

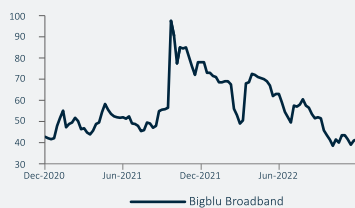
12 December 2022

Corp

Ticker	BBB:AIM
Technology & Telecoms	
Shares in issue (m)	58.4
Next results	FY Mar
Price	41.5p
Target price	90.0p
Upside	117%
Market cap	£24.2m
Net debt/(cash)	-£4.2m
Other EV adjustments	-£5.6m
Enterprise value	£14.4m

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

Share price performance



%	1M	3M	12M
Actual	-4.6	-20.2	-46.8

Company description

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

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BIGBLU BROADBAND*

FY22 EBITDA +5% ahead and adjusted FCF of +£1.5m

BBB's FY22 trading update highlights organic revenue growth of +13% to £31.2m, adjusted EBITDA +5% ahead at £5.0m, and net cash £0.5m ahead at £4.2m due to adjusted FCF of £1.5m. Australasia's +19% organic growth to £26.5m has powered the group's performance, and the focus on migrating customers to optimise ARPU will enable expansion towards the group's target of 100k customers in 3 years, from 51.5k at FY22. The Nordics faced a challenging FY22 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, FY22 revenue was 13% lower at £4.0m. However, the launch of the 5G fixed wireless service has now achieved over 1k customers from 0.5k at H1 22, and will enable a return to growth in the region in FY23. Following today's update, we make no changes to our FY23 group forecasts, and note that these do not yet include the [5 December conditional acquisition of Harbour ISP](#), which is expected to add annualised revenue of £2.5m, £0.7m of adjusted EBITDA, and be immediately accretive. We look forward to completion of the acquisition, FY22 results in March, the potential listing of SkyMesh on ASX, and further details on the board's plans to create shareholder value, including a potential transaction with management for the Nordic business. At 42p, the continuing operations are trading on just 3x 12-month forward EV/EBITDA with +4% NTM EBITDA growth, which compares to telecoms and managed services peers on 6x EV/EBITDA with +8% NTM EBITDA growth.

- **Strong FY22 progress across the continuing operations** – In Australasia, BBB is live and connecting customers in New Zealand, and it has successfully integrated Clear following the January 2022 acquisition to strengthen its presence around Melbourne and in B2B. In the Nordics, the cyber event that impacted c3k of its Norwegian satellite customers has been resolved, and the 5G fixed wireless distribution agreement with Telenor is building strong momentum to c1k subscribers with excellent customer satisfaction. Both divisions have moved offices to generate opex savings, and we look forward to management's initiatives delivering strong growth to maximise shareholder value through FY23 and beyond.

- **BBB's hybrid investment case** – Following the [disposal of Quickline and the £26m 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 +7% 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 +23% organic growth in FY23, with attractive opportunities as new satellites launch from 2022; At Quickline, the board are actively involved in supporting the business to achieve its excellent potential within UK rural broadband, and increasing the value of BBB's stake.

Key estimates		2019A	2020A	2021A	2022E	2023E
Year end:		Nov	Nov	Nov	Nov	Nov
Revenue	£m	62.1	27.2	27.1	31.2	35.0
Adj EBITDA	£m	11.7	6.2	4.6	5.0	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	2.0	4.2	4.5	4.2	3.8
P/E (adj)	x	4.9	13.3	8.8	9.3	7.9
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Free cash yield	%	-21.0%	-14.8%	4.7%	5.9%	2.1%
Pre-tax ROCE	%	21.9%	11.3%	18.4%	18.9%	18.4%

