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Q1 2016

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euNetworks results  
11 May 2016

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our business

# we believe that bandwidth changes everything

We believe that bandwidth changes everything, connecting people to people to enterprises to governments to everything. Bandwidth changes everything because it makes *anything* possible.

We deliver a superior customer experience based on our facilities based network and our commitment to great data, processes, systems and our fantastic people.

We are a horizontally integrated bandwidth infrastructure company that sells focused products to target customers.

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# summary. Q1 2016 highlights

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euNetworks continued the momentum of previous quarters, with strong sales and revenue growth

## summary

# Q1 2016 highlights

Strong sales performance, high service installations and a low level of disconnections delivered a solid MISR performance.

We achieved €970k in gross sales, up 23% from Q1 2015 and up 18% from Q4 2015. Our strategy of selling focus products to target customers continued to drive strong sales performance.

Service installations were higher in the quarter. The units installed in Q1 2016 reflected an increase in the delivery of more complex projects, with lower units but higher MRR per unit. Our euTrade service portfolio also contributed to Q1 installations performance.

Disconnections decreased by 30% in Q1 2016 from Q4 2015, with average churn at 0.7%, an improvement from churn of 1.0% in Q1 2015 and 0.9% in Q4 2015. 37% of disconnections were due to service replacements rather than customers leaving.

Monthly Incremental Service Revenue for the quarter was €381k, up from €197k in Q4 2015 and €209k in Q1 2015. The continued strong sales performance, high installations and disciplined approach to disconnections underpinned this growth.

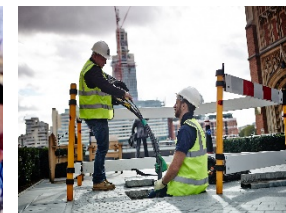
Solid growth in recurring revenue and Adjusted EBITDA.

Recurring revenue in Q1 2016 was €30.6m, growing 10% from Q1 2015 and in line with Q4 2015. This followed continued strong sales growth.

Gross profit improved 11% from Q1 2015 and was marginally ahead of Q4 2015, to €23.9m. Gross margin was 78.0% in Q1 2016, improving from 77.5% in Q1 2015.

Adjusted EBITDA was €9.8m, improving by 29% from Q1 2015 and in line with Q4 2015. This was despite the adverse foreign exchange impact of c€100k in the quarter.

Capital expenditure supporting revenue growth was €11.5m as we continue to invest for growth. This contributed to lower proxy cash flow of €(1.7)m.



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lead performance measures. sales,  
installations, disconnections, MISR

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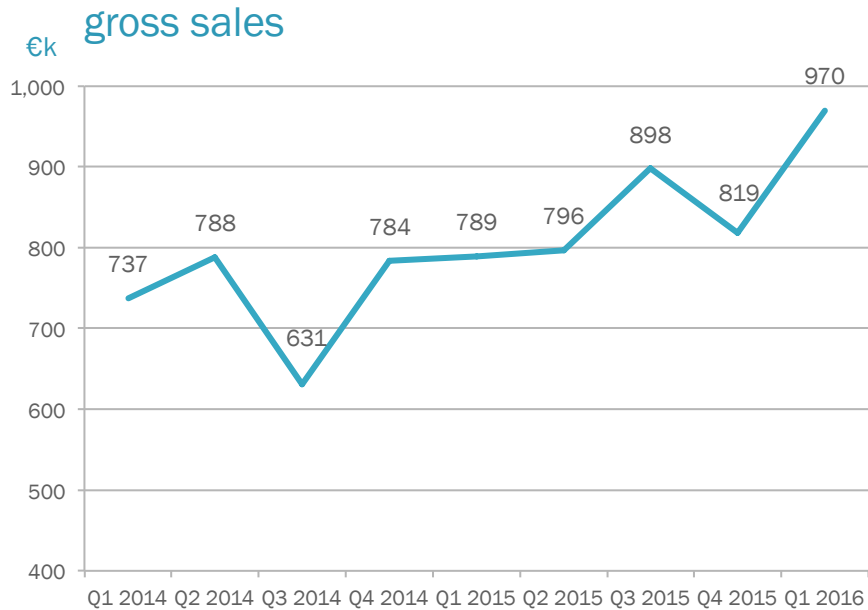


02

## lead performance measures

# our sales performance drives growth

Q1 2016 gross sales reached €970k, delivering a new record for the business.



In Q1 2016 we achieved €970k in gross sales, up 23% from Q1 2015 and up 18% from Q4 2015.

