



faces not numbers



AdEPT Telecom plc

Interim Results

for the 6 months ended

30 September 2009



faces not numbers



Telecom reseller targeting SME's

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 28,879 customers at Sep 09**
 - Business customers 19,876 (95% revenue)
 - Residential customers 9,003 (5% revenue)
- **We have an 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**



faces not numbers



Set up to consolidate the Fixed line Reseller sector

History

- **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 never sold any shares
- **16 acquisitions completed**
 - All integrated within 6 weeks
- **Sales now c£26m pa**
- **Net Debt £10.2m at Sep 09**
 - Barclays debt refinanced in Dec 08 (3 year facility to Dec 2011)



faces not numbers



Highly experienced telecom's team

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

The director team

Ian Fishwick
MANAGING DIRECTOR



Roger Wilson
CHAIRMAN



Amanda Woodruffe
OPERATIONS DIRECTOR



Joe Murphy
SALES DIRECTOR



John Swaite
FINANCE DIRECTOR



faces not numbers



In March 2009 results we outlined the following priorities:

- **Priorities** – we've done everything we said we were going to do
 - √ Continued debt reduction
 - √ Operate within bank covenants
 - √ New organic sales
 - √ Contract renewals for existing customer base
 - √ Maintain tight management of customer collections
 - √ Strict cost control



faces not numbers



Improved profitability

H1 FY10 Financial highlights

- **Underlying EBITA +4.5% to £1.8m** (2008: £1.7m)
 - Driven by gross margin improvement and opex efficiency
- **Underlying EBITDA margin increased to 14.5%** (2008: 12.5%)
 - EBITDA : Sales increased to 14.5% (amongst best in sector)
 - Overhead costs down to 22.6% of revenue (2008: 23.0%)
 - £0.3m one-offs relate to costs of restructuring
- **Gross margin increased to 37.0%** (2008: 35.6%)
 - Driven by:
 - 3.1% increase to call margin
 - 3.3% increase to line rental margin
- **£0.9m free cash flow generated**
 - £0.6m reduction to net debt
 - £0.3m restructuring costs



faces not numbers



Increasing stability and efficiency

H1 FY10 Operational highlights

- **Fixed monthly revenues increased to 47.1% of revenue (2008: 41.7%)**
 - Less reliant on variable call volumes
- **Data product revenues increased by 62.5% to £0.5m**
 - Completed roll-out of 3,000+ site data network
 - Since period end awarded contract to install a further 800+ sites
- **Continued improvement to debt management process**
 - Customer collections periods reduced to 29 days from 34 days at March 2009 (Sep 2008: 53 days)
 - £0.6m reduction to trade receivables from September 2008
- **Underlying operating costs reduced to 22.6% of revenue (2008: 23.0%)**
 - Bad debt charges more than halved at £0.15m (September 2008: £0.34m)

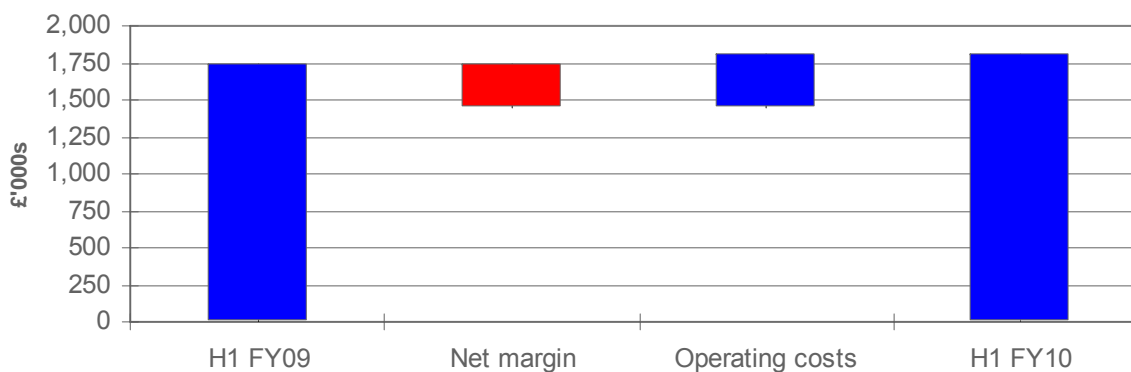


faces not numbers



EBITA bridge

EBITA bridge H1 FY09 to FY10



- **Volume reduction** - economic activity reflected in lower call volumes
- **NM% improvement** – 1.6% increase absorbed £0.3m of volume reduction
- **Operating costs** – 14% reduction from H1 FY08

