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Analyst: Philip Morrish

Email: [philip.morrish@gecr.co.uk](mailto:philip.morrish@gecr.co.uk)

Tel: 0207 562 3362

## Pinnacle Telecom Group – Royal Wedding Contracts Open Door for International Expansion; Target Price Unchanged at 0.95p; Buy

On 26<sup>th</sup> April, Pinnacle Telecom Group plc, the acquisitive provider of cloud based integrated telecommunications solutions announced that it had been awarded three further contracts to supply network connectivity for the Royal Wedding between Prince William and Kate Middleton, which took place on Friday 29<sup>th</sup> April 2011 with more than 34.7 million BBC viewers. Perhaps a lower profile but technically more challenging was the contract with the BBC to provide connectivity to over 100 locations for the UK's Local Government Elections and AV Referendum held on May 5<sup>th</sup>.

Nevertheless, the three additional contracts for last week's Royal Wedding were with the international media groups, CNN, Seven Networks and Global Television Network and follow on from last February's contract to supply the BBC with its communications network for the Royal Wedding. CNN is the USA's largest news broadcaster that is accessible by 100 million US households and available in 212 countries; Seven Networks is Australia's highest rating television network while Global Television Network is Canada's number two broadcast television network.

The Royal Wedding may prove a watershed for Pinnacle's international development as a broadcast industry supplier. The company is an established and trusted supplier to the BBC for which it is receiving repeat and new business, e.g., the UK Local Government Elections. While these contracts with three major overseas networks provide the company with an opportunity to deepen the relationship and internationalise the service offering to the broadcast industry.

Pinnacle's strategy remains unchanged as delivering to its customers cloud-based solutions that improve productivity and lower costs, particularly for multi-location customers with organic growth accelerated through the acquisition of well-priced businesses that strengthen the group's technical and service solutions, particularly data centres that extend its cloud offering, where the combination of recurring revenue and a platform to expand higher margin hosted cloud based services, would create a compelling earnings enhancing proposition. A strategic acquisition in this area would potentially be transformational and the company are widening its search parameters.

The company has continued to make good progress as demonstrated by the number of new and renewed contracts announced over the past few months. In addition, the company continues to benefit from its earlier rationalisation and although today's announcement clearly strengthens the investment case, for now, we are leaving our forecasts unchanged. Nevertheless, we continue to value Pinnacle on an EV/Sales multiple of 1.53 times, which based on our

Key Data	
EPIC	PINN
Share Price	0.425p
Spread	0.40p – 0.45p
NMS	300,000
Total no of Shares	1.87 billion
Market Cap	£7.94 million
12 Month Range	0.27p-0.48p
Market	AIM
Website	<a href="http://www.pinnacletelecomgroup.co.uk">www.pinnacletelecomgroup.co.uk</a>
Sector	Telecommunications
Contact	Alan Bonner Chief Executive 0845 119 2100

expectations for the 2012 financial year indicate at target price of 0.95p and with the shares trading at 0.425p we reiterate our recommendation of **buy**.

Year to 30th September	Turnover (£000)	EBITDA (£000)	Pre-tax Profit (£000)	Earnings Per Share (p)	Price Earnings Ratio (x)	Dividend (p)	Yield (%)
2008A	1,495	(839)	(1,067)	(0.09)	NA	0.0	0.0
2009A	3,192	(499)	(895)	(0.07)	NA	0.0	0.0
2010A	6,609	159	(259)	(0.01)	NA	0.0	0.0
2011E	8,600	336	(16)	(0.00)	NA	0.0	0.0
2012E	11,000	587	203	0.01	54.3	0.0	0.0

Source: Company and Growth Equities & Company Research



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*email [philip.morrish@gecr.co.uk](mailto:philip.morrish@gecr.co.uk) - fax 020 7628 3815 tel. 0207 562 3362*