

FY23 – Full Year Results May 24



FY23 Trading Results

Disposal of Norwegian Operations

FY23 Financial Performance Continuing Operations

Business Unit Performance, Outlook and Summary



Frank Waters



Results – FY23 – Continuing Operations

Customers

c.55.3k

(FY22 51.5k)

Revenue¹

£25.9m

(FY22 £27.2m)

Adjusted EBITDA²

£4.5m

(FY22 £4.1m)

Adjusted Free Cash inflow³

£4.7m

(FY22 £0.3m outflow)

Net Continuing Cash⁴

£1.5m

FY22 £4.2m)

Adjusted Basic EPS⁵

7.1p

(FY22 5.4p)

1. Like for like (LFL) revenue treats acquired businesses as if they were owned for the same period across both the current and prior year and adjusts for constant currency and exceptional items and business disposed of in the period are excluded from the calculation.

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

3. Adjusted Operating cash flow relates to the amount of cash generated from the Group's operating activities and is calculated as follows: Profit/(Loss) before Tax adjusted for Amortisation, Share Based Payments and adjusting for changes in Working Capital and non-cash items as well as items identified as exceptional in nature and Adjusted Free cash flow being cash (used)/generated by the Group after investment in capital expenditure, servicing of debt and payment of taxes and excludes items identified as exceptional in nature.

4. Cash / Net debt excludes lease-related liabilities of £0.2m of under IFRS 16 (FY22 £0.4m).

5. Adjusted EPS is adjusted PAT divided by the weighted average number of shares over the period.

Disposal of Norwegian Operations - Strategy Continuing Group



Process and Rationale

- Post previous disposals - undertaking to rationalise business operations and reduce plc costs
- Market exercise undertaken - given size and complexity of business, whilst offers received, not considered in best interests of Shareholders
- Disposal affords opportunity to reduce plc costs by c £0.4m annually and risk of potential cash outflows
- Enables the focus on Australian operations and retained stake in QCL

Transaction Details

- Via MBO, Ole Kristian Ødegård, Therese Ekstrø, Jonas Wille and a business owned by Andrew Walwyn
- Pre-money Enterprise Valuation of £1.3m based on a price of £200 / sub
- Adjusted for cash / (Debt) like items – estimate at completion (£1.3m)
- Consideration payable to BBB as follows: **Initial** – Notional, **Contingent** - 20% of adjusted EBITDA > £0.5m - £12m, 20% of adjusted EBITDA > £1m - £24m, **Deferred** up to 2.3m NOK on Network balance recovery and **Additional** Consideration of 20% on a trigger event

Following Disposal – Continuing group comprises

- Our Australian business unit with c. 55k customer services - significant opportunity - inflexion point
- Investment in Quickline with upside potential post Lot wins and support of Northleaf
- Operate with reduced plc costs

Continuing Group Performance

- For the year to 30 November 2023, revenue of £25.9 million and adjusted EBITDA of £4.5 million

Australia - Skymesh

Current Market Position

- Largest GEO Satellite provider in Australia with **55% of market share**
- Won WhistleOut **best NBN provider** award 5th year in a row
- Delivering **excellence in service** – 9 in 10 rate Skymesh as good/excellent

