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AdEPT Telecom plc

Full year results

for the year ended
31 March 2010

We are one of the **UK's leading**
COMMSintegrators
We supply best of breed products from every major network in the UK, tailored to suit you



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What Do We Do?

- **We supply fixed line, mobile & data services**
 - We buy from a telecom network or ISP and add a % to their cost
 - We own the customers and bill & support them (provisioning, faults etc)
- **We have 60,000 phone lines at March 2010**
 - Business customers - 95% revenue
 - Residential customers - 5% revenue
- **We have a largely indirect sales force**
 - Two types of business partner– telephone systems sales & cost consultants
 - We pay a % of the recurring revenue
- **65 employees – all based in Tunbridge Wells**



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History of AdEPT

- **Formed May 2003**
 - Raised £3.25m equity from individuals 87% + Swiss VC (Invision) 13%
- **Floated Feb 2006**
 - Raised another £8m equity (for 28% of the company)
 - Original shareholders have sold few shares
- **16 acquisitions completed**
 - All integrated within 6 weeks



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Highly experienced telecom's team

About 100 years in the industry - Running businesses up to £250m sales

Ian Fishwick
MANAGING DIRECTOR



Roger Wilson
CHAIRMAN



Amanda Woodruffe
OPERATIONS DIRECTOR



Joe Murphy
SALES DIRECTOR



John Swaite
FINANCE DIRECTOR



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Financial highlights

- **EBITDA** (underlying excluding non-recurring costs)
 - 7th consecutive year of increased underlying EBITDA
 - EBITDA increased by 3% to £3.6m (2009: £3.5m)
 - EBITDA margin % increasing by 1.7% to 14.0% (2009: 12.3%)
- **CASHFLOW**
 - Free cash flow, after interest and before non-recurring costs, of £1.9m (2009: £2.1m)
 - 86% reported EBITA (£3.1m) converts to cash from operating activities (£2.7m) (2009: 103%)
- **NET DEBT**
 - Net debt reduction of £1.6m year-on-year (2009: £0.5m) to £9.2m (2009: £10.8m)
 - **Further £0.6m reduction in net debt to £8.6m in 3 months to June 2010**



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Operational highlights

- **REVENUE**

- 10% revenue reduction as call volumes fell in line with economic activity
- Call volume reduction offset by > 70% increase to mobile and data revenues
- 10% increase in ARPU as at March 2010 to £77.97 (2009: £71.16)
- Fixed monthly charges 48% of revenue for year ended March 2010 (2009: 43%)

- **OVERHEADS**

- Overhead costs decreased to 23% of revenue (2009: 24%)
- Debt collection - very tightly control with March debtor days of 30 (2009: 29 days)

Major focus on cross-selling

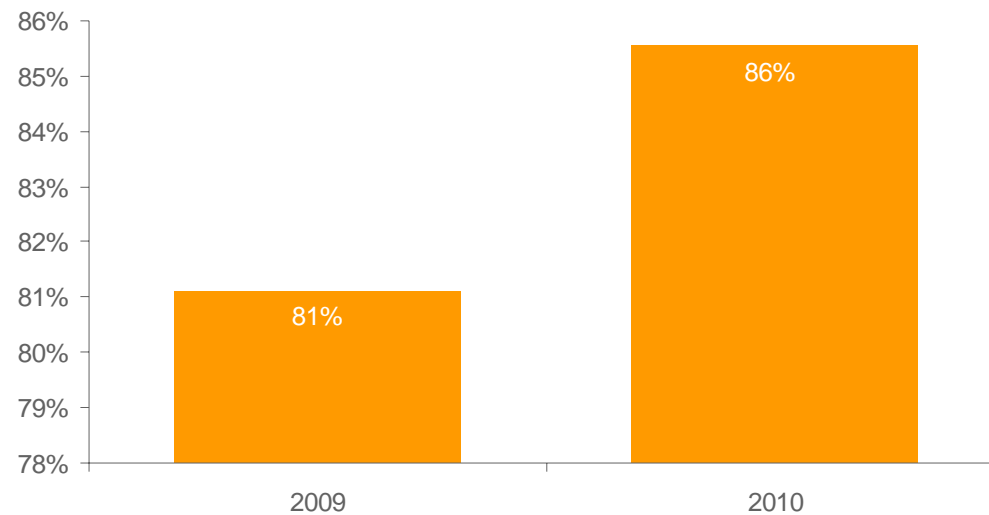


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Cross selling

Customers taking 2 or more products %



- 86% of revenue generated from customers taking 2 or more products (2009: 81%)



