations, strategy, operational efficiency, management information and cost control. Philip is a skilled negotiator with proven deal capabilities and is widely respected as a popular and supportive team builder and leader.

Our BBB Need to Know table

Figure 14:

Offices	UK (HQ); global offices including in Australia and Norway
Revenue model	>90% recurring revenue from contracts and monthly subscriptions for broadband and communications solutions
Staff	96 (FY21)
Number of customers	60.4k at H1 22
IPO	19/12/2014 (AIM) as Cleeve Capital, which acquired Satellite Solutions Worldwide in May 2015, and changed its name to Bigblu Broadband in May 2018
Last equity activity	Returned £26.1m of cash to shareholders in October 2021
Prior M&A activity	Completed the sale of its 52.7% stake in Quickline to Northleaf for up to £48.6m in June 2021
Year end	November
Website	https://bbb-plc.com/

Source: finnCap

Income statement		2019A	2020A	2021A	2022E	2023E
Year end:		Nov	Nov	Nov	Nov	Nov
Sales	**£m**	**62.1**	**27.2**	**27.1**	**31.9**	**35.0**
Cost of sales	£m	-34.9	-13.6	-14.9	-18.8	-21.1
Gross profit	**£m**	**27.2**	**13.6**	**12.2**	**13.0**	**14.0**
Operating expenses	£m	-15.5	-7.3	-7.6	-8.3	-8.8
EBITDA (adjusted)	**£m**	**11.7**	**6.2**	**4.6**	**4.8**	**5.2**
Depreciation	£m	-4.6	-2.8	-1.4	-1.4	-1.4
Amortisation	£m	0.0	0.0	0.0	0.0	0.0
EBIT (adjusted)	**£m**	**7.1**	**3.4**	**3.2**	**3.4**	**3.8**
Associates/other	£m	0.0	5.4	0.0	0.0	0.0
Net interest	£m	-2.6	-7.0	-0.8	-0.1	-0.1
PBT (adjusted)	**£m**	**4.5**	**1.9**	**2.4**	**3.3**	**3.7**
restructuring costs	*£m*	*-4.9*	*-0.4*	*-3.9*	*-1.1*	*-0.3*
share based payments	*£m*	*-0.4*	*-0.3*	*-0.2*	*-0.3*	*-0.3*
other adjustments	*£m*	*-7.4*	*8.6*	*0.0*	*-0.4*	*-0.4*
Total adjustments	£m	-12.7	7.9	-4.1	-1.8	-1.0
PBT (stated)	**£m**	**-8.3**	**9.7**	**-1.7**	**1.5**	**2.7**
Tax charge	£m	0.2	-0.3	0.1	-0.7	-0.5
tax rate	*%*	*n/a*	*3.2*	*n/a*	*42.7*	*20.0*
Minorities	£m	0.1	0.2	28.7	0.0	0.0
Reported earnings	**£m**	**-7.9**	**9.7**	**27.0**	**0.9**	**2.2**
Tax effect of adjustments / other	£m	0.0	0.0	-28.4	0.1	0.0
Adjusted earnings	**£m**	**4.8**	**1.8**	**2.7**	**2.8**	**3.1**
shares in issue (year end)	*m*	*57.6*	*57.6*	*58.3*	*58.5*	*58.7*
shares in issue (weighted average)	*m*	*56.9*	*57.6*	*57.7*	*58.4*	*58.6*
shares in issue (fully diluted)	*m*	*56.9*	*58.0*	*58.3*	*59.5*	*60.1*
EPS (adjusted, fully diluted)	**p**	**8.4**	**3.1**	**4.7**	**4.5**	**5.2**
EPS (stated)	p	-13.9	16.6	46.4	1.3	3.6
DPS	**p**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Growth analysis (adjusted basis where applicable)						
Sales growth	%	12.2%	-56.2%	-0.4%	17.7%	10.0%
EBITDA growth	%	71.8%	-46.7%	-26.6%	4.3%	8.4%
EBIT growth	%	n/m	-51.7%	-6.8%	6.8%	10.2%
PBT growth	%	324.3%	-57.5%	25.9%	38.9%	11.0%
EPS growth	%	n/m	-62.9%	51.3%	-5.2%	16.9%
DPS growth	%	n/m	n/m	n/m	n/m	n/m

Profitability analysis (adjusted basis where applicable)						
Gross margin	%	43.8%	49.9%	45.0%	41.0%	39.9%
EBITDA margin	%	18.8%	23.0%	16.9%	15.0%	14.8%
EBIT margin	%	11.4%	12.6%	11.8%	10.7%	10.7%
PBT margin	%	7.2%	7.0%	8.8%	10.4%	10.5%
Net margin	%	7.7%	6.7%	10.2%	8.7%	9.0%

