

Manx Telecom
Innovators & Investors Forum 2015
Presentation

Mike Dee, CEO

February 2015



An overview of Manx Telecom

- Leading communication solutions provider on the Isle of Man
- Five channels servicing consumer, business and the public sector –
 - Fixed line, broadband & data
 - Mobile
 - Data centre
 - Global Solutions
 - Other services
- Strong financials showing steady growth:
 - 2013 FY revenues of £76m, adjusted EBITDA of £27.5m
 - 7% dividend yield for 2014, on IPO placing share price of 142p
- Track record of investment and innovation
- Stable regulatory environment supportive of investment
- Listed on AIM in February 2014 – market cap of £206.15m as at 26 Jan 15

Board of directors



- **Kevin Walsh**
- **Non-executive Chairman**
- Previously executive director of KCOM Group plc, retired July 2014
- Ran KC Hull incumbent operator



- **Jeffrey Hume**
- **Non-executive director**
- Former FD of Alfred McAlpine plc, AVG plc and TDG plc
- Holds numerous NED roles including at the LSE and Dover Harbour



- ~~Senior roles with Electrolux group~~
- **Mike Dee**
- **CEO**
- Appointed CEO in April 2011
- 31 years' experience at MT, part of the BT team involved in setting up Manx Telecom



- **Sir Miles Walker CBE**
- **Non-executive director**
- MT Chairman until Admission
- Former Chief Minister of Isle of Man
- Many Isle of Man directorships past and present



- **Gary Lamb**
- **CFO**
- Joined MT in October 2011 as Finance Director
- Over 20 years' experience in numerous senior roles

Isle of Man economy and regulation

- 0% corporate tax on both on-Island and off-Island profits
- Isle of Man is not part of the EU or a member of the EEA
- 29 years of unbroken GDP growth
- Low unemployment at c.2.4%
- High GDP per capita (21% higher than the UK)
- Population of 85,000
- Telecoms regulation run by Communications Commission, separate entity to Ofcom in UK
- Good visibility on regulatory outlook which remains supportive of infrastructure investment



Company strategy and opportunity

- Established domestic business underpins growth opportunities in off-Island and data centres
- Manx Telecom has a two part strategy:
 - **Maintain** our leading position in core markets by innovating and maintaining the highest levels of customer service
 - **Grow** by exploiting new market opportunities on and off-Island with our market leading mobile platform and data centre capability
- Board intends to pay a full year dividend for 2014 of 9.9p, calculated as a 7% yield on the IPO placing price of 142p per share*
- Progressive dividend policy

*Based on the Board's expectations of current and future trading

Financial highlights

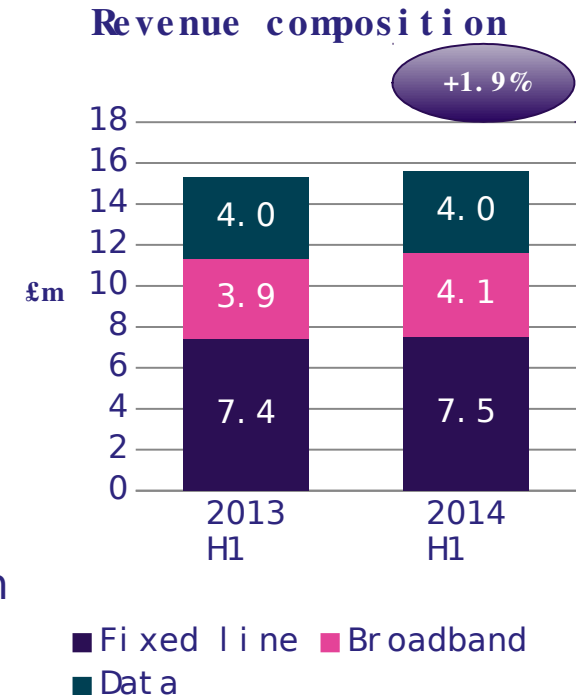
£, thousands	6mt hs 30 June 14	6mt hs 30 June 13	FY2013	FY2012
Revenue	39,534	37,867	76,029	72,393
growth %	4.4%	4.5%	5.0%	4.7%
Adjusted EBITDA	13,734	13,263	27,450	24,610
margin %	34.7%	35.0%	36.1%	34.0%
growth %	3.6%	4.8%	11.5%	15.2%
Adjusted EBIT	9,669	8,475	18,124	15,115
margin %	24.5%	22.4%	23.8%	20.9%
Reported (loss)/profit for the period	(5,072)	315	364	3,161
Capex	4,726	1,414	9,981	5,073
Net debt at 30 June 2014 of £58m - implies net debt/adjusted EBITDA of 2.1x based on last 12 months' adjusted EBITDA	12.0%	3.7%	13.1%	7.0%
Cash flows from operating activities	11,203	10,647	28,143	22,277
Cash flows from investing activities	(5,977)	(2,659)	(12,116)	(7,450)
Cash flows pre financing activities	5,226	7,988	16,027	14,827

