



Investment into Quickline

Bigblu Broadband PLC

August 2019

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Introduction



- Quickline is performing well. Since acquisition in 2017 customer numbers have increased from c.4,500 to c.7,500⁽¹⁾ mainly through organic growth
- Significant opportunity to accelerate Quickline's growth targeting c.30,000 customers over the next three years – requires additional funding given capex requirements
- Direct funding into QCL Holdings Limited⁽²⁾ to support growth – initial £4m of equity with additional £4m of equity committed and up to £4m of HSBC RCF. Valuation of £15m at a significant premium to BBB's acquisition price
- Provides the funding structure for Quickline with management incentivised to deliver growth targets:
 - 1) Organic growth driven by capex programme and extended network
 - 2) Acquisitions to add scale and extend geographic footprint in UK
 - 3) Government funded BDUK backed projects
- Investment supports significant valuation upside as Quickline transforms into a bigger business
- Fixed wireless is a complimentary technology solution for BBB to satisfy demand for high speed broadband access outside the fibre network where grant funding is available

⁽¹⁾ As at 31 May 2019.

⁽²⁾ A new holding company of Quickline

Quickline – Going From Strength To Strength



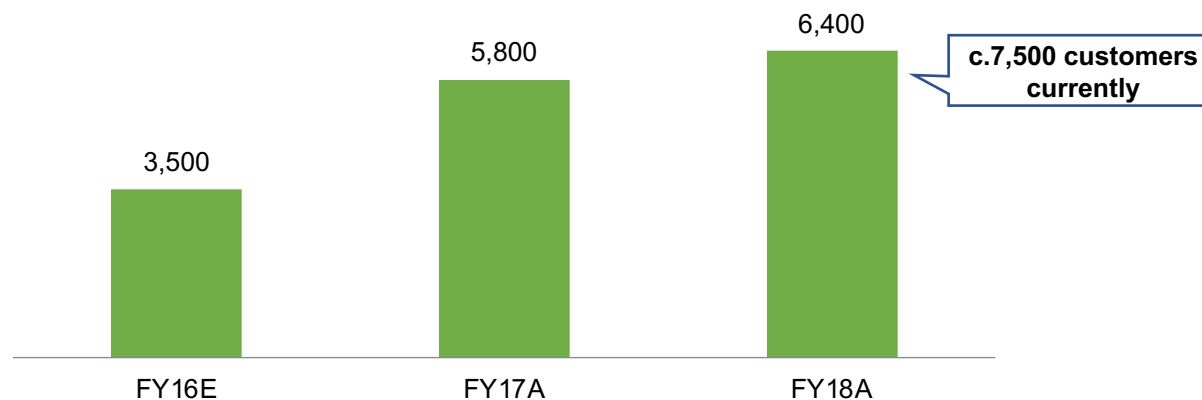
- A leading provider of fixed wireless broadband in the UK established by Steve Jagger (CEO) in 2007
- Has grown to become a leading provider of rural broadband solutions, capable of delivering speeds of 300 Mbps and 100 Mbps with extensive coverage throughout the North and East of England
- Customer base expanded to include enterprise, schools and residential customers – now 50:50 B2B/B2C revenue mix
- BBB acquired Quickline in Aug-17 for initial consideration of £5m plus an earn-out now settled at £3.4m of which £2m has been paid to date reflecting positive trading since acquisition. Steve Jagger has re-invested the final earn-out payment of £1.4m and will hold a 7.7% stake in QCL Holdings on a post-investment basis
- Quickline acquired Clannet in Nov-17 for £0.4m (c.950 customers)
- Track record of working closely with Broadband Delivery UK (BDUK) and local authorities for the roll-out of superfast and ultra-fast broadband in those areas unable to connect to mainstream fibre (FTTH or FTTC)
 - Significant grant funding available to support connecting of unconnected communities
 - Awarded £2m BDUK grant in 2016 for North Lincolnshire
 - Pipeline of BDUK backed projects under new funding model

Quickline: Key Metrics

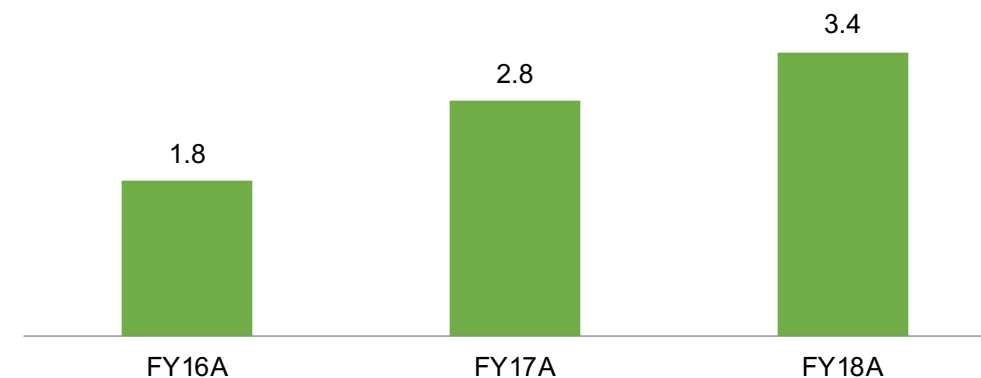


Quickline has outperformed original budget since acquisition with low churn at c.9% p.a.

