



euNetworks
bandwidth. from the ground up

Q2 2016



euNetworks results
28 July 2016

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our business

we believe that bandwidth changes everything

We believe that bandwidth changes everything, connecting everybody to everything making *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. Q2 2016 highlights

○

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

summary

Q2 2016 highlights

Solid sales performance and high service installations supported a good MISR performance. Disconnections were higher in the quarter, driven by service replacements.

We achieved €937k in gross sales, up 18% from Q2 2015 and down 3% from Q1 2016's record sales quarter.

Service installations were higher in the quarter, both in value and units installed. As with Q1 2016, our euTrade service portfolio contributed to Q2 installations performance.

Disconnections increased from Q2 2015 and Q1 2016, with average churn at 1.1%, following low churn of 0.7% in Q1 2016. 49% of disconnections were due to service replacements. These replacements were largely driven by a move in trading venue for euTrade services.

Monthly Incremental Service Revenue in Q2 2016 was €254k, up from €240k in Q2 2015 and down from €381k in Q1 2016. The decline from Q1 2016 was driven by the higher disconnections. The continued strong sales performance, high installations and disciplined approach to disconnections underpinned continued overall growth.

Strong growth in recurring revenue, gross profit and Adjusted EBITDA.

Recurring revenue in Q2 2016 was €32.2m, growing 10% from Q2 2015 and 5% from Q1 2016. This followed continued strong sales growth.

Gross profit improved 12% from Q2 2015 and 6% from Q1 2016, to €25.2m. Gross margin was 78.4% in Q2 2016, improving from 77.2% in Q2 2015.

Adjusted EBITDA was €10.7m, improving by 31% from Q2 2015 and 9% from Q1 2016.

Capital expenditure supporting revenue growth was €16.1m as we continue to invest for growth. This contributed to lower proxy cash flow of €(5.6)m.



01

lead performance measures. sales,
installations, disconnections, MISR

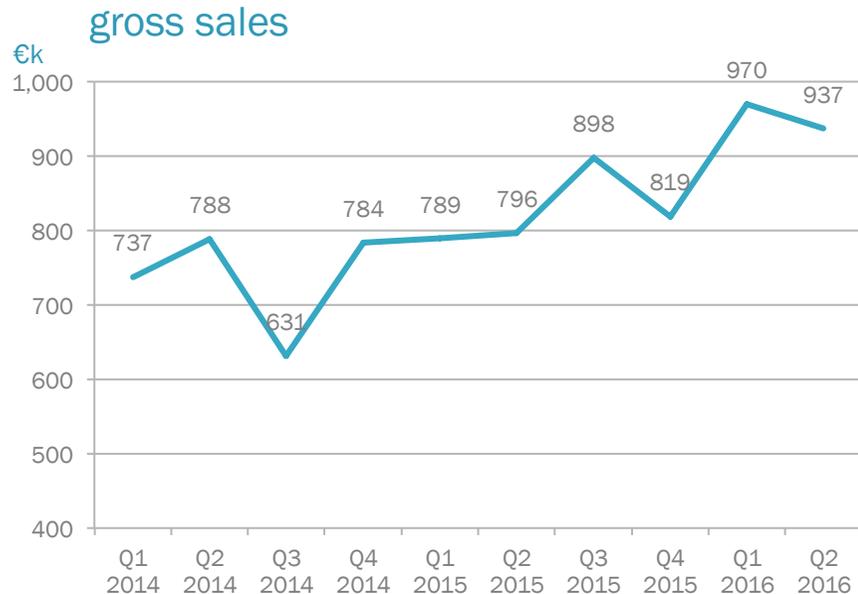


02

lead performance measures

our sales performance drives growth

Q2 2016 gross sales reached €937k, with a growing sales pipeline.



In Q2 2016 we achieved €937k in gross sales, up 18% from Q2 2015 and down 3% from Q1 2016.

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 76% in Q2 2016, up from 67% in Q1 2016.

Our 180 day new sales pipeline increased 28% compared to Q2 2015 and by 21% compared to Q1 2016. We continue to work closely with our customers, and network development projects that have been delivered and underway in 1H 2016 will drive further growth.

The funnel of sales opportunities remains good moving into Q3 2016.



lead performance measures

units installed have increased

Service installations were €904k in Q2 2016, delivering a new record for the business. Some of this growth was due to a move in an euTrade service trading venue in the quarter.