Our focus on deepening our customer relationships to grow our share of their spend continued to drive growth. The proportion of our sales that were new versus replacements reached 67% in Q1 2016.

Our 180 day new sales pipeline increased by 2% compared to the previous quarter and 25% compared to Q1 2015. We continue to work closely with our customers, with network development projects, such as Marseille and Stockholm underway that will drive further growth.

The funnel of sales opportunities remains good moving into Q2 2016.

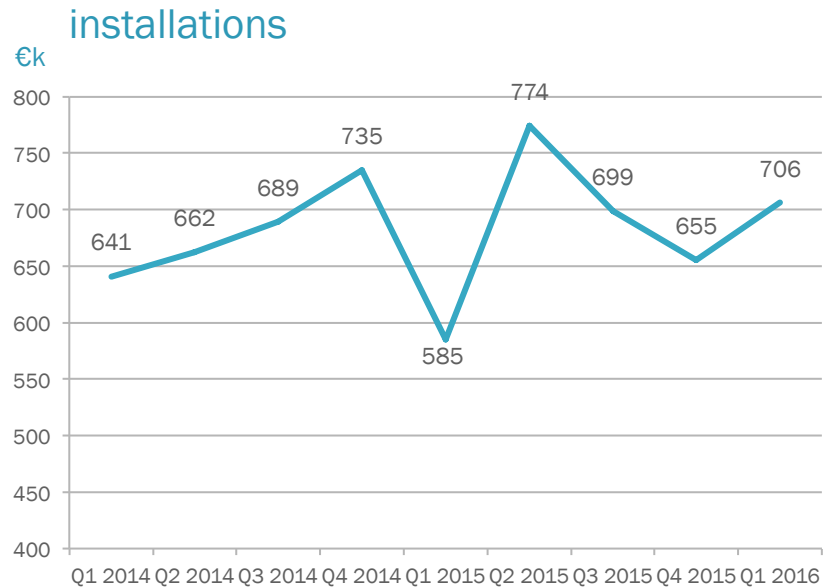
02



## lead performance measures

# units installed have increased

Service installations were €706k in Q1 2016, up 21% from Q1 2015 and 8% from Q4 2015.



Service installations reached €706k in the quarter, up from Q4 2015 and Q1 2015. The volume of units installed declined 13.7%\* from Q1 2015 to Q1 2016. The units decline reflected an increase in the delivery of more complex projects in the quarter, generating higher MRR per unit.

Our cycle time for installations was in line with our operating target (less than 30 days for on-net services) when taking into account delivering to longer customer requested dates.

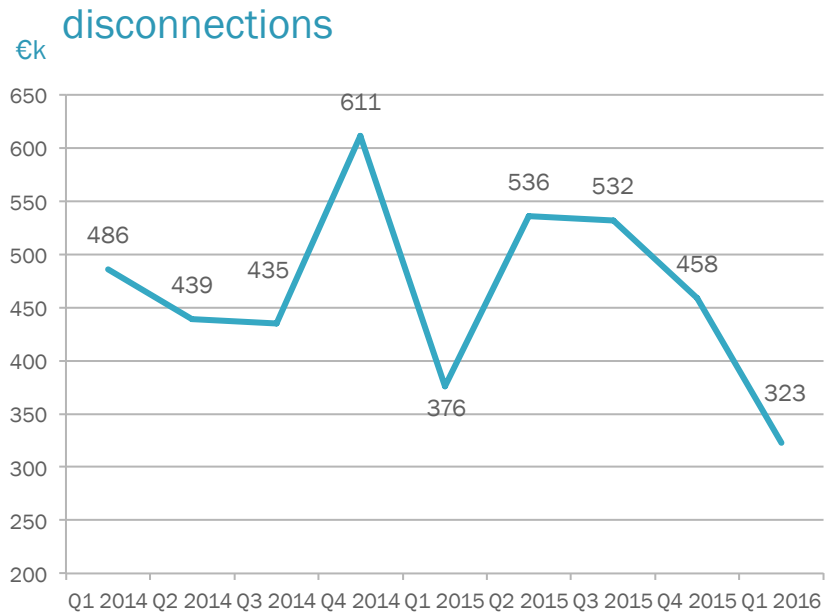
Overall our operating business continued to perform strongly in 1Q 2016.



## lead performance measures

# we continue to closely manage disconnections

Disconnections decreased in Q1 2016, with 37% of these being service replacements. Churn in Q1 2016 was 0.7%, improving from 0.9% in Q4 2015.