Market Conditions

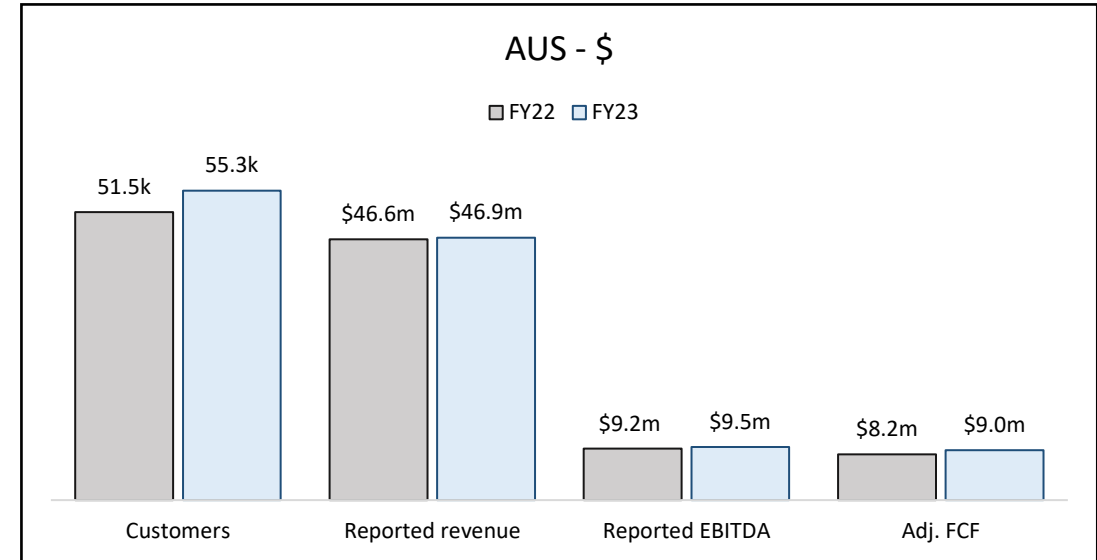
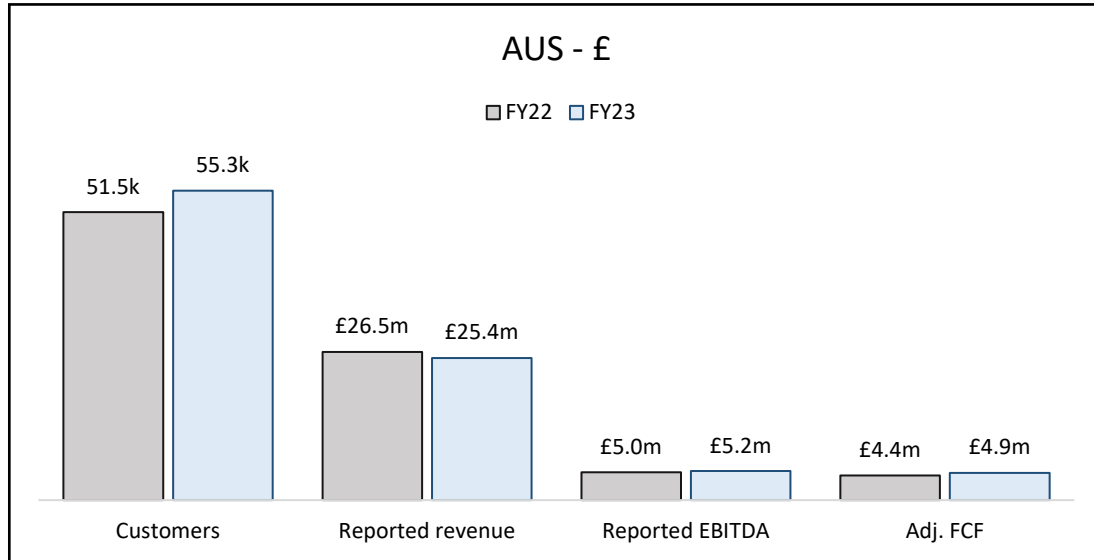
- Starlink competitive threat impacted new adds and churn and CPA
- Opportunity in 4G/5G FWA market
- NbnCo releasing new Sky Muster Plus July 2023 with uncapped data and speeds up to 100Mbps competitive product offering – more launched Q1 24
- Fixed line market is expanding with customer sentiment moving away from larger players to emerging challenger brands