Service installations reached €904k in the quarter, up 17% from Q2 2015 and 28% from Q1 2016. The volume of units installed increased 25%* from Q2 2015 to Q2 2016. Some of the growth in installations was driven by a move in an euTrade service trading venue in the quarter.

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 Q2 2016.

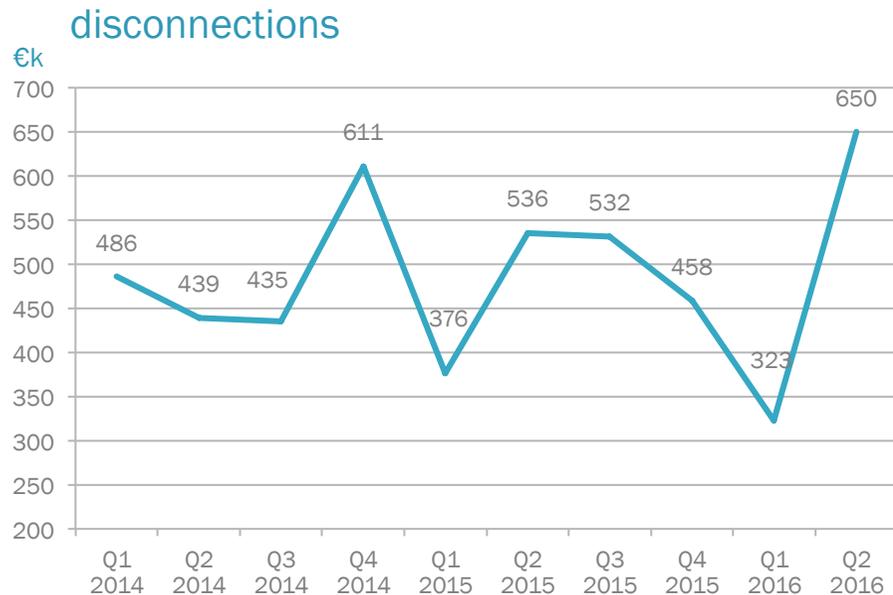
* Price Increases excluded



lead performance measures

we continue to closely manage disconnections

Disconnections increased in Q2 2016, with 49% of these being service replacements. Churn in Q2 2016 was 1.1%.



Our disconnections were €650k in Q2 2016, up 21% from Q2 2015 and 101% from a very low quarter in Q1 2016. These disconnections were anticipated, with 49% of these due to service replacements as a trading venue for our euTrade service was being moved in the quarter.

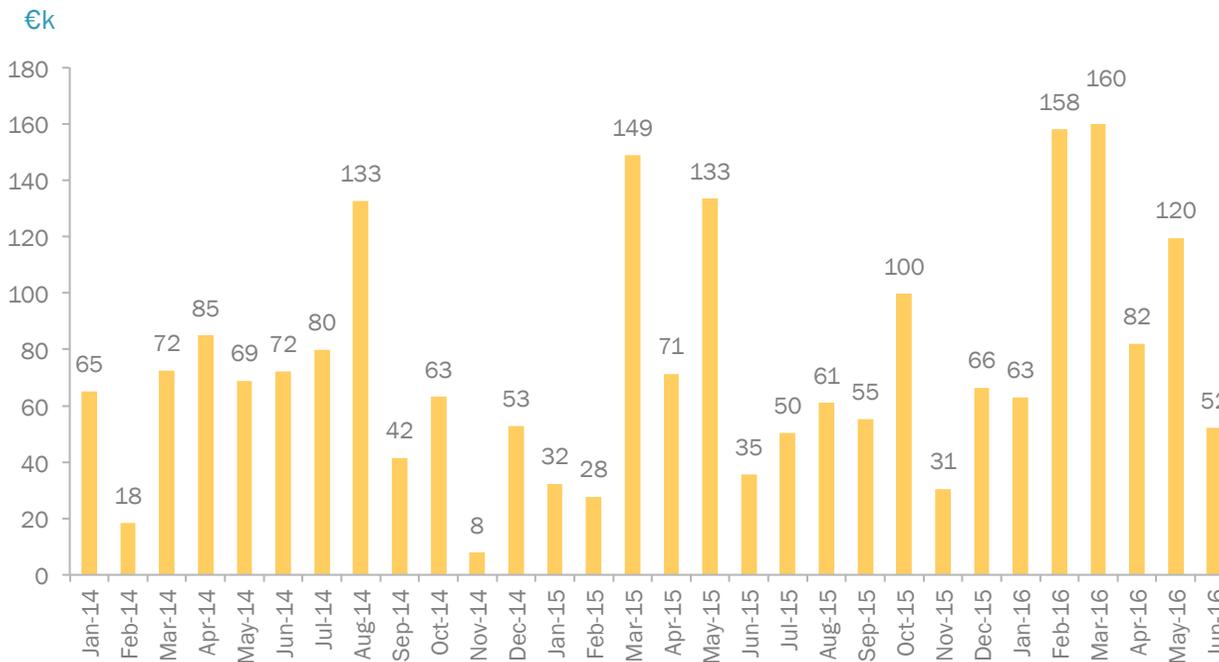
Q2 2016 churn averaged 1.1%, up from 0.7% in Q1 2016 and in line with average churn through 2015.



