1H24 – BBB plc Half Year Results

September 24

Frank Waters CEO

Agenda and Contents

- 1H24 Trading Overview and Executive Take
- Group Financial performance
- Australian Business Unit Review and Market outlook
- Summary and Outlook

1H24 Trading Overview and Executive Take

Trading Overview – 1H24

bigblu

Customers

c.52.3k

Revenue

£11.2m

Adjusted EBITDA[1]

£1.1m

Adjusted Free Cash outflow[2]

£4.5m

Net Debt[3]

£4.9m

Adjusted Basic EPS[4]

0.9p

[1]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.

[2]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 and excludes items identified as exceptional in nature.

[3]Cash / Net debt excludes lease-related liabilities of £0.1m of under IFRS 16 (1H23 £0.9m).

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

Executive Take on 1H24

Norway - Disposal of Norwegian business to Management led team in May 24 **removing the challenges** being faced in the **turnaround** of the business **as well as the potential need for further cash investment** to grow the business and support any further demounting and migration projects

Central - Disposal allows the Board to reduce annualised central costs by c.**£0.4m**

Strategic - significant distribution contract with Starlink - In December 2023, **with £2.1m investment** primarily in advance stock purchases enabling the Group to provide high-speed internet to business and small office / home office workers. This, alongside the One Web contract, allows BBB to offer customers an extended suite of products.

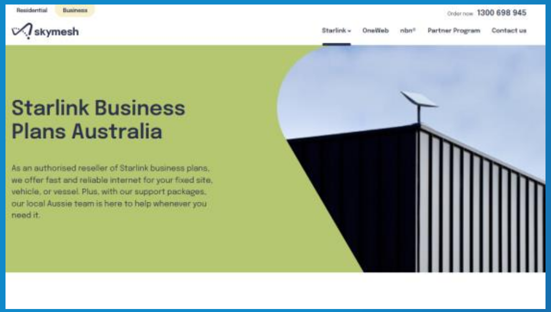
Quickline Significant Advancement

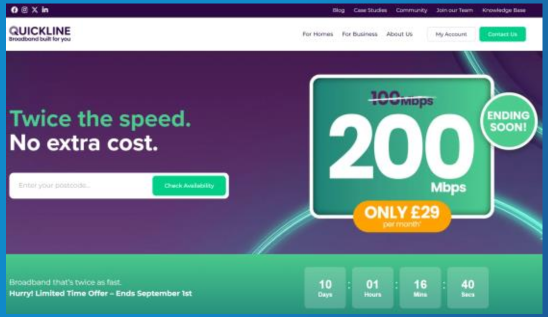
- The Group's retained interest is 2.8% following further investment since the year end with a current carrying value of £6.1m.
- Quickline has been awarded four contracts under the government's £5bn Project Gigabit programme, securing all four contracts with c £300m of government subsidy and making it the second largest Project Gigabit regional delivery partner. Quickline will make further private investment alongside Project Gigabit to roll out its full fibre network to around 400,000 premises in addition to its next generation FWA coverage.

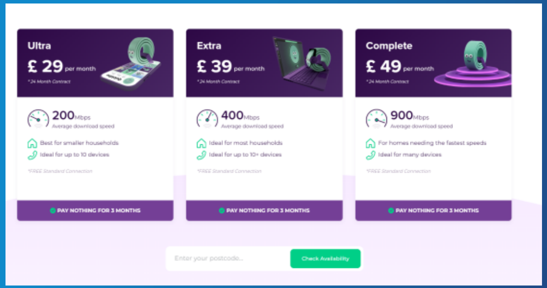
Lot / Region	Date	Total Prems	£'000
8 West Yorkshire	22-Feb-24	28,116	£60,205
20 South Yorkshire	10-Apr-24	32,115	£44,326
31 North Yorkshire	25-Jul-24	36,300	£70,533
23 Lincolnshire & ER	25-Jul-24	71,982	£115,844
		168,513	**£290,908**

- Post period end, on 1 August 2024 Quickline secured a £250 million debt package comprising a £125 million term loan and £100 million debt guarantee from the UK Infrastructure Bank alongside a £25 million term loan provided by NatWest. This additional funding helps support Quickline's large-scale broadband expansion in Yorkshire and Lincolnshire as it targets passing more than 500,000 rural premises in these two counties.