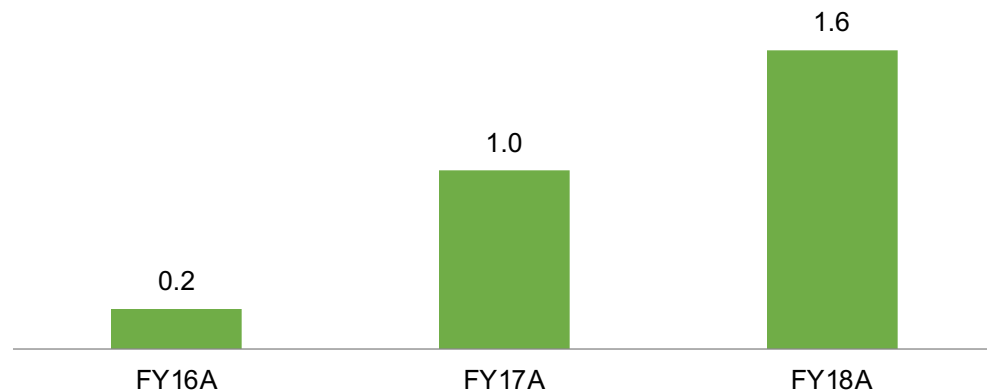
Customer numbers⁽¹⁾



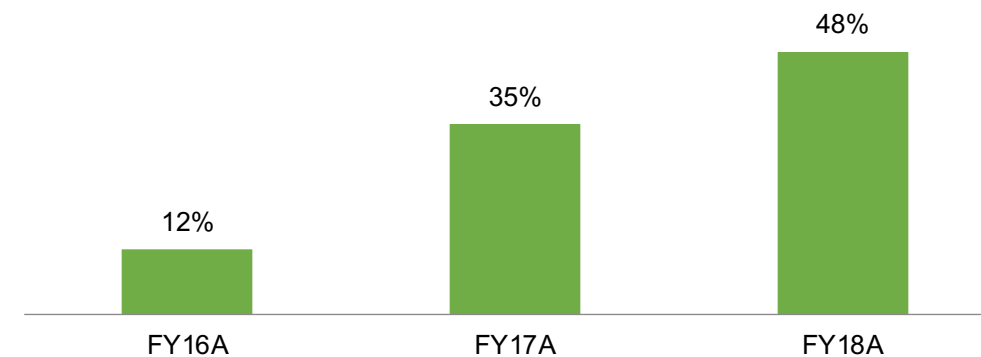
Revenue⁽²⁾



Underlying EBITDA⁽³⁾



Underlying EBITDA margin⁽³⁾



(1) FY16 customer numbers estimated based on customers as at January 2017

(2) Revenue excludes the impact of grant income

(3) EBITDA excludes the impact of grant income and exceptional costs and excludes the management charge payable to BBB

The Fixed Wireless Opportunity



- 2.5 million homes in the UK have slow internet (< 4 Mbps)¹
- Significant demand for superfast (30 Mbps+) and ultrafast (100 Mbps+) services
- Fixed wireless offers a fibre like solution for significantly less cost per premise than full fibre, with faster roll-out times
 - Fibre focused on urban areas and is unlikely to reach large parts of the UK
 - Currently c.8% fibre penetration and a target has been set to reach c.50% by 2025²
 - BDUK addressing the last 10% of UK homes where commercial FTTP is uneconomic
- Insufficient capacity in the industry to meet growing demand – Quickline has the technology, expertise and track record to address this
 - Largest WISP by customers and footprint
 - Skilled and experienced team
 - Infrastructure Access Communication provider with BT Openreach
 - Industry partners: Network Rail, BT Openreach, City Fibre
- Compelling opportunity to expand and accelerate Quickline growth

“We estimate that over 900k premises are able to receive a decent broadband service from an alternate FWA provider”

Ofcom, Connected Nations 2018 Report

Quickline’s Geographical Presence

- Expand And Build out From Existing Core Areas -



(1) Source: Akamai report on State of the Internet, Q4 2016

(2) Source: Commons Library Briefing, 4 June 2019

BDUK funding model has improved



- Recent change in Government policy as previous BDUK schemes were not effective at addressing unconnected rural areas
- Previous ITT schemes now stopped and replaced with a new £200m BDUK fund
 - Available for alternative technologies that can deliver FTTH equivalent with shorter lead times and better return on public funds
 - To be deployed over next 2 years with expectation of a further £1bn+ fund thereafter
- Key features of the new BDUK funding model:
 - Rural Gigabit Voucher Scheme with up to £1,500 per home / £3,500 per SME for new connections for rural premises with broadband speeds of less than 30Mbps
 - Installed infrastructure must be gigabit capable – hybrid fibre / fixed wireless networks qualify
- Key benefits under the new scheme:
 - More generous grants facilitating higher ratio of fibre with all infrastructure costs covered
 - Less time/cost to secure grants reducing award delays/uncertainty
 - Less regulation, oversight and reporting requirements
 - Open to aggregated and community schemes – Quickline working with local authorities to connect original ITT target areas

Investment Requirements



Illustrative sources & uses

	Total (£m) ¹
<u>USES</u>	
New network and infrastructure build	5
BDUK related projects	6
Customer premises equipment	4
M&A	4
Other (including fees and working capital)	1
	<hr/> 20 <hr/>
<u>SOURCES</u>	
Equity proceeds and new HSBC RCF	8
BDUK grants	6
Quickline free cash flow	6
	<hr/> 20 <hr/>

