



Q3 2016

euNetworks results
10 November 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. Q3 2016 highlights

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

summary

Q3 2016 highlights

Solid sales performance, service installations and continued focus on disconnections delivered a strong MISR performance.

- Gross sales of €869k
- Service installations of €664k
- Disconnections reached €405k, with average churn of 0.9%
- Monthly incremental service revenue was €257k

Sales continued to be strong in Q3 2016 after two record quarters. Service installations were lower in the quarter but this followed a record level of installations made in Q2 2016, partly driven by a move in an euTrade service trading venue in that period. This trading venue move also impacted Q2 2016 disconnections. In Q3 2016 disconnections improved, with average churn of 0.9%. 44% of disconnections were due to service replacements.

Monthly incremental service revenue (MISR) in Q3 2016 was €257k, up from €166k in Q3 2015 and from €254k in Q2 2016. Sales performance, installations and our continued disciplined approach to disconnections underpinned this growth.

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

- Recurring revenue of €31.8m
- Gross profit of €24.9m, with gross margin reaching 78.1%
- Adjusted EBITDA of €10.8m
- Capital expenditure was €11.9m

Recurring revenue was Q3 2016 in €31.8m, growing 7% from Q3 2015 and growing 9% year to date versus the same period in 2015. On a constant currency basis, we have seen double digit growth in recurring revenue this year.

Gross profit was €24.9m in Q3 2016, up 8% from Q3 2015 and up 10% year to date. Gross margin was 78.1% in Q3 2016, improving from 77.6% in Q3 2015.

Adjusted EBITDA was €10.8m, improving by 33% from Q3 2015 and by 31% year to date.

Capital expenditure supporting revenue growth was €11.9m as we continued to invest for growth. This contributed to proxy cash flow of €(1.1)m.

01

lead performance measures. sales,
installations, disconnections, MISR

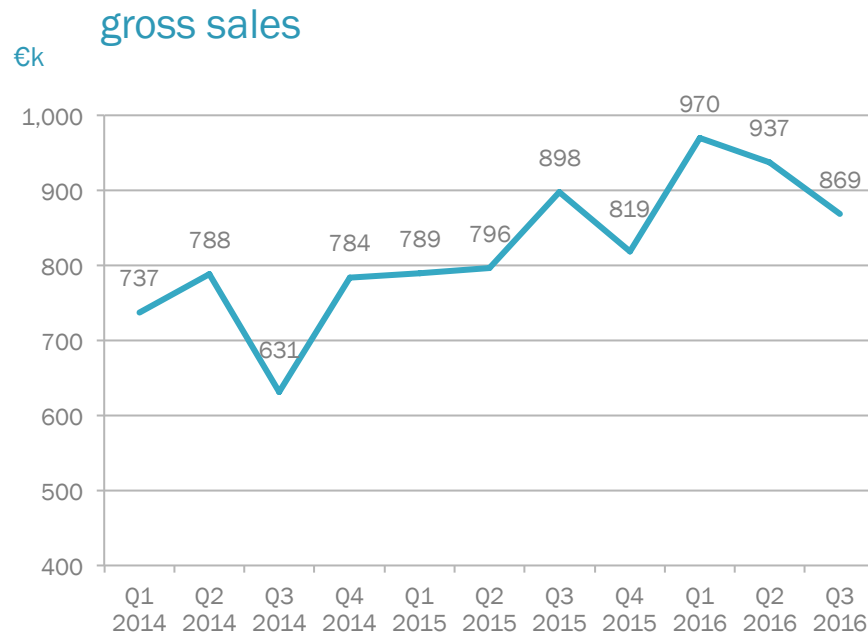


02

lead performance measures

our sales performance drives growth

Q3 2016 gross sales reached €869k, with a growing sales pipeline.



In Q3 2016 we achieved €869k in gross sales. This followed record gross sales in Q1 2016 and Q2 2016.

We remain focused on deepening our customer relationships to grow our share of their spend. The proportion of our sales that were new versus replacements was 62% in Q3 2016.

Our 180 day new sales pipeline increased 25% compared to Q3 2015. We continue to work closely with our customers. The network development projects that we delivered in 1H 2016 and additional projects underway will drive further growth.