Strategy / Actions underway

- Improved Product offerings
 - LEO – Starlink / One web- Live
 - 4G/5G FWA Optus – Live Apr 24
 - GEO - New NbnCo Ultra unlimited tariffs live in Q4 23 and Q1 24
 - Fibre soft launch now live
- Increased addressable market by 100% to 2M households – 8M incl full fibre metro
- Now remote but also ‘regional’
- Upgraded of systems to improve customer service and reduce operating costs
- New local CFO to seek margin and efficiency improvements



Results overview: Business Unit Analysis



Australia

- Revenue
 - Customer increase of c.3.8k including Uniti acquisition
 - Churn period 32% (FY22: 30%), now reducing with new products
 - ARPU £39.80, (FY22 £40.44), due to product mix and promo activity
 - Net 4% decrease in revenue at £25.4m, after Forex impact of £1.3m (LFL up £0.2m / \$0.3m)
- Adj. EBITDA at £5.2m (\$9.5m), up on PY 4%
- Local Adj. FCF¹ inflow of £4.9m (\$9.0m) (94% of EBITDA)

¹Adjusted before exceptional costs and intercompany transfers.

Quickline Update

- The business continues to be **well supported** by Northleaf, who acquired the majority of Quickline in June 2021
- The Group's retained interest is 2.8% following further investment since the year end of £20m (total £130m) with a current carrying value of £5.9m
- Quickline can currently **address over 200,000** rural premises with its **hybrid FTTP and FWA** infrastructure and has over 10,000 customers
- Quickline has been **awarded 2 contracts under the government's £5bn Project Gigabit programme**. The deal will subsidise the rollout of a full fibre network to more than 43,000 hard-to-reach rural homes and businesses across the West Yorkshire and York area, including communities in North and East Yorkshire, which have been left behind by commercial rollouts. The contracts have been secured by Quickline following competitive public procurement processes and totals **£104m of government subsidy**. Quickline will make further private investment alongside Project Gigabit to roll out its full fibre network to over 200,000 premises



Summary

Summary Outlook and Focus

- Despite being a tough year in 2023 in markets, number of rationalisations, delivered a positive performance in demonstrating LFL Revenue and EBITDA growth
- Importantly
 - Norway – Found a solution for Norwegian Operations with potential upside
 - Australia –
 - Progress being made against market headwinds with new products and important Starlink Contract post YE - Significant investment £2m+
 - Resources - Local CFO
 - Important realise investment in Australian systems
 - Performance Outlook
 - expect moderate hockey stick post disposals, stronger end to year
 - Migration implications on EBITDA / Cash
 - Rightsized central costs
- Terms of remaining assets - Opportunity to create further shareholder value - SOTP

Appendices



Condensed Consolidated Statement of Comprehensive Income



	FY23	FY22	YoY var.
Revenue	£25.9m	£27.2m	(5%)
Adj. EBITDA¹	£4.5m	£4.1m	9%
EBITDA margin %	17.2%	15.1%	
Depreciation	(£0.7m)	(£0.6m)	33%
Amortisation	(£1.5m)	(£0.4m)	241%
Interest	(£0.2m)	(£0.1m)	272%
Net Profit Before Exceptionals	£2.0m	£3.0m	(35%)
Exceptionals	(£3.9m)	(£2.3m)	73%
Shared based payments	-	(£0.3m)	100%
Net (Loss) / Profit Before Taxation	(£2.0m)	£0.5m	(536%)
Taxation	£0.5m	(£0.3m)	(261%)
(Loss) / Profit – Continued Ops	(£1.4m)	£0.1m	(1,269%)
Loss – Discontinued Ops	(£3.3m)	(£3.1m)	7%
Loss For The Financial Year	(£4.7m)	(£2.9m)	60%

Adj. EBITDA

- Gross Margin 37% (FY22: 38%) with focus on less capital-intensive products and product incentives to attract new customers
- Underlying overheads as % sales increased to 20% (FY22: 16%)