Our disconnections were €323k in Q1 2016, improving 30% from Q4 2015 and 14% from Q1 2015. 37% of these disconnections were due to service replacements, slightly down from 43% in Q4 2015. Our customers are increasingly upgrading the services they take from us rather than leaving.

Q1 2016 churn averaged 0.7%. Churn for the full year 2015 averaged 1.1%, the same level of churn we achieved in 2014.

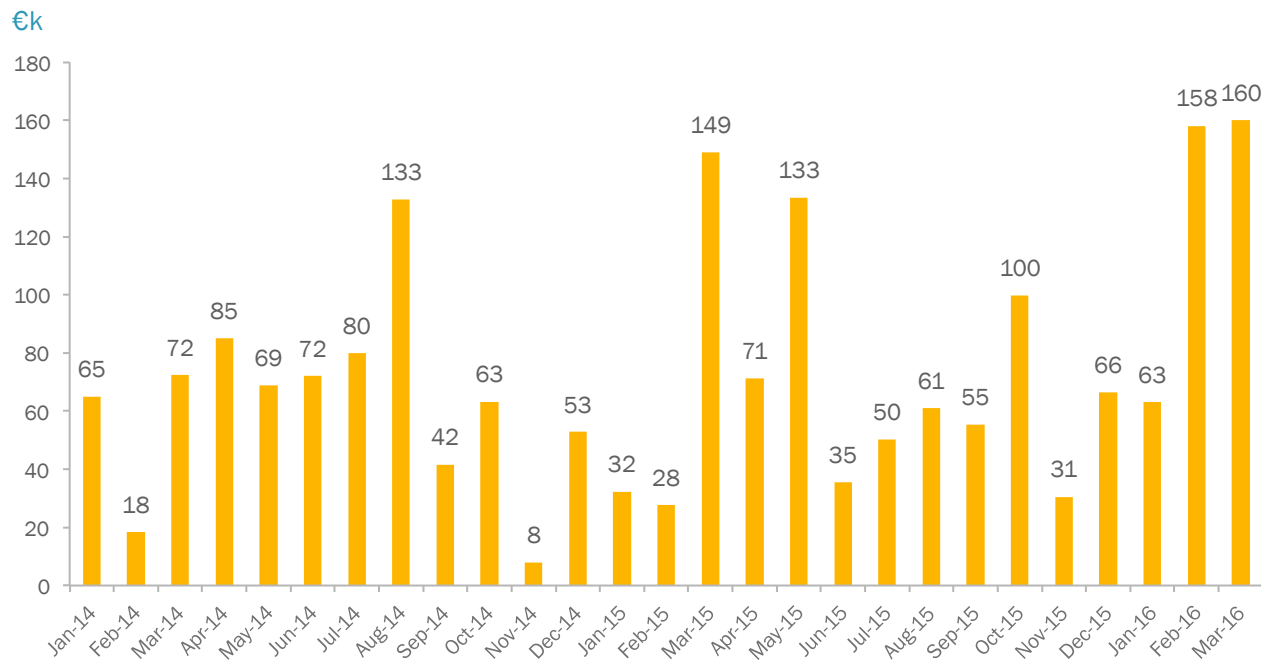
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## lead performance measures

# delivering solid MISR performance

MISR performance in Q1 2016 was up from Q4 2015, driven in part by high installations, particularly of euTrade services.

MISR is the lead indicator for growth in our monthly recurring revenue (MRR)



MISR was €381k in Q1 2016, up from €197k in Q4 2015. This in part reflected the lower value of disconnections in the quarter. Installations were also high, with a high volume of euTrade services delivered.

In the quarter, strong sales combined with disciplined disconnection management and a high value of installations drove a solid MISR performance.

02

## lead performance measures

# Q1 product performance

	Q1 2015 recurring revenue (€M)	Q4 2015 recurring revenue (€M)	Q1 2016 recurring revenue (€M)	QoQ growth %
Focus Products	19.4	21.8	22.3	2.2%
<i>Fibre</i>	5.8	6.6	6.7	1.2%
<i>Wavelengths</i>	8.3	9.7	10.1	3.8%
<i>Ethernet</i>	5.3	5.5	5.5	0.5%
Non-Focus Products	6.2	6.0	5.9	(1.1)%
<b>Focus &amp; Non Focus Products</b>	<b>25.5</b>	<b>27.8</b>	<b>28.2</b>	<b>1.5%</b>
<b>Power, Monthly Amortised Revenue, Other</b>	<b>2.3</b>	<b>2.7</b>	<b>2.4</b>	<b>(11.1)%</b>
<b>Recurring Revenue</b>	<b>27.8</b>	<b>30.5</b>	<b>30.6</b>	<b>0.4%</b>

Focus products continued to drive solid revenue growth in the business, with strong growth from Wavelengths in the quarter.

