euNetworks Reports Second Quarter 2016 Results

For the quarter ended 30 June 2016:
- Solid sales and high installations supported a good monthly incremental service revenue performance
- Strong growth in recurring revenue, gross profit and Adjusted EBITDA

London, UNITED KINGDOM – 28 July 2016 – euNetworks Group Limited, a provider of bandwidth infrastructure services in Europe, announced results for the three months ended 30 June 2016. New sales reached €937k in Q2 2016, up 18% from Q2 2015 and down 3% from Q1 2016. Service installations were high at €904k in the quarter, increasing from Q2 2015 and Q1 2016. 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 these disconnections were due to service replacements, largely driven by a move in trading venue for euTrade services. Total monthly incremental service revenue (MISR) was €254k in Q2 2016, up from €240k in Q2 2015 and down from €381k in Q1 2016.

(€k)	Q2 2016	Q2 2015	% change	Q1 2016	% change
New Sales	937	796	18	970	(3)
Installations	904	774	17	706	28
Monthly Incremental Service Revenue	254	240	6	381	(33)

(€m)	Q2 2016	Q2 2015	% change	Q1 2016	% change
Total Revenue	32.2	29.2	10	30.6	5
Recurring Revenue	*32.2*	*29.2*	*10*	*30.6*	5
Gross Profit	25.2	22.5	12	23.9	6
Gross Profit Margin %	78.4%	77.2%	1.2	78.0%	0.4
Adjusted EBITDA[1]	10.7	8.2	31	9.8	9
Capital Expenditure	16.1	9.8	n/a	11.5	n/a
Proxy Cash Flow[2]	(5.6)	(1.6)	n/a	(1.7)	n/a

1. Adjusted EBITDA means EBITDA before the deduction of share option expense.
2. Proxy cash flow is calculated as Adjusted EBITDA less capital expenditure.

Recurring revenue was €32.2m in Q2 2016, growing 10% from Q2 2015 and 5% from Q1 2016. Gross profit was €25.2m, up 12% from Q2 2015 and 6% from Q1 2016. Gross margin improved to 78.4% in Q2 2016, from 77.2% in Q2 2015 and from 78.0% in Q1 2016.

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

Capital expenditure supporting revenue growth was €16.1m in the quarter as euNetworks continues to invest for growth. This contributed to proxy cash flow of €(5.6)m in Q2 2016.

"After a strong start to the year, we continued this momentum through Q2 2016," said Brady Rafuse, Chief Executive Officer of euNetworks. "Operating performance remained strong and the significant customer driven network development projects were successfully completed. Sales growth continued to be good after the record performance in Q1. Service installations were high, with some of this growth driven by a move in an euTrade service trading venue. Disconnections were also higher than prior quarters, with the euTrade service replacements driving this churn. Despite these movements, we delivered good overall growth."

"For the quarter, our financial performance remained solid, with 10% growth in recurring revenue. Gross profit increased by 12% and Adjusted EBITDA by 31% from Q2 2015," said Rafuse.

"Our capital expenditure was higher in Q2 2016 than previous quarters. This was due to the completion of the network development expansion projects to Marseille and Stockholm and further network investment projects now underway. These projects are all closely aligned with our customers' growing bandwidth demands in 2016 and our strategy of investing in the network for our organic growth. Spend on success based customer projects was also higher in the quarter, in line with project delivery timescales in support of our customers. We will announce further network investment projects in due course and remain confident about the opportunities these bring us for further growth."

Further review and discussion of the performance of the Group for Q2 2016 can be found in the accompanying results supplement available here

About euNetworks

euNetworks is a bandwidth infrastructure provider, owning and operating 13 fibre based metropolitan networks across Europe connected with a high capacity intercity backbone covering 45 cities in 10 countries. The company leads the market in data centre connectivity, directly connecting over 280 in Europe today. euNetworks is also a leading cloud connectivity provider, connecting 15 cloud platforms. The company offers a portfolio of metropolitan and long haul services including Dark Fibre, Metro Wavelengths, Wavelengths, Ethernet, and Internet. Media, finance, content, enterprise and carrier customers 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. For further information please visit www.eunetworks.com.

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