



GLOBAL CONNECTIVITY plc (GCON)

June 2024

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Executive Summary and Chronology of recent events



Global Connectivity Plc; £2.37m market cap (AQSE:GCON) .



Cash balances were up to £0.46m at 31 December 2023.



GCON is an investment company within the communication services sector.



The Company originally listed as an operating company on AQSE in October 2020 as Rural Broadband Solutions (RBBS) which was a provider of Fixed Wireless Access (FWA) technology to Rural areas.



In October 2022, RBBS announced an investment from Tiger Infrastructure Partners, through a newly formed holding company “Rural Broadband Holdings Limited” (RBSHL) and as a result changed its name to Global Connectivity plc (GCON).



Under the terms of the transaction, Tiger agreed to invest up to £75 million into RBSHL and thereby acquired 85% of its shareholder capital. In consideration, GCON received £825k of cash (by way of repayment of the intercompany loan) and retained **15% ownership which was conditionally protected from further dilution up to the £75 million investment level.**



In September 2023, the Israel Infrastructure Fund and Tiger Infrastructure Partners have merged RBSHL with Voneus Broadband, and simultaneously acquired Broadway Partners.



The combined group will be funded with up to £250 million in new capital from the three shareholders and bank lenders to advance the Company's and the UK government's shared objective of closing the digital divide.

What does this mean for Global Connectivity?



GCON is the only quoted vehicle for private and smaller company fund investors to have exposure to the rural broadband sector via a valuable stake in one of the largest and most aggressively managed businesses in the Altnet sector.



Major PE investors are investing into Voneus with a view to reaching a target pipeline of 370,000 (up from an initial 350,000) homes passed.



This will appeal to strategic buyers within the next 12-18 months.



The equity portion of that EV will in part be made up of GCON's ownership of RBSHL. Assumptions of the equity value, after deductions of debt and interest accrued, should be at the very least £600-700 million.



We expect Tiger will fund the final rounds of investment in a similarly disproportionate manner and take the RBSHL ownership to at least 44% of which currently GCON owns 15%.



The second element of the strategy is to invest in a company in similar but not competing lines of business, ideally with a strong technology offering and thereby revert to being an operating business.

Global Connectivity Board

Keith Harris Executive Chairman

Investment banker and financier with over 36 years' experience within private and public companies in a variety of business sectors.

Senior executive positions at leading financial institutions including Morgan Grenfell, Drexel Burnham, HSBC Investment Bank and Seymour Pierce Holdings.

Keith currently sits on the Company's Audit and Remuneration Committees.

Selwyn Lewis Non Executive Director

26 years' experience within London's banking and financial services industry (focusing on emerging markets, and then trading in distressed debt instruments issued by third world countries / banks).

Direct advisory positions to a number of bluechip sporting institutions including Manchester United and Springbok Rugby.

Selwyn currently chairs the Company's Remuneration Committee.

Michael Langoulant Non Executive Director

Chartered Accountant, corporate and financial advisor who specialises in providing corporate financial services to public companies.

31 years' experience in public company M&A, corporate administration and fundraising.

Acted as finance director, CFO, company secretary and non-executive director with a number of publicly listed companies.

Michael currently chairs the Company's Audit Committee.

Global Connectivity Senior Management and Administration function

APEX Corporate Services (IOM)

Administrative function

The Company's registered agent and provider of administrative and secretarial services to it on the Isle of Man.

Non Board Simon Hersh

Part –time Chief Financial Officer

Experienced CFO and corporate finance specialist with extensive accounting experience across the entrepreneurial SME sector including several public companies.

Broad experience in company restructurings, mergers, acquisitions, and fund raisings over the last three decades. Corporate finance experience also includes business planning, financial modelling and due diligence.

Specialist sector knowledge includes IT products and services to schools, Specialist Pharmaceutical Consultancy, Media, Debt management and rural broadband.

