eir Third Quarter and Nine Months to 31 March 2017 Results Presentation

Richard Moat – Chief Executive Officer
Huib Costermans – Chief Financial Officer

28 April 2017

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Agenda

- Business highlights
- Economic update
- Strategic priorities
- Trading highlights
- Business unit performance
- FY17 outlook
- Q&A

Business highlights

Financial

Q3 Revenue €325m

1% YoY

- Underlying YoY revenue growth of 1%[1]

Q3 EBITDA €131m

10% YoY

- YoY EBITDA growth of 5% when adjusted for PY storm costs

Operational KPIs

530,000 fibre customers

35% YoY

- 136,000 connections YoY
- 33% fibre penetration

Multi-play bundles

24% of households now subscribing to 3P+ bundles

5p.p YoY

Over 210,000 eir sport customers

48% of mobile base in contract

1p.p YoY

Key developments

- eir's 300,000 FTTH rollout removed from NBP intervention footprint
- **82,000** premises passed with FTTH
- eir first to market with Wifi calling
- Rating upgrades to B+/B1 from three rating agencies
- Refinancing of loan facility resulting in combined **€40m** in interest savings, extension by 2 years and new covenant package

Competitive market dynamics remain

[1] *Reported Q3 revenue of €319m was broadly flat YoY*