Financial and Business Line Summaries



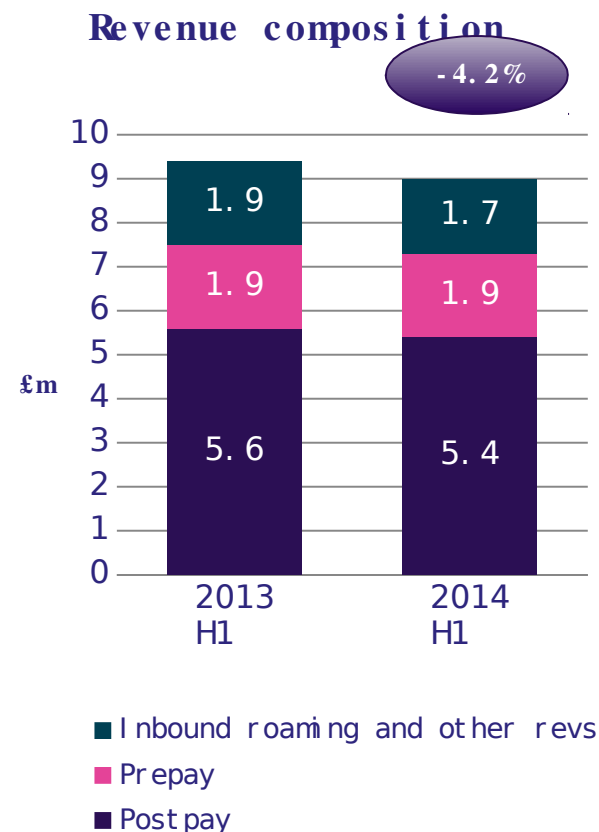
Fixed Line, Broadband and Data

- Fixed line connections to 35k homes and 4k businesses
- Manx Telecom serves almost all of the existing available residential and business customers
- Broadband subscribers totalled 25.5k at June 2014 (Dec 2013: 25.3k) of which 3.7k are high-speed broadband (FTTC) users
- Good progress on FTTC roll-out with 82% of premises covered and 18% take up to date
- Roll out of high-speed broadband and has led to 5% broadband growth despite aggressive price competition
- Data services revenues flat, expectation of increases with new hosting capacity



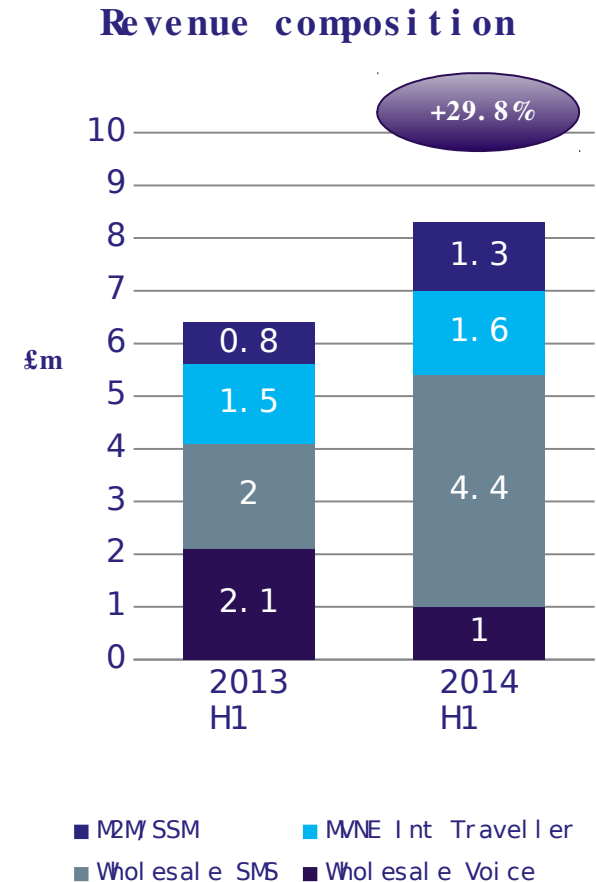
Mobile

- Total subscribers 65k at end June 2014, split 37k pre-paid and 28k post-paid (Dec 2013: 36k and 29k)
- Mobile revenue down 4% due to lower termination rates and increased roaming discounts
- Underlying mobile revenues remained at the same level as H1 13 despite competition
- 4G launched 29 July 2014 and Apple iPhone 6 in October