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Operations now split into 2 departments

- **PREMIER CUSTOMER SERVICE**

- 200 largest customers spending over £1k per month
- Accounts for 1/3 of all revenue
- Personalise account management

- **CUSTOMERS MANAGED BY THE CALL CENTRE**

- 25,000 customers
- Accounts for 2/3 of revenue

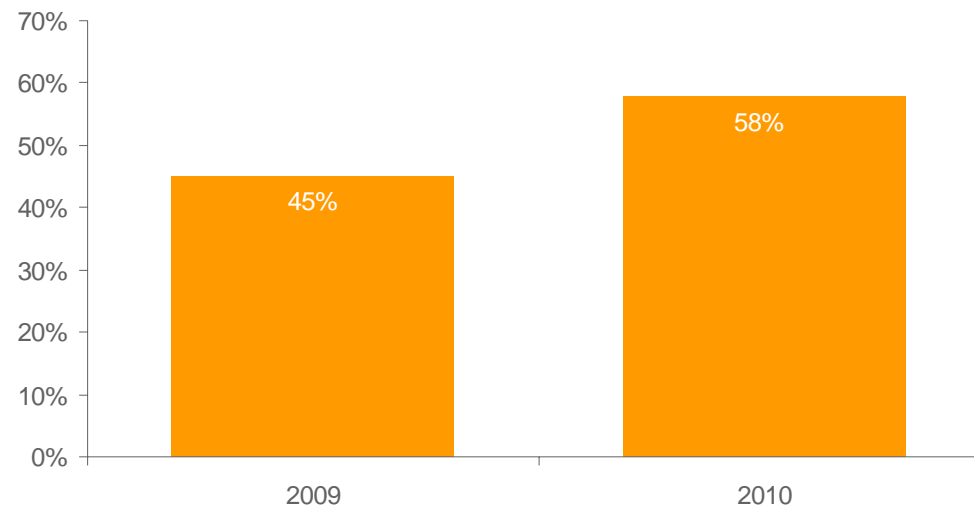


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Cross selling – focus on larger customers

Higher spending customers taking 3 or more products %



- Higher spending customers (£1,000+ pm) taking 3 or more products increased to 58% (2009: 45%)

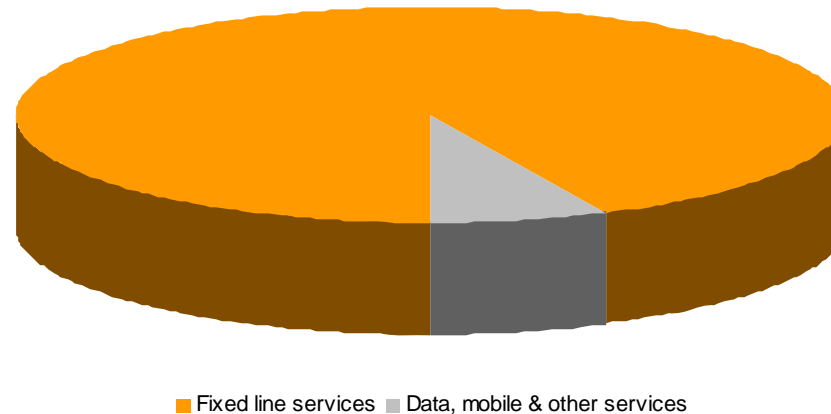


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Changing sales mix

FY10 Revenue analysis



- Data & mobile division represented 8.7% of March 2010 revenue (March 2009: 5.7%)



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New product success since year-end

- **MAY 10 - 450 site voice and data network**
 - Post year-end 36 month contract win, estimated contract value £0.8m
- **JUN 10 - Approved data product specialist**
 - AdEPT is one of only 20 companies approved to sell data products to Universities and Colleges





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Larger Customer Sales

- **Inbound call handling (21st Century call centres)**
 - Focus on 50 to 250 seat call centres
 - Network based solutions



We offer **Network-based**
CALLcentre-solutions
Using the power of 21st century Telecom networks



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Changing sales mix

- **Revenue and Margins**

	% of revenue	
	Mar 09	Mar 10
Fixed line division	93%	90%
Mobile and data division	6%	9%
Other fees	1%	1%

- 10% of revenue is being generated from non-fixed line products

- **Product mix changing over time**

- Fixed line calls now less than 50% of revenue
- +73% increase to data product revenues
- +86% increase to mobile revenues



