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AdEPT Telecom plc

Interim results

for the 6 months ended

30 September 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 58,000 phone lines at September 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
- **55 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)
 - EBITDA increased 2.7% to £1.93m (2009: £1.88m)
 - EBITDA margin % increased to 16.0% (2009: 14.5%)
- **PBT and EPS**
 - Reported operating profit increased by 68.2% to £0.74m (2009: £0.44m)
 - Profit before tax of £0.14m (2009: loss of £0.22m)
 - Adjusted EPS increased by 11.5% to 5.41p (2009: 4.85p)
- **CASHFLOW**
 - Free cash flow before interest of £1.1m (2009: £0.7m)
 - 93.9% reported EBITA converted to cash from operating activities (2009: 76.3%)
- **NET DEBT**
 - Net debt reduction of £2.1m year-on-year to £8.16m (2009: £10.23m)
 - Net debt reduction of £1.1m since year end (March 2010: £9.21m)



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Operational highlights

- **REVENUE**

- 7.9% revenue reduction as call volumes fell in line with economic activity and lower opening entry point
- Non-fixed line division now accounts for 8.6% of total revenue (2009: 5.7%)
- Data product revenues increased by 21.4% to £0.61m (2009: £0.50m)
- Fixed monthly charges 54.0% of revenue (2009: 47.1%)

- **OVERHEADS**

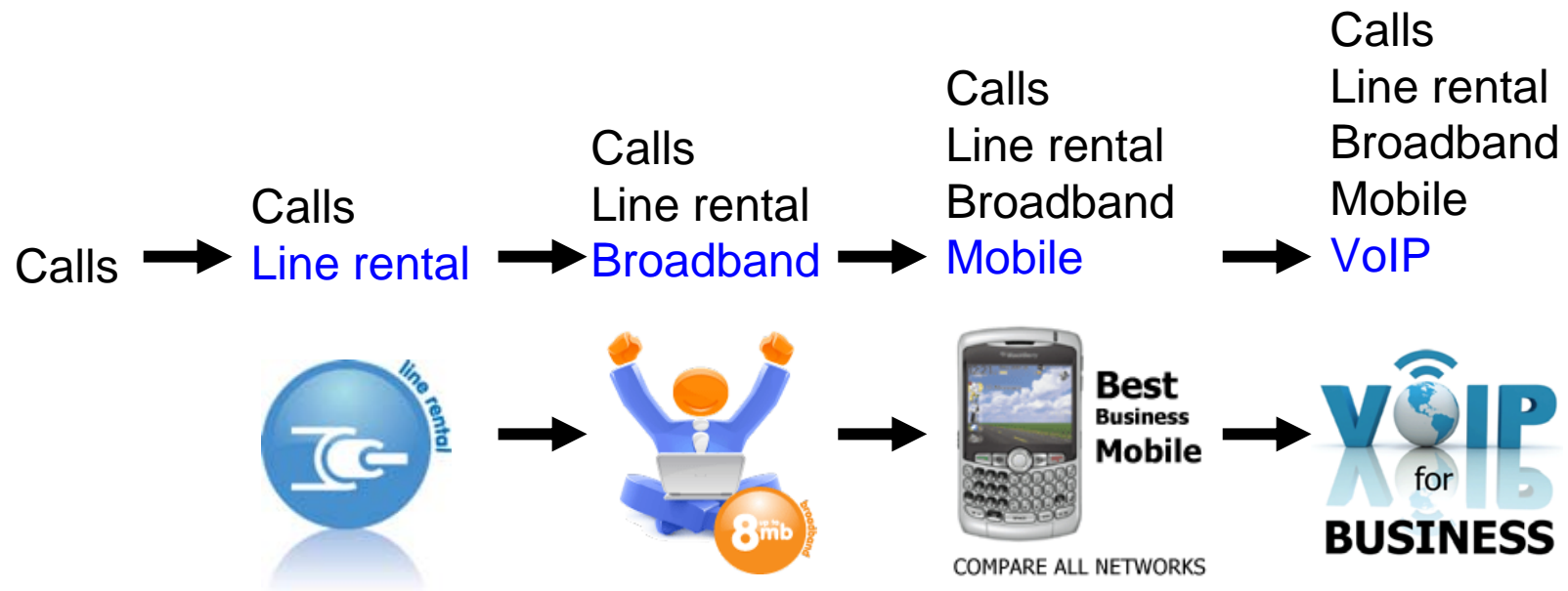
- Overhead costs decreased to 20.1% of revenue (2009: 22.6%)
- Cash collection maintained with Sept 2010 debtor days of 29 (2009: 29 days)