Total external investment of £8m to deliver business plan over 3 year period – £4m equity (with additional £4m if required) and/or £4m debt

Organic

- Objective to accelerate momentum in organic growth
- Organic growth driven by product offering and extending geographic coverage
- Requires capex on network build-out (e.g. masts) and customer premises kit

BDUK

- BDUK oversees a number of bespoke projects and grants; these include various gap funding schemes, the new £200m Rural Gigabit Connectivity program plus the new Rural Gigabit Voucher Scheme
- Plan assumes two major BDUK backed projects over the next two years
- Target to connect over 6,000 customers, supported by public funding, over the 3 year period
- Targeting BDUK grants of c.£6m to fund capex (network backhaul, masts and customer equipment)

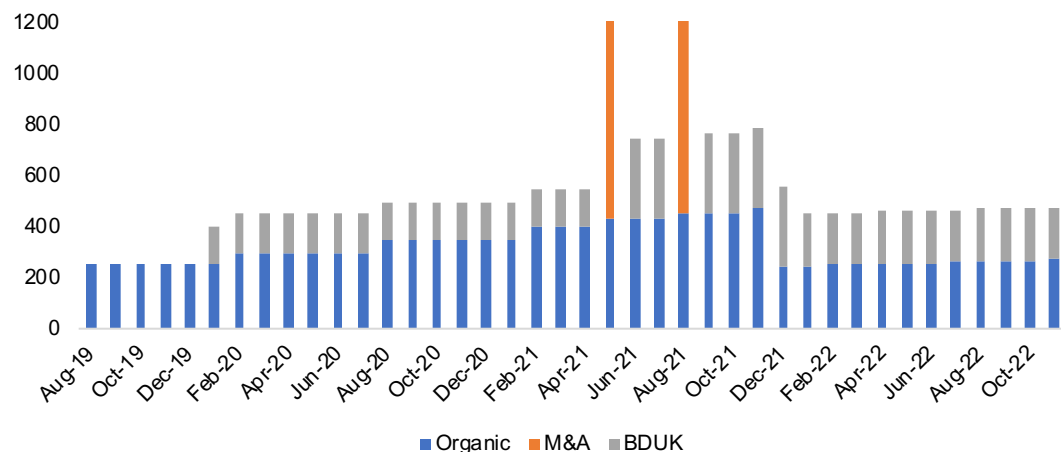
M&A

- Fixed Wireless Access currently fragmented industry with over 100 WISPs operating across the UK with over 100,000 customers
- Opportunity exists to make selective strategic acquisitions within our targeted regions
- Established track record of 4 acquisitions over the last 4 years including 2 since BBB bought Quickline

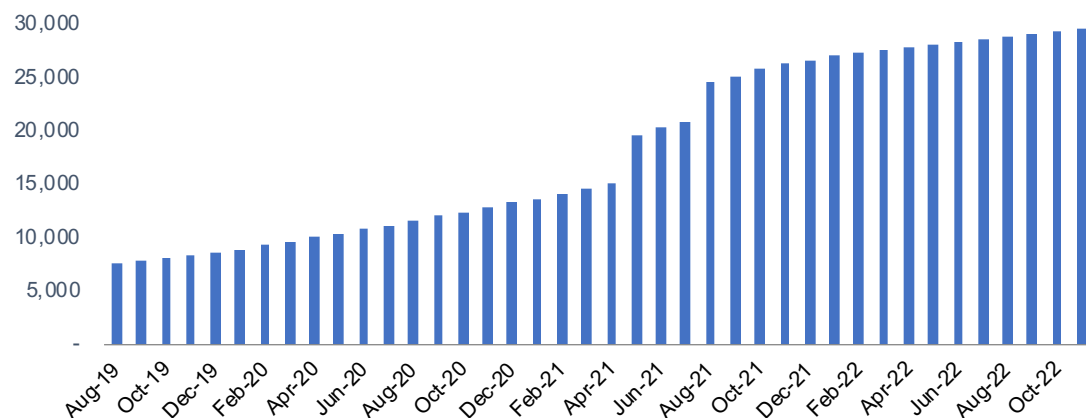
(1) Illustrative sources and uses for the updated Quickline business plan over the next 3 years

Growth Objectives

Increase In Gross Customer Adds⁽¹⁾



Increase In Customer Numbers⁽¹⁾



Key Considerations

- BBB believe the updated Quickline business plan is deliverable given existing platform and market opportunity
- New targets results in a significant acceleration in growth vs the previous business plan
- Key to delivering forecasts is success with BDUK backed projects, executing M&A and delivering organic gross adds – all of which require additional funding under proposed investment structure
- Scale-up of Quickline network requires significant upfront costs including overheads and staff costs (engineers, sales/marketing and central)
- Expectation is for revenues to start building in 2020 onwards and benefits of operational leverage to materialise in 2021 when the business is operating at scale
- The growth objectives set out on this page are targets and require successful future execution of M&A and BDUK backed projects

(1) Illustrative increase in customer numbers only (based on Quickline growth targets)

