

Bigblu Broadband

Funding to accelerate UK growth

Bigblu has secured £12m in funding to accelerate the growth of its UK Fixed Wireless Access (FWA) subsidiary QCL. By combining this money with grants from BDUK and investment from internal cashflows, QCL expects to quadruple its subscriber base to 30,000 by November 2022.

Funding terms and investment plan

The £12m funding for QCL comprises £4m in new equity, a further £4m in equity available on request plus a £4m credit facility from HSBC. The equity will dilute Bigblu's stake to c 70% but it will still consolidate QCL's financials and the implied £15m pre-money valuation is double its initial investment. QCL is already growing and profitable: the subscriber base is up from 4,500 in August 2017 to 7,500 currently and its FY18 EBITDA margin was 47%. The funding aims to accelerate growth further. QCL believes it can quadruple the subscriber base to 30,000 by November 2022 with investment of £20m (including internal cashflows and an expected £6m in grants from BDUK). This plan includes £4m for acquisitions.

The strategic implications

Bigblu sees a large opportunity to use FWA to provide high-speed broadband in underserved rural areas in the UK. BDUK, a government agency designed to expand gigabit broadband availability, expects to award a total of £200m over the next two years and recently raised the grant per connection to £1,500 for every residential home and £3,500 per SME. Unlike Bigblu's satellite operations, FWA typically requires upfront investment in both network and CPE to attract customers. By raising funding for QCL, Bigblu can ensure QCL's customer acquisition plan is fully funded without compromising investment in the rest of the business.

The financial implications

Bigblu indicates the financial impact to the group will be marginally dilutive at an EPS level in FY19, largely neutral in FY20 and significantly accretive to revenue, EBITDA and EPS by FY21. FY20 consensus EBITDA has risen 4% from £11.1m to £11.5m since [July](#). The new funding reduces net debt/EBITDA to c 1.0–1.5x

Valuation: Rating and discount unchanged

The rise in consensus has been mirrored by the share price over the last month, leaving the 8.0x FY19e EV/EBITDA rating largely unchanged. 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	17.2	18.4
11/18	55.4	6.8	(15.2)	(0.3)	0.0	11.9	N/A
11/19e	62.3	10.1	(3.0)	4.2	0.0	8.0	26.8
11/20e	68.0	11.5	2.0	4.9	0.0	7.0	22.9

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

Telecommunications

14 August 2019

Price 112.5p

Market cap £64m

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 more than 115,000 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 May 2019 net debt £16.9m.

Analysts

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