lead performance measures

delivering solid MISR performance

MISR performance in Q2 2016 was up 6% from Q2 2015, but down from Q1 2016, driven primarily by the higher disconnections in the quarter after very low disconnections in Q1.



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

MISR was €254k in Q2 2016, up from €240k in Q2 2015, but down from €381k in Q1 2016. The quarter on quarter decline reflected higher disconnections in Q2 2016.

Our continued strong sales performance, combined with disciplined disconnection management and a high value of installations drove a solid MISR performance overall.

02

lead performance measures

Q2 product performance

	Q2 2015 recurring revenue (€M)	Q1 2016 recurring revenue (€M)	Q2 2016 recurring revenue (€M)	QoQ growth %
Focus Products	20.5	22.3	23.6	6.0%
<i>Fibre</i>	6.1	6.7	6.8	1.6%
<i>Wavelengths</i>	9.0	10.1	11.2	11.1%
<i>Ethernet</i>	5.4	5.5	5.6	2.1%
Non-Focus Products	6.1	5.9	5.9	-0.2%
Focus & Non Focus Products	26.6	28.2	29.5	4.7%
Power, Monthly Amortised Revenue, Other	2.5	2.4	2.7	11.1%
Recurring Revenue	29.1	30.6	32.2	5.2%

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 Q2 2016, the same as in Q1 2016. 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.



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



financial performance

solid growth in Q2 2016

€M	Q2 2016	Q2 2015	% change	Q1 2016	% change
Total Revenue	32.2	29.2	10.5%	30.6	5.2%
<i>Recurring Revenue</i>	32.2	29.2	10.5%	30.6	5.2%
Gross Profit	25.2	22.5	12.1%	23.9	5.6%
Gross Profit Margin %	78.4%	77.2%	1.2%	78.0%	0.4%
Adjusted EBITDA	10.7	8.2	30.9%	9.8	9.2%
Capital Expenditure	16.1	9.8	NA	11.5	NA
Proxy Cash Flow	(5.6)	(1.6)	NA	(1.7)	NA

Recurring Revenue grew 10% compared to Q2 2015 and was up 5% from Q1 2016 following continued strong sales and MISR performance.

Gross Profit improved 12% from Q2 2015 and was up 6% from Q1 2016. **Gross Margin** was 78.4% in the quarter, improving from 77.2% in Q2 2015.

Adjusted EBITDA, the key driver of value in our business, was €10.7m, up by 31% from Q2 2015 and up 9% from Q1 2016.