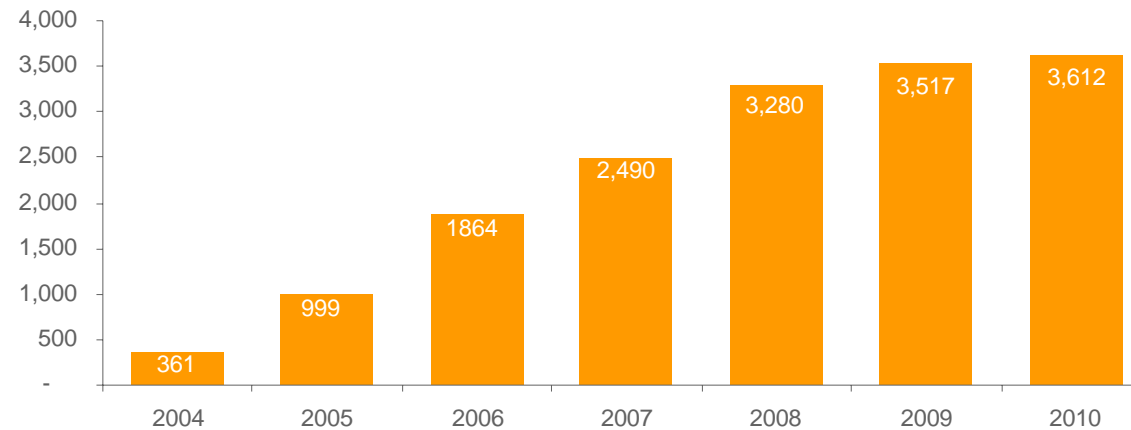
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EBITDA

- 7th consecutive year of increased EBITDA

EBITDA £'000s



- EBITDA margin % increased by 1.7% to 14.0% (2009: 12.3%)



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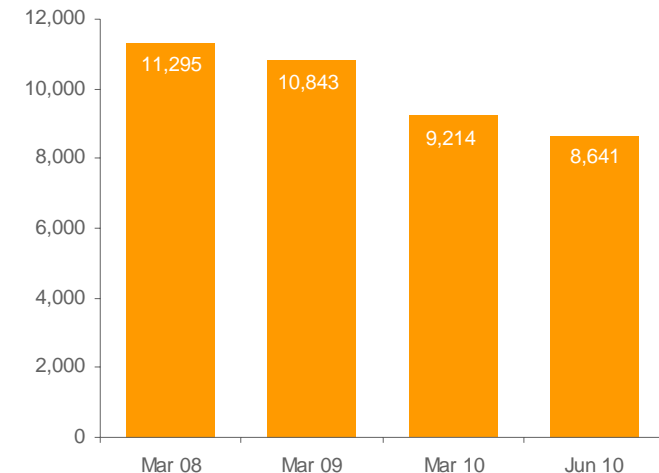


Net debt and cash flow

- **Free cash flow of £8.6m before Interest** since Nov 07

Peak net debt at Nov 2007		£12.0m
Free cash flow:	(£8.0m)	
Acquisition integration costs	£3.0m	
Interest costs	£2.2m	
Debt reduction	(£2.8m)	(£2.8m)
Net debt at March 2010		£9.2m
Debt reduction post year end		(£0.6m)
Net debt at June 2010		£8.6m

Net debt £'000s



- **Strong Free Cash Flow to repay debt**
 - EBITA : cash conversion 86% (2009: 103%)
 - Free cash flow generation of c£2m pa now all integrations and restructure completed



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Investor focussed

Ownership

Chris Fishwick companies*	30.6%	Individual
Invision	16.0%	Swiss VC
Richard Blakesley	6.1%	Individual
Ian Fishwick*	5.4%	Individual
Octopus	3.7%	VCT
Roger Wilson*	3.4%	Individual
SUB-TOTAL	64.1%	

- **Shareholder and management interests aligned**
- **40% of AdEPT is owned by the Directors***
- **Shareholder benefits scheme**
 - Holders of 1,000+ shares receive FREE residential line rental



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The future

Looking ahead

- **Priorities remain unchanged**
 - ✓ Continued debt reduction
 - ✓ Maintain high cash generation
 - ✓ Maintain/Improve profitability
 - ✓ Focus on cross-sales and larger customers
 - ✓ Contract renewals for existing customer base
 - ✓ Maintain tight management of customer collections
 - ✓ Strict cost control
- ✓ **We have done what we said we were going to do**



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Contact details

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