

# Biglu Broadband

## Exponential increases in speeds widen market

In 2018, Biglu Broadband (BBB) made substantial strategic progress, positioning itself at the forefront of the alternative high-speed broadband sector in Europe and Australia. With a completed European footprint, the group is now well-placed to profit from the abundance of faster, cheaper satellite capacity coming on stream in the coming years, which should enable it to take market share from ADSL and fibre to the cabinet (FTTC) and reduce churn. BBB trades at an FY1 consensus EV/EBITDA of 7.7x, a 34% discount to the UK small-cap telco sector.

### European strategy coming to fruition

Biglu made substantial progress in strengthening its market position, becoming Europe's only pan-EU satellite broadband provider, following expansion into five markets and two acquisitions. This year the launch of Eutelsat's next-generation Konnect satellite will enable BBB to move from the current 50Mb offering in its core markets to broadband speeds of 100Mbps. This performance is superior to that of wired broadband, typically FTTC, which offers 30–50 Mbps; data allowances remain unlimited. With demand for ever more bandwidth for video streaming on multiple devices, this should boost subscriber growth and cut churn.

### EU satellite subsidies set to increase subscriber base

Over the next two years we expect more EU states to follow the recent French lead of introducing subsidies for satellite broadband installations in order to comply with the EU's 2020 broadband directive. The realisation by many rural populations in the EU, 27 million of which have broadband speeds below 4Mbps, that these subsidies are a substitute for imminent fibre roll-out is likely to boost demand for high-speed satellite services. BBB is also making significant cutting-edge progress with fixed broadband services, which also provide fibre-competitive solutions for rural areas.

### Valuation: Stock trading at a deep discount to sector

During FY18 BBB increased subscriber numbers by 13% to 113,500, helped by two acquisitions in Europe. Revenue grew 26.1%, with contract-based revenues up 19% to €49.5m, or 90% of revenues. BBB expanded gross and adjusted EBITDA margins by 5.1% to 40.6% and 1.7% to 12.3%, respectively, helped by disposal of the Australian fibre business, product improvements and higher grant income, boosting adjusted EBITDA 45%. Net debt fell 10% to £11.9m, helped by £1.1m free cash flow generation. At a 34% 2019e EV/EBITDA discount to its UK small-cap telco peers, we believe BBB's strong growth potential is yet to be reflected in its share price.

#### Consensus estimates

Year end	Revenue (£m)	EBITDA* (£m)	PBT (£m)	EPS** (p)	DPS (p)	EV/EBITDA* (x)	P/E** (x)
11/17	43.9	3.3	(10.1)	6.1	0	23.5	19.0
11/18	55.4	6.8	(9.5)	(0.3)	0	11.4	N/A
11/19e	62.5	10.1	(1.3)	4.5	0	7.7	25.8
11/20e	67.3	11.1	2.5	5.2	0	7.0	22.3

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

#### Telecommunications

4 April 2019

**Price** 116.0p  
**Market cap** £66m

#### Share price graph



#### Share details

Code BBB  
Listing LSE  
Shares in issue 56.7m

#### Business description

Biglu 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 more than 110,000 customers, 80% of which subscribe to superfast satellite and 20% to fixed wireless broadband.

#### Bull

- BBB 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 FY18 £11.9m net debt versus net assets of £10.1m.

#### Analysts

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