

InnovFin

EU Finance for Innovators

CASE: Gigaclear

13/09/2016



Gigaclear

Ultrafast Fibre Broadband

Company Overview

- Privately funded telecoms company founded in December 2010 and headquartered in Abingdon UK
- Key shareholders: Prudential Infracapital and Woodford
- The company develops new, pure fibre, ultrafast broadband networks in rural communities in the UK
- All developments are underground networks enabling 1000 Mbps symmetric service – leading to significant upfront capital expenditures
- At the end of 2015 the company had 15,000 homes and businesses passed with a strategy to reach 100,000 homes passed by mid-2017



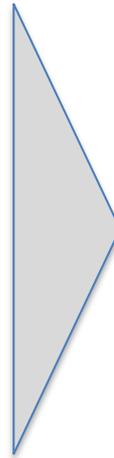
EIB investment rationale

- The company is a fast growing company with good capital base allowing debt operation despite still negative earnings
- Investments into next generation broadband networks (NGN or NGA) are very high on the EU policy agenda through introduction of the Digital Agenda for Europe initiative requiring all EU citizens to have access super fast (>30 Mbps) broadband by 2020.
- Gigaclear's strategy focuses on improving connectivity in less dense rural areas which typically suffer from very poor connectivity. Also building networks in rural areas carry significant socio-economic benefits.

Business and Strategy Overview

CURRENT STATUS

- Delivering new Ultrafast networks with unsatisfied demand in areas with low or non-existing competition from existing telecommunications operators (BT, Virgin, Sky...)
- 56 live ultrafast FTTP networks and 99 new networks in construction totaling 48,906 premises
- Straightforward commercial investment proposition. Demand led with pre-build ordering and modular development.
- Controlled build costs and low variable costs provide predictable returns
- The company may opportunistically take part in subsidized build in non-commercial areas



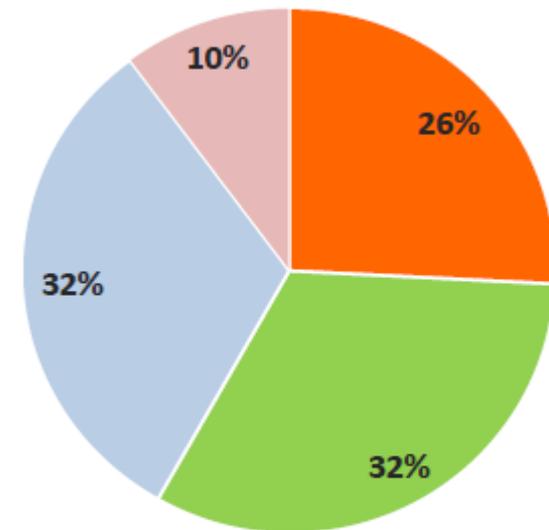
STRATEGY

- Raise of additional equity of GBP 24m in early 2016 to support the growth together with the EIB facility
- Reach 200,000 homes passed by mid-2017 resulting in additional build of 150,000 homes passed
- Additional builds induce a additional capital investment need of GBP 100-150m over the next 2-3 years
- Continue rigor decision making to ensure profitability prior to roll-out with sufficient capital structures

Capital plan

- £48.6m raised in equity to date from founder, HNWs and most recently institutions Woodford Funds and Prudential Infracapita
- €25m (approx.£18.5m) EIB debt facility agreed December2015
- 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
- Woodford
- Prudential Infracapital
- Matthew Hare

EIB Facility

- Amount: EUR 25m (can be drawn in GBP). Supported by the good existing capitalisation of the company
 - Purpose: To finance the capital expenditures of the company related to the network build
 - Maturity: 12 years in line with the long payback of these networks
 - Pricing: Infrastructure-appropriate LIBOR linked coupon
 - Other key terms: Flexibility in drawdowns to match actual capital needs (availability period), appropriate grace period during build period, tailored financial covenants for the specific case and so on.
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- EIB was able to provide a financing package suitable for the specific case not available from commercial banks, thereby providing complementary financing to the market

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January 13, 2016 4:09 pm

Gigaclear secures €25m loan to roll out ultrafast broadband

Daniel Thomas, Telecoms Correspondent

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Fibre broadband provider Gigaclear has secured a €25m loan to help almost treble the size of a network that will reach rural parts of Britain with some of the fastest internet speeds available.

The debt facility from the European Investment Bank is the largest one of its kind awarded to a British company, and will be used to support the rollout of ultrafast fibre broadband to at least 40,000 properties across rural Britain this year.