4 February 2016

AVANTI COMMUNICATIONS GROUP PLC

2016 First Half Results

Avanti Communications Group plc ("Avanti" or "the Group"), a leading provider of satellite data communications services in Europe, the Middle East and Africa, issues the following results for the six months ended 31 December 2015.

Highlights

- Second quarter revenue was $17.3m, representing 27.7% growth versus the first quarter on a constant currency basis, taking first half revenue to $31.0m with improved year-on-year quality of revenue
- $40.0m of contract wins mainly with government and large telecoms customers in the second quarter which are expected to make a strong revenue contribution in the second half
- Strong KPI performance in the period with Top-20 Customer Bandwidth Revenue Growth increasing 44.0% and Average Fleet Utilisation moved into the 25% to 30% range in the second quarter
- Guidance of 50% continuing business constant currency revenue growth for the full year to 30 June 2016 supported by the second quarter order intake and a strong order pipeline
- Fully funded business plan through to the launches of HYLAS 3 and 4 with period end cash of $162.6m and further undrawn consented credit capacity of $71.0m

David Williams, Avanti's CEO said:

'Our product delivers the highest quality and flexibility in the market. As a result we have won some of the best contracts with the most prestigious customers. These included a contract with Telkom SA to provide national high speed broadband coverage across South Africa and in the UK a contract with BT to provide universal high speed national broadband under the Government's Broadband Delivery scheme. Our Defence business grew strongly with major contracts worth more than $30m. Our growth prospects are supported by both our recent order wins and a very strong pipeline of near term opportunities that are in advanced stages of negotiation. Avanti is strongly capitalised with more than adequate cash headroom. In a pioneering market, the combination of a good product, good customers and a fully funded model assures us that Avanti has a successful trajectory ahead.'

For further information please contact:

Avanti: Matthew Springett, +44 (0)207 749 6703

Cenkos Securities: Max Hartley (Nomad) / Julian Morse, +44 (0)207 397 8900

Montfort: Nick Miles / James Olley, +44 (0)203 770 7909

Redleaf: Hannah Nicolas, +44 (0)207 382 4734

Notes to editors

Avanti connects people wherever they are – in their homes, businesses, in government and on mobiles. Through the HYLAS satellite fleet and more than 180 partners in 118 countries, the network provides ubiquitous internet service to a quarter of the world's population. Avanti delivers the level of quality and flexibility that the most demanding telecoms customers in the world seek.

Avanti is the first mover in high throughput satellite data communications in EMEA. It has rights to orbital slots and Ka band spectrum in perpetuity that covers an end market of over 1.7bn people.

The Group has invested $1.2bn in a network that incorporates satellites, gateway earth stations, datacentres and a fibre ring.

Avanti has a unique Cloud based customer interface that is protected by patented technology.

The Group has three satellites in orbit and a further two fully funded satellites under construction.

Avanti Communications is listed in London on AIM (AVN:LSE).

www.avantiplc.com

Operating review

During the first half, Top-20 Customer Bandwidth Revenue Growth increased 44.0%, driven by increasing demand from core customers. This drove an increase in Average Fleet Utilisation into the 25% to 30% range in the second quarter, from the 20% to 25% range in the first quarter.

Avanti made significant progress in developing its distribution platform, experiencing strong order intake. Contract wins were particularly good in the second quarter, with new contracts of $40.0m all of which began to invoice by January. The Government and Broadband sectors were strongest, and thus the new business is with large high quality customers.

The Group also signed significant framework contracts which will facilitate on-going growth. Whilst Q2 revenues were slightly lower than we planned, all of the contracts that we expected have indeed signed, albeit towards the end of the period or into January, and so we expect to catch up in the financial year to achieve our target. We also experienced a high flow of tender requests, some of which are large contracts that are close to completion and are therefore expected to impact the current year.

The construction of Avanti's key 28GHz HYLAS 4 satellite has progressed in-line with expectations, with the launch remaining on-track for the first quarter ending March 2017. The much smaller, tactical 4 GHz HYLAS 3 is a hosted payload flying on board a European Space Agency ('ESA') satellite, for which the ESA is presently declaring a mid-2017 launch.

Crucially, HYLAS 4 will complete Avanti's coverage of EMEA. This will materially enhance the Group's revenue generation potential, largely within the existing fixed cost base. We expect to announce pre-sales customers for HYLAS 4 during the current financial year.

