

Rural Broadband Solutions Plc

('RBBS' or the 'Company')
Interim Results

Strong operational performance and development of management team with continued organic expansion of customer base

Rural Broadband Solutions Plc (AQSE: RBBS), a significant provider of high speed broadband to rural areas of Great Britain, announces its unaudited half year results for the six months ended 30 June 2021.

Financial Highlights

- Turnover for the 6 months to 30th June 2021 increased by 13% to £396k compared to the 6 months to 30th June 2020
- Turnover has been improving quarter by quarter since readmission in October 2020
- Gross Margin is 64.4% and is consistent with prior year
- Operating overhead has increased from £196k to £393k on a like for like basis for the 6 months to 30th June 2021

Operational Highlights

- Accredited with Ofcom code powers (in order to have physical infrastructure access in the first place)
- Accredited for Openreach use of infrastructure (access to all Openreach infrastructure)
- Completed the first phase of 100Gbps Dark Fibre network in Shropshire
- As of 9th September, supplying 2,650 premises to our fixed wireless network (FWA) comprising approximately 270 masts / relays and multiple fibre connections
- Made significant investment in its FWA network through enabling 10Gbps links between mast sites, and upgrades to broadcast and customer premise equipment. Now offering greater broadband speeds of up to 90Mbps as a standard package; this is a significant increase from the current available speed of 30Mbps
- A further 16,800 clients in our existing FWA zone and having upgraded our network, we have begun an extensive marketing campaign to attract them to our fixed wireless services
- 3-year plan to extend gigabit-capable reach through fibre to the premises to over 50,000 properties within Shropshire alone of which at least 15,000 will be connected (this excludes certain premises that will only ever be able to be supplied through fixed wireless)
- RBBS has strengthened its management team particularly within the sales, marketing and operations functions
- Christopher Stone, who has strong and relevant experience as the Chairman of Cityfibre Plc, joined the board as a NED

Turnover:

Turnover has increased from £351k to £396k on a like for like basis for the 6 months to 30th June 2021 representing an increase of 13% when compared with the same period last year. So far this has been driven by an increase of paying connections from the 30th June 2020 to the 30th June 2021 (2,348 to 2,589 representing an increase of 10.2%) with slightly higher revenue per connection.

Gross Margin:

The gross margin is consistent with prior year at 64.4% on a like for like basis for the 6 months to 30th June 2021. (Gross margin for the 6 months to 30th June 2020 was 64.8%).

Overheads costs:

Operating overhead has increased from £196k to £393k on a like for like basis for the 6 months to 30th June 2021 which represents considerable investment in the operating team. PLC overheads have increased from £156k to £210k on a like for like basis for the same period. This reflects the additional management and administrative costs required since listing in October 2020.

Cash and Balance Sheet:

Group losses increased from £181k (6 months to 30th June 2020) to £401k (6 months to 30th June 2021) after taking into account all group costs including amortisation (of circa £70k).

Net assets for the Group have increased from £1,260k as at 30th June 2020 to £3,721k as at 30th June 2021, while cash and cash equivalents have increased from £303k to £506k over the same period principally as a result of the placing and subscription carried out when the Company acquired Secure Web Services Limited.

Operational Summary

Dark Fibre Network:

RBBS has recently completed the first phase of its 100Gbps Dark Fibre network in Shropshire following accreditation with Openreach. This initial loop includes the towns of Shrewsbury, Church Stretton, Craven Arms, Bishops Castle, Pontesbury and Minsterley. Significant investment has been made in the network, utilising technology that is leading edge and also industry standard hardware, to ensure that the network has an abundance of future capacity and scalability. This network will enable the Company to start delivering fibre broadband services (of standard packages of up to 900Mbps as well as dedicated bespoke services) throughout the towns by upgrading both residential and business properties to full-fibre infrastructure.

