

BT Fiscal Year 2015

Outlook (6+6) vs Budget

# BT FY 2015 OUTLOOK SUMMARY

- Key variances from assumptions underlying FY2015 budget, prepared in February 2014
  - Citibank Settlement – original timeline August, closed four months later than budgeted
  - Unparalleled content cost increases, on a national level, result in price increase
- Revenues also impacted by delayed closing and 2014 commercial run rate
- BT experienced an unplanned residential service outage
- Actual and forecast financial metrics in line with budget, with the exception of unbudgeted City allocations
- Ongoing growth in subscribers
- Costs closely controlled
- BT positioned well for the second half of FY 2015

# BT FY2015 APPROVED BUDGET

# Subscribers

<u>SUBSCRIBERS:</u>								
Actual at	7/1/09	<b>3/1/10</b>	7/1/10	<b>1/1/12</b>	7/1/12	7/1/13	7/1/14	7/1/15 Budget
Commercial	173	<b>215</b>	236	<b>283</b>	298	339	386	-
Residential	4,271	<b>4,360</b>	4,009	<b>3,669</b>	3,797	4,045	4,354	-
Total	4,444	<b>4,575</b>	4,245	<b>3,952</b>	4,095	4,384	4,740	5,340
		<b>High</b>		<b>Low</b>				

	Forecast FY14 (9+3)		Budget FY15
<b>REVENUES \$</b>			
RESIDENTIAL	4,535,146		4,883,700
COMMERCIAL & OTHER	<u>2,798,614</u>		<u>3,177,500</u>
Total	7,333,760		8,061,200
<b>COGS</b>	1,994,726		2,118,163
<b>GROSS MARGIN</b>	5,339,035		5,943,037
	72.8%		73.7%
<b>OPERATING COSTS</b>			
OUTSIDE PLANT	671,525		776,351
NETWORK OPS	445,399		494,507
SALES	171,380		169,722
CUSTOMER SVC	675,350		715,357
ADMIN/BUS	1,396,588		1,323,411
LEGAL & REGULATORY	225,896		240,943
HELP DESK	250,678		251,437
MARKETING	-		<u>158,150</u>
<b>TOTAL</b>	3,836,817		4,129,878
<b>EBITDA</b>	1,502,218		1,813,159
	20.5%		22.5%
CAPITAL EXPENDITURES	540,036		901,775
<b>CASH FLOW PRE-DEBT SERVICE</b>	962,182		911,384
DEBT SERVICE	577,327		558,215
<b>CASH FLOW POST DEBT SERVICE</b>	384,855		353,169

**Year on Year Costs  
Major Changes**

Dept	Description	Amount (\$000)	
COGS	COGS	123	Additional subscribers plus video content cost increases
Outside Plant	new vehicle payments (2)	15	Bucket truck for installs and small vehicle for service calls
	Additional Installer – cost to employ	73	Position, recruited in late FY 2014, extends the install window to 8pm, and to Saturdays. Provides additional swap out and peak capability
ALL	COLA & Medical Increases	44	Net of zero increase budgeted for management team
Residential	Commissions	35	Reflects higher year on year subscriber targets
	Additional CSR/Sales	19	Effective 1-1-15; Limited Service.
Administration	Third Party Advice	66	Not required in 2014
	Commercial Insurance	(17)	Based on FY15 quotes received
	City Allocation	(164)	Assumes that only HR, benefits and payroll services required (budgeted at \$50k)
Marketing	Marketing Department	158	Newly created, limited service, Head of Marketing and Branding position, plus centralization of marketing spend
Capital	Swap Out Equipment	<u>362</u>	Beginning of program to replace end of life GPON equipment
		714	
	Other Miscellaneous	64	
	Total Changes in COGS, Opex and Capex	<u>778</u>	

# BT FY 2015 Budget: Key Points

BT FY 2015 budget is year one of a three year Operational and Financial Plan

Citibank settlement projected for August closing

Establish BT as the clear first choice for residential and commercial bandwidth, driving increased growth in BT subscribers