The 3GHz 'HYLAS 2-B' satellite payload that joined the fleet in 2015 is expected to come on-line and begin to make a financial contribution during the second half of the current financial year.

Avanti is now providing national broadband deployments to the incumbent telecoms companies and governments in its core country markets of UK, South Africa, Kenya and Tanzania. Avanti leads the market in innovation in 3G and Wi-Fi backhaul, and has made significant breakthroughs this year in the defence market, with multiple Ministry of Defence contract wins. With a strong base of over 180 customers, pre-launch campaigns for HYLAS 4 are under way and many customers have expressed enthusiasm for launching service with Avanti in West Africa.

Outlook

Avanti's expectations for 50% growth in continuing revenue on a constant currency basis in the full 2016 financial year are supported by the substantial recent order wins, which will make a material contribution to revenue in the current half year and a very strong pipeline of opportunities that are in advanced stages of negotiation. As revenue builds, Avanti is expected to become significantly cash generative, due to a combination of the revenue growth and a largely fixed cash cost base.

As a result of the advanced status of new satellite procurements, we now have greater clarity over capex timing. Capital expenditure for the full financial year 2016 is expected to be in the range of $100m to $110m, falling to approximately $70m in financial year 2017.

On the basis of our expectation of 50% annual continuing business revenue growth and Avanti's strong liquidity position, the Group's business plan is fully funded through to the launches of HYLAS

3 and 4 in 2017, with positive EBITDA expected from the second half of the financial year ending 30 June 2016.

Avanti has fixed cost bond finance at 10%, which is not repayable until October 2019 when we would expect to refinance it at lower rates. The Group held period end cash of $162.6m and furthermore has consent to draw down up to a further $71.0m in credit from multiple facilities. We do not expect to need to use this, but it does mean that Avanti has surplus cash headroom at the low point in our own business plan in mid-2018 of over $90 million, giving us very strong headroom and full confidence in our full funding to maturity.

Financial Review

Income Statement

Revenue was $31.0m (H1 2015: $31.1m). The year-on-year comparison was impacted by the translation of Sterling and Euro revenues into Avanti's reporting currency of US$. In addition to that, the first half of 2015 contained an element of revenues to sub-contractors and higher low margin equipment sales than for the six months ended 31 December 2015. Adjusting for these factors, underlying revenue grew 18% and strong contract wins during the period support a stronger full year growth outlook.

Second quarter revenue was $17.3m, representing 27.7% growth versus the first quarter on a constant currency basis.

Avanti has a largely fixed cash cost base. Costs of sale excluding satellite depreciation were $18.4m (H1 2015: $19.7m) and operating expenses excluding depreciation, amortisation and share based payment charges were $16.8m (H1 2015: $15.5m), with additional investment in sales and marketing ahead of the launch of HYLAS 4 being offset by the reduction in the value of Sterling versus the US$.

EBITDA (before share based payment charges) was negative $3.5m (H1 2015: negative $3.5m), with the loss significantly reducing in the second quarter as the revenue increased.

The loss attributable to shareholders was $45.6m (H1 2015: $48.1m), which included depreciation of $24.1m (H1 2015: $24.5m) and a net interest expense of $20.3m (H1 2015: $19.6m).

Cash flow

During the period Avanti made capital expenditure payments of $36.4m (H1 2015: $68.4m), mainly in relation to the HYLAS 4 satellite and interest payments of $27.0m (H1 2015: $26.1m). Cash balances at the period end were $162.6m (H1 2015: $84.1m). The working capital outflow during the period is expected to largely reverse in the second half as cash payments relating to invoices sent towards the end of the first half are paid.

Balance sheet

For clarity, balance sheet figures are compared with the equivalents from the end of the prior financial year.

Tangible fixed assets were $730.1m (FY 2015: $691.0m). Additions were $73.7m, mainly relating to the construction of the HYLAS 4 satellite. Total depreciation was $24.1m with movements in exchange rates decreasing total NBV by $10.5m.

Trade and other receivables increased to $44.2m (FY 2015: $35.5m) as a result of milestones invoiced at the end of Q2 which should be settled in Q3. Current trade and other payables increased to $57.4m (FY 2015 $31.9m). Amounts due to suppliers at the end of the first half include HYLAS 4 milestone payments due. Current trade and other payables after capex related liabilities remain stable.