Key Deal Terms



- Up to £8m equity fundraise at a £15m pre-new money valuation (debt/cash-free basis) equivalent to £13.8m after taking into account co. debt
 - New holding Company – QCL Holdings Limited
 - Private placement with investment at QCL Holdings level – fully underwritten by Harwood
 - Initial tranche of £4m
 - Additional tranches can be drawn for £1m+ capped overall at £4m over the next 2 years (subject to BBB board approval and return hurdles)
 - Investment subject to preference return on liquidation, capital return or exit event equivalent to 1.25x investment (growing at 10% p.a. from the end of year 2)
 - QCL Holdings board to comprise 2x BBB reps (Simon Clifton, Paul Howard), 2x Quickline management (Steve Jagger, Gary Parkin), 1x Harwood rep (Tim Sturm)
 - Paul Howard to invest £125k alongside Harwood in Tranche 1, up to £125k as part of future tranches and will become Chairman
 - Steve Jagger forfeiting existing earn-out in exchange for 10% of QCL Holdings on a pre-new money basis (£1.4m)
 - A separate growth share scheme will be put in-place for Steve Jagger and the Quickline management team as well as Paul Howard (subject to a hurdle)
 - Shareholdings post investment of initial £4m equity: BBB 69.7%, Harwood 21.8%, Steve Jagger 7.7%, Paul Howard 0.7%
- Additional debt provided by HSBC as new RCF of up to £4m for QCL Holdings, full drawdown subject to criteria / investor approval
- BBB will continue to fully consolidate Quickline in its accounts and will initially recognise 69.7% of profits given the minority interest in Quickline (assuming initial £4m of equity drawn)

Transaction Rationale

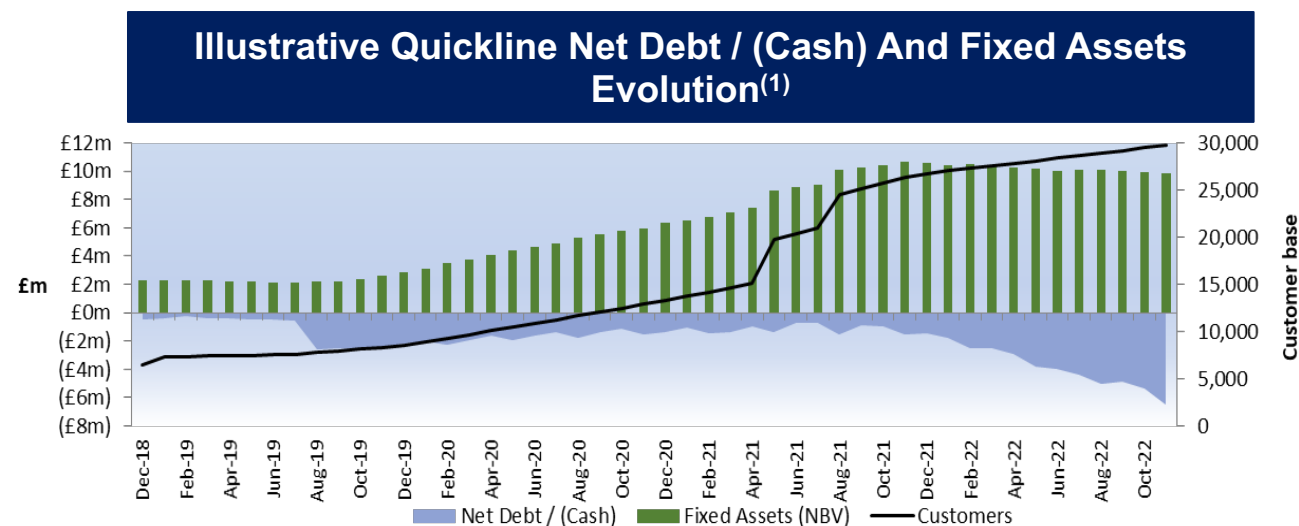


- Quickline is trading well but operates a capital intensive business model which is different to BBB's core business
- In order to capitalise on attractive market dynamics and accelerate growth, Quickline needs access to capital
- BBB does not have sufficient financial capacity to support Quickline in order to fulfil its growth potential and therefore is pursuing a private funding structure (avoiding the need for a dilutive equity raise at the plc level)
- Steve Jagger is incentivised by exchanging his cash earn-out for equity in QCL Holdings, alongside a management growth share plan
- Quickline valued at an attractive valuation of £15m demonstrating good progress since BBB acquisition
- Investment allows Quickline to grow into a much larger business and as such BBB's stake should be worth significantly more than today
- Expected positive impact on BBB group financials as the business plan is delivered:
 - Significantly accretive to revenue, EBITDA and earnings from 2021 onwards (marginally accretive to revenue and EBITDA in 2020 and marginally dilutive to earnings in 2020 given upfront nature of costs)
 - Releases funding capacity to support investment/working capital in other parts of the BBB group without increasing BBB leverage

New Debt – Focus On Financial Discipline



- HSBC remains supportive of BBB and Quickline strategy
- RCF extension of £1.75m for BBB to fund working capital in relation to the preferred partner programme (PPP) with Eutelsat
- New RCF of up to £4m for Quickline to support accelerated business plan alongside equity investment
- Covenants reset to provide significant headroom with Quickline receiving a wholly separate funding and security package
- Expect BBB leverage to reduce over the next three years as a result of equity fundraise
- Financial discipline a core component of BBB strategy – BBB net debt/EBITDA to reduce to approximately 1.0x – 1.5x