93% of new sales were from focus products in Q1 2016, up from 82% in Q4 2015. Over time, we forecast that these products will consistently represent >85% of our sales.


Solid demand from customers for our high bandwidth solutions continued to drive the performance of our focus product portfolio.



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financial performance. revenue,  
gross margin, adjusted EBITDA,  
capital expenditure

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## financial performance

# steady growth in Q1 2016

€M	Q1 2016	Q1 2015	% change	Q4 2015	% change
Total Revenue	30.6	27.8	10.1%	30.6	0.0%
<i>Recurring Revenue</i>	30.6	27.8	10.1%	30.6	0.0%
Gross Profit	23.9	21.5	11.2%	23.8	0.4%
Gross Profit Margin %	78.0%	77.5%	0.6%	77.6%	0.5%
Adjusted EBITDA	9.8	7.6	28.6%	9.9	(1.0%)
Capital Expenditure	11.5	9.2	NA	10.9	NA
Proxy Cash Flow	(1.7)	(1.6)	NA	(1.0)	NA

Adjusted EBITDA means EBITDA before the deduction of share option expense.  
Proxy cash flow is calculated as Adjusted EBITDA less capital expenditure.  
These results are unaudited.

**Recurring Revenue** grew 10% compared to Q1 2015. Although recurring revenue was flat relative to Q4 2015, foreign exchange headwinds (EURO/GBP c1.27 Q1 2016 to 1.37 Q4 2015) had a c€350k impact on our reported revenue whilst our underlying MISR performance during Q1 2016 was very strong.

**Gross Profit** improved 11% from Q1 2015 and was marginally ahead of Q4 2015. **Gross Margin** was 78.0% in the quarter, improving from 77.5% in Q1 2015.

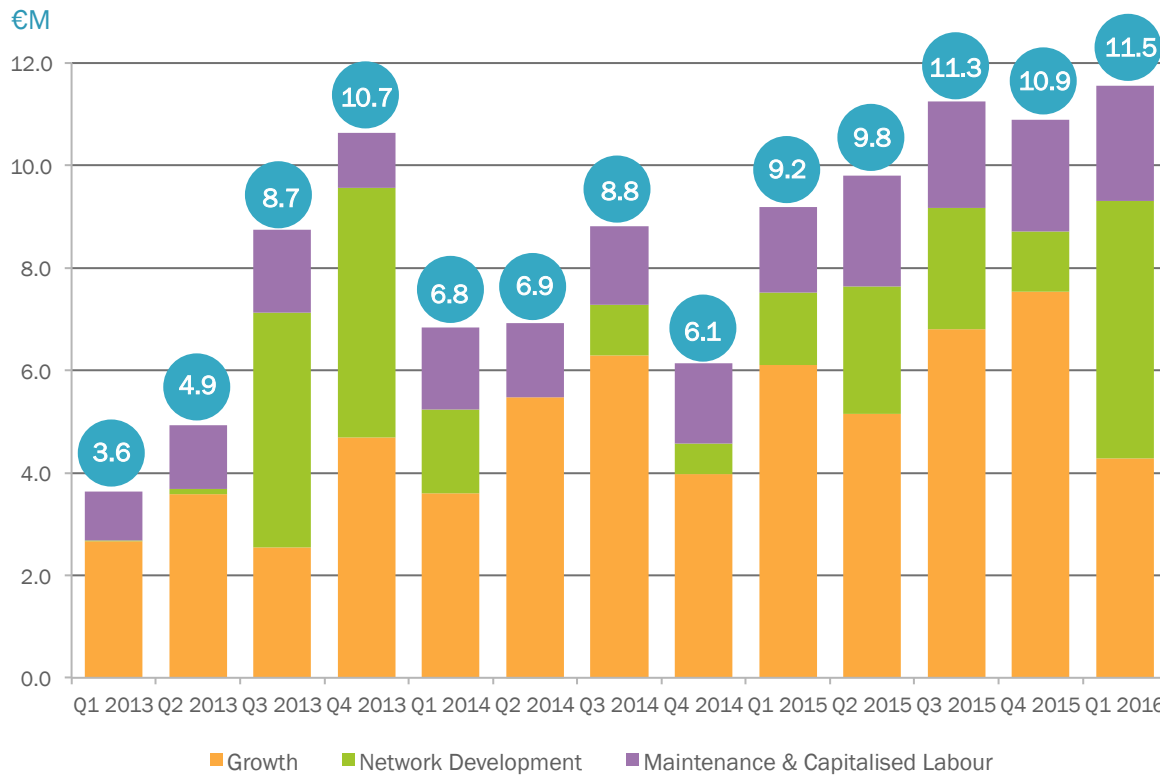
**Adjusted EBITDA**, the key driver of value in our business, was €9.8m, up by 29% from Q1 2015 and broadly in line with Q4 2015.