Timeline

2020

- SWS reversed into SAPO PLC and is renamed Rural Broadband Solutions PLC

2021

- Implemented the first 100Gbps Dark Fibre ring around South Shropshire
- Upgraded the existing wireless network to 10Gbps
- Registered 25 Rural Gigabit Voucher Village Projects and 3 Rural Gigabit Voucher Town Projects
- Acquired Cadence Networks Limited

2022

- Tiger Infrastructure Partners agreed to invest up to £75 million into RBSHL (a new company set up for this purpose) and thereby acquired 85% of its shareholder capital. In consideration, GCON received £825k of cash (by way of repayment of the intercompany loan) and retained 15% ownership which was conditionally protected from further dilution up to the £75 million investment level.

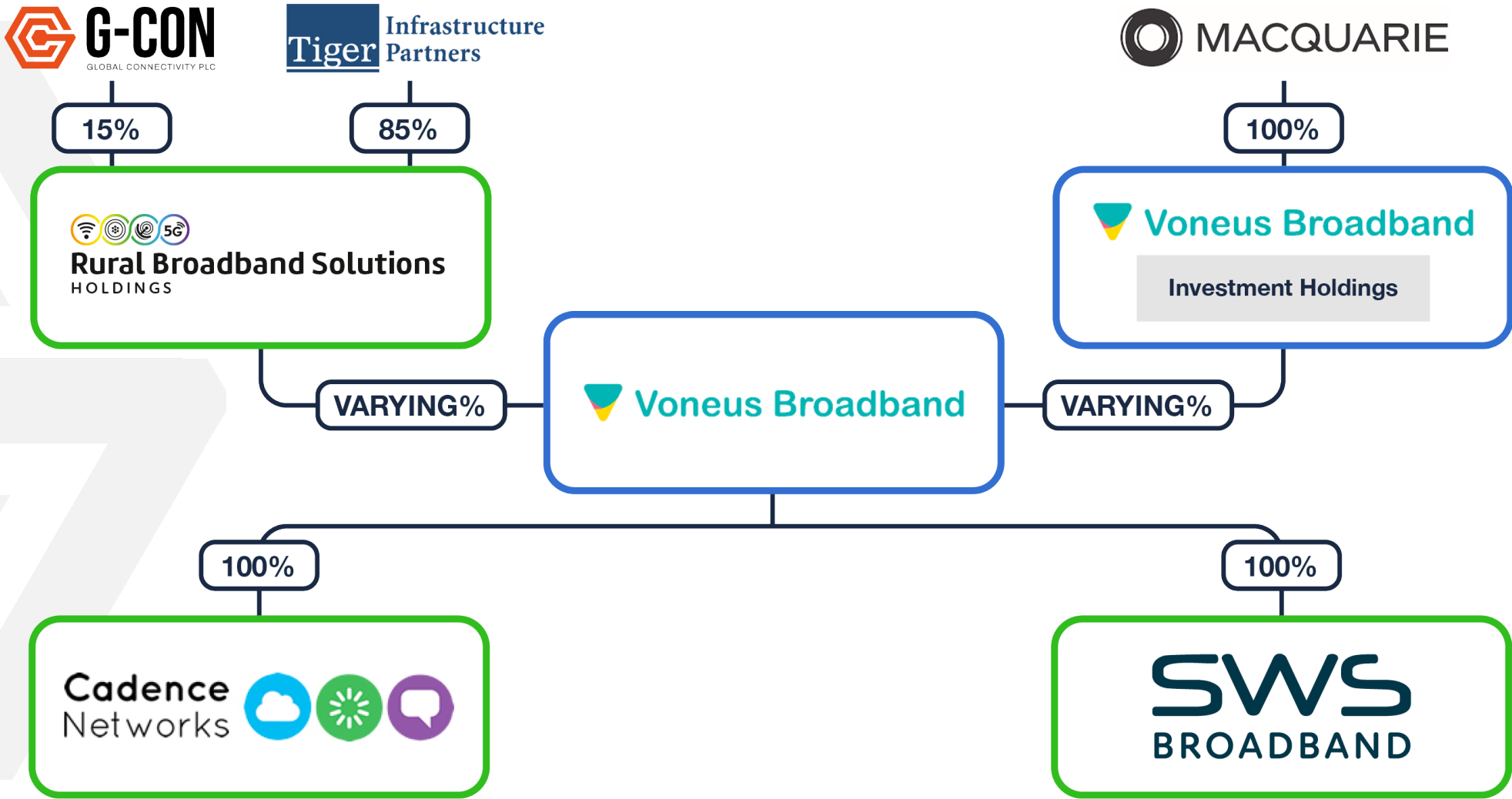
2023

- Voneus Holdings Limited (the rural broadband and fibre business Macquarie Capital and the Israel Infrastructure Fund), merges with SWS and Cadence Networks (the rural broadband and fibre business of Rural Broadband Solutions Holdings Limited) and acquires Broadway Partners at the same time.

2024

- RBSHL now owns 41% of Voneus (GCON owns 15% of RBSHL) after further funds were invested into Voneus by Tiger Infrastructure Partners.

Corporate Structure



Voneus – a market leader in UK rural broadband



The merger into Voneus Holdings Limited of the rural broadband and fibre businesses of Macquarie Capital, the Israel Infrastructure Fund, and Rural Broadband Solutions Holdings Limited (SWS Broadband and Cadence Networks) and the simultaneous acquisition of Broadway Partners was announced in September 2023.



This transaction puts Voneus in an industry leading position to invest in rural broadband (together with the UK Government through its Gigabit Voucher Scheme) to deliver robust fibre infrastructure in order to meet the connectivity needs of underserved rural households and small businesses. The large broadband players are ignoring rural areas and remain focused on cities.



The Target is to “pass” 370,000 premises with broadband connectivity in “hard to reach” rural communities across the UK. It is hoped that Voneus will become the biggest operator in the UK rural broadband market.