(1) Illustrative net debt / cash assuming no drawdown of new HSBC RCF

Steady build-up of customers with ramp-up in 2021 alongside asset value

Conclusion



- Quickline is performing well and the market opportunity is compelling with significant BDUK support for fixed wireless technology
- Platform in-place to accelerate growth and take advantage of M&A opportunities and grants from BDUK backed projects
- Required equity and debt funding fully committed with a structure that incentivises Quickline management
- Avoids a dilutive plc fundraise whilst releasing capital to support other parts of the BBB group
- Targeting attractive returns which are expected to be significantly accretive to BBB in 2021 onwards when Quickline is a much larger business

Appendix: Quickline Communications



Quickline Technology Advancements



- Fibre backed fixed wireless access is a complementary technology to BBB's traditional satellite core business
- All new Quickline customers can connect to ultra-fast (100 Mbps) or gigafast (1 Gbps Mbps capable) products
- Quickline is the lead partner on a £2.1m DCMS grant funded project to conduct field trials and develop next generation 5G wireless broadband services utilising old, analogue TV White Space spectrum
- Fibre to the Mast deployments are fully managed in house
- Demonstrated technology leadership with BDUK
 - Connected the first BDUK 'gigafast' customers utilising new mmWave technology and newly released 60 GHz spectrum (most customers services initially commercialised at 300 Mbps)
 - Significant accreditations including ISO 9001, 14001, 27001, OHSAS18001, OFCOM code powers

Quickline Customer Case Studies



Quickline has a history of delivering bespoke business broadband connections to businesses in areas where there is poor infrastructure, enabling businesses to fully exploit the latest cloud based IT systems without moving premises

QL implemented a full-suite of broadband services for Just Paper Tubes – a large manufacturing business in an area not supported by fixed line infrastructure. QL's broadband also enables data intensive regular cloud based backups of large SQL databases, and allowed the company to implement Microsoft 365 to reduce servers on site.



QL developed a bespoke 100 Mbps connection for Skanska to support development of gas transmission pipelines across the River Humber estuary where no traditional broadband infrastructure currently exists.



QL has developed a bespoke network for Tata Steel, connecting a number of remote sites back to their control centre. Using high speed upload bandwidth, Tata were able to also introduce CCTV to protect these vulnerable remote sites. Example of QL working and doing business complex and hostile environments.



Appendix: Bigblu Broadband overview



BBB Overview



Current Situation

A Leading Provider Of Broadband Services

Superfast 4G/5G, satellite & fixed wireless to consumers, businesses, Government and broadcast

119,000 customers in 30 countries

Customers across 30 countries. The largest satellite broadband company outside North America

Technology Agnostic

Technology split:

- 80% satellite
- 20% fixed wireless

Business mix:

- Consumers 90%
- B2B 10%

Growth Strategy

Partner Of Choice For Satellite Providers

- Key route to market/distribution mechanism for satellite owners performing customer facing tasks; pre/post sales support, billing, installation/maintenance, warranty/logistics

Strategic Partner For New Technologies

- Strategic building of ultra fast fixed wireless networks in key areas of demand/density with Government support (UK and Norway)

Solution for Growing Video Consumption

- Riding the surge in demand for broadband for OTT services and streaming, target market customers unserved or underserved by fibre

Increasingly Compelling Portfolio

- Disruptive advances in technology mean an exponentially more dynamic product set pushing back against competing technologies

Key Growth Areas

Disruptive Technologies

- Leveraging disruptive technologies to continually optimise our current product set in a competitive core markets landscape (Satellite and Fixed wireless)

Eutelsat Preferred Partner Programme

- Access to a superlative product set with industry leading marketing and support agreement – building market presence, underpinning organic growth and fill rates ahead of Konnect satellite launch end 2019. Going live in 13 countries in 2019.

Australia

- Strong activity in Australia – over 50% market share in last 6 months of 2018 – significant opportunity as B2B products go live

Other 2018 Highlights



Organic Growth

- Availability of 50 Mb / unlimited satellite broadband product has rebooted interest in satellite – sales across territories where it is live are strong.
- Our strong relationship with BDUK was underpinned with the renewal of the Better Broadband vouchers scheme covering hardware and installation costs for satellite and fixed wireless customers in UK.
- Our new mmWave/60 GHz services offering gigafast capable services qualify for the new generous BDUK gigafast voucher scheme.
- EU directive on broadband speeds means Government focus on alternative technologies and stimulus.

European Partnerships

- The breakdown in the commercial relationship between Eutelsat and Viasat hampered our growth and profitability in 2018 as the roll out of the JV countries faltered for several months.
- This was resolved in the final quarter of 2018 resulting in an improved product set across the whole of Europe.
- Sales strong where 50 Mb product is offered and the JV commercials enable us to market effectively.
- JV like proposition close to agreement with SES to assist with continuity in high fill Ka Sat beams.

Business Hubs

- Continued implementation of suite of ERP systems and infrastructure - including Microsoft Navision (finance) and Microsoft Dynamics (billing and CRM) – enhances control, scalability, integration and where appropriate, centralisation.
- Focus continues on reorganising personnel and restructuring the businesses we've acquired into efficient business units appropriate to the next 3 years growth, and to drive operational gearing and economies of scale.
- Positive benefits of rebranding to bigblu.