The Company has begun to submit pre-registered project (PRP) applications under the Gigabit Voucher scheme of which two have been approved, with another two sent for approval all amounting to £378k. These will be submitted on a village by village and a town by town basis over the next few months. Other grants amounting to £167k have now also been approved or are in the process of being approved. For all of the above, RBBS receives monies upon connection of the premises under which the grants are covered and therefore these amounts are expected to materialise into revenue in the short to medium term.

Regarding build capacity, and to update our RNS announcement of 13 May 2021 we made regarding a potential partnership with a national fibre installation company that we could work with, we are finalizing a commercial agreement in principal, although specific build projects are yet to be instructed. We are continuing to speak with other potential partners given the scale of the addressable market ahead of us. This partner does however have over 1,000 skilled engineers and 30 years' experience in cabling and fibre installations. They run their own accredited training academy and have recently acquired a telegraph polling company with multiple depots across the UK.

FWA Network:

RBBS is, as of 9th September 2021, supplying 2,650 premises to its network comprising approximately 270 masts / relays and multiple fibre connections. The Company has also made significant investment into its FWA network through enabling 10Gbps links between mast sites, and upgrades to broadcast and customer premise equipment. RBBS may now offer its existing and new rural customers the benefit of greater broadband speeds of up to 90Mbps as a standard package with higher speed available on request; this is a significant increase from the current available speed of 30Mbps. It is anticipated that this will attract more customers to our FWA network in advance of our fibre capability. With less prospective customers needing to change contracts from another supplier, it is expected that the transfer to fibre should be quicker and easier because customers who agree to sign up to our fibre but who are using another supplier will have to finish their current contract or cancel it. If that client is already being supplied by us through our FWA service then the contract can be upgraded from FWA to fibre very easily and quickly. Therefore, the more new clients that we take onto our FWA network, the more we can convert to fibre in a seamless manner.

It should be noted that as of 9th September there are a potential further 16,800 clients in our existing FWA zone and having upgraded our network, we have begun an extensive marketing campaign to attract them to our fixed wireless services.

Broadband service in rural areas comparable to cities:

With the investment in both its Dark Fibre and FWA networks, the Company is progressing its plans to link local communities to the upgraded network and deliver a broadband service via fibre to the majority of premises. This means that the broadband coverage throughout rural south Shropshire and Wales will become extensive and comparable to the service available in any UK metropolis.

This latest investment in infrastructure is the first phase of a 3-year plan to extend gigabit-capable reach to over 50,000 properties within Shropshire alone of which at least 15,000 will be connected. This will be achieved in 3 phases.

Key Hires:

RBBS has strengthened its management team consistently with additions to its sales and marketing function, as well as by investment in system architecture capability and has also recruited an experienced operations director. We are building a management infrastructure capable of creating and running a much larger network in an industrial sector where the internet has become as crucial to everyday life as all other utilities. This investment in high quality staff in anticipation of growth is considered to be of paramount importance and includes an operations director, marketing manager and head of sales. This does mean incurring short term operating losses during the build-up of our Shropshire network.

During the period, we have also welcomed to our Board as a non-executive director, Christopher Stone, who has strong and relevant experience. Christopher was the Chairman of Cityfibre Plc, which was sold in 2018 to a private equity buyer. Christopher has a record of notable success as a

director and chief executive of a wide range of other companies primarily in the fields of software and IT services.

Post period events

Infrastructure advisory services:

The Company has engaged an international investment bank with specialist expertise in the digital infrastructure sector to assess funding options to take advantage of the growth dynamics in this sector.

Outlook

From our current position of 2,650 monthly paying connections, we are anticipating near to 2,800 connections by the end of the current financial year and 3,600 monthly paying connections by 30th June 2022. Most of these connections will still be through our existing FWA network. Turnover has improved each month since the period end.

RBBS will continue to invest as the fibre network is developed and built and more customers sign up to both the existing FWA service and then the Gigabit enabled service (fibre).

Keith Harris, Chairman commented:

"Our focus during the period has been on building a foundation for us to execute our strategy in order to create significant future value for shareholders. In the UK, rural areas in particular, Covid has rapidly accelerated the need for high quality broadband and RBBS is ideally positioned to take full advantage of the opportunities which present themselves as the result of this.