The substantial enlargement of Voneus enhances value to GCON’s shareholders through its participation without capital demands and with conditional protection from dilution in the indirect ownership of the combined company.






The combined group is to be **funded with as much as £250 million of new capital** from shareholders and bank lenders to advance the shared objective of Voneus and the UK government to close the digital divide.





The capital contribution to Voneus will be funded disproportionately so that Tiger’s ownership stake will increase from a current level of 41%. This will consequently increase GCON’s ownership of Voneus.

The Voneus Plan







Who are Voneus?

-  Voneus is an existing provider of Fixed Wireless Access (FWA) and Fibre to the Premises (FTTP) infrastructure and technology to rural areas
-  It now owns and operates SWS and Cadence which were the previous subsidiaries of GCON
-  Voneus holds an influential position in the marketplace due to Rural client location and installed FWA technology

What does Voneus want to do?

-  Voneus has identified a window of opportunity to provide the simpler but faster FTTP technology to rural areas on a grand scale
-  The Company believes that the cost of premises installations are covered by Vouchers provided by the Government; they are a compelling reason for end user take up



-  Voneus is refreshing older, slower FWA to a faster FWA technology where FTTP cannot be provided
-  Voneus has Code Operator Powers to enable it to build kerbside infrastructure and masts
-  Voneus is fully accredited with Openreach to use their Exchanges, Ducts, Poles, and Dark Fibre.
-  Vouchers are paid to Voneus on completion of each project; 'Gap Funding' is required to bridge project installations
-  The ambition is to be a nationally recognised supplier of super-fast broadband to the rural communities
-  The Target is to '**pass** **370,000 premises** with broadband connectivity in 'hard to reach' rural communities across the UK

Cadence Networks (within Voneus Limited)

Why did SWS buy it back in October 2021?