Gross debt was $643.3m (FY 2015: $528.4m) and net debt was $480.7m (FY 2015: $406.2m).

The Group carries a deferred tax asset on its balance sheet, and has significant unclaimed capital allowances on the two HYLAS satellite assets. These are expected to shelter any future tax liabilities for at least three years.

Backlog

Backlog at the end of the period was $409.6m having grown from $379.7m at the beginning of the second quarter.

CONSOLIDATED UNAUDITED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

	Note	Unaudited Half year 31-Dec-15 $'m	Unaudited Half year 31-Dec-14 $'m	Audited Year ended 30-Jun-15 $'m
Revenue		31.0	31.1	85.2
Cost of sales		(41.2)	(42.7)	(83.8)
Satellite depreciation		(22.8)	(23.0)	(45.8)
Other cost of sales		(18.4)	(19.7)	(38.0)
Gross (loss)/profit		(10.2)	(11.6)	1.4
Operating expenses		(18.4)	(17.4)	(35.6)
Other operating income		0.7	0.7	1.4
Loss from operations		(27.9)	(28.3)	(32.8)
Finance expense		(17.6)	(19.7)	(40.5)
Loss before taxation		(45.5)	(48.0)	(73.3)
Income tax		-	-	-
Loss for the year		(45.5)	(48.0)	(73.3)
Loss attributable to:				
Equity holders of the parent		(45.6)	(48.1)	(73.1)
Non-controlling interests		0.1	0.1	(0.2)
Basic loss per share (cents)	6	(32.8c)	(44.9c)	(61.5c)
Diluted loss per share (cents)	6	(32.8c)	(44.9c)	(61.5c)

CONSOLIDATED UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

	Unaudited Half year 31-Dec-15 $'m	Unaudited Half year 31-Dec-14 $'m	Audited Year ended 30-Jun-15 $'m
Loss for the year	(45.5)	(48.0)	(73.3)
Other comprehensive income:			
Exchange differences on translation of foreign operations and investments that may be recycled to the Income Statement	4.2	1.0	0.1
Exchange differences on translation of foreign operations and investments that will not be recycled to the Income Statement	(20.1)	(26.2)	(22.7)
Total comprehensive loss for the year	(61.4)	(73.2)	(95.9)
Attributable to:			
Equity holders of the parent	(61.5)	(73.3)	(95.7)
Non-controlling interests	0.1	0.1	(0.2)

The accompanying notes form an integral part of this condensed consolidated interim financial information.

CONSOLIDATED UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	Unaudited Half year 31-Dec-15 $'m	Unaudited Half year 31-Dec-14 $'m	Audited Year ended 30-Jun-15 $'m
ASSETS				
Non-current assets				
Property, plant and equipment		730.1	641.5	691.0
Intangible assets		11.0	12.5	11.0
Deferred tax assets		18.4	19.3	19.5
Total non-current assets		**759.5**	**673.3**	**721.5**
Current assets				
Inventories		3.2	3.9	2.6
Trade and other receivables		44.2	39.9	35.5
Cash and cash equivalents		162.6	84.1	122.2
Total current assets		**210.0**	**127.9**	**160.3**
Total assets		**969.5**	**801.2**	**881.8**
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables		57.4	29.8	31.9
Loans and other borrowings	7	3.3	3.4	4.7
Total current liabilities		**60.7**	**33.2**	**36.6**
Non-current liabilities				
Trade and other payables		14.7	17.3	16.8
Loans and other borrowings	7	640.0	514.2	523.7
Total non-current liabilities		**654.7**	**531.5**	**540.5**
Total liabilities		**715.4**	**564.7**	**577.1**
Equity				
Share capital		2.5	2.0	2.4
EBT shares		(0.1)	(0.1)	(0.1)
Share premium		515.7	415.1	505.3
Retained earnings		(229.7)	(159.8)	(184.4)
Foreign currency translation reserve		(32.3)	(19.0)	(16.4)
Total parent shareholders' equity		256.1	238.2	306.8
Non-controlling interests		(2.0)	(1.7)	(2.1)
Total equity		**254.1**	**236.5**	**304.7**
Total liabilities and equity		**969.5**	**801.2**	**881.8**

The accompanying notes form an integral part of this condensed consolidated interim financial information.