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Changing product mix



AdEPT is a fast follower of technology



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Operations split into 2 departments

- **PREMIER CUSTOMER SERVICE - £8.5m pa revenue**
 - 200 largest customers spending over £1k per month
 - Accounts for 36% of total revenue
 - Personalised account management
- **VOLUME CUSTOMER SERVICE - £15.5m pa revenue**
 - 30,000 customers
 - Accounts for 64% of total revenue



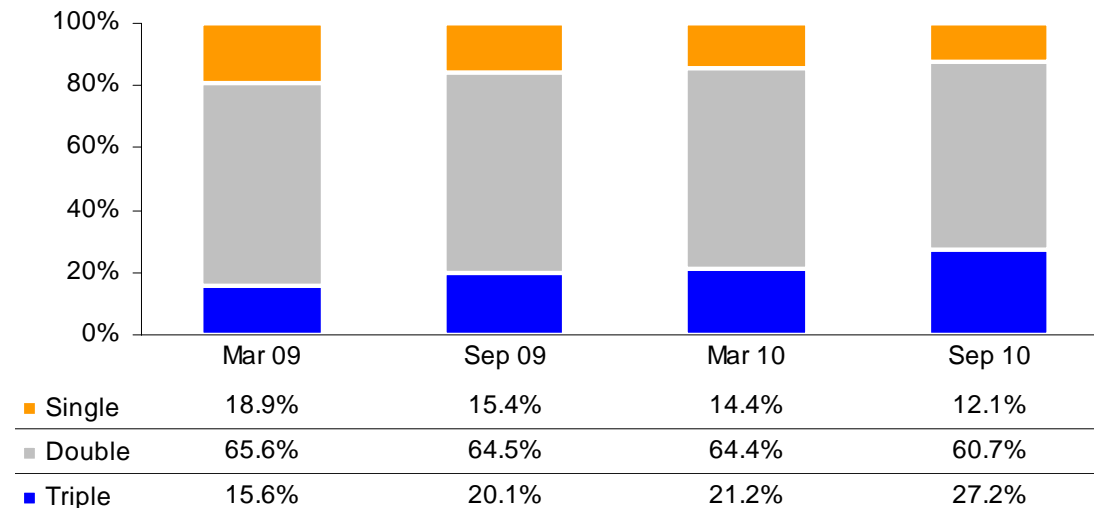
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Cross selling

All customers

Customers taking multiple products %



- Customers taking 3 or more products increased to 27.2% (2009: 20.1%)