Continue focus on and improvement in local customer service as a core part of BT's mission

Continue to deploy high speed bandwidth into major public facilities and local community centers

Continue to actively support and participate in BTV Ignite, seeking opportunities to learn from and partner with other Ignite communities

Begin three year swap out of end of life GPON equipment using BT cash flows, enabling ultra high speed residential bandwidth in line with other US Gigabit communities

Resolve BT's long time premium cost of bandwidth, becoming a Tier 2 provider, leveling the playing field with competitors

Focus on building credibility with and winning business from Burlington anchor institutions, common to peers in other communities and key to BT's plans for competitively priced sustainable ubiquitous deployment

Two new FTE, including a full time marketing professional. BT also to recruit a controller, replacing D&F in that position

Manage BT to deliver its budgeted pre + post debt service cash-flow targets or better, in line with the practice and the results of the last four fiscal years

**BT FY 2015**  
**First Half Actual Results vs Budget**



FY 2015 FIRST HALF (July – Dec)	Actual	Budget	Variance
<b>REVENUES \$</b>			
RESIDENTIAL	2,321,644	2,385,150	(63,506)
COMMERCIAL AND OTHER	1,476,002	1,545,500	(69,498)
<b>TOTAL</b>	<b>3,797,646</b>	<b>3,930,650</b>	<b>(133,004)</b>
<b>COGS</b>	<b>995,208</b>	<b>1,027,942</b>	<b>(32,734)</b>
<b>GROSS MARGIN</b>	2,802,438	2,902,708	(100,270)
	73.8%	73.8%	0.0
<b>OPERATING COSTS</b>			
OUTSIDE PLANT	389,945	385,819	4,126
NETWORK OPS	272,236	251,701	20,535
SALES	62,050	76,419	(14,369)
CUSTOMER SVC	298,784	301,552	(2,768)
ADMIN/BUS	596,245	636,121	(39,876)
LEGAL & REGULATORY	107,892	120,421	(12,529)
SERVICE SUPPORT	109,454	125,719	(16,265)
MARKETING	78,920	106,967	(28,047)
ADMIN FEE	123,266	25,000	98,266
<b>TOTAL</b>	<b>2,038,792</b>	<b>2,029,719</b>	<b>9,073</b>
<b>EBITDA</b>	763,646	872,989	(109,343)
	20.1%	22.2%	(2.1) pts
CAPITAL EQUIPMENT	491,408	555,320	(63,912)
<b>CASH FLOW PRE DEBT SERVICE</b>	272,238	317,669	(45,431)
DEBT SERVICE	163,343	279,108	(115,765)
<b>CASH FLOW POST DEBT SERVICE</b>	108,895	38,562	70,334

# First Half Actual: Key Points

## **Financial**

- BT's budget contemplated BT's refinancing at the end of August
- Ending FY2014 run rate on newly won commercial business, and later Citibank closing impacted revenues
- Costs tightly controlled - marketing/rebranding costs delayed; commissions lower
- Results include an additional \$98,000 of unbudgeted allocated costs for City Services and an additional assessment
- With the exception of these unbudgeted allocations, BT is within \$11,000 of budgeted EBITDA
- Capex \$64k lower due to new timing on the subscriber push
- Debt service costs lower than budgeted - payments continued to Citibank
- Net cash flow after all costs and debt service \$70k favorable to budget

## **Operational**

- October service outage impacted residential customers
- Completed the changes necessary to become a Tier 2 IS Provider
- Continued budgeted program to swap out ageing fiber drive GPON equipment
- BT installed and set up its own GL, AP and AR
- Hired BT's first marketing professional in 7 years
- Hired a new controller, who joined the last week of December
- Began to plan out a test area for ultra high speed bandwidth deployment
- Subscriber numbers grew by 236 from 4,740 to a new high of 4,976