At May 31st 2019 - H1 2019 Performance

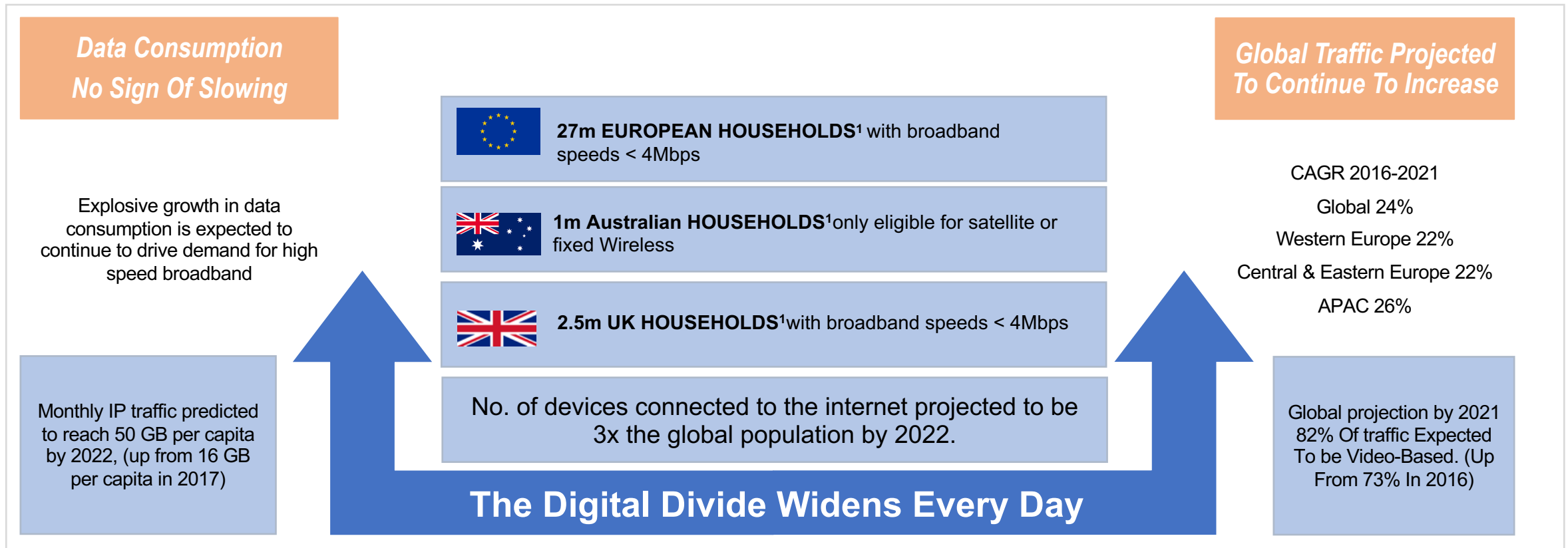


- Total revenue increased 21.5% to £30.5m (H1 18: £25.1m)
- Like-for-like organic revenue growth* on a constant currency basis of 12% (FY18: 8.2%)
- Gross margin expanded to 43.7% (H1 18: 37.4%) due to improved product mix and network support
- Underlying EBITDA** increased 54% to £4.3m (H1 18: £2.8m)
- Total number of customers increased 7% during the period
- 50 Mbps download speeds now available to all European customers
- The Company continues to be the largest single connector of new customers to the Australian national NBN satellite broadband scheme with a consistent market share of over 50% over the last nine months.

*Like-for-like organic revenue growth compares current and prior period revenue treating acquired businesses as if they had been owned for all of both periods on a constant currency basis.

**Underlying EBITDA is before share-based payments, depreciation, intangible amortisation, acquisition and deal related costs.

Large Addressable Target Markets



Growth Opportunities

Numerous 5G satellites in build

Viasat 3 constellation of 3 global mega satellites, Eutelsat Konnect and Konnect VHTS, Kacific-1, plus new MEO and LEO business models mean an abundant amount of available capacity enabling us to deliver a fibre like service from the sky to address these markets.

EU broadband directive

The EU directive on broadband speeds sets a target that Europe will have:-
'Universal Broadband Coverage with speeds at least 30 Mbps by 2020' and 'Broadband Coverage of 50% of households with speeds of at least 100 Mbps by 2025'

Active Customer Base Of 119,000



Completed European Footprint

- Eutelsat PPP 50 Mb product with unlimited data allowances now available in core European Markets – driving strong organic growth.