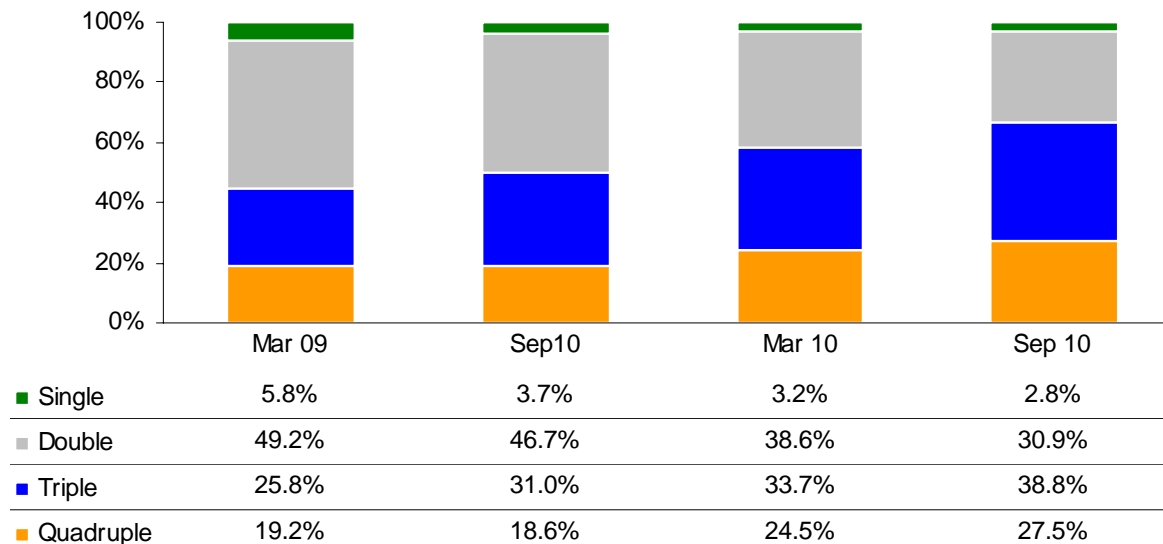
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Cross selling

Larger customers

Premier customers taking multiple products %



- Higher spending customers (£1,000+ pm) taking 3 or more products increased to 66.3% (2009: 49.6%)



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Contract success

New contracts signed since March 2010 year end:

- a new 24 month contract to supply a district council with a complex **10 site voice and data solution**, with an estimated contract value in excess of £200,000.
- a new 36 month contract to supply **voice and data network of 450 sites** for a national electronic games operator with a contract value estimated in excess of £800,000.
- a new 36 month contract to supply a nationwide chain of **c750 pubs with Wi-Fi connectivity**, with an estimated contract value of over £700,000.
- a new 24 month contract to supply the leading publisher of journals and magazines to the public sector, with an estimated contract value in excess of £200,000.
- a new 36 month contract to supply 150 shops of a nationwide charity with a **multi-site multi-product solution**.

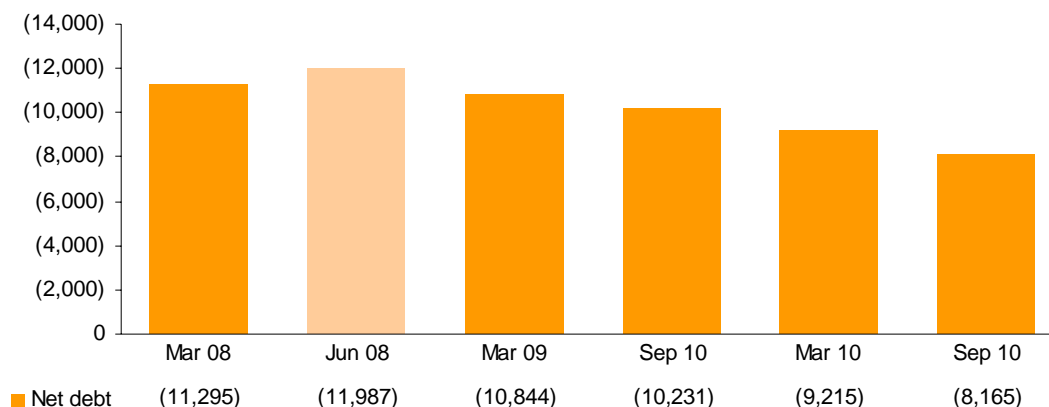


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Net debt

Net debt £'000s



- Peak net debt of £12.0m after Telecom Direct acquisition
- Strong EBITA:cash conversion of 93.9% (2009: 76.3%)
- AdEPT has repaid £3.8m of bank debt in 27 months
- New 5 year bank facility signed in October 2010
 - longer term, lower interest costs, increased flexibility



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Ownership

Chris Fishwick companies*	30.6%	Individual
Invision	16.1%	Swiss VC
Richard Blakesley	6.1%	Individual
Ian Fishwick*	5.4%	Individual
Roger Wilson*	3.8%	Individual
Octopus	3.7%	VCT
SUB-TOTAL	65.7%	

- **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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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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