Depreciation/Amortisation

- Depreciation slightly higher mainly due to the impairment of assets (£0.1m) at the YE and normal depreciation (£0.6m)
- Amortisation relates to the Clear and Uniti customer base acquisition (£1.5m), up on PY as only included Clear from Feb 22 £0.4m

Interest

- £0.2m interest relating to current drawdown (PY: undrawn RCF facility)

Items identified as Exceptional

- £1.2m associated with M&A activities, £0.8m with restructuring costs, £1.3m costs for systems and development and £0.6m others

Taxation

- No corporation tax payable in PLC – credit in the year
- Tax paid in Australia based on 1.16% of monthly revenue as prepayment. Due to tax credit in P&L this is due to be repaid in FY24

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

Condensed Consolidated Statement of Financial Position



	FY23	FY22
Goodwill and intangibles	£12.3m	£13.6m
Property, plant and equipment	£0.4m	£2.9m
Fixed assets	£12.7m	£16.4m
Working capital	(£5.5m)	(£6.0m)
Net assets held for sale	£0.2m	
Net Cash	£1.5m	£4.2m
Net current liabilities	(£3.8m)	(£1.9m)
Non current liabilities	(£0.6m)	(£1.2m)
Net assets	£8.3m	£13.4m

Net cash	£1.5m	£4.2m
Days Sales of Inventory	16	24
Trade Debtors Days	14	9
Days Creditors Outstanding	70	77
Net cash / EBITDA	0.34x	1.02x

Intangible assets

- Reduced by £1.3m following the acquisition of the Uniti customer base (£2.5m, increase in Loan Notes element of QCHL investment (£0.2m), amortisation over the last 12 months (£1.5m), impairment of intangible assets (£0.1m), write down of the Norway goodwill (£1.8m), intangibles reclassified as assets for sale (£0.4m) and forex movement on BS (£0.2m) through forex reserve

Fixed Assets (PPE)

- Reduced by £2.5m - Capex investment (£0.1m) and Depreciation (£0.6m), assets reclassified as for sale (£1.4m) and disposal of assets under IFRS16 (£0.6m)

Working Capital

- Negative Working Capital decreased by £0.5m to £5.5m
 - Stock levels YOY reduced by £0.2m as a result of lower stock held in NZ.
 - Trade and Other receivables increased in the year by £0.8m, reflecting the increase in Trade Debtors (£0.6m) and higher prepayments (£0.2m).
 - Creditors and Other Payables reduced YOY by £0.1m, reflecting the higher creditors payments.

Net Assets held of sale

- Relates to the net assets reclassified for sale, representing the Norwegian business EV.

Net Cash

- Cash closed at £3.6m (£4.1m inc of discontinued cash) with debt at £2.1m, resulting in a net cash position of £1.5m (£2.0m inc discontinued). Operating cashflow inflow of £5.3m, and after tax and interest a free cashflow inflow of £4.7m. Other key outflows were the acquisition cost of Harbour (£2.5m) and exceptional costs covering restructuring, redundancies and M&A (£3.9m)

Non-Current Liabilities

- Reduced over the period by £0.6m, with IFRS16 liabilities lower by £0.6m

Condensed Statement of Cash Flows



	2023	2022
	£000	£000
Opening Net Cash	4,195	5,201
(Loss) / profit after tax from Continuing operations	(1,438)	125
Interest charge	238	64
Depreciation	597	561
Impairment of Intangible and Fixed Assets	147	-
Amortisation	1,515	444
Tax (credit) / charge	(529)	328
Share Based payments	-	309
Exceptional costs	3,929	2,271
Adjusted EBITDA	4,459	4,102
Forex movement and other non-cash	262	(99)
Movement in Working Capital	544	(3,309)
Cash inflow from Continuing operations	5,265	694
Interest paid	(209)	(64)
Tax paid	(297)	(539)
Underlying inflow from Continuing operations	4,759	91
Purchase of Assets	(49)	(374)
Adjusted free cash inflow/(outflow) before exceptional and M&A items	4,710	(283)