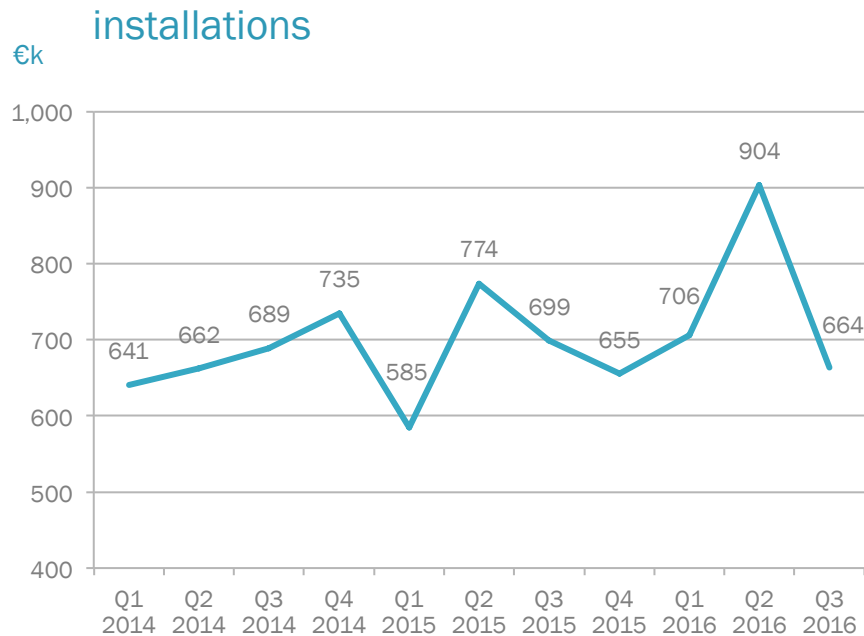
The funnel of sales opportunities remains good moving into Q4 2016.

02

lead performance measures

service installations remain strong

Service installations were €664k in Q3 2016 after a high installations quarter in Q2 2016.



Service installations were €664k in the quarter, following record installations in Q2 2016. Some of the growth in installations in Q2 2016 was driven by the move in an euTrade service trading venue.

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.

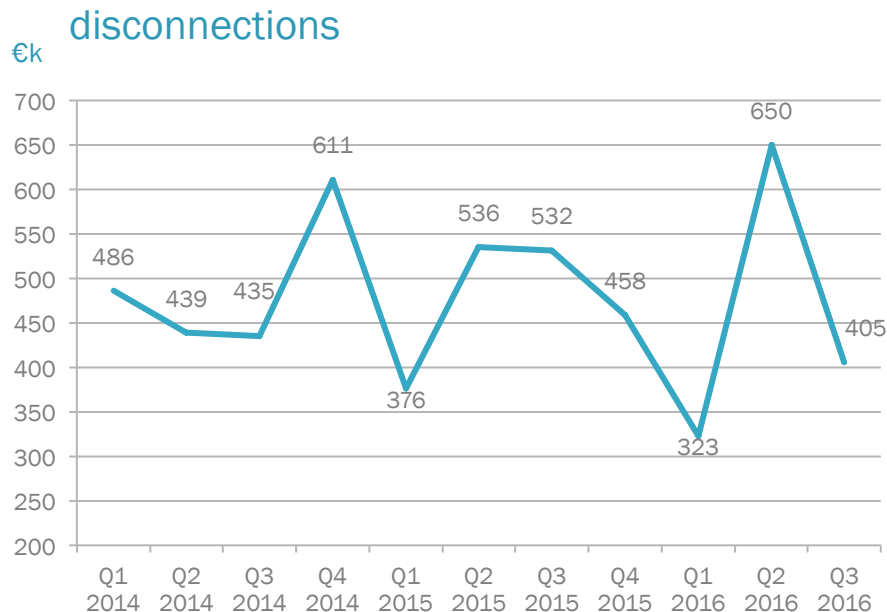
Overall our operating business continued to perform strongly in 3Q 2016.



lead performance measures

we continue to closely manage disconnections

Disconnections improved in Q3 2016, with 44% of these being service replacements. Churn in Q3 2016 was 0.9%.



Our disconnections were €405k in Q3 2016, down 24% from Q3 2015 and down 38% from Q2 2016. 44% of these disconnections were due to service replacements.

Q3 2016 churn averaged 0.9%, improving from 1.3% in Q3 2015 and 1.1% in Q2 2016. Churn YTD averaged 0.9%, improving from 1.1% churn rate in 2015.

