



euNetworks

## euNetworks Reports First Quarter 2012 Results

### First Quarter 2012

- Total revenues of €23.0m, increasing 119% from 1Q 2011
- Gross profit of €15.3m, improving 96% from 1Q 2011
- Gross margin of 66.5%, declining from 74.3% in 1Q 2011
- Adjusted EBITDA of €2.1m, increasing from €0.4m in 1Q 2011
- Net loss of €(8.3)m, increasing from €(3.6)m in 1Q 2011
- 29 new customers gained in the quarter
- 68 new buildings on-net

**London, UNITED KINGDOM – 11 May 2012** – euNetworks Group Limited (SGX: H23.SI), announced results for the three months ended 31 March 2012. The Group reported a favourable quarter overall, with continued recurring revenue growth and a strong quarter of sales performance. The Group also benefitted from the addition of revenues following 2011 acquisitions, albeit with lower gross margin.

In summary, for the first quarter, recurring revenues were €23.0m, up from €10.5m in 1Q 2011 and €22.3m in 4Q 2011. All revenues were recurring in the quarter. Following a strong sales year through 2011, the value of total new sales order contracts grew significantly in 1Q 2012, reaching €23.2m, up from €12.8m in 1Q 2011 and €15.0m in 4Q 2011. With growth of 81% year on year and 55% sequentially, this was the strongest ever sales quarter for euNetworks.

Gross profit in the quarter increased by 96%, from €7.8m in 1Q 2011 to €15.3m in 1Q 2012. Gross margin for the quarter was 66.5%, down from 74.3% in 1Q 2011 but improving sequentially. The decline in gross margin year on year largely reflected acquisitions completed in 2011. As stated in previous quarters, both acquired businesses were enterprise in nature, and with a lack of their own metropolitan networks, historically operated at lower gross margins. euNetworks expects gross margin to improve over time, through a combination of integration synergies and high margin new sales. On average, new sales in 1Q 2012 had gross margins of ~83%, up from ~80% in 4Q 2011.

Adjusted EBITDA<sup>1</sup> was €2.1m in the quarter, up from €0.4m in 1Q 2011 and €0.1m in 4Q 2011. There were a number of one-off costs relating to systems and process improvements in the quarter. These were associated with integration and continuing to build the foundations for growth. Excluding these one-off items, underlying adjusted EBITDA remained in line with that for 4Q 2011.

“The momentum we saw in our business in 4Q 2011 has continued through the 1Q 2012,” said Brady Rafuse, Chief Executive Officer of euNetworks. “Integration programmes and synergies delivered from the acquisitions made last year, continue to drive further value into our business. We remain focused on selling our core assets, and it is these assets coupled with added capabilities in our Ethernet and Internet products that have delivered an exceptional sales quarter for euNetworks. We exited 2011 with a strong sales funnel and have converted that to strong sales performance this quarter. Bandwidth is a key enabler of our customers’ growth plans, and our business plan and assets are aligned to this.”

(1) Adjusted EBITDA means EBITDA before the deduction of share option expense and loss on disposal of plant and equipment. It is designed to reflect the Group’s operating cash flow.



"As we move into 2Q 2012, we remain focused on delivering our business plan," said Rafuse. "Continued growth in long term recurring revenues is vital to being able to service the cost base this business requires to reach scale. At the same time, we remain focused on managing our costs appropriately."

## Performance Highlights for 1Q 2012

- **Sales:** 1Q 2012 was the strongest ever sales quarter for euNetworks. 92% of new sales were for network services, with Ethernet, Internet and Fibre leading. euNetworks saw increased orders from enterprise customers across all regions for Ethernet and Internet products. Colocation was behind plan, but the funnel for this product grew significantly in the quarter. Average contract term for new customer contracts was 53 months, flat from 1Q 2011 and up from 4Q 2011.
- **Finance and Media:** sectors combined grew from 28% of recurring revenues in 4Q 2011 to 30% in 1Q 2012. euTrade sales remained strong and the market continues to evolve, with Exchanges looking to relocate market data to new locations. This creates new opportunities for euNetworks.
- **Churn:** was 1.3% of monthly recurring revenues in 1Q 2012. Whilst higher than plan, the impact on gross profit was more limited as gross margin from lost revenues was on average 72%, compared to 90% on newly installed revenues. Churn was driven by disconnections of Ethernet, IP VPN (due to carrier customers optimising their networks) and euTrade services (due to customers adjusting their trading strategies rather than competitive losses).
- **Network:** euNetworks connected 68 buildings to their metropolitan networks in the quarter, exiting 1Q 2012 with 701 on-net buildings and a further 181 buildings in the process of being connected.
- **Integration:** focused on data integrity and use of single sources of record with common nomenclature.
- **Capital expenditure:** was €8.1m in the quarter, up significantly from 1Q 2011 but down from €13.8m in 4Q 2011. 75% of capital expenditure in the quarter was allocated to success based spend. Investment projects in the quarter included FTTx, wavelength overbuilds, route optimisations for euTrade, and connecting further buildings to the networks in metropolitan markets. On average, incremental committed sales utilised 8 month payback periods.
- **Net losses:** increased from €(3.6)m in 1Q 2011 and €(7.9)m in 4Q 2011, to €(8.3)m in 1Q 2012. Losses were primarily from non-cash charges including depreciation and amortisation (up from €3.3m in 1Q 2011 to €6.0m in 1Q 2012) and share options (up from €0.9m in 1Q 2011 to €1.7m).

## About euNetworks

euNetworks Group Limited (SGX: H23:SI) is a bandwidth infrastructure provider, owning and operating 13 fibre based metropolitan networks across Europe connected with a high capacity intercity backbone covering 37 cities in 9 countries. The Company offers a portfolio of metropolitan and long haul services including Colocation, Dark Fibre, Metro Wavelengths, Wavelengths, Ethernet, and Internet. Enterprise and carrier customers



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benefit from euNetworks' unique inventory of fibre and duct based assets that are tailored to fulfil their high bandwidth needs.

euNetworks Group Limited is headquartered in London and publicly listed on the Singapore Stock Exchange. For further information please visit [www.eunetworks.com](http://www.eunetworks.com).

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