CONSOLIDATED UNAUDITED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

	Note	Unaudited Half year 31-Dec-15 $'m	Unaudited Half year 31-Dec-14 $'m	Audited Year ended 30-Jun-15 $'m
Cash flow from operating activities				
Cash absorbed by operations	9	(18.9)	(15.0)	(10.2)
Interest paid		(27.0)	(26.1)	(52.3)
Net cash absorbed by operating activities		(45.9)	(41.1)	(62.5)
Cash flows from investing activities				
Payments for property, plant and equipment		(36.4)	(68.4)	(102.0)
Net cash used in investing activities		(36.4)	(68.4)	(102.0)
Cash flows from financing activities				
Proceeds from bond issue		115.0	-	-
Proceeds from share issue		10.5	-	90.6
Payment of finance lease liabilities		(2.2)	(2.4)	(5.3)
Proceeds from sale and leaseback		-	2.7	5.3
Debt issuance costs		(0.2)	-	(0.1)
Net cash received from financing activities		123.1	0.3	90.5
Effects of exchange rate on the balances of cash and cash equivalents		(0.4)	(2.0)	0.9
Net increase/(decrease) in cash and cash equivalents		40.4	(111.2)	(73.1)
Cash and cash equivalents at the beginning of the financial year		122.2	195.3	195.3
Cash and cash equivalents at the end of the period		162.6	84.1	122.2

The accompanying notes form an integral part of this condensed consolidated interim financial information.

CONSOLIDATED UNAUDITED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

	Share capital $'m	Employee benefit trust (EBT) $'m	Share premium $'m	Retained earnings $'m	Foreign currency translation reserve $'m	Non-controlling interests $'m	Total equity $'m
At 1 July 2014	2.0	(0.1)	415.1	(112.0)	6.2	(1.9)	309.3
Loss for the year	-	-	-	(48.1)	-	0.1	(48.0)
Other comprehensive income	-	-	-	-	(25.2)	-	(25.2)
Share based payments	-	-	-	0.3	-	-	0.3
As at 31 December 2014 (Unaudited)	2.0	(0.1)	415.1	(159.8)	(19.0)	(1.8)	236.4
As at 1 January 2015	2.0	(0.1)	415.1	(159.8)	(19.0)	(1.8)	236.4
Loss for the year	-	-	-	(25.0)	-	(0.3)	(25.3)
Other comprehensive income	-	-	-	-	2.6	-	2.6
Issue of share capital	0.4	-	90.2	-	-	-	90.6
Share based payments	-	-	-	0.4	-	-	0.4
As at 30 June 2015 (Audited)	2.4	(0.1)	505.3	(184.4)	(16.4)	(2.1)	304.7
As at 1 July 2015	2.4	(0.1)	505.3	(184.4)	(16.4)	(2.1)	304.7
Loss for the year	-	-	-	(45.6)	-	0.1	(45.5)
Other comprehensive income	-	-	-	-	(15.9)	-	(15.9)
Issue of share capital	0.1	-	10.4	-	-	-	10.5
Share based payments	-	-	-	0.3	-	-	0.3
As at 31 December 2015 (Unaudited)	2.5	(0.1)	515.7	(229.7)	(32.3)	(2.0)	254.1

The accompanying notes form an integral part of this condensed consolidated interim financial information.

1. General information

Avanti Communications Group plc ('the Company') is a public company incorporated and domiciled in the United Kingdom. The address of its registered office is 20 Black Friars Lane, London EC4V 6EB. The Company is listed on AIM.

These unaudited condensed consolidated interim financial statements ("the interim financial statements") were approved for issue on 4 February 2016.

2. Basis of preparation

These interim financial statements for the six months ended 31 December 2015 have been prepared in accordance with IAS 34, "Interim Financial Reporting", as adopted by the EU. The interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the EU.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2015.

The interim financial statements have not been audited or reviewed and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The audited statutory accounts for the year ended 30 June 2015 were approved by the Board of Directors on 16 September 2015 and have been delivered to the Registrar of Companies. The auditor's report on these accounts was not qualified, did not draw attention to any matter by way of emphasis and did not contain statements under section 498(2) or (3) of the Companies Act 2005.