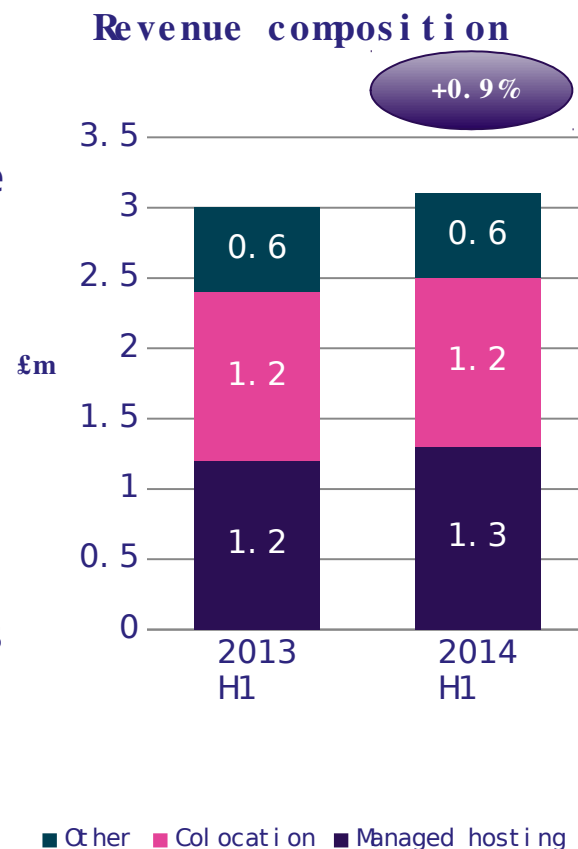
Global Solutions

- Strong performance in H1 14 with revenue growth of nearly 30% driven primarily by:
 - Strongest Signal Mobile (branded Chameleon)
 - Mobile Virtual Network Enabler Services (MVNE)
 - M2M services
- Continued declines in legacy Wholesale Voice revenues



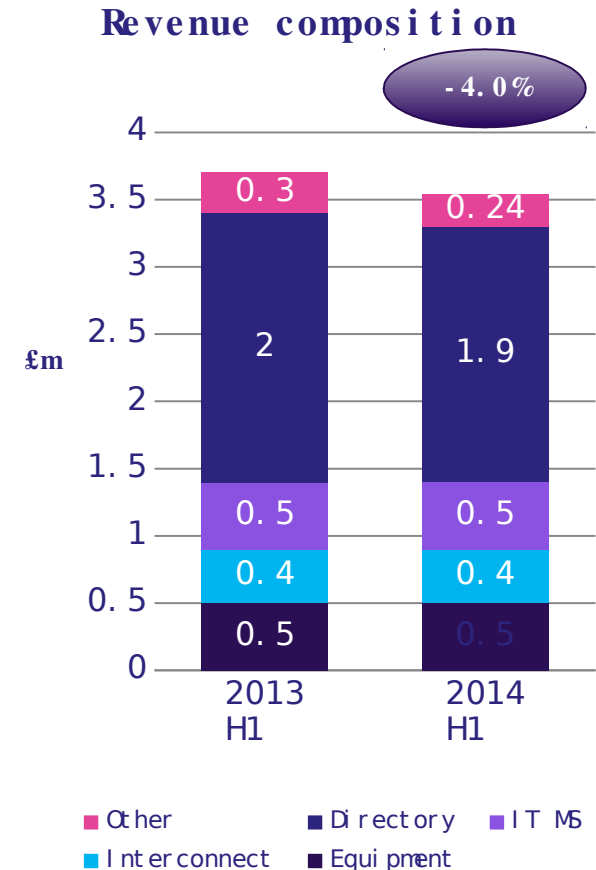
Data Centre

- Co-location and managed hosting from three data centres
- Revenue remained broadly flat in first six months of the year
- New data centre anchor tenant agreed and good pipeline in place
- Phase One of third data centre completed in March 2014 at a cost of £3.5m - 100 additional racks of storage space, bringing total current capacity to 385 racks
- Phase Two due for completion in 2015 with c.120 racks
- Phase Three due for completion in 2017 with c.320 racks



Other services

- Broad range of existing and new services
- Paper and online directory advertising, equipment sales, IT managed services, interconnect revenues
- Revenue fell by 4.0%:
 - Manages services revenues increased by 7.0%
 - Hardware sales remained constant
 - Directory advertising revenues fell 5.5%



Strategy & Outlook



Company strategy

- Established business underpins growth opportunities in Global Solutions and Data Centre
- Manx Telecom has a two part strategy:
 - **Maintain** our leading position in core markets by innovating and maintaining the highest levels of customer service
 - **Grow** by exploiting new market opportunities on- and off-Island with our market leading mobile platform and data centre capability

Immediate priorities

- Capitalise on the opening of the third data centre
- Maximise impact of 4G launch
- Defend fixed line customer base and grow broadband revenue

• Cor 4G is here!
another first...
only from manx telecom

Mark Cavendish MBE - manx telecom official ambassador



manx telecom

Photo courtesy of @Champion

Outlook

- Expect momentum to be maintained in second half of 2014 with growth in line with market expectations
- Well positioned for the future with the new data centre and 4G launch to enable us to capitalise on domestic growth opportunities
- Strong growth in Global Solutions revenue expected to continue
- Annual capex of approx. £10m expected in 2014 and 2015
- Intention to declare a 6.6p final dividend (9.9p total) with a progressive dividend policy moving forward
- FY 14 results to be released on 14 April 2015