FY22 EBITDA +5% ahead and adjusted FCF of +£1.5m

Income statement		2020A	2021A	2022E	2023E
Year end:		Nov	Nov	Nov	Nov
Sales	£m	27.2	27.1	31.2	35.0
Gross profit	£m	13.6	12.2	13.3	14.0
EBITDA (adjusted)	£m	6.2	4.6	5.0	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	-0.0
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	-0.6
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%	15.3%	12.3%
EBITDA growth	%	-46.7%	-26.6%	9.2%	3.5%
EBIT growth	%	-51.7%	-6.8%	7.1%	10.0%
PBT growth	%	-57.5%	25.9%	39.2%	11.4%
EPS growth	%	-62.9%	51.3%	-4.9%	16.6%
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%	42.5%	39.9%
EBITDA margin	%	23.0%	16.9%	16.0%	14.8%
EBIT margin	%	12.6%	11.8%	10.9%	10.7%
PBT margin	%	7.0%	8.8%	10.7%	10.6%
Net margin	%	6.7%	10.2%	8.9%	9.0%

Cash flow		2020A	2021A	2022E	2023E
Year end:		Nov	Nov	Nov	Nov
EBITDA	£m	6.2	4.6	5.0	5.2
Net change in working capital	£m	-0.5	1.7	-1.2	-0.7
Other operating items	£m	-0.6	-1.1	1.0	-0.3
Cash flow from op. activities	£m	5.1	5.2	4.8	4.2
Cash interest	£m	-1.3	-0.4	-0.1	-0.0
Cash tax	£m	-0.1	-0.5	-0.7	-0.8
Capex	£m	-5.6	-2.2	-1.9	-2.1
Other items	£m	-1.7	-1.0	-0.7	-0.7
Free cash flow	£m	-3.6	1.1	1.4	0.5
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	-4.2	0.0
Net change in cash flow	£m	21.6	-2.2	-1.0	0.5
Opening net cash (debt)	£m	-14.2	7.4	5.2	4.2
Closing net cash (debt)	£m	7.4	5.2	4.2	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%	96.5%	80.3%
Cash conv'n (FCF / EBITDA)	%	-57.6%	25.1%	28.4%	9.8%
U/lying FCF (capex = depn)	£m	-0.8	2.0	1.8	1.2
Cash quality (u/l FCF / adj earn)	%	-46.4%	71.6%	63.5%	37.7%
Investment rate (capex / depn)	x	2.0	1.6	1.2	1.5
Interest cash cover	x	3.9	12.7	56.2	87.3
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%	-14.2%	-10.6%
Net working capital / sales	days	-105	-53	-52	-39
Inventory (days)	days	12	9	12	13
Receivables (days)	days	51	65	31	32
Payables (days)	days	168	127	95	83

Balance sheet		2020A	2021A	2022E	2023E
Year end:		Nov	Nov	Nov	Nov
Tangible fixed assets	£m	10.9	4.1	4.7	5.8
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	-4.4	-3.7
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	4.2	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%	18.9%	18.4%
RoCE (u/lying FCF basis)	%	-2.8%	11.4%	9.7%	5.8%
NAV per share	p	24.6	27.3	29.2	33.3
NTA per share	p	3.9	17.7	16.1	20.9

FY22 EBITDA +5% ahead and adjusted FCF of +£1.5m

Following the FY22 trading update, we reiterate our group forecasts for FY23 revenue, adjusted EBITDA, EPS, and net cash