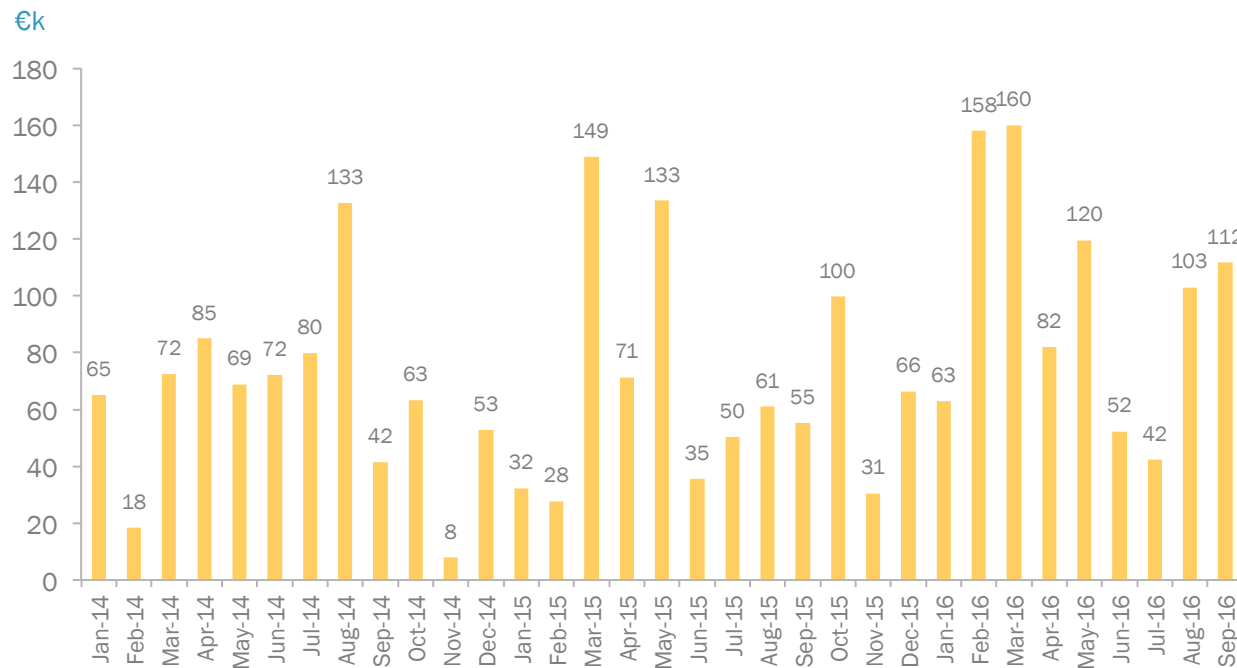


lead performance measures

delivering solid MISR performance

MISR performance in Q3 2016 was up 55% from Q3 2015.

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



MISR was €257k in Q3 2016, up from €166k in Q3 2015 and €254k in Q2 2016.

Our continued solid sales performance, service installations and disciplined disconnection management drove a strong MISR performance overall.

02

lead performance measures

Q3 product performance

	Q3 2015 recurring revenue (€M)	Q2 2016 recurring revenue (€M)	Q3 2016 recurring revenue (€M)	QoQ growth %
Focus Products	21.2	23.6	23.6	0.0%
<i>Fibre</i>	6.5	6.8	6.9	1.5%
<i>Wavelengths</i>	9.2	11.2	11.2	0.0%
<i>Ethernet</i>	5.5	5.6	5.5	(1.8)%
Non-Focus Products	6.0	5.9	5.8	(1.7)%
Focus & Non Focus Products	27.2	29.5	29.4	(0.3)%
Power, Monthly Amortised Revenue, Other	2.5	2.7	2.1	(22.2)%
Recurring Revenue	29.6	32.2	31.8	(1.2)%


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

90% of new sales were from focus products in Q3 2016, down slightly from 93% in Q2 2016. Over time, we forecast that these products will consistently represent >90% of our sales.

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

02

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



solid growth in Q3 2016

€M	Q3 2016	Q3 2015	% change	Q2 2016	% change
Total Revenue	31.8	29.6	7%	32.2	(1%)
<i>Recurring Revenue</i>	31.8	29.6	7%	32.2	(1%)
Gross Profit	24.9	23.0	8%	25.2	(1%)
Gross Profit Margin %	78.1%	77.6%	1%	78.4%	(0.4%)
Adjusted EBITDA	10.8	8.2	33%	10.7	1%
Capital Expenditure	11.9	11.3	NA	16.1	NA
Proxy Cash Flow	(1.1)	(3.1)	NA	(5.4)	NA

Recurring Revenue grew 7% compared to Q3 2015 and grew 9% year to date versus the same period in 2015, reaching €94.6m. On a constant currency basis, the business delivered double digit growth year to date in 2016. Q2 2016 revenue performance benefitted from some dual running from the trading exchange venue move.

Gross Profit improved 8% from Q3 2015. Year to date gross profit was €74m, up 10% from the same period of 2015.