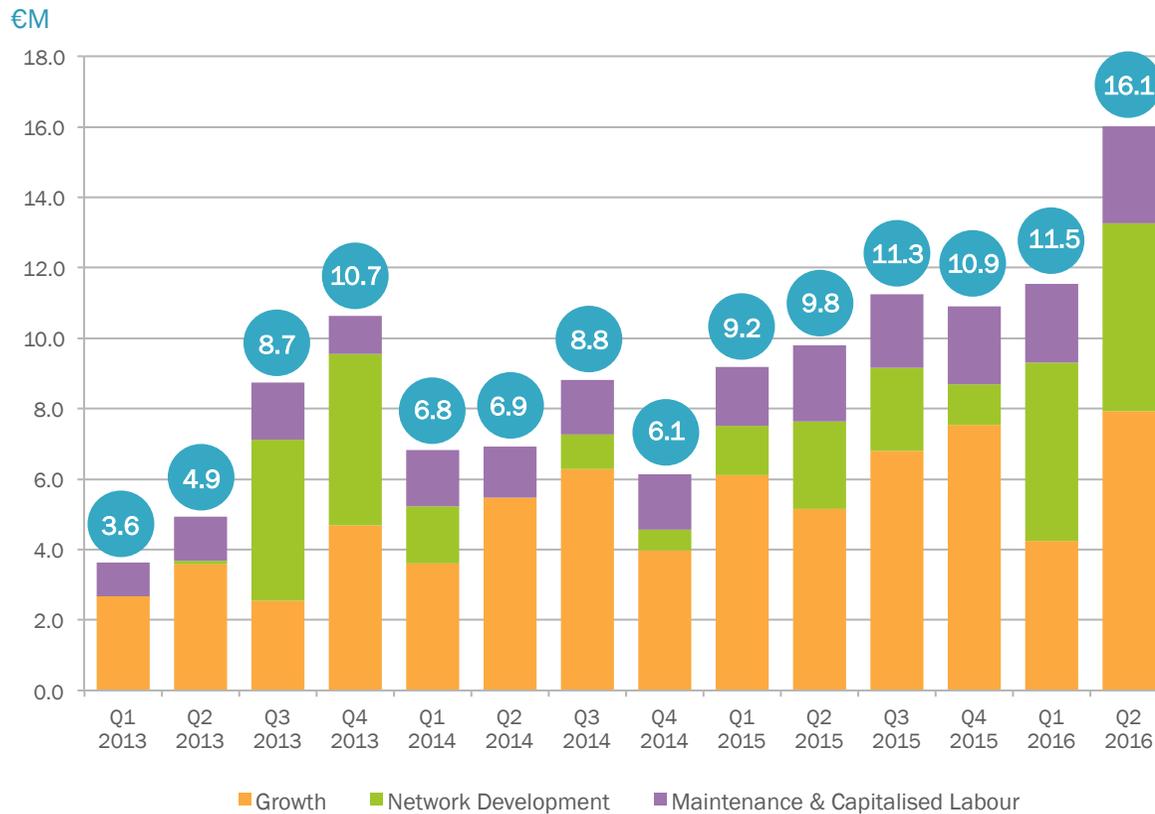
Capital Expenditure of €16.1m in Q2 2016 was higher than in Q2 2015 and Q1 2016. This investment supported customer related projects and key network development initiatives, such as the expansion to Marseille and Stockholm diversity.

As a result, **Proxy Cash Flow** in Q2 2016 was €(5.6)m compared to €(1.6m) in Q2 2015 and €(1.7)m in Q1 2016.

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.



capital expenditure for growth



Capital expenditure of €16.1m in Q2 2016 supports revenue growth.

Capital spend was higher in Q2 2016 than previous quarters, driven by the phasing of customer and network development projects.

Success based customer projects accounted for 49% of spend in Q2 2016, up from 37% in Q1 2016. Network developments accounted for 33% of spend in the quarter, down from 43% in Q1 2016. This reflected the completion of long haul 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.



thank you



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



appendix

full profit & loss

All figures in €m

	Q2 Act	Q2 Act	2016 vs 2015		Q1 Act
	2016	2015	Var	Var %	2016
Revenue	32.2	29.2	3.0	10%	30.6
Recurring Revenue	32.2	29.2	3.0	10%	30.6
NetEx	7.0	6.6	(0.4)	(7%)	6.7
Gross Profit	25.2	22.5	2.7	12%	23.9
Gross Margin %	78.4%	77.2%	1.2 pp	1%	78.0%
OpEx	14.5	14.3	(0.2)	(0.0)	14.1
NetOpEx	7.2	6.9	(0.3)	(5%)	7.0
Staff Costs	5.7	5.8	0.1	2%	5.7
Other SG&A	1.7	1.7	0.0	1%	1.4
a/EBITDA	10.7	8.2	2.5	31%	9.8
a/ EBITDA %	33.2%	28.1%	5.1 pp	18%	31.9%
n/a/EBITDA	11.1	8.8	2.3	26%	9.9
EBITDA	10.5	9.3	1.2	13%	9.5
Depreciation & Amortisation	7.9	6.9	1.0	13%	7.5
Operating Result	2.6	2.4	0.2	7%	2.0
Finance Costs	1.1	0.8	0.3	28%	1.1
Profit Before Tax	1.5	1.7	(0.2)	(7%)	0.9
Tax	(0.0)	0.2	(0.2)	n.a.	(0.1)
Net Profit After Tax	1.6	1.4	0.2	7%	1.0