Project Gigabit is the government-backed programme to connect hard-to-reach areas which, without government intervention, would miss out on fast and reliable, gigabit capable broadband. The rollout of Project Gigabit is overseen by Building Digital UK (BDUK) – an executive agency of the Department for Science, Innovation and Technology.



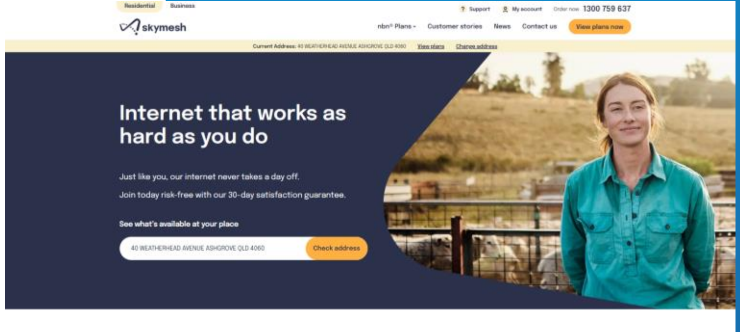


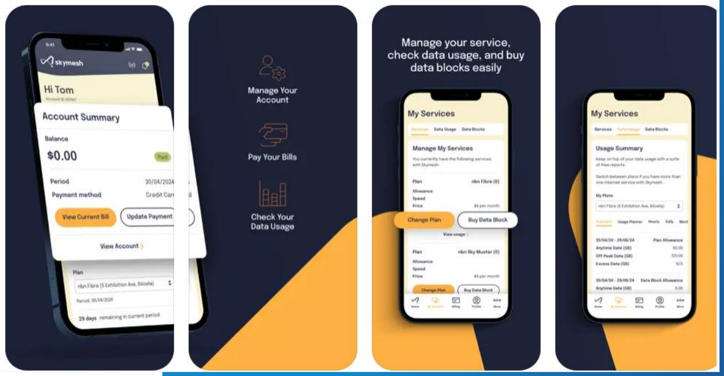


Executive Take on 1H24- Cont.

Australia

- SkyMesh remains the **leading Australian satellite broadband** service provider, having been named **Best Satellite NBN Provider for the sixth year in succession (2019-2024).**
- SkyMesh has continued to be the market leader in the satellite broadband market with **total market share in 1H24 of 46%** of NBNCo Skymuster, a growth of 7.6% year on year. SkyMesh continues to **command a majority market share of all new orders** placed and is considered the fastest growing operator in the GEO satellite market.
- Customer numbers post the implementation of the new system and the consolidation of SIO's as at 31 May 2024 were **52.3k (1H23: 51.4k).**
- During the last twelve months, SkyMesh upgraded their legacy systems with an investment of c.£1.5m (of **which £0.2m** was in the period). Brings touchless integration with NBNCo for ordering, provisioning of services and support. More efficient system that enables customers to be set up online faster than ever. The sales process has been streamlined and provides the ability to track orders and sales in real time. **The system brings upgraded security and flexibility to integrate with future vendors**. This was a large exercise and resulted in a number of teething challenges. We are now seeing a more stable platform and have invested in additional IT headcount resource to drive future systems improvements, reporting and efficiency gains.
- **Skymesh has also refreshed its branding with a whole new website, logo and tone of voice, in addition to launching a market leading consumer facing app in July 2024** available in both Apple and Google stores. The app will redefine the way the business interacts with its customers and further drive efficiencies in the customer experience.
- Further new product opportunities are emerging as SkyMesh heads into the second half of 2024 with the potential to underpin future growth in customer numbers and performance.