**Capital Expenditure** of €11.5m in Q1 2016 was higher than in Q1 2015 and Q4 2015. This investment supported customer related projects and key network development initiatives underpinning our growth in line with our strategy.

As a result, **Proxy Cash Flow** in Q1 2016 was €(1.7)m, slightly down compared to €(1.6m) in Q1 2015 and €(1.0)m in Q4 2015.



# capital expenditure for growth



Capital expenditure of €11.5m in Q1 2016 supports revenue growth.

Success based customer projects accounted for 37% of this spend, and key network developments a further 44% in the quarter. The shift in higher allocation to network development in Q1 2016 reflected the announced Long Haul DWDM expansions to Marseille and to Stockholm. Both success based and network development capital expenditure underpin our revenue growth

Maintenance and capitalised labour typically account for 20% of capital spend.



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thank you



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**appendix.** full profit & loss, balance sheet, cash flow

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## appendix

# full profit & loss

All figures in €m

	Q1 Act	Q1 Act	2016 vs 2015		Q4 Act
	2016	2015	Var	Var %	2015
<b>Revenue</b>	<b>30.6</b>	<b>27.8</b>	<b>2.8</b>	<b>10%</b>	<b>30.6</b>
Recurring Revenue	30.6	27.8	2.8	10%	30.6
<b>NetEx</b>	<b>6.7</b>	<b>6.2</b>	<b>(0.5)</b>	<b>(8%)</b>	<b>6.9</b>
<b>Gross Profit</b>	<b>23.9</b>	<b>21.5</b>	<b>2.4</b>	<b>11%</b>	<b>23.8</b>
Gross Margin %	78.0%	77.5%	1%	1%	77.6%
<b>OpEx</b>	<b>14.1</b>	<b>14.0</b>	<b>(0.2)</b>	<b>(1%)</b>	<b>13.9</b>
NetOpEx	7.0	6.6	(0.5)	(7%)	5.9
Staff Costs	5.7	5.8	0.1	3%	6.6
Other SG&A	1.4	1.6	(0.2)	(16%)	1.4
<b>a/EBITDA</b>	<b>9.8</b>	<b>7.6</b>	<b>2.2</b>	<b>29%</b>	<b>9.9</b>
a/ EBITDA %	31.9%	31.5%	0.4 pp	1%	32.3%
<b>n/a/EBITDA</b>	<b>9.9</b>	<b>8.0</b>	<b>1.9</b>	<b>24%</b>	<b>9.8</b>
<b>EBITDA</b>	<b>9.5</b>	<b>9.3</b>	<b>0.2</b>	<b>2%</b>	<b>8.3</b>
Depreciation & Amortisation	7.5	7.4	(0.1)	(2%)	7.6
<b>Operating Result</b>	<b>2.0</b>	<b>1.9</b>	<b>0.1</b>	<b>3%</b>	<b>0.7</b>
Finance Costs	1.1	0.3	0.8	272%	1.3
<b>Profit Before Tax</b>	<b>0.9</b>	<b>1.6</b>	<b>(0.7)</b>	<b>(44%)</b>	<b>(0.6)</b>
Tax	(0.1)	(0.1)	(0.0)	18%	1.4
<b>Net Profit After Tax</b>	<b>1.0</b>	<b>1.7</b>	<b>(0.7)</b>	<b>(43%)</b>	<b>(2.1)</b>