"Our ability to access and take control of dark fibre networks has been facilitated by our accreditation with Openreach and Ofcom. We have already executed the first phase of our dark fibre roll out and can now start to build a full fibre solution that we were unable to do at the time of our first acquisition in October last year. This gave us the confidence to treble our three year targeted customer base to 15,000 connected premises out of a targeted gigabit-capable reach of over 50,000 rural properties within Shropshire alone.

"We have invested in key people to take full advantage of the growth potential which presents itself. I am excited by the prospects and challenges ahead."

Consolidated Income Statement

	(Unaudited) Period from 1 January 2021 to 30 June 2021	(Unaudited) Period from 1 January 2020 to 30 June 2020	(Audited) Year ended 31 December 2020
Note	£'000	£'000	£'000
Turnover	395	-	128
Cost of sales	(149)	-	(30)
Gross profit/(loss)	246	-	98
Other administration fees and expenses	(602)	(156)	(769)

Other operating income		25	-	23
Amortisation of intangible assets		(70)	-	(23)
Operating loss		(647)	(156)	(671)
Finance income		-	5	5
Finance expenses		-	-	(23)
Foreign exchange gain/(loss)		-	(30)	(31)
Net finance income/(expense)		-	(25)	(49)
Loss before income tax		(401)	(181)	(720)
Income tax expense		-	-	(8)
Loss for the period		(401)	(181)	(728)
Attributable to:				
- Owners of the Parent		(401)	(181)	(728)
		(401)	(181)	(728)
Basic and diluted loss per share (pence) attributable to the owners of the Parent during the period	3	(0.13)	(0.10)	(0.35)

Note: revenue and expenses from SWS prior to acquisition on 21 October 20 are excluded from both the prior year interim and full year figures above.

Consolidated Statement of Comprehensive Income

	Note	(Unaudited) Period from 1 January 2021 to 30 June 2021 £'000	(Unaudited) Period from 1 January 2020 to 30 June 2020 £'000	(Audited) Year ended 31 December 2020 £'000
Loss for the period		(401)	(181)	(728)
Other comprehensive expense		-	-	-
Total comprehensive expense for the period		(401)	(181)	(728)
Total comprehensive expense attributable to:				
- Owners of the Parent		(401)	(181)	(728)
		(401)	(181)	(728)

Consolidated Balance Sheet

	(Unaudited) As at 30 June 2021	(Unaudited) As at 30 June 2020	(Audited) As at 31 December 2020
Note	£'000	£'000	£'000
Assets			
Non-current assets			
Intangible assets	1,302	-	1,372
Right-of-use assets	24	-	30
Fixed assets	613	-	605
Subscriptions due	950	950	950
Total non-current assets	2,889	950	2,957
Current assets			
Stock	234	-	187
Trade and other receivables	92	7	146
Cash at bank	506	303	789
Total current assets	832	310	1,122
Total assets	3,721	1,260	4,079
Equity			
Capital and reserves attributable to owners of the Parent:			
Issued share capital	3,041	1,873	3,041
Warrant reserve	77	-	77
Retained earnings	8	(719)	409
Total equity	3,126	1,154	1,107
Liabilities			
Current liabilities			
Bank loan	134	-	12
Lease liability	28	-	28
Trade and other payables	267	106	212
Total current liabilities	429	106	252
Non-current liabilities			
Bank loan	31	-	153
Lease liability	57	-	69
Deferred tax	78	-	78
Total non-current liabilities	166	-	300
Total liabilities	595	106	552
Total equity and liabilities	3,721	1,260	4,079