Figure 1: 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%	-0.9%	1.7%	21.8	26.5	29.9	21.8	26.7	29.5
Nordics	£m	0.0%	-15.5%	-8.7%	4.6	4.0	5.1	4.6	4.7	5.6
Other/Central	£m	0.0%	77.7%		0.7	0.7	0.0	0.7	0.4	0.0
Group revenue	£m	0.0%	-2.1%	0.0%	27.1	31.2	35.0	27.1	31.9	35.0
Organic growth	%				15.3%	13.3%	6.8%	15.3%	10.6%	6.0%
Group revenue growth	%				-0.4%	15.3%	12.3%	-0.4%	17.7%	10.0%
Australasia	£m	0.0%	13.5%	6.6%	4.0	5.0	5.2	4.0	4.4	4.9
Nordics	£m	0.0%	-36.6%	-16.2%	1.9	1.0	1.6	1.9	1.6	2.0
Other/Central	£m	0.0%	-17.1%	0.1%	-1.3	-1.0	-1.7	-1.3	-1.2	-1.6
Adj EBITDA (pre SBP)	£m	0.0%	4.8%	0.1%	4.6	5.0	5.2	4.6	4.8	5.2
Adjusted EBITDA margin	%				16.9%	16.0%	14.8%	16.9%	15.0%	14.8%
Reported EPS (diluted)	p	0.0%	0.1%	0.3%	46.4	1.3	3.6	46.4	1.3	3.6
Adjusted EPS (diluted)	p	0.0%	0.3%	0.0%	4.7	4.5	5.2	4.7	4.5	5.2
Net debt/(cash)	£m	0.0%	13.7%	0.2%	-5.2	-4.2	-4.7	-5.2	-3.7	-4.7
EFCF (including exceptionals)	£m	0.0%	nm	-51.5%	-2.6	0.6	0.5	-2.6	0.1	1.0

Source: finnCap

At a price of 42p, BBB's continuing operations are trading on only 3x 12-month forward EV/EBITDA
In the table below, other EV adjustments includes BBB's stake in Quickline.

Figure 2: Bigblu Broadband multiples at the current and target price, and forecast growth of the relevant financials

		NTM	At current: 42p			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			25.2	25.3		54.0	54.2	
FX adjustment	x			1.00	1.00		1.0	1.0	
Market cap (diluted)	£m			25.2	25.3		54.0	54.2	
Net debt/(cash) inc leases	£m			-3.2	-3.9		-3.2	-3.9	
Other EV adjustments	£m			-5.6	-5.6		-5.6	-5.6	
Rolling Group EV	£m			16.4	15.8		45.2	44.7	
Adj net cash/(debt) /share	p			7.0	7.9		7.0	7.9	
EV/Sales	x	12.3%		0.4	0.5	0.5	1.3	1.4	1.3
EV/EBITDA	x	3.6%		3.0	3.3	3.0	8.6	9.0	8.6
EV/EBIT	x	10.1%		4.2	4.8	4.2	11.9	13.2	11.9
EV/OpFCF (unadj cash)	x	nm		6.6	8.6	6.7	18.7	23.7	19.0
P/E (adjusted, diluted)	x	16.5%		8.0	9.4	8.0	17.2	20.1	17.2
P/E (reported, diluted)	x	163.8%		11.6	31.8	11.6	24.8	68.1	24.9
EFCF yield (unadj cash)	%	nm		2.3%	2.3%	2.0%	1.1%	1.1%	0.9%
Dividend yield	%			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Adj ND/EBITDA exc leases	x	3.6%		cash	cash	cash	cash	cash	cash