Joint Venture Contract

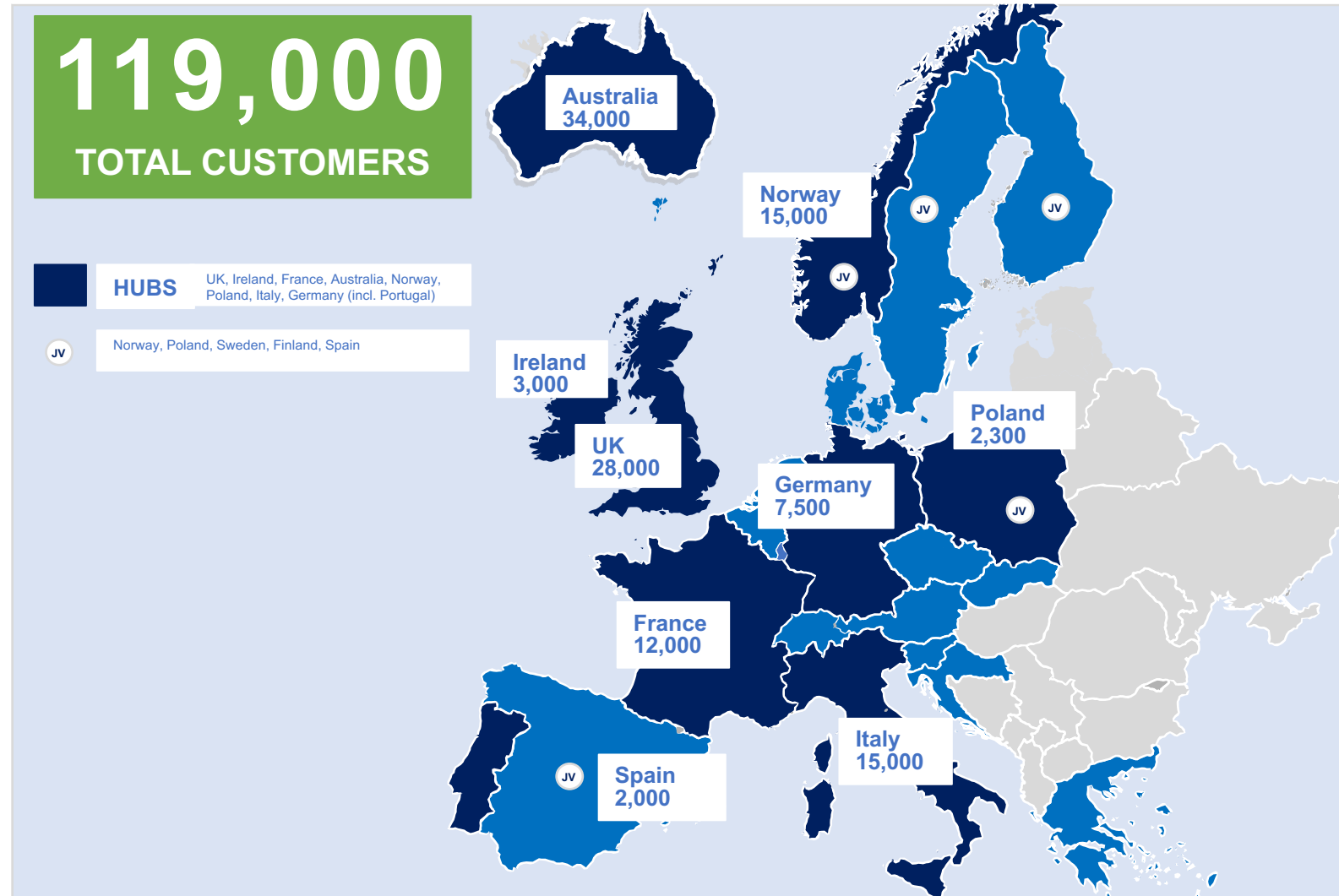
- Still operates in Nordics (Finland, Norway, Sweden), Spain and Poland