Gross Margin was 78.1% in the quarter, improving from 77.6% in Q3 2015. Year to date, gross margin reached 78.2%.

Adjusted EBITDA, the key driver of value in our business, was €10.8m, up by 33% from Q3 2015 and up by 31% year to date.

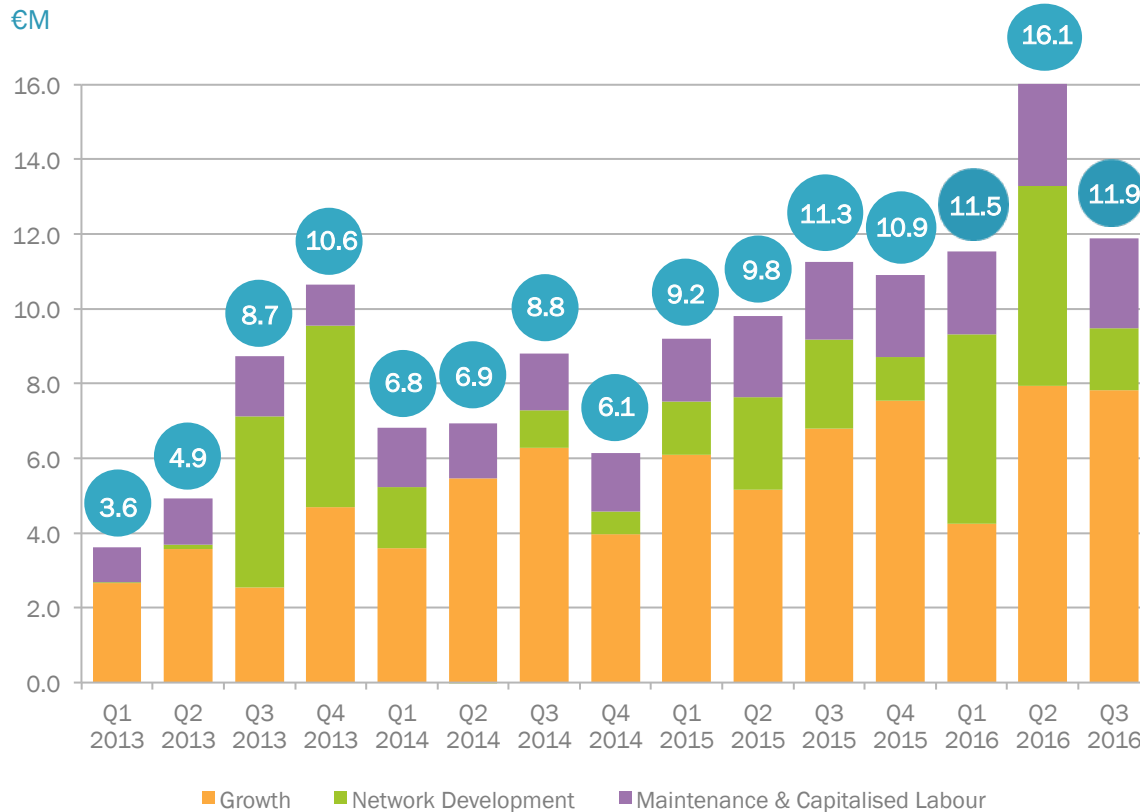
Capital Expenditure of €11.9m in Q3 2016 was higher than Q3 2015 but lower than Q2 2016, which was a key investment quarter for the business.

As a result, **Proxy Cash Flow** in Q3 2016 was €(1.1)m compared to €(3.1m) in Q3 2015 and €(5.4)m in Q2 2016.



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

capital expenditure for growth



Capital expenditure of €11.9m in Q3 2016 supports revenue growth.

Capital spend in Q3 2016 was lower than Q2 2016 which was a key investment period. This spend was driven by the phasing of customer and network development projects.

Success based customer projects accounted for 66% of spend in Q3 2016, up from 49% in Q2 2016. Network developments accounted for 14% of spend in the quarter, down from 33% in Q2 2016. This reflected the completion of long haul expansions to Marseille and to Stockholm in Q2. 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