1H24 Group Financial Performance

Financial Highlights

	1H24	1H23	% Change
Revenue	£11.2m	£13.0m	(13.7%)
Recurring revenue %	93%	93%	0.1%
Gross Margin %	32%	35%	(8.4%)
Adjusted EBITDA[2]	£1.1m	£1.5m	(27.9%)
Adjusted EBITDA %	10%	12%	(16.5%)
Adjusted Profit After Tax[3]	£0.5m	£1.0m	(47.3%)
Basic EPS[4]	(3.4p)	(3.3p)	
AdjustedBasic EPS[4]	0.9p	1.7p	(47.3%)
Adjusted Operating Cash (Outflow) / Inflow[5]	(£4.1m)	£0.4m	1168.9%
Adjusted Free Cash Inflow (Outflow) / Inflow[6]	(£4.5m)	£0.1m	6426.8%
Net Debt[7]	(£4.9m)	(£0.3m)	(1317.5%)

[1,2,3,4,5,6,7] *Refer to notes in Appendices.*

Trading

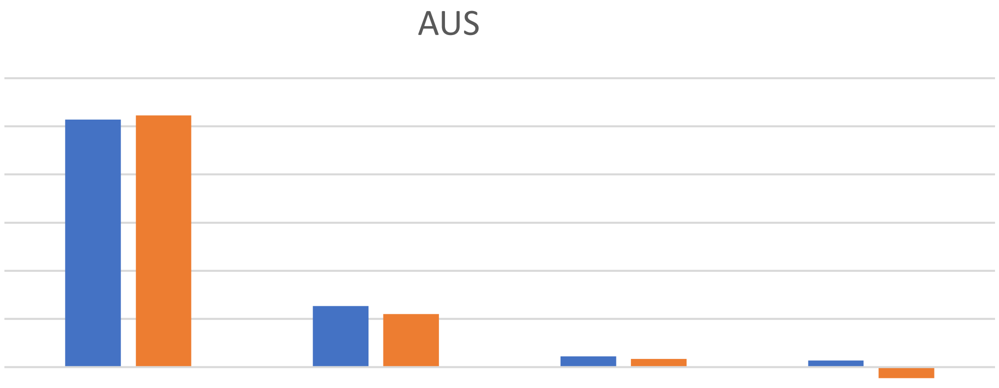
- **Revenue** £11.2m LFL decline c.8%

  Net adds positive 0.7k, with a closing base of 52.3k v 51.4k

  Underlying churn at 32% (1H23 35%). Churn expected to reduce below 30% by year end

  Underlying ARPU £35.93 (1H23: £36.41) due to product mix and promotional offers
- **Recurring revenue** remains strong at 93% (1H23: 93%)
- **Sales mix** - Sat 87% FW 11% 5G 2% (1H23: Sat 82% FW 16% 5G 2%)
- **Adj. EBITDA** £1.1m (1H23: £1.5m), with LFL in line with Prior Year
- Adj. PAT £0.5m (1H23: £1.0m)
- Basic EPS loss at 3.4p (1H23: loss 3.3p) due in the main due to the lower EBITDA
- Adj. Basic EPS profit of 0.9p (1H23: Profit 1.7p), down 0.8p after adjusting for all exceptional costs
- Adj. OCF outflow of £4.1m due to planned working capital requirements including Investment in Starlink (£2.1m)
- Adj. FCF outflow of £4.5m (1H23: Inflow £0.1m) with lower CAPEX, higher interest and tax
- Net debt was £4.9m (1H23: Net debt £0.3m) with movement last 12m of £4.6m comprising investment in working Capital, fixed assets (£0.1m), interest and tax (£0.8m)

Results overview: Australian Business Unit Analysis



	Customers	Reported revenue	Reported EBITDA	Adj. FCF
1H23	51.4k	£12.7m	£2.2m	£1.4m
1H24	52.3k	£11.0m	£1.7m	(£2.3m)

