



LINX Budget for 2021

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03/11/2020

Budget for 2021

- In the next slides I will outline the anticipated results for 2020, alongside the budget for 2021.
- A more expansive explanation of the 2021 budget was recently sent to the membership, and that document will provide added background information.
- In summary, we are predicting that 2021 will continue to be affected by Covid-19, with the semblance of normality not returning until the second or third quarter of the next year.
- Despite these challenging operational and trading conditions, we are still budgeting for reasonable growth, and the projected financial results take account of the proposed reduction in port fees at the beginning of next year as well as allowing for promotions later on in the year.
- We are budgeting to make a small surplus in 2021, in the region of £0.3m.

Forecast end of 2020 operational results against previous year

- 2020 for obvious reasons has been a volatile year.
- Our operational results have been resilient, with good progress being made compared to the end of last year.
- By the end of the year we predict that members will have increased by 5%, 100GE ports by 19% and 10GE ports, after upgrades to 100GE, have increased by 1%.
- Our connected capacity is expected to have increased by 21%.

FOR ALL LANS	EST. END OF YEAR 2020	END OF YEAR 2019	PROJECTED CHANGE + / (-)
Member Applications	85	98	(13)%
Members	880	842	5%
100 GE Directly connected ports	242	203	19%
10 GE Directly connected ports	980	991	1%
Connected capacity TB	37Tbps	30.6Tbps	21%

Forecast end of 2020 financial results against budget

- Financially, as well as operationally, it has also been a volatile year.
- Unfortunately, by an 8% margin, we have not managed to reach our budgeted revenue targets. However, this is partly due to the extended promotions offered to members where the benefits of additional revenue streams will occur in future periods.
- Our costs will be significantly less than budgeted with many areas, particularly marketing related events and activities, being significantly curtailed.
- The net financial surplus projected for the full year is expected to be much better than planned, at £1.5m. In the recently circulated budget paper the surplus anticipated was £1.8m. However, this was based on a forecast completed some 2 months ago and this is now updated based on latest changed assumptions.
- Capital expenditure is expected to be on budget with investments in our networks continuing.

	EST. FULL YEAR 2020	BUDGET 2020	POSITIVE / (ADVERSE) VARIANCE
REVENUE	£15.3M	£16.7M	(8.4)%
COSTS	£13.8M	£15.9M	13.2%
SURPLUS	£1.5M	£0.8M	87.5%
CAPITAL EXPENDITURE	£1.8M	£1.8M	0%

Forecast 2021 operational results against 2020

- > We expect the current volatility to continue well into next year, with any sense of normality not returning until at least the second half of the year.
- > We expect the number of members to grow by a small amount, with the challenging economic climate causing a higher level of membership cancellations but this being offset by a larger number of new members.
- > Both 100GE and 10GE ports are expected to experience healthy growth.

FOR ALL LANS	PLANNED END OF YEAR 2021	EST. END OF YEAR 2020	BUDGET GROWTH 2021	CHANGE + / (-)
Members	895	880	15	1.7%
100 GE PORTS	291	242	49	20.2%
10GE PORTS	1044	980	64	6.5%

Forecast 2021 financial results against 2020

- In the current environment we do not expect to “recover” all the lost income from the Jan 1 price cuts, and our revenue is forecast to fall by almost 2%.
- To compensate we will continue to maintain a tight control of costs, with a small anticipated 1% growth in total costs.
- The net projected result is a small surplus of £0.3m, which represents 1.8% of turnover.
- Our investment in technology is expected to grow with CAPEX increasing to £2.6m. We will continue to invest in growth, scaling and additional service offerings. A key investment will be the introduction of 400GE member services, initially on LON1. We will also invest to update the exchange platform technology in Manchester, replacing the legacy equipment. Additionally, there will be further investment in our internal systems and databases, supporting the digitisation and automation of services. This area will be covered in more detail later this afternoon in the technology update presented by Richard Petrie, our CTO.

	BUDGET 2021	BUDGET 2020	PROJECTED VARIANCE + / (-)
Revenue	£16.4M	£16.7M	(1.8)%
Costs	£16.1M	£15.9M	(1.2)%
Surplus	£0.3M	£0.8M	(62.5)%
Capital Expenditure	£2.6M	£1.8M	(44.4)%



Thank you