

Bigblu Broadband

New partner, strong organic growth prospects

Bigblu Broadband (BBB) has established a strong position as an alternative and rural broadband provider across multiple geographies using satellite, fixed wireless and 4G/5G technologies. Its customers are homes and businesses unserved or underserved by fibre and the group is in a strong position to leverage the heavy investment made by satellite operators in high-speed broadband as well as its own selective roll-out of ultrafast and giga-fast fixed wireless services. With Bigblu set for strong organic growth and well established in key markets, the days of high M&A and equity issuance also appear to be over.

European sales growing with expanded distribution

Last week, Bigblu announced that it has won preferred partner status with Eutelsat. This non-exclusive deal will leave BBB free to offer customers a range of packages, but Bigblu will benefit from heavy investment in marketing and customer premises equipment by Eutelsat in return for revenue share. This should lead to continuing acceleration of subscriber growth from the recent expansion of BBB's sales network into Poland, Spain, Finland, Norway and Sweden, with the added benefit of the UK, Ireland and France now being covered by the deal and 50Mbps offer.

Strategy: Eutelsat JV fast-tracking European growth

With the addition of c 2k European subscribers in Q3, BBB is well advanced in its aims to build subscriber numbers ahead of the launch of Eutelsat's new-generation, high-throughput satellite in Q419. This will enable unlimited data packages and speeds of up to 100Mbps, boosting the addressable market to 196m non-FTTH/B EU households from the current 27m with speeds <4Mbps. In Australia, BBB is winning 40% of current satellite broadband net additions, helped by state subsidies.

Highly scalable business model to boost margins

With Bigblu now established across its key geographies, organic growth should accelerate, while increased scale and further integration of previous acquisitions should lead to improved margins and cash generation. Across all geographies, acquisitions are likely to continue to help drive down supplier charges and leverage BBB's highly scalable, multi-language cloud CRM, billing and finance platform.

Valuation: 9% discount to UK telecoms peers

BBB trades on a 9.5x 2018e EV/EBITDA, which is 9% and 35%, respectively, below the averages for UK and international small-cap telecom stocks. With BBB's consensus two-year EBITDA growth at 26.8%, well ahead of the 4.0% and 11.5% for its two peer groups, respectively, we see potential for BBB to outperform.

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	(8.2)	6.2	0.0	13.9	15.9
11/18e	54.9	6.9	(8.2)	2.6	0.0	9.5	37.9
11/19e	62.5	10.1	(4.3)	7.3	0.0	6.5	13.5
11/20e	67.3	11.1	4.4	11.7	0.0	5.9	8.4

Source: Thomson

Telecommunications

13 December 2018

Price 98.5p
Market cap £56m

Share price graph



Share details

Code BBB
Listing LSE
Shares in issue 57m

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 110,000 customers, 81% of which subscribe to superfast satellite and 19% to fixed wireless broadband.

Bull

- Eutelsat's Konnect satellite launch in 2019 should enable fibre-competitive speeds of 100Mbps.
- Highly scalable business model with multi-language cloud CRM, billing and finance platform.
- Further support from governments for high-speed satellite likely as a solution to the digital divide.

Bear

- Services provided over third-party networks.
- Acquisitions are a key growth driver, but reliance on them is falling with well-established networks.
- Uncertainty about future of ViaSat/Eutelsat JV. This is, however, receding with new Eutelsat deal.

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