Exceptional items relating to refinancing, fundraising, M&A, integration and the establishment of network partnerships

Adjusted free cash inflow/(outflow) after exceptional and M&A items

Investment activities

Financing activities

Movement in Cash from Continuing operations

(Outflow) / inflow of cash from Discontinued operations

Movement in Net Cash

Increase in Debt

Closing Net Cash

Net Cash

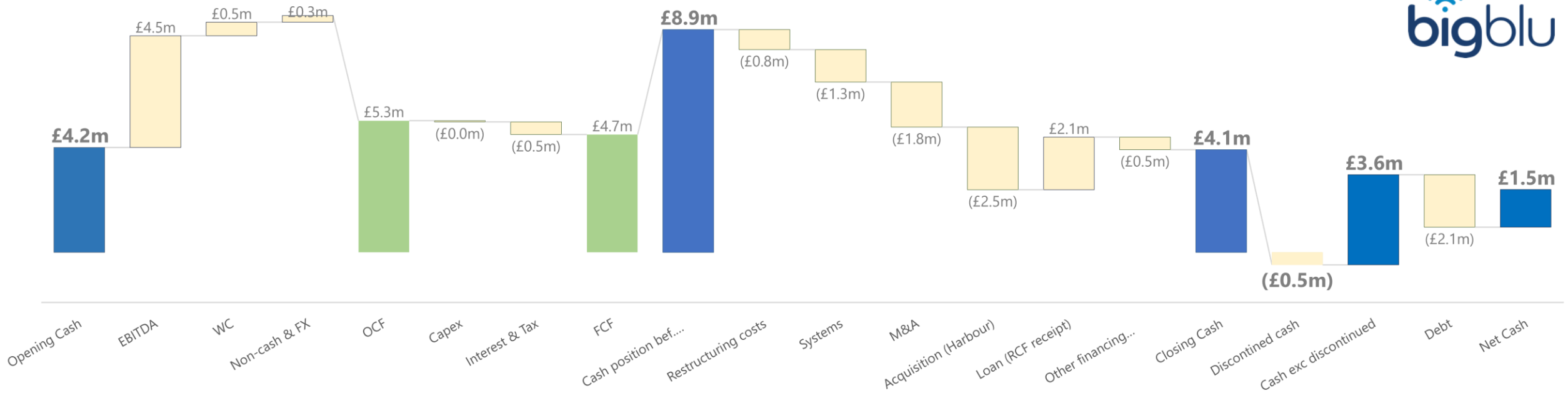
Net cash and cash equivalents

Discontinued operations cash / cash equivalents including deposits

Adjusted net cash, inclusive of escrow cash £850k

2023	2022
£000	£000
(3,929)	(2,271)
781	(2,554)
(2,693)	1,632
1,856	(137)
(56)	(1,059)
(2)	53
(58)	(1,006)
(2,100)	-
2,037	4,195
1,532	4,195
505	-
2,037	4,195