## appendix

# balance sheet

(€ in millions)	Quarterly Performance			
	Q1 2016	Q1 2015	2016 v 2015	
			Var	Var %
<b>Assets</b>				
Property, Plant and Equipment	224.7	202.4	22.3	11%
Intangible Assets	10.5	11.9	(1.4)	(12%)
Goodwill	24.2	21.7	2.5	12%
Deferred Tax Asset	3.4	4.9	(1.5)	(32%)
Other Non-Current Assets	3.1	1.7	1.4	76%
<b>Non-Current Assets</b>	<b>265.9</b>	<b>242.7</b>	<b>23.2</b>	<b>10%</b>
Cash and Cash Equivalents	13.0	10.1	2.9	29%
Trade Receivables	11.9	12.4	(0.5)	(4%)
Other Receivables and Prepayments	7.5	5.9	1.6	28%
Assets Held for Sale	0.2	0.2	-	0%
<b>Current Assets</b>	<b>32.6</b>	<b>28.6</b>	<b>4.0</b>	<b>14%</b>
<b>Total Assets</b>	<b>298.4</b>	<b>271.3</b>	<b>27.1</b>	<b>10%</b>
<b>Liabilities &amp; Equity</b>				
Share Capital	291.9	291.9	-	0%
Treasury Shares	(6.5)	(6.5)	-	0%
Employee Share Option Reserve	15.6	17.6	(2.0)	(12%)
Cumulative Translation Reserve	0.7	0.7	-	0%
Retained Profits	(112.3)	(110.2)	(2.1)	2%
<b>Total Equity</b>	<b>189.4</b>	<b>193.5</b>	<b>(4.1)</b>	<b>(2%)</b>
Trade Payables	1.2	3.8	2.7	69%
Income Tax Payables	(0.1)	0.1	0.2	(158%)
Finance Lease Liabilities Current	0.9	1.2	0.3	25%
Deferred Revenue Current	5.5	5.0	(0.5)	(9%)
Other Payables and Accruals	15.5	16.2	0.7	5%
<b>Current Liabilities</b>	<b>23.1</b>	<b>26.4</b>	<b>3.3</b>	<b>13%</b>
Interest Bearing Loans	59.7	23.8	(35.8)	(150%)
Finance Lease Liabilities Non-Current	2.0	2.8	0.8	30%
Deferred revenue non-current	15.9	14.6	(1.3)	(8%)
Deferred Tax Liabilities	4.9	4.6	(0.3)	(8%)
Non-Current Provisions	3.6	5.4	1.8	34%
<b>Non-current Liabilities</b>	<b>86.1</b>	<b>51.3</b>	<b>(34.8)</b>	<b>(68%)</b>
<b>Total Liabilities &amp; Equity</b>	<b>298.4</b>	<b>271.3</b>	<b>27.1</b>	<b>10%</b>

## Non Current Assets

PPE increased Year on Year due to the continued build out of our unique network assets less depreciation.

## Liabilities

Interest bearing loans increased by €35.8m as a result of drawdowns from our debt facility and re-financing.

Equity decreased €4.1m due to the cancellation of a number of share options and movement in Group retained profits in the year.



## appendix

# cash flow

	Quarterly Performance			
	Q1 2016	Q1 2015	2016 vs 2015 Var	2016 vs 2015 Var %
<i>All figures in €m</i>				
<b>Operating Cashflow</b>				
Cash from Operations	9.8	7.6	2.2	29%
Working Capital movement	(6.6)	(4.9)	(1.7)	(34%)
<b>Total from Operations &amp; WC movement</b>	<b>3.2</b>	<b>2.7</b>	<b>0.5</b>	<b>19%</b>
<b>Tax Expense, FX and Other</b>	<b>(0.2)</b>	<b>(0.3)</b>	<b>0.1</b>	<b>41%</b>
<b>Investing Activities</b>				
CapEx	(11.5)	(7.9)	(3.7)	(47%)
Acquisition in Subsidiaries	0.0	-	-	n/a
<b>Total Investing Activities</b>	<b>(11.5)</b>	<b>(7.9)</b>	<b>(3.7)</b>	<b>(47%)</b>
<b>Financing Activities</b>				
Net increase in debt (new debt arrangement)	10.0	3.0	7.0	(233%)
Interest paid, finance lease repayments & debt raise costs	(1.0)	(0.8)	(0.2)	(28%)
<b>Net Financing (Costs) / Income</b>	<b>9.0</b>	<b>2.2</b>	<b>6.8</b>	<b>(305%)</b>
<b>Cash Movement</b>	<b>0.3</b>	<b>(3.3)</b>	<b>3.6</b>	<b>109%</b>
Opening Cash	12.7	13.4	(0.7)	(5%)
<b>Closing Balance</b>	<b>13.0</b>	<b>10.1</b>	<b>2.9</b>	<b>29%</b>