1H23 1H24

Australia

- Growth - Customers increased by c1k
- Underlying Churn reducing 1H24 32% (1H23: 35%)
- Underlying ARPU reduced slightly to £35.93 v £36.41 per month average
  - Balance planned specific switching of customers to more appropriate packages with a higher customer lifetime value CLV v Margin control
- Resulted in LFL revenues at £11.0m down 3%
- EBITDA at £1.7m, (1H23: £2.2m). Increase on LFL basis c.22%
- Local Adj. FCF[1] outflow of £2.3m due to planned working movements including investment in Starlink (Pre currency impact Adj. FCF was an outflow of £1.5m)

[1]*Adjusted before exceptional costs and intercompany transfers.*

1H24 Australian Business Unit Review and Market outlook

Australia - Skymesh

bigblu

Current Market Position

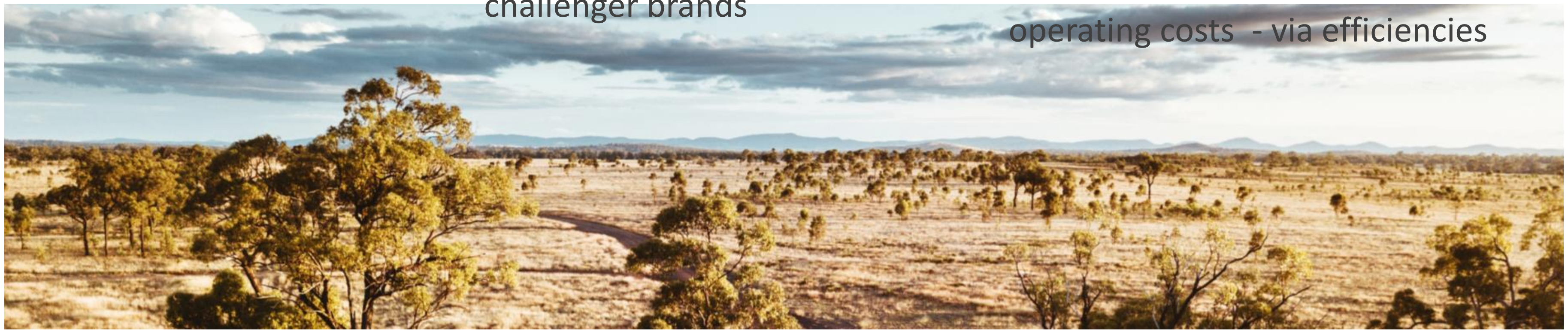
- Largest Satellite provider in Australia with **46% of market share**
- Won WhistleOut **best NBN satellite provider** award 6th year in a row
- Delivering **excellence in service** – 9 in 10 rate Skymesh as good/excellent
- Net promoter score of **39** (outperforming telco industry norms)

Market Outlook

- Starlink competitive threat has impacted new adds and churn
- Opportunity in 4G/5G FWA market
- NbnCo released new Sky Muster Plus Late 23 / Early 24 with uncapped data and speeds up to 100Mbps – highly competitive product offering. Margin mix.
- Fixed line market is expanding with customer sentiment moving away from larger players to emerging challenger brands

Strategy / Actions underway

- New Brand
- New App
- Improved Product offering
- Contract signed with Optus for 4G/5G FWA market at beginning of July
- Maximise mix of NbnCo Ultra unlimited tariffs
- Fibre soft launch now live
- Increased addressable market by 100% to 2 M households
- Now remote but also regional
- Upgraded of systems to improve customer service and reduce operating costs - via efficiencies



Summary and Outlook

Summary and Outlook

Summary

- Strategically disposed of Norwegian operations
- Consequently, reduced plc costs - right sized
- Performance in 1H24 in line with expectations
- Significant uplift expected in 2H24
- Important Starlink Contract
- Amazing QCL result
- Wealth of opportunities In Australia - Carefully navigate to those that add / accretive in value