Cash flow		2019A	2020A	2021A	2022E	2023E
Year end:		Nov	Nov	Nov	Nov	Nov
EBITDA	£m	11.7	6.2	4.6	4.8	5.2
Net change in working capital	£m	0.9	-0.5	1.7	-1.1	-0.3
Share based payments	£m	0.0	0.0	0.0	0.0	0.0
Profit/(loss) on sale of assets	£m	0.0	0.0	0.0	0.0	0.0
Net pensions charge	£m	0.0	0.0	0.0	0.0	0.0
Change in provision	£m	0.0	0.0	0.0	0.0	0.0
Other items	£m	-5.4	-0.6	-1.1	0.1	-0.3
Cash flow from operating activities	**£m**	**7.2**	**5.1**	**5.2**	**3.7**	**4.6**
Cash interest	£m	-2.1	-1.3	-0.4	-0.1	-0.1
Tax paid	£m	0.0	-0.1	-0.5	-0.7	-0.7
Capex	£m	-8.9	-5.6	-2.2	-2.3	-2.1
Other items	£m	-1.2	-1.7	-1.0	-0.7	-0.7
Free cash flow	**£m**	**-5.1**	**-3.6**	**1.1**	**0.0**	**1.0**
Disposals	£m	0.0	36.2	28.7	0.0	0.0
Acquisitions	£m	-0.9	0.0	0.0	1.8	0.0
Dividends on ord shares	£m	0.0	0.0	0.0	0.0	0.0
Other cashflow items	£m	3.8	-11.0	-6.3	-3.3	-0.0
Issue of share capital	£m	0.0	0.0	-25.7	0.0	0.0
Net change in cash flow	**£m**	**-2.1**	**21.6**	**-2.2**	**-1.5**	**1.0**
Opening net cash (debt)	£m	-12.1	-14.2	7.4	5.2	3.7
Closing net cash (debt)	**£m**	**-14.2**	**7.4**	**5.2**	**3.7**	**4.7**

Cash flow analysis						
Cash conversion (op cash flow / EBITDA)	%	61.5%	81.2%	114.4%	78.5%	88.4%
Cash conversion (free cash flow / EBITDA)	%	-43.5%	-57.6%	25.1%	0.3%	20.2%
Underlying free cash flow (capex = depreciation)	£m	-0.8	-0.8	2.0	0.9	1.7
Cash quality (underlying FCF / adjusted earnings)	%	-16.5%	-46.4%	71.6%	32.7%	54.9%
Investment rate (capex / depn)	x	1.9	2.0	1.6	1.7	1.5
Interest cash cover	x	3.4	3.9	12.7	43.7	68.9
Dividend cash cover	x	n/a	n/a	n/m	n/m	n/m

Balance sheet		2019A	2020A	2021A	2022E	2023E
Year end:		**Nov**	**Nov**	**Nov**	**Nov**	**Nov**
Tangible fixed assets	£m	15.9	10.9	4.1	5.2	6.4
Goodwill	£m	25.7	11.8	5.5	5.5	5.5
Other intangibles	£m	3.7	0.1	0.1	2.2	1.8
Other non current assets	£m	0.7	0.5	6.4	6.5	6.5
inventories	*£m*	*3.9*	*0.9*	*0.7*	*1.1*	*1.2*
trade receivables	*£m*	*8.3*	*3.8*	*4.8*	*2.8*	*3.1*
trade payables	*£m*	*-30.0*	*-12.5*	*-9.4*	*-8.4*	*-8.5*
Net working capital	£m	-17.8	-7.8	-3.9	-4.5	-4.2
Other assets	£m	0.0	0.0	0.1	0.0	0.0
Other liabilities	£m	-1.7	-0.7	-0.1	-0.5	-0.3
Gross cash & cash equivalents	£m	6.0	15.3	5.2	3.7	4.7
Capital employed	£m	32.4	30.2	17.3	18.1	20.3
Gross debt	£m	25.8	11.4	1.4	1.0	0.8
Net pension liability	£m	0.0	0.0	0.0	0.0	0.0
Shareholders equity	£m	3.1	14.2	15.9	17.1	19.5
Minorities	£m	3.4	4.6	0.0	0.0	0.0
Capital employed	£m	32.4	30.2	17.3	18.1	20.3