Source: finnCap

FY22 EBITDA +5% ahead and adjusted FCF of +£1.5m

Income statement		2019A	2020A	2021A	2022E	2023E
Year end:		Nov	Nov	Nov	Nov	Nov
Sales	£m	62.1	27.2	27.1	31.2	35.0
Cost of sales	£m	-34.9	-13.6	-14.9	-17.9	-21.0
Gross profit	£m	27.2	13.6	12.2	13.3	14.0
Operating expenses	£m	-15.5	-7.3	-7.6	-8.3	-8.8
EBITDA (adjusted)	£m	11.7	6.2	4.6	5.0	5.2
Depreciation	£m	-4.6	-2.8	-1.4	-1.6	-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	-0.0
PBT (adjusted)	£m	4.5	1.9	2.4	3.3	3.7
<i>restructuring costs</i>	£m	-4.9	-0.4	-3.9	-1.1	-0.3
<i>share based payments</i>	£m	-0.4	-0.3	-0.2	-0.3	-0.3
<i>other adjustments</i>	£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	-0.6
<i>tax rate</i>	%	<i>n/a</i>	3.2	<i>n/a</i>	42.7	20.5
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
<i>shares in issue (year end)</i>	m	57.6	57.6	58.3	58.5	58.7
<i>shares in issue (weighted average)</i>	m	56.9	57.6	57.7	58.4	58.6
<i>shares in issue (fully diluted)</i>	m	56.9	58.0	58.3	59.4	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%	15.3%	12.3%
EBITDA growth	%	71.8%	-46.7%	-26.6%	9.2%	3.5%
EBIT growth	%	n/m	-51.7%	-6.8%	7.1%	10.0%
PBT growth	%	324.3%	-57.5%	25.9%	39.2%	11.4%
EPS growth	%	n/m	-62.9%	51.3%	-4.9%	16.6%
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%	42.5%	39.9%
EBITDA margin	%	18.8%	23.0%	16.9%	16.0%	14.8%
EBIT margin	%	11.4%	12.6%	11.8%	10.9%	10.7%
PBT margin	%	7.2%	7.0%	8.8%	10.7%	10.6%
Net margin	%	7.7%	6.7%	10.2%	8.9%	9.0%

FY22 EBITDA +5% ahead and adjusted FCF of +£1.5m

Cash flow		2019A	2020A	2021A	2022E	2023E
Year end:		Nov	Nov	Nov	Nov	Nov
EBITDA	£m	11.7	6.2	4.6	5.0	5.2
Net change in working capital	£m	0.9	-0.5	1.7	-1.2	-0.7
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	1.0	-0.3
Cash flow from operating activities	£m	7.2	5.1	5.2	4.8	4.2
Cash interest	£m	-2.1	-1.3	-0.4	-0.1	-0.0
Tax paid	£m	0.0	-0.1	-0.5	-0.7	-0.8
Capex	£m	-8.9	-5.6	-2.2	-1.9	-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	1.4	0.5
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	-4.2	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	-1.0	0.5
Opening net cash (debt)	£m	-12.1	-14.2	7.4	5.2	4.2
Closing net cash (debt)	£m	-14.2	7.4	5.2	4.2	4.7

Cash flow analysis						
Cash conversion (op cash flow / EBITDA)	%	61.5%	81.2%	114.4%	96.5%	80.3%
Cash conversion (free cash flow / EBITDA)	%	-43.5%	-57.6%	25.1%	28.4%	9.8%
Underlying free cash flow (capex = depreciation)	£m	-0.8	-0.8	2.0	1.8	1.2
Cash quality (underlying FCF / adjusted earnings)	%	-16.5%	-46.4%	71.6%	63.5%	37.7%
Investment rate (capex / depn)	x	1.9	2.0	1.6	1.2	1.5
Interest cash cover	x	3.4	3.9	12.7	56.2	87.3
Dividend cash cover	x	n/a	n/a	n/m	n/m	n/m

FY22 EBITDA +5% ahead and adjusted FCF of +£1.5m

Balance sheet		2019A	2020A	2021A	2022E	2023E
Year end:		Nov	Nov	Nov	Nov	Nov
Tangible fixed assets	£m	15.9	10.9	4.1	4.7	5.8
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
<i>inventories</i>	£m	3.9	0.9	0.7	1.0	1.2
<i>trade receivables</i>	£m	8.3	3.8	4.8	2.7	3.0
<i>trade payables</i>	£m	-30.0	-12.5	-9.4	-8.1	-8.0
Net working capital	£m	-17.8	-7.8	-3.9	-4.4	-3.7
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	4.2	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%	-14.2%	-10.6%
Net working capital / sales	days	-105	-105	-53	-52	-39
Inventory (days)	days	23	12	9	12	13
Receivables (days)	days	49	51	65	31	32
Payables (days)	days	177	168	127	95	83

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%	18.9%	18.4%
RoCE (underlying free cash flow basis)	%	-2.4%	-2.8%	11.4%	9.7%	5.8%
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

FY22 EBITDA +5% ahead and adjusted FCF of +£1.5m

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