Outlook and Focus – on Shareholder value

- Real Quality business in Australia
    - Platform for growth
    - High recurring revenues c90% plus, increasing levels of cash generation in growing market
    - Return to accelerated customer growth
    - Opportunity to create further shareholder value in Starlink 4G / 5G / Fixed LIne
        - **Products** Roadmap exciting with new product launches planned throughout FY24
    - Focus on balancing growth opportunities with performance
- o Significant opportunity within Quickline on back of momentous government contracts won and banking support as well as continued support and investment from Northleaf and an Excellent management team capable of execution and delivery

bigblu

Appendices

Condensed Consolidated Statement of Comprehensive Income

	1H24	1H23	YoY var.
Revenue	£11.2m	£13.0m	(14%)
Adj. EBITDA[1]	**£1.1m**	**£1.5m**	**(28%)**
EBITDA margin %	9.9%	*11.9%*	
Depreciation	(£0.2m)	(£0.3m)	(51%)
Amortisation	(£0.7m)	(£0.7m)	1%
Interest	(£0.3m)	(£0.1m)	240%
Net Profit Before Exceptionals	**(£0.1m)**	**£0.4m**	**(114%)**
Exceptionals	(£1.0m)	(£1.6m)	(38%)
Net (Loss) / Profit Before Taxation	**(£1.0m)**	**(£1.1m)**	**(8%)**
Taxation	(£0.1m)	(£0.1m)	(13%)
(Loss) / Profit – Continued Ops	**(£1.1m)**	**(£1.2m)**	**(9%)**
Loss – Discontinued Ops	(£0.7m)	(£0.7m)	**6%**
Loss For The Financial Year (Pre Forex)	**(£1.8m)**	**(£1.9m)**	**(3%)**

Adj. EBITDA

- Gross Margin 32% (1H23: 35%), down on prior year due to focus on less capital-intensive products and product incentives to attract new customers
- Underlying overheads as % sales reduced to 22% (1H23: 23%) mainly due to restructuring impacting

Depreciation/Amortisation

- Depreciation lower mainly due to the and lower Capex and assets fully depreciated
- Amortisation relates to the Clear and Uniti customer base acquisition (£0.7m), in line with prior year

Interest

- £0.3m interest, up £0.2m on 1H23 due to the higher RCF debt (£6.5m, up £4.4m in the period)

Items identified as Exceptional

- £0.4m associated with M&A activities, £0.3m with restructuring costs in PLC and £0.3m others

Taxation

- No corporation tax payable in PLC
- Tax paid in Australia based on 1.16% of monthly revenue

[1]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.

Condensed Consolidated Statement of Financial Position

	1H24	1H23
Goodwill and intangibles	£11.8m	£14.9m
Property, plant and equipment	£0.3m	£2.2m
Fixed assets	£12.1m	£17.1m
Working capital	£0.1m	(£4.9m)
Net Cash	(£4.9m)	(£0.3m)
Net current liabilities	(£4.9m)	(£5.3m)
Non current liabilities	(£0.6m)	(£0.9m)
Net assets	£6.6m	£10.9m
Net (debt) (exc. IFRS16)	(£4.9m)	(£0.3m)
Days Sales of Inventory	42	19
Trade Debtors Days	38	14
Days Creditors Outstanding	76	64
Net (debt) / EBITDA	(4.4x)	(0.2x)

Intangible assets

• Reduced by £3.1m the increase in loan notes element of QCHL investment (£0.2m), amortisation over the last 12 months (£1.4m), removal of the Norwegian goodwill (£1.1m) and forex movement (£0.6m)

Fixed Assets (PPE)

• Reduced by £1.9m - Capex investment (£0.1m). Depreciation (£0.5m), removal of the Norwegian business Fixed Assets (£0.9m) and forex movement (£0.4m)

Working Capital

• Negative Working Capital improvement of £5.0m
• Stock levels YOY increased by £0.9m as a result of the Starlink stock
• Trade and Other receivables increased in the year by £2.4m, reflecting the increase in Trade Debtors (£1.3m) and higher prepayments and accrued income (£1.1m). Debtor's days up YOY at DSO 38 days (1H23: 14 days).
• Creditors and Other Payables reduced YOY by £1.7m, reflecting the lower creditors position, and lower accruals and lease liabilities.