4.5% increase in EBITA



faces not numbers



Quarter on quarter financials

| £'000s | FY09 | | | | FY10 | |
|------------------|-------|-------|-------|-------|-------|-------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| Revenue | 7,343 | 7,418 | 7,084 | 6,721 | 6,564 | 6,445 |
| % change | | 1.0% | -4.5% | -5.1% | -2.3% | -1.8% |
| EBITA underlying | 823 | 918 | 907 | 679 | 861 | 950 |
| EBITA % | 11.2% | 12.4% | 12.8% | 10.1% | 13.1% | 14.7% |

- **Revenue** - economic activity reduction has slowed
- **EBITA %** - improvement from operational efficiency

Increased profitability



faces not numbers



Increasing value from existing customers

Customers and products

- **Average monthly customer spend +5.5%**
 - 95% business ; 5% residential revenue
 - Focus on larger customers has resulted in +5.5% increase to average monthly spend per customer
- **Proportion of customers taking three products increased to 13.3% (2008: 8.0%)**
 - Increased focus on cross-sell into existing customer base
- **Revenue by product**

| | H1 - FY09 | H1 - FY10 |
|-------------------------------|-----------|-----------|
| Line rental and call packages | 39.6% | 43.3% |
| Calls | 57.5% | 52.1% |
| Fixed line | 97.1% | 95.4% |
| Data and mobile | 2.9% | 4.6% |



faces not numbers



Sales

Sales team focusing on larger customers

- **In the last 6 months the sales team generated c£5.7m annualised new billings**
- **Increased focus on direct sales channel**
 - Complementing indirect channel (business partners)
 - Increasing volumes of direct sales
- **Increased focus on cross-sell**
 - 62.5% increase to data product revenues
 - Mobile cross-sell into existing customer base
 - Inbound call handling (21st Century call centres)
- **Customer wins (examples):**
 - Nationwide Autocentres – 216 sites
 - Rexel – existing 300 site customer extended by a further 120 sites
 - Gamestec – existing 3,000 site data customer extended by a further 800+ sites



faces not numbers



Looking ahead (no changes to 6 mths ago)

- **Priorities**

- Continued debt reduction
- Maintain high cash generation
- Maintain/Improve profitability
- New organic sales
- Contract renewals for existing customer base
- Maintain tight management of customer collections
- Strict cost control

The future



faces not numbers



Regular acquisitions in the sector

| £m | | Revenue |
|-----------------|----------------|---------|
| Daisy plc buys: | | |
| Jul-09 | Freedom 4 | - |
| Jul-09 | Vialtus | 37 |
| Aug-09 | AT Comms | 40 |
| Aug-09 | Eurotel | 26 |
| Aug-09 | Redstone | 74 |
| Spiritel buys: | | |
| Nov-09 | Edge Solutions | 6 |
| Nov-09 | ADK Comms | 2 |
| Opal buys: | | |
| Nov-09 | UK Telco | 8 |

- **Consolidation of sector continues** – volume efficiency
- **Fragmented market** – c700 telecoms resellers remain in UK



faces not numbers



Ownership

- **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

Investor focussed



faces not numbers



Contact details

- **Ian Fishwick (Managing Director)**
Email: ian.fishwick@adept-telecom.co.uk
- **John Swaite (Finance Director)**
Email: john.swaite@adept-telecom.co.uk
- **Roger Wilson (Chairman)**
Email: roger.wilson@adept-telecom.co.uk

Visit us at: www.adept-telecom.co.uk