Adjusted OCF of £5.3m and Adjusted FCF of £4.7m



Cash Waterfall - From EBITDA Cash generated in trading

- Adj. OCF – inflow £5.3m (FY22 £0.7m)
 - Working capital inflow of £0.5m
 - Stock levels reduced by £0.4m as a result of the removal of stock held in Norway to assets held for sale
 - Receivables /other debtors increased in the period by £0.5m (Debtor's days remains low but up YOY at DSO 14 days (FY22: 9 days))
 - Creditors increased by £0.6m, (Creditor's days reduced to 70 YOY (FY22: 77 days))
 - Non Cash Forex £0.3m (FY22 outflow £0.1m)
- Adj. FCF – inflow £4.7m (FY22 outflow £0.3m) after
 - Capex £0.1m – Software development and office equipment
 - Int and Tax - £0.5m - £0.2m interest on RCF facility, £0.3m Australia tax prepayments with refund expected in FY24
- Other items
 - Cash restructuring costs of £0.8m – Australia (£0.1m) and PLC (£0.8m)
 - Other costs relate to system improvement costs in Australia (£1.3m)
 - Financing activities cover the receipt of the RCF drawdown and small amount of lease IFRS16 applicable to Australia
 - M&A covers the work associated with acquisition and legal costs (£1.8m) and the Uniti customers acquisition outflow of £2.5m (AUS\$4.8m)
- Closing cash of £3.6m (£4.1m inc discontinued) (FY22 £4.2m) and following drawdown from the RCF of £2.1m this resulted in a closing net cash position of £1.5m (£2.0m inc discontinued) (FY22 £4.2m)

EPS Calculations



30 November 2023	Weighted Average	Per Share
Profit/(Loss)	Number of	Amount
£'000	Shares	Pence

Basic EPS - Loss attributable to shareholders

(4,701) 58,524,645 (8.0)

Loss attributable to shareholders	(4,701)		
Add back loss from discontinued operations	3,263		
Add back exceptional costs	3,929		
Profit attributable to shareholders from continuing operations	<u>2,491</u>		
Add back amortisation	<u>1,662</u>		
Adjusted EPS - Profit attributable to shareholders from continuing operations	4,153	58,524,645	7.1

Diluted EPS – Loss attributable to shareholders

(4,701) 58,820,176 (8.0)

Adjusted Diluted EPS – Profit attributable to shareholders from continuing operations as above	4,153	58,820,176	7.1
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30 November 2022	Weighted Average	Per Share
Profit/(Loss)	Number of	Amount
£'000	Shares	Pence

Basic and diluted EPS

Basic EPS - Profit attributable to shareholders

(2,934) 58,376,211 (5.0)

Add back loss from discontinued operations	3,059		
Add back exceptional costs	2,271		
Add back share based payments	<u>309</u>		
Adjusted EPS - Profit attributable to shareholders from continuing operations	<u>2,705</u>		
Add back amortisation	<u>444</u>		
Adjusted EPS - Profit attributable to shareholders from continuing operations	3,149	58,376,211	5.4

Diluted EPS – Profit attributable to shareholders

(2,934) 58,828,959 (5.0)

Adjusted Diluted EPS – Profit attributable to shareholders from continuing operations	3,149	58,828,959	5.4
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The profit attributable to shareholders from continuing operations is £4.2m (2022: £3.2m profit) after adding back exceptional costs £3.9m (FY22: £2.3m), share based payments (FY22: £0.3m), impairment of Fixed Assets £0.1m (FY22: Nil) and amortisation £1.5m (FY22: £0.4m). Adjusted EPS and adjusted diluted EPS are alternative non-GAAP performance measures.

Notes



- 1) Like for like (LFL) revenue treats acquired businesses as if they were owned for the same period across both the current and prior year and adjusts for constant currency and exceptional items and business disposed of in the period are excluded from the calculation.
- 2) Adjusted EBITDA is stated before interest, taxation, depreciation, amortization, share based payments and exceptional items. It also excludes property lease costs which, under IFRS 16, are replaced by depreciation and interest charges.
- 3) Adjusted PAT represents adjusted EBITDA less interest, taxation, and amortisation.
- 4) Adjusted EPS is adjusted PAT divided by the weighted average number of shares over the period.
- 5) Adjusted Operating cash flow relates to the amount of cash generated from the Group's operating activities and is calculated as follows: Profit/(Loss) before Tax adjusted for Depreciation, Amortisation, Share Based Payments and adjusting for changes in Working Capital and non-cash items as well as items identified as exceptional in nature.
- 6) Adjusted Free cash flow being cash (used)/generated by the Group after investment in capital expenditure, servicing of debt and payment of taxes and excludes items identified as exceptional in nature.
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