appendix

balance sheet

(€ In millions)	Quarterly Performance			
	Q2 2016	Q2 2015	2016 v 2015	
			Var	Var %
Assets				
Property, Plant and Equipment	233.2	208.3	24.8	12%
Intangible Assets	10.3	11.6	(1.4)	(12%)
Goodwill	24.2	26.4	(2.2)	(8%)
Deferred Tax Asset	3.4	4.9	(1.6)	(32%)
Other Non-Current Assets	3.2	2.7	0.6	21%
Non-Current Assets	274.2	254.0	20.3	8%
Cash and Cash Equivalents	13.8	21.7	(7.8)	(36%)
Trade Receivables	14.6	12.3	2.3	19%
Other Receivables and Prepayments	5.6	5.6	(0.0)	(0%)
Assets Held for Sale	0.2	0.2	-	0%
Current Assets	34.2	39.7	(5.5)	(14%)
Total Assets	308.4	293.7	14.7	5%
Liabilities & Equity				
Share Capital	291.9	291.9	-	0%
Treasury Shares	(6.5)	(6.5)	-	0%
Employee Share Option Reserve	15.8	11.2	4.6	41%
Cumulative Translation Reserve	0.7	0.7	-	0%
Retained Profits	(110.8)	(108.8)	(2.0)	2%
Total Equity	191.1	188.5	2.6	1%
Trade Payables	3.2	3.5	0.3	8%
Income Tax Payables	0.0	0.2	0.2	(94%)
Finance Lease Liabilities Current	0.9	1.1	0.2	20%
Deferred Revenue Current	5.5	4.9	(0.6)	(12%)
Other Payables and Accruals	17.5	17.3	(0.3)	(2%)
Current Liabilities	27.2	27.0	(0.1)	(1%)
Interest Bearing Loans	64.1	50.0	(14.1)	(28%)
Finance Lease Liabilities Non-Current	1.9	2.6	0.7	27%
Deferred revenue non-current	15.8	15.7	(0.1)	(1%)
Deferred Tax Liabilities	4.8	4.5	(0.3)	(7%)
Non-Current Provisions	3.6	5.4	1.8	34%
Non-current Liabilities	90.2	78.2	(12.0)	(15%)
Total Liabilities & Equity	308.4	293.7	14.7	5%

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 €14.1m as a result of drawdowns from our debt facility and scheduled repayments.

Equity increased €2.6m due to additional share options reserves partly offsetting movement in Group retained profits in the year.



appendix

cash flow

	Quarterly Performance			
	Q2 2016	Q2 2015	2016 vs 2015 Var	Var %
<i>All figures in €m</i>				
Operating Cashflow				
Cash from Operations	10.7	8.2	2.5	31%
Working Capital movement	3.1	(3.6)	6.7	187%
Total from Operations & WC movement	13.8	4.6	9.2	200%
Tax Expense, FX and Other	(0.2)	(0.4)	0.2	47%
Investing Activities				
CapEx	(16.1)	(10.3)	(5.8)	(56%)
Acquisition in Subsidiaries	-	(7.5)	7.5	n/a
Scheme of Arrangement	-	-	-	n/a
Total Investing Activities	(16.1)	(17.8)	1.7	9%
Financing Activities				
Net increase in debt (new debt arrangement)	4.4	26.2	(21.8)	83%
Interest paid, finance lease repayments & debt raise costs	(1.0)	(1.0)	(0.0)	(2%)
Net Financing (Costs) / Income	3.4	25.1	(21.8)	87%
Cash Movement	0.8	11.6	(10.8)	94%
Opening Cash	13.0	10.1	2.9	29%
Closing Balance	13.9	21.7	(7.8)	(36%)