Leverage analysis						
Net debt / equity	%	630.5%	net cash	net cash	net cash	net cash
Net debt / EBITDA	x	1.7	net cash	net cash	net cash	net cash
Liabilities / capital employed	%	79.8%	37.8%	8.1%	5.5%	3.9%

Working capital analysis						
Net working capital / sales	%	-28.7%	-28.8%	-14.5%	-14.1%	-12.0%
Net working capital / sales	days	-105	-105	-53	-51	-44
Inventory (days)	days	23	12	9	13	13
Receivables (days)	days	49	51	65	32	32
Payables (days)	days	177	168	127	96	89

Capital efficiency & intrinsic value						
Adjusted return on equity	%	151.7%	12.7%	17.3%	16.2%	16.1%
RoCE (EBIT basis, pre-tax)	%	21.9%	11.3%	18.4%	18.8%	18.4%
RoCE (underlying free cash flow basis)	%	-2.4%	-2.8%	11.4%	5.0%	8.5%
NAV per share	p	5.5	24.6	27.3	29.2	33.3
NTA per share	p	-45.5	3.9	17.7	16.1	20.9

Research					
Mark Brewer	020 7220 0556	mbrewer@finncap.com	Guy Hewett	020 7220 0549	ghewett@finncap.com
David Buxton	020 7220 0542	dbuxton@finncap.com	Michael Hill	020 7220 0554	mhill@finncap.com
Kimberley Carstens	020 7220 0548	kcarstens@finncap.com	Charlie Long	020 3772 4683	clong@finncap.com
Michael Clifton	020 3772 4682	mclifton@finncap.com	Stephen McGarry	020 7220 0550	smcgarry@finncap.com
Lorne Daniel	020 7220 0545	ldaniel@finncap.com	Mark Paddon	020 7220 0541	mpaddon@finncap.com
Andrew Darley	020 7220 0547	adarley@finncap.com	Nigel Parson	020 7220 0544	nparson@finncap.com
Raymond Greaves	020 7220 0553	rgreaves@finncap.com	Jonathan Wright	020 7220 0543	jwright@finncap.com
Equity Capital Markets					
Andrew Burdis	020 7220 0524	aburdis@finncap.com	Tim Redfern	020 7220 0515	tredfern@finncap.com
Richard Chambers	020 7220 0514	rchambers@finncap.com	Sunila de Silva	020 7220 0521	sdesilva@finncap.com
Barney Hayward	020 7220 0518	bhayward@finncap.com	Charlotte Sutcliffe	020 7220 0513	csutcliffe@finncap.com
Alice Lane	020 7220 0523	alane@finncap.com	Harriet Ward	020 7220 0512	hward@finncap.com
Sales					
Mark Chellingworth	020 7220 0516	mchellingworth@finncap.com	Jonathon Webb	020 7220 0511	jwebb@finncap.com
James Fletcher	020 3772 4657	jfletcher@finncap.com	Ruth Watts	020 7220 0520	rwatts@finncap.com
Louise Talbot	020 3772 4651	ltalbot@finncap.com	Rhys Williams	020 7220 0522	rwilliams@finncap.com
Investor Relations					
Brittany Henderson	020 7220 0592	bhenderson@finncap.com	Lisa Welch	020 7220 0519	lwelch@finncap.com
Lucy Nicholls	020 7220 0528	lnicholls@finncap.com	Helen Worrall	020 3772 4652	hworrall@finncap.com
Brittany Stevens	020 3772 4653	bstevens@finncap.com			
Sales Trading					
Kai Buckle	020 7220 0529	kbuckle@finncap.com	Mark Figden	020 7220 0536	mfidgen@finncap.com
Charlie Evans	020 7220 0531	cevans@finncap.com	Daniel Smith	020 7220 0533	dsmith@finncap.com
Market Makers					
Steve Asfour	020 7220 0539	sasfour@finncap.com	Oliver Ratcliff	020 7220 0530	oratcliff@finncap.com
Jamie Dunleavy	020 7220 0534	jdunleavy@finncap.com	James Revell	020 7220 0532	jrevell@finncap.com
Investment Companies					
Johnny Hewitson	020 7720 0558	jhewitson@finncap.com	Pauline Tribe	020 7220 0517	ptribe@finncap.com
Monica Tepes	020 3772 4698	mtepes@finncap.com	Mark Whitfeld	020 3772 4697	mwhitfeld@finncap.com

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finnCap
CAPITAL MARKETS

1 Bartholomew Close
London EC1A 7BL
Tel 020 7220 0500
Fax 020 7220 0597
Email info@finncap.com
Web www.finncap.com