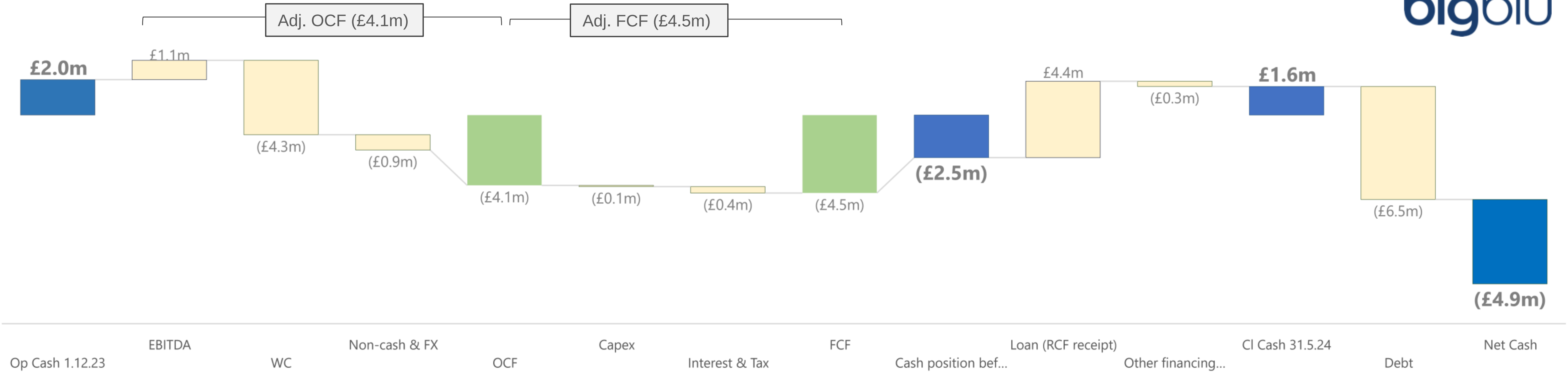
Net Cash

• Cash closed at £1.6m In the period there was capital expenditure of £0.1m (1H23: £0.2m), higher tax payments by (£0.3m), higher interest of £0.2m, at £0.3m (1H23: £0.1m), offset to an extent by positive forex translation movements of £0.7m. Consequently, Net debt as at 1H24 was £4.9m (1H23: Net debt £0.3m)

Non-Current Liabilities

• Reduced over the period by £0.3m, with IFRS16 liabilities due to the current leases expiring in 2H24

Adjusted FCF outflow of £4.5m



- **Key points since YE**
- Working capital usage of £4.3m
    - An increase in Trade & Other Receivables (£1.9m) due to delayed collections post initial go live systems teething issues and linked with ensuring compliance with the February 2024 Telecommunications (Financial Hardship) Industry Standard 2024
    - A reduction in Trade Payables (£0.8m)
    - Higher inventory (£1.6m) due to the investment in the Starlink agreement and stock
- Capex £0.1m covers the investment in systems
- £0.3m interest on undrawn and drawn RCF facility, £0.1m Australia tax prepayments
- Financing activities cover IFRS16 movements
- Proceeds of £4.4m from the RCF in 1H24 period
- Closing cash was down £0.4m (FY23) to £1.6m (1H24), and along with a drawdown from the RCF of £6.5m this resulted in a closing net debt position of £4.9m

