

# Bigblu Broadband

## H219 trading in line, confident in FY20

Bigblu's trading statement confirmed an H2 performance in line with expectations. Actions to cleanse the customer base should yield operational benefits over time and the above consensus year-end net debt figure (£14m vs £9m) primarily reflected a Brexit-driven inventory build that should reverse in the next few months. Bigblu remains confident in FY20 consensus (see below), which implies an acceleration in revenue growth.

## Proactively managing the customer base

While there was little financial detail in the statement, Bigblu disclosed 110k customers at the year end, down from 119k in H1. It actively closed 13k accounts during H2 that were loss-making or in arrears. Periodic adjustments to customer numbers are not uncommon for telco providers, particularly after a period of acquisition, and Bigblu is looking to ensure that its customers are on its best packages. To the extent customers were not paying or loss-making it will improve financial metrics. Adjusting for this restatement, customer growth was 10k (10%) year-on-year in FY19 and 4k in H2 (7.5% y-o-y growth annualised). We calculate that monthly ARPU on this restated base, assuming FY19 consensus revenues (£62.3m), was more than £49.

## Temporary increase in net debt

The statement attributes the higher than expected year-end net debt figure to 'short-term timing issues' (we believe this is a Brexit-related rise in customer premise equipment inventory) plus some exceptional costs associated with exiting the legacy ViaSat agreement. Bigblu expects net debt to fall sharply as 'no-deal' inventory is liquidated and customers transition from ViaSat to Eutelsat (early 2020).

## Company confident in FY20 market expectations

Consensus currently anticipates revenues rising 11% y-o-y in FY20. Having achieved 10% customer growth in FY19 and Eutelsat extending both its footprint and competitive advantage, this looks readily achievable. However, it does suggest that an acceleration from the customer growth rate achieved in H219 will be required. Consensus also implies no improvement in EBITDA margin (16%) despite a track record of operating leverage and consensus expectations of 18% in H219.

## Valuation: Discount increases

The 5% fall in the price following the trading update has seen the shares reach their lowest rating in 2019. Valued at 6.6x FY20e EV/EBITDA, Bigblu continues to trade at a discount to its UK-listed telco peers despite its growth prospects.

### Consensus estimates

Year end	Revenue (£m)	EBITDA* (£m)	PBT (£m)	EPS** (p)	DPS (p)	EV/EBITDA* (x)	P/E** (x)
11/17	43.9	4.7	(10.1)	6.1	0.0	15.5	17.0
11/18	55.4	6.8	(15.2)	(0.3)	0.0	10.7	N/A
11/19e	62.3	10.1	(1.0)	6.3	0.0	7.2	16.4
11/20e	69.1	11.1	4.1	8.3	0.0	6.6	12.5

Source: Refinitiv. Note: \*Adjusted for share-based payments and exceptionals. \*\*Adjusted to exclude amortisation, exceptional depreciation and exceptionals.

### Telecommunications

6 December 2019

**Price** 103p  
**Market cap** £57m

### Share price graph



### Share details

Code BBB  
Listing AIM  
Shares in issue 56.8m

### Business description

Bigblu Broadband is the largest satellite and fixed wireless broadband supplier in Europe, retailing solutions in Europe and Australia to households and businesses. The group has 110,000 customers, 80% of which subscribe to superfast satellite and 20% to fixed wireless broadband.

### Bull

- Bigblu to offer EU satellite speeds of 100Mbps in 2019, making it competitive with fibre packages.
- Highly scalable business model with multi-language cloud CRM, billing and finance platform.
- French subsidies for high-speed satellite are likely to be copied by other EU governments.

### Bear

- Services provided over third-party networks, albeit with the benefit of sourcing capacity competitively.
- Acquisitions are a key growth driver, but reliance on them is falling with well-established networks.
- Gearing risk: end FY19 £14m net debt versus consensus EBITDA of £10.1m.

### Analysts

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