Consolidated Statement of Changes in Equity

	Attributable to owners of the Parent				Total £'000
	Share capital	Share premium	Warrant reserve	Retained earnings/(deficit)	
	£'000	£'000	£'000	£'000	
Unaudited					
Balance at 1 January 2020	1,663	-	-	(556)	1,107
Comprehensive expense					
Loss for the period	-	-	-	(181)	(181)
Total comprehensive expense for the period	-	-	-	(181)	(181)
Transactions with owners					
Issue of shares	210	-	-	18	228
Total transactions with owners	210	-	-	18	228
Balance at 30 June 2020	1,873	-	-	(719)	1,154
Audited					
Balance at 1 January 2020	1,663	-	-	(556)	1,107
Comprehensive expense					
Loss for the period	-	-	-	(728)	(728)
Total comprehensive expense for the period	-	-	-	(728)	(728)
Transactions with owners					
Issue of shares	1,378	1,770	-	-	3,148
Share issue expenses relating to warrants	-	(77)	77	-	-
Transfer to retained earnings	-	(1,693)	-	1,693	-
Total transactions with owners	1,378	-	77	1,693	3,148
Balance at 31 December 2020	3,041	-	77	409	3,527
Unaudited					
Balance at 1 January 2021	3,041	-	77	409	3,527
Comprehensive expense					
Loss for the period	-	-	-	(401)	(401)
Total comprehensive expense for the period	-	-	-	(401)	(401)
Balance at 30 June 2021	3,041	-	77	8	3,126

Consolidated Cash Flow Statement

Note	(Unaudited)	(Unaudited)	(Audited)
	Period from 1 January 2021 to 30 June 2021 £'000	Period from 1 January 2020 to 30 June 2020 £'000	Year ended 31 December 2020 £'000

Cash flows from operating activities			
Loss for the period before tax	(401)	(181)	(720)
Adjustments for:			
Finance income	-	(5)	(5)
Finance expenses	-	-	23
Depreciation and impairment of tangible fixed assets	112	-	30
Amortisation of intangible assets	70	-	23
Foreign exchange (gain)/loss	-	30	31
Operating loss before changes in working capital	(219)	(156)	(618)
Increase in stock	(47)	-	-
Decrease in trade and other receivables	54	507	360
Increase/(decrease) in trade and other payables	55	(170)	(265)
Cash generated from/(used in) operations	(157)	181	(523)
Interest received	-	-	5
Net cash generated from/(used in) operating activities	(157)	181	(518)
Cash flows from investing activities			
Purchase of tangible fixed assets	(114)	-	(108)
Net cash on acquisition of subsidiary	-	-	(946)
Net cash used in investing activities	(114)	-	(1,054)
Cash flows from financing activities			
Issue of shares	-	28	2,291
Principal paid on lease liabilities	(11)	-	(23)
Interest paid on lease liabilities	(1)	-	(1)
Net cash generated from/(used in) financing activities	(12)	28	2,267
Net increase/(decrease) in cash and cash equivalents	(283)	209	695
Cash and cash equivalents at beginning of the period	789	94	94
Cash and cash equivalents at end of the period	506	303	789

Notes to the Financial Statements

1 General Information

These interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group (RBBS and its subsidiary) as at and for the year ended 31 December 2020 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The interim financial statements for the six months ended 30 June 2021 are unaudited and have not been reviewed by the Company's auditors Jeffrey's Henry LLP. The comparative interim figures for the six months ended 30 June 2020 are also unaudited.

2 Basis of preparation

The accounting policies applied by the Group in the preparation of these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2020.

3 Basic and diluted loss per share

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Group by the weighted average number of shares in issue during the period.

	Period ended 30 June 2020 (Unaudited)	Period ended 30 June 2020 (Unaudited)	Year ended 31 December 2020 (Audited)
Loss attributable to equity holders of the Company (£'000)	(401)	(181)	(728)
Weighted average number of shares in issue (thousands)	304,092	178,853	205,964
Basic loss per share (pence per share)	(0.13)	(0.10)	(0.35)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has one category of dilutive potential ordinary shares: warrants.

As the Group is reporting a loss from continuing operations for the period, in accordance with IAS 33, the warrants are not considered dilutive because the exercise of the warrants would have an anti-dilutive effect. The basic and diluted loss per share as presented on the face of the Consolidated Income Statement are therefore identical.

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