3. Accounting policies

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated interim financial statements as were applied in the preparation of the Group's annual financial statements for the year ended 30 June 2015.

The condensed consolidated interim financial information presented does not comply with the full disclosure requirements of all applicable IFRSs.

4. Segmental reporting

The Group currently earn revenue primarily from the sale of satellite broadband services to customers and from providing consultancy advice connected with the exploitation of the space assets. On adoption of IFRS 8, 'Operating Segments', the Group concluded that the Chief Operating Decision Maker (the Avanti Executive Board) manage the business and the allocation of resources on the basis of the provision of satellite services, resulting in one segment.

5. Income tax

No income tax credit or deferred tax asset has been recognised in respect of the losses for the six month period to 31 December 2015 (30 June 2015: nil, 31 December 2014: nil). Whilst the company foresees utilising the losses in future periods, it has not recognised the income tax credit or deferred tax in this period.

6. Earnings per share

	Unaudited Half year 31-Dec-15 $'m	Unaudited Half year 31-Dec-14 $'m	Audited Year ended 30-Jun-15 $'m
Loss for the year attributable to equity holders of the parent Company	(45.6)	(48.1)	(73.1)
Weighted average number of ordinary shares for the purpose of basic earnings per share	138,977,660	107,425,302	118,975,177
Basic and diluted loss per share	(32.8c)	(44.9c)	(61.5c)

7. Loans and other borrowings

	Unaudited Half year 31-Dec-15 $'m	Unaudited Half year 31-Dec-14 $'m	Audited Year ended 30-Jun-15 $'m	Unaudited Half year 31-Dec-15 $'m	Unaudited Half year 31-Dec-14 $'m	Audited Year ended 30-Jun-15 $'m
	Current			Non-current		
Secured at amortised cost						
High yield bonds	-	-	-	627.4	509.1	510.3
Finance lease liabilities	3.3	3.4	4.7	12.6	5.1	13.4
	3.3	3.4	4.7	640.0	514.2	523.7

High yield bonds

The Company issued 10% Senior Secured Notes of $370.0M, $150.0M and $125.0M on 1 October 2013, 17 June 2014, and 21 August 2015 respectively.

Issuer	Avanti Communications Group plc
Description of instrument	10% senior secured notes
Notional value	$645.0M
Due	1 October 2019

The high yield bonds are disclosed in non-current loans and other borrowings as detailed below:

		Unaudited Half year 31-Dec-15 $'m	Unaudited Half year 31-Dec-14 $'m	Audited Year ended 30-Jun-15 $'m
High yield bonds		645.0	520.0	520.0
Add:	Issue premium	5.3	6.7	6.0
Less:	Debt issuance costs	(13.8)	(17.6)	(15.7)
	Issue discount	(9.1)	-	-
		627.4	509.1	510.3

8. EBITDA

	Unaudited Half year 31-Dec-15 $'m	Unaudited Half year 31-Dec-14 $'m	Audited Year ended 30-Jun-15 $'m
Loss from operations	(27.9)	(28.3)	(32.8)
Add: Depreciation and amortisation	24.1	24.5	48.2
EBITDA	(3.8)	(3.8)	15.4
Add: Share based payment expense	0.3	0.3	0.7
EBITDA before share based payment expense	(3.5)	(3.5)	16.1

9. Cash absorbed by operations

	Unaudited Half year 31-Dec-15 $'m	Unaudited Half year 31-Dec-14 $'m	Audited Year ended 30-Jun-15 $'m
Loss before taxation	(45.5)	(48.0)	(73.3)
Interest payable	19.3	18.6	37.7
Amortised bond issue costs	1.1	1.0	1.8
Foreign exchange (gains)/losses in operating activities	(2.6)	0.1	1.0
Depreciation and amortisation of non-current assets	24.1	24.5	48.1
Provision for doubtful debts	1.1	(0.8)	1.0
Share based payment expense	0.3	0.3	0.7
Sale of Spectrum rights	-	-	(25.1)
(Increase)/decrease in stock	(0.6)	(2.2)	(0.9)
(Increase)/decrease in debtors	(11.6)	(1.8)	1.6
(Decrease)/increase in trade and other payables	(4.5)	(6.7)	(2.8)
Cash absorbed by operations	(18.9)	(15.0)	(10.2)