Pathfinder – Accelerated Roll-Out

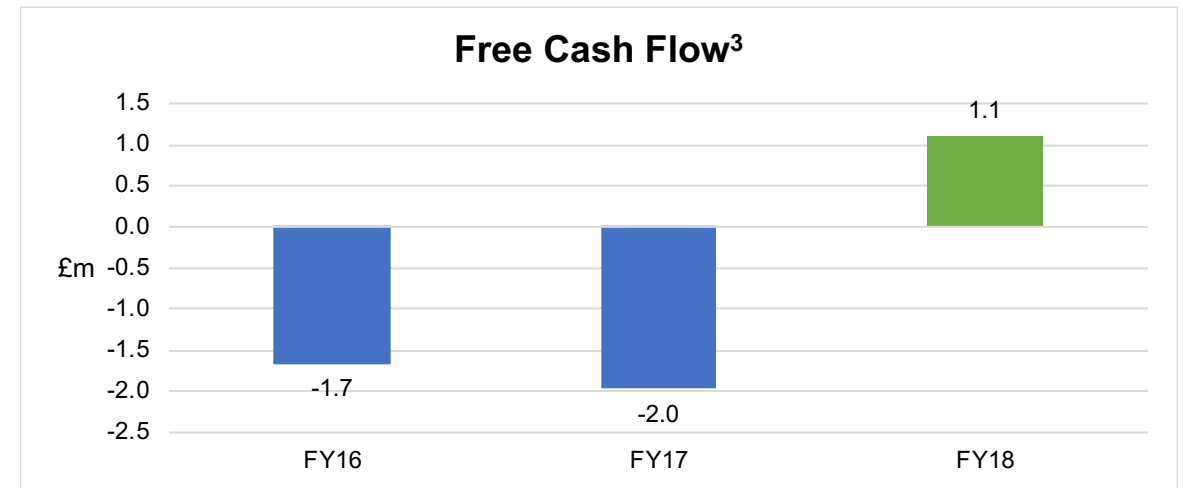
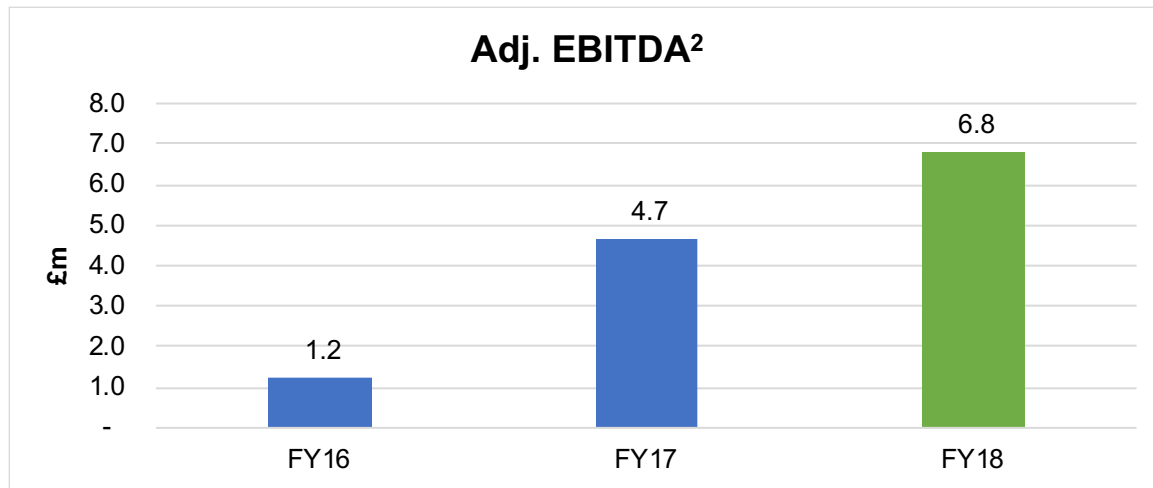
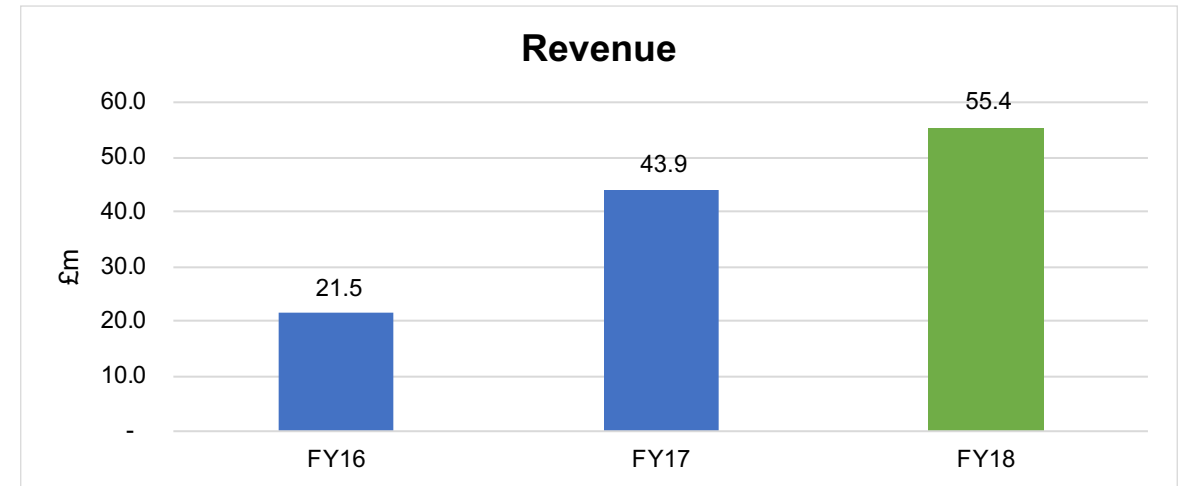
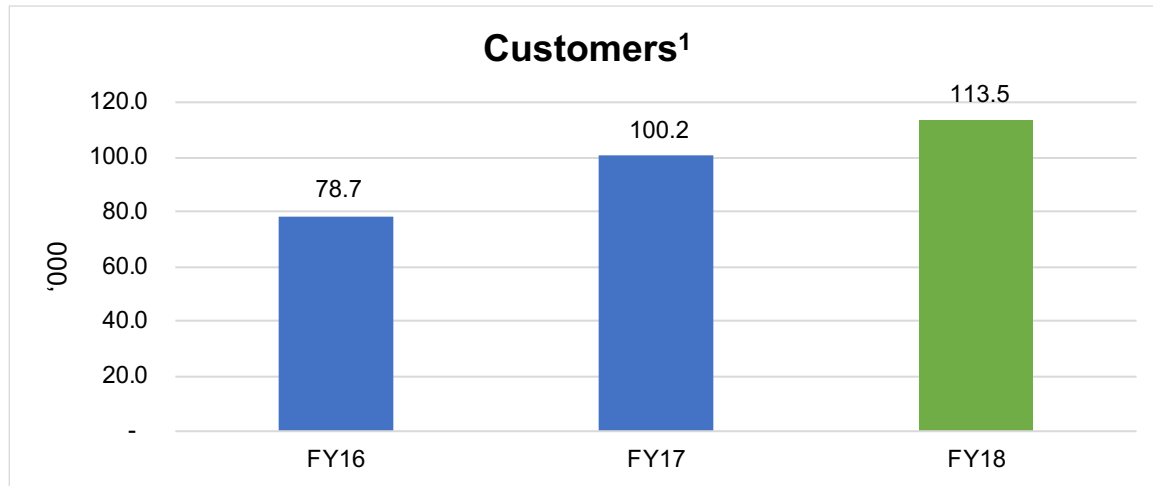
- Continued implementation of suite of ERP systems and infrastructure enhances scalability and integration.

Disposal Of Australian Fibre

- In FY 2018 - optimisation of current portfolio. Exiting of non core activity.



Growth Strategy – Key Metrics



1. Post disposal of fibre base in Australia
2. Adjusted EBITDA excludes exceptional items and share based payments.
3. Free Cash Flow is cash flow from operations less interest, tax and capex.

Thank You