**BT FY 2015**  
**Second Half Forecast vs Budget**

	2015 2nd Half Forecast	2015 2nd Half Budget	Variance
<b>REVENUES \$</b>			
RESIDENTIAL	2,428,008	2,498,550	(70,542)
COMMERCIAL AND OTHER	<u>1,523,500</u>	<u>1,632,000</u>	<u>(108,500)</u>
<b>TOTAL</b>	3,951,508	4,130,550	(179,042)
<b>COGS</b>	<u>1,024,429</u>	<u>1,090,221</u>	<u>(65,792)</u>
<b>GROSS MARGIN</b>	2,927,079	3,040,329	(113,250)
	74.1%	73.6%	0.5pts
<b>OPERATING COSTS</b>			
OUTSIDE PLANT	386,717	386,348	369
NETWORK OPS	249,378	246,990	2,388
SALES	98,261	93,303	4,958
CUSTOMER SVC	302,007	327,308	(25,301)
ADMIN/BUS	563,318	637,290	(73,972)
LEGAL & REGULATORY	111,521	120,521	(9,000)
SERVICE SUPPORT	141,092	156,430	(15,338)
MARKETING	109,597	106,967	2,630
ADMIN FEE	25,000	25,000	-
<b>TOTAL</b>	1,986,891	2,100,159	(113,268)
<b>EBITDA</b>	940,188	940,170	18
	23.8%	22.8%	1.0 pt
CAPITAL EQUIPMENT	408,592	346,455	62,137
<b>CASH FLOW PRE DEBT SERVICE</b>	531,596	593,715	(62,119)
DEBT SERVICE	279,266	279,108	158
<b>CASH FLOW POST DEBT SERVICE</b>	252,330	314,607	(62,277)

## Second Half Forecast Key Points

- First half included work on Citibank settlement. Management team now focused on delivery of forecast absent distractions
- BT has full control of the cost side of its business enabling faster reaction to changing circumstances
- Subscriber growth forecast in line with original FY2015 second half budget
- Subscriber growth for January in line with budget

BT FY 2015  
Full Year Outlook vs Budget

	FY 2015 Outlook	FY 2015 Budget	Variance
<b>REVENUES \$</b>			
RESIDENTIAL	4,749,652	4,883,700	(134,048)
COMMERCIAL AND OTHER	2,999,502	3,177,500	(177,998)
<b>TOTAL</b>	7,749,154	8,061,200	(312,046)
<b>COGS</b>	<u>2,019,637</u>	<u>2,118,163</u>	<u>(98,526)</u>
<b>GROSS MARGIN</b>	5,729,517	5,943,037	(213,520)
	73.9%	73.7%	0.2 Pts
<b>OPERATING COSTS</b>			
OUTSIDE PLANT	766,662	772,167	4,495
NETWORK OPS	521,614	498,691	22,923
SALES	160,311	169,722	(9,411)
CUSTOMER SVC	600,791	628,861	(28,070)
ADMIN/BUS	1,159,563	1,273,411	(113,848)
LEGAL & REGULATORY	219,413	240,943	(21,530)
SERVICE SUPPORT	250,546	282,149	(31,603)
MARKETING	188,517	213,934	(25,417)
ADMIN FEE	148,266	50,000	98,266
<b>TOTAL</b>	4,025,683	4,129,878	(104,195)
<b>EBITDA</b>	1,703,834	1,813,159	(109,325)
	22.0%	22.5%	(0.5) pts
CAPITAL EQUIPMENT	900,000	901,775	(1,775)
<b>CASH FLOW PRE DEBT SERVICE</b>	803,834	911,384	(107,550)
DEBT SERVICE	442,609	558,215	(115,606)
<b>CASH FLOW POST DEBT SERVICE</b>	361,225	353,169	8,056

# BT FY 2015 FULL YEAR OUTLOOK – NEXT REVIEW

- Next BTAB scheduled quarterly financial review will be focused on:
  - Q3 January – March actuals
  - Q4 April - June forecast
  - Full Year (9+3) Outlook
- This meeting will be updated on any meaningful differences from forecast on a monthly basis