Condensed Statement of Cash Flows

	1H24 £'000	1H23 £'000
Opening Net Cash	**2,037**	4,195
Loss after tax	**(1,279)**	(1,231)
Interest charge	**330**	97
Depreciation	**163**	332
Amortisation	**677**	671
Tax charge / (credit)	**79**	91
Foreign exchange translation	**156**	-
Exceptional costs	**984**	1,580
Adj. EBITDA	**1,110**	1,540
Forex movement and other non-cash	**(874)**	(556)
Movement in Working Capital	**(4,287)**	(605)
Cash inflow	**(4,051)**	379
Interest paid	**(340)**	(97)
Tax paid	**(31)**	(91)
Underlying inflow	**(4,422)**	191

	1H24 £'000	1H23 £'000
Purchase of Assets	**(70)**	(120)
Adj. inflow Free Cash Flow	**(4,492)**	71
Exceptional items relating to M&A, disposals, restructuring costs and the establishment of network partnerships	**(984)**	(1,580)
Adj. free cash inflow/(outflow) after exceptional and M&A items	**(5,476)**	(1,509)
Investment activities	**(267)**	(2.923)
Financing activities	**4,304**	1,895
Movement in Net Cash	**(1,439)**	(2,537)
(Outflow)/inflow from discontinued operations	**(626)**	94
Cash retained by disposal group	**(505)**	-
Movement in Net Cash	**(2,570)**	(2,443)
Increase in debt	**(4,400)**	(2,100)
Closing net (debt)	**(4,933)**	(348)

EPS Calculations

	Unaudited 6 months to 31 May 2024 £000	Unaudited 6 months to 31 May 2023 £000	Audited 12 months to 30 Nov 2023 £000
Loss for the period	**(2,004)**	**(1,914)**	**(4,701)**
Loss for the period from continuing operations	(1,279)	(1,231)	(1,438)
Loss for the period from discontinued operations	(725)	(683)	(3,263)
Loss attributable to shareholders	**(2,004)**	**(1,914)**	**(4,701)**
Add exceptional items	**984**	**1,580**	**3,929**
Add loss from discontinued operations	**725**	**683**	**3,263**
Impairment of Fixed Assets	**-**	**-**	**147**
Foreign exchange transaction loss	**156**	**-**	**-**
Amortisation	**677**	**671**	**1,515**
Adjusted profit attributable to shareholders	**538**	**1,020**	**4,153**

		EPS Pence	
Basic EPS[1]	(2.2p)	(2.1p)	(2.5p)
Basic EPS from discontinued operations[2]	(1.2p)	(1.2p)	(5.5p)
Total basic EPS attributable to ordinary shareholders[3]	(3.4p)	(3.3p)	(8.0p)
Adjusted basic EPS[4]	0.9p	1.7p	7.1p
Diluted EPS from continuing operations[1]	(2.2p)	(2.1p)	(2.5p)
Diluted EPS from discontinued operations[2]	(1.2p)	(1.2p)	(5.5p)
Total diluted EPS attributable to ordinary shareholders[3]	(3.4p)	(3.3p)	(8.0p)
Adjusted diluted EPS[4]	0.9p	1.7p	7.1p
Weighted average shares	**58,551,487**	**58,505,079**	**58,524,645**
Weighted average diluted shares	**58,847,018**	**58,874,820**	**58,820,176**

Norwegian Disposal

Norway Disposal

- The Norway disposal consisted of the following financials:

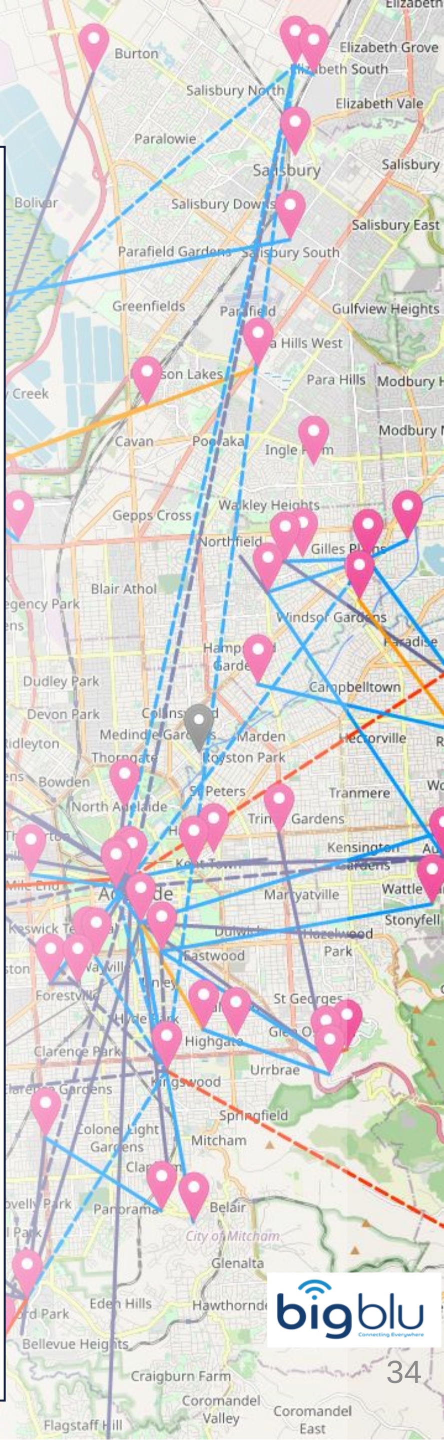
	Unaudited 6 months to 31 May 2024 £000	Unaudited 6 months to 31 May 2023 £000	Audited 12 months to 30 Nov 2023 £000
Revenue	1,741	1,979	4,157
Expenses	(1,810)	(3,438)	(7,420)
Loss before tax	(69)	(1,459)	(3,263)
Taxation on operations	-	-	-
Loss after tax of discontinued operations	(69)	(1,459)	(3,263)
Loss on sale of the subsidiary after tax (see below)	(656)	-	-
Loss from discontinued operations	**(725)**	**(1,459)**	**(3,263)**
Net cash (outflow) / inflow from operating activities	(411)	465	830
Net cash outflow from investing activities	(161)	(191)	(424)
Net cash inflow / (outflow) from financing activities[1]	451	(180)	(408)
Net cash outflow from discontinued operations	**(121)**	**94**	**(2)**
Details of sale of subsidiary			
Carrying amount of net assets sold	(58)	-	-
Intercompany receivable written off	(504)	-	-
Expenses of sale	(94)	-	-
Loss on sale after tax	**(656)**	-	-

[1] *Adjusted for IFRS 16*

Assets and liabilities of disposal group disposed of

	Unaudited as at disposal date 17 May 2024 £'000	Unaudited as at 31 May 2023 £'000	Audited as at 30 November 2023 £'000
Assets disposed of / (Nov 23: classified as held for sale)			
Property, plant and equipment	912	-	1,034
Intangible assets	62	-	85
Inventory	417	-	615
Cash	384	-	505
Trade receivables	557	-	67
Other receivables	177	-	210
Total assets of disposal group held for sale	2,509	-	2,516
Liabilities directly associated with assets disposed of / (Nov 23: classified as held for sale)			
Trade payables	(728)	-	(1,066)
Lease liabilities	(385)	-	(573)
Other payables	(1,338)	-	(710)
Total liabilities of disposal group held for sale	(2,451)	-	(2,349)

- Completed May 2024



Notes

[1] Like for like (LFL) revenue and EBITDA is adjusted for new or divested businesses in both the current and prior year and adjusts for constant currency .

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

[3] Adjusted PAT represents adjusted EBITDA less interest, taxation, depreciation, and amortisation, adjusted for items of an exceptional nature, being impairment of Fixed Assets, amortisation and deferred tax adjustments.

[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 and excludes 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.

[7] Cash / Net debt excludes lease-related liabilities under IFRS 16.