	Q3 Act	Q3 Act	2016 vs 2015		Q2 Act
	2016	2015	Var	Var %	2016
Revenue	31.8	29.6	2.2	7%	32.2
Recurring Revenue	31.8	29.6	2.2	7%	32.2
NetEx	7.0	6.6	(0.4)	(6%)	7.0
Gross Profit	24.9	23.0	1.9	8%	25.2
Gross Margin %	78.1%	77.6%	0.5%	0.5%	78.4%
OpEx	14.0	14.9	0.9	6%	14.5
NetOpEx	7.0	7.2	0.2	3%	7.2
Staff Costs	5.5	5.7	0.1	3%	5.7
Other SG&A	1.5	1.9	(0.5)	(24%)	1.7
a/EBITDA	10.8	8.2	2.6	33%	10.7
a/EBITDA %	34.1%	34.9%	(1.7) pp	(5%)	33.1%
n/a/EBITDA	11.0	8.9	2.2	24%	11.1
EBITDA	11.2	8.2	3.0	37%	10.5
Depreciation & Amortisation	5.8	7.5	1.6	22%	7.9
Operating Result	5.4	0.7	4.6	n.a.	2.6
Finance Costs	1.3	1.0	0.3	28%	1.1
Profit Before Tax	4.1	(0.3)	4.4	n.a.	1.5
Tax	(0.3)	0.0	0.3	n.a.	(0.0)
Net Profit After Tax	4.4	(0.3)	4.7	n.a.	1.6



appendix

balance sheet

	Quarterly Performance			
	Q3 2016	Q3 2015	2016 v 2015	
(€ in millions)			Var	Var %
Assets				
Property, Plant and Equipment	237.4	214.0	23.4	11%
Intangible Assets	10.0	11.2	(1.2)	(10%)
Goodwill	24.2	25.1	(0.9)	(4%)
Deferred Tax Asset	3.4	4.9	(1.5)	(32%)
Other Non-Current Assets	3.0	2.6	0.4	14%
Non-Current Assets	278.0	257.8	20.2	8%
Cash and Cash Equivalents	17.2	16.6	0.6	4%
Trade Receivables	13.0	14.2	(1.2)	(8%)
Other Receivables and Prepayments	6.1	6.4	(0.3)	(5%)
Assets Held for Sale	0.2	0.2	-	0%
Current Assets	36.6	37.5	(0.9)	(2%)
Total Assets	314.6	295.3	19.3	7%
Liabilities & Equity				
Share Capital	291.9	291.9	-	0%
Treasury Shares	(6.5)	(6.5)	-	0%
Employee Share Option Reserve	15.4	11.2	4.2	38%
Cumulative Translation Reserve	0.7	0.7	(0.0)	(0%)
Retained Profits	(106.3)	(109.1)	2.8	(3%)
Total Equity	195.2	188.2	7.0	4%
Trade Payables	3.2	3.9	0.7	19%
Income Tax Payables	(0.2)	0.3	0.5	(179%)
Finance Lease Liabilities Current	0.4	1.0	0.6	61%
Deferred Revenue Current	5.6	5.1	(0.5)	(10%)
Other Payables and Accruals	15.6	18.2	2.6	15%
Current Liabilities	24.5	28.6	4.1	14%
Interest Bearing Loans	70.8	50.0	(20.8)	(42%)
Finance Lease Liabilities Non-Current	0.5	2.3	1.8	79%
Deferred revenue non-current	15.6	16.5	0.9	6%
Deferred Tax Liabilities	4.6	4.3	(0.3)	(8%)
Non-Current Provisions	3.5	5.4	1.9	36%
Non-current Liabilities	94.9	78.5	(16.4)	(21%)
Total Liabilities & Equity	314.6	295.3	19.3	7%

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 €20.8m as a result of draw downs from our debt facility and scheduled repayments.

Equity increased €7.0m due to additional share option reserves, partly offsetting movement in Group retained profits in the year.



appendix

cash flow

	Quarterly Performance			
	Q3 2016	Q3 2015	2016 vs 2015 Var	2016 vs 2015 Var %
<i>All figures in €m</i>				
Operating Cashflow				
Cash from Operations	10.8	8.2	2.6	32%
Working Capital movement	1.0	(1.9)	2.9	152%
Total from Operations & WC movement	11.8	6.2	5.6	90%
Tax Expense, FX and Other	(0.4)	(0.2)	(0.2)	(93%)
Investing Activities				
CapEx	(11.9)	(9.8)	(2.1)	(21%)
Acquisition in Subsidiaries	0.0	-	-	n/a
Total Investing Activities	(11.9)	(9.8)	(2.1)	(21%)
Financing Activities				
Net increase in debt (new debt arrangement)	6.7	-	6.7	0%
Cancellation of Finance Lease liabilities	(1.9)	-	(1.9)	0%
Interest paid, finance lease repayments & debt raise cost	(0.9)	(1.2)	0.3	25%
Net Financing (Costs) /Income	3.8	(1.2)	5.0	406%
Cash Movement	3.4	(5.0)	8.4	167%
Opening Cash	13.9	21.7	(7.8)	(36%)
Closing Balance	17.2	16.6	0.6	4%

