

Avanti Communications Group plc

Project Finance: Complex Transactions, Multifaceted Returns
Ex-Im Bank Annual Conference

11 March 2010

AGENDA



- ❑ INTRODUCTION TO AVANTI
- ❑ AVANTI HISTORY
- ❑ AVANTI BUSINESS MODEL
- ❑ THE EXIM TRANSACTION OPPORTUNITY
- ❑ THE EXIM TRANSACTION
- ❑ REASON FOR COMPLEXITY
- ❑ LESSONS LEARNED

AVANTI: INTRODUCTION

- ❑ Satellite broadband operator in EMEA, the first in the region
- ❑ Listed on AIM, Market Cap c£320m, senior debt of £240m
- ❑ We sell managed broadband services to service providers who sell to consumers, businesses and institutions
- ❑ First satellite HYLAS 1 launches this Summer.
- ❑ HYLAS 2 will launch in Q2 2012.
- ❑ Significant capacity pre-sales already generated



Satellite coverage throughout Europe, Middle East and Africa

-  HYLAS1&2 Ka-band coverage
-  HYLAS1 Ku-band coverage



HYLAS1



HYLAS2



AVANTI: HISTORY

- ❑ Terrestrial telecoms networks leave large gaps in coverage because:
 - Economics of serving rural areas are challenging
 - Terrestrial technologies struggle with long reach
- ❑ Old Ku band technology has been used for broadband, mainly enterprise customers, but is slow and expensive.
- ❑ Avanti founders Williams and Bestwick concluded in 2002 that a new generation of satellite technology called KA band would make satellite broadband fast and cheap for the first time
- ❑ Avanti established to seek license and funding
- ❑ UK government supported development of first satellite with ESA funding. Remainder of £120m raised on AIM and private placement debt

AVANTI: BUSINESS MODEL

- ❑ HYLAS 1 is a small satellite with beams over Europe
- ❑ Can supply up to 350,000 homes with satellite broadband
- ❑ Speeds up to 10Mb and prices from £20 per month
- ❑ Avanti sells a Virtual Network Operator Service (“VNO”).
- ❑ It owns and operates all ground switches and management software
- ❑ The VNO buys units of end user service, but also has the flexibility to manage the service online
- ❑ The VNO needs zero CAPEX, it just sells, installs and first line supports
- ❑ Avanti has 54 VNOs around Europe
- ❑ The broadband service is highly flexible and is now also being sold for other Enterprise applications, like cellular backhaul

THE EXIM TRANSACTION OPPORTUNITY

- ❑ Avanti's business model was working well, and it needed to expand geographically with HYLAS 2 into MEA before its early mover advantage was lost in those areas
- ❑ But with the share price depressed, investors were unwilling to fully fund the second satellite
- ❑ Avanti had down-selected Orbital Science Corporation in November 2008 but the failure to secure full funding put project on ice
- ❑ Orbital therefore provided the introduction to US EXIM bank to explore whether the project could be financed
- ❑ Avanti shareholders were willing to fund one third of the costs if debt could be secured

THE EXIM TRANSACTION

- ❑ A transaction with EXIM had its first close in December
- ❑ Total Debt facilities of £194m supplied by US EXIM and also COFACE (in support of Arianespace launcher)
- ❑ Avanti raised £86m equity at 400p (share price now 460p)
- ❑ Secured on assets of HYLAS 2 with second charge on other Group assets
- ❑ From First meeting with EXIM in March 2009 to financial close was 9 months
- ❑ Given my experience as a banker during the 1990s, I think this timetable was impressive
- ❑ Barclays acted as advisor on both General Capital Structuring and as Avanti's advisor for the US EXIM Facility.

REASONS FOR COMPLEXITY

- ❑ Taking security over space assets and spectrum licenses is challenging
- ❑ The technology is new
- ❑ The markets are new
- ❑ The first satellite not yet launched
- ❑ HYLAS 1 has senior lender group with who intercreditor arrangements required
- ❑ Intercreditor arrangements required with COFACE and its fronting bank on HYLAS 2 financing

LESSONS LEARNED

- ❑ Avanti was well prepared with some existing consultants reports and high quality data to support new investigations
- ❑ Its existing lenders were flexible and co-operative
- ❑ Avanti was willing to be flexible and creative during negotiations
- ❑ The in-house finance and legal team were able to dedicate significant full-time resources to the transaction
- ❑ But the financial adviser and legal cost risk to Avanti during the transaction was worrisome
- ❑ A US EXIM transaction is challenging, but if the borrower is well prepared and willing to work hard the outcome can be excellent

The logo for Avanti Communications, featuring the word "avanti" in a bold, white, lowercase sans-serif font above the word "communications" in a smaller, white, lowercase sans-serif font. The text is set against a blue square background with a subtle circular gradient.

avanti
communications

A composite image showing a satellite in orbit above the Earth. The satellite is a rectangular platform with solar panels and antennas, positioned over the African continent. The Earth's surface shows green landmasses, blue oceans, and white clouds. The background is a dark blue space filled with stars.

Thank You

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