SWS wanted to set up its own national network (that is ISP) out of London and Manchester so that it could a) supply its customers without using a third-party infrastructure and b) supply wholesale services to other Altnets as it will be able to directly transport Altnet traffic out to the internet. This gives the current group the entire route of traffic to the internet.



Since it was acquired, Cadence has grown its turnover per year to just under **£500k**.



Adam Gent (one of the former owners of Cadence) has remained with the new Group. He has considerable experience in this industry having been in it since 2009.

Income Statement

| | (Audited) Year ended 31 December 2023 £'000 | (Unaudited) Period from 1 January 2023 to 30 June 2023 £'000 | (Audited) Year ended 31 December 2022 £'000 |
|---|---|--|---|
| Net gain on financial assets at fair value through profit or loss | 3,171 | 3,271 | - |
| Other administration fees and expenses | (248) | (139) | (338) |
| Management services recharges | - | - | 82 |
| Operating profit/(loss) | 2,923 | 3,032 | (256) |
| Finance income | 3 | 1 | - |
| Reversal)/(increase) of impairment of intercompany loan | - | - | 616 |
| Net finance income/(expense) | 3 | 1 | 616 |
| Profit/(loss) before income tax | 2,926 | 3,033 | 360 |
| Income tax expense | - | - | - |
| Profit/(loss) for the year | 2,926 | 3,033 | 360 |
| Basic and diluted profit/(loss) per share (pence) | 0.81 | 0.84 | 0.10 |

Balance sheet

| | (Audited) As at 31 December 2023 £'000 | (Unaudited) As at 30 June 2023 £'000 | (Audited) As at 31 December 2022 £'000 |
|--|--|--|--|
| Assets | | | |
| Non-current assets | | | |
| Investment in subsidiaries | - | - | - |
| Amounts due from related parties | - | 275 | 275 |
| Other financial assets | 6,375 | 6,375 | 3,204 |
| Subscriptions due | - | 950 | 950 |
| Total non-current assets | 6,375 | 2,916 | 4,429 |
| Current assets | | | |
| Amounts due from related parties | 33 | 308 | 483 |
| Subscriptions due | 950 | - | - |
| Trade and other receivables | 27 | 24 | 89 |
| Cash at bank | 461 | 33 | 24 |
| Total current assets | 1,471 | 365 | 596 |
| Total assets | 7,846 | 7,965 | 5,025 |
| Equity | | | |
| Capital and reserves attributable to owners of the Parent: | | | |
| Issued share capital | 3,619 | 3,619 | 3,619 |
| Warrant reserve | 77 | 77 | 77 |
| Share option reserve | 299 | 288 | 278 |
| Retained earnings | 3,818 | 3,925 | 892 |
| Total equity | 7,813 | 3,877 | 4,866 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 33 | 56 | 159 |
| Total current liabilities | 33 | 56 | 159 |
| Total liabilities | 33 | 56 | 159 |
| Total equity and liabilities | 7,846 | 7,965 | 5,025 |

Shareholder Information

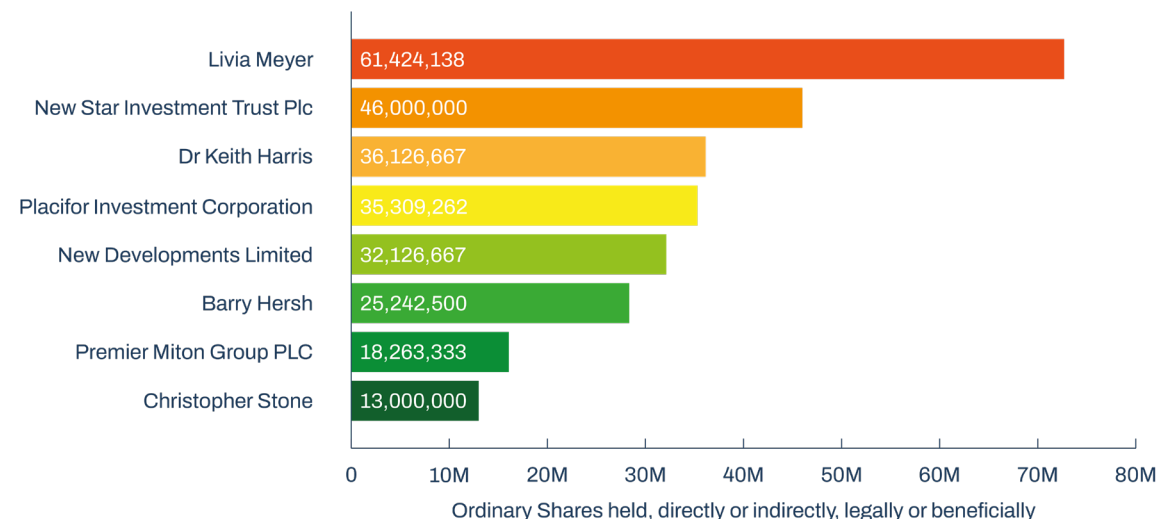
There are 361,926,143 Ordinary Shares of £0.01 each in issue, 101,622,400 warrants and 27,250,000 share options and a 29.35% Free Float

Directors and senior management shareholdings and % of issued share capital:

- Dr. Keith Harris: 36,126,667 (9.98%)
- Mr. Selwyn Lewis (Placifor Investments): 35,309,262 (9.76%)
- Mr. Christopher New (New Developments Limited): 32,126,667 (8.88%)

Other Significant Shareholdings 3%+:

- Mrs. Livia Meyer: 61,424,138 (16.97%)
- New Star investment Trust Plc: 46,000,000 (12.71%)
- Mr. Barry Hersh: 25,242,500 (6.974%)
- Premier Milton Group PLC: 18,263,333 (5.05%)
- Mr. Christopher Stone: 13,000,000 (3.59%)



GCON has no debt

In Summary



Cash balances were up to £0.46m at 31 December 2023.



With its involvement in the broadband fibre market anchored, GCON will proceed with its plans to seek appropriate investment opportunities in a company/companies which carry out similar but not competing lines of business, ideally with a strong technology offering and thereby revert to being an operating business.



A number of such opportunities have already been actively investigated and those fulfilling our criteria with respect to suitability, fit and growth potential, will be pursued.



GCON is the only publicly quoted company in the UK engaged in the ownership of an entity focused on communication services and technologies that enhance broadband connectivity.



GCON's investment in RBSHL is currently valued at £6.4m on its balance sheet. The carrying value is (31 December 2023 full accounts) £42.5m of which 15% is £6.4m. This value reflects the valuation of Voneus when SWS Broadband and Cadence Networks were merged with Voneus Broadband in September 2023 and the equity percentage that RBSHL held at that date (25%). As of 31 December 2023, this stake had increased to 32% and as of June 2024 has increased further to 41%.



We expect that Voneus will appeal to strategic buyers within the next 12-18 months.



Appendix

Area 3: Rural Gigabit Broadband Voucher Scheme

What is the Rural Gigabit Broadband Voucher Scheme?



A scheme to apply to **Building Digital UK (BDUK)** for funding community Gigabit service provision.



£210 million is available in round 1 of the £5 billion government broadband infrastructure project

<https://www.gov.uk/government/news/government-launches-new-5bn-project-gigabit>



The communities the applicant wishes to service and the number of premises in each must be defined. The estimate for the 'take-up' rate for each community must be made. Based on the estimate a Voucher for each premises per community is sanctioned. This will cover connection direct to the premises plus infrastructure.



What if more clients are taken up? No issue but as infrastructure is in place the lesser cost of cabinet to premises is made for over-subscribed premises.



This reduces the cost of building FTTP network in rural areas by up to 40%.