EIB InnovFin Case Study
Glasgow, 22nd February 2016

Step into the light
Gigaclear builds new fibre networks

- Privately funded telecoms company founded in December 2010
  - Key shareholders: Prudential Infracapital and Woodford
- New, pure fibre, ultrafast broadband networks in rural communities
  - All underground network
  - 1000 Mbps symmetric service
- Every property passed gets a new Gigaclear connection point, and then has 2 network connections:
  - Gigaclear fibre
  - Openreach copper
- 15,000 homes and businesses passed
  - 60,000 by end 2016
  - 100,000 by summer 2017
Customers loving and talking

• What customers say they love most about Gigaclear:
  1. Download speed
  2. Unlimited usage
  3. Multi-device connectivity
  4. Choosing the speed they want to use
  5. Ease of installation
  6. Reliability

• Customers tell others about the quality of delivery:
  54% Very likely to recommend

Source: Online survey of 400 Gigaclear customers undertaken by PwC in February 2015
Business Overview – Feb-16

• Delivering new Ultrafast networks with unsatisfied demand
  – 56 live ultrafast FTTP networks and 99 new networks in construction totalling 48,906 premises
  – Target commercial opportunity of over 200,000 premises
  – Evaluating extended opportunities where appropriate support available

• Straightforward commercial investment proposition
  – Demand led with pre-build ordering and modular development
  – Controlled build costs and low variable costs provide predictable returns
  – Growing visible subscription revenues with low customer churn

• Subsidised build in non-commercial areas
  – Three BDUK SEP projects won in Jun-15 for 22,792 properties
  – Acquired CBB in Dec-15 with SEP project for 4085 properties
Capital Plan

- £48.6m raised in equity to date from founder, HNWs and most recently institutions Woodford Funds and Prudential Infracapital
- €25m (approx. £18.5m) EIB debt facility agreed December 2015
- Capex in 2016 rising to a peak of £1m per week
- Business plan envisages the deployment of an additional c.£100m of capital over the medium term to construct Gigaclear networks serving up to 200,000 premises

Principal shareholdings

- EIS and other investors: 32%
- Woodford: 32%
- Prudential Infracapital: 26%
- Matthew Hare: 10%

Options ignored. 33.7m shares issued.
EIB InnovFin Funding

• €25m facility (approximately £18.5m)
• To build FTTP to rural UK
• Accelerating in 2016 to 40,000+ new properties
• Drawn in UK£ in tranches of €2m or more
• 12 months to draw, 12 year term, senior debt
• 2 year capital repayment holiday in deployment phase
• Infrastructure-appropriate LIBOR linked coupon
Working with the EIB

• Business
  – Good understanding of telecommunications
  – Less familiar with the UK and competitive landscape
  – Hard discussions over our business model

• Commercial
  – Constructive negotiation over the shape of the facility
  – Some lack of clarity over term sheet that came out in legals

• Process
  – We had to accept EIB specific contractual terms
  – DD smooth as we had full dataroom pre-prepared
  – Timetable agreed and met to within a week
This is just the beginning of a whole new ultrafast world

Gigaclear
Ultrafast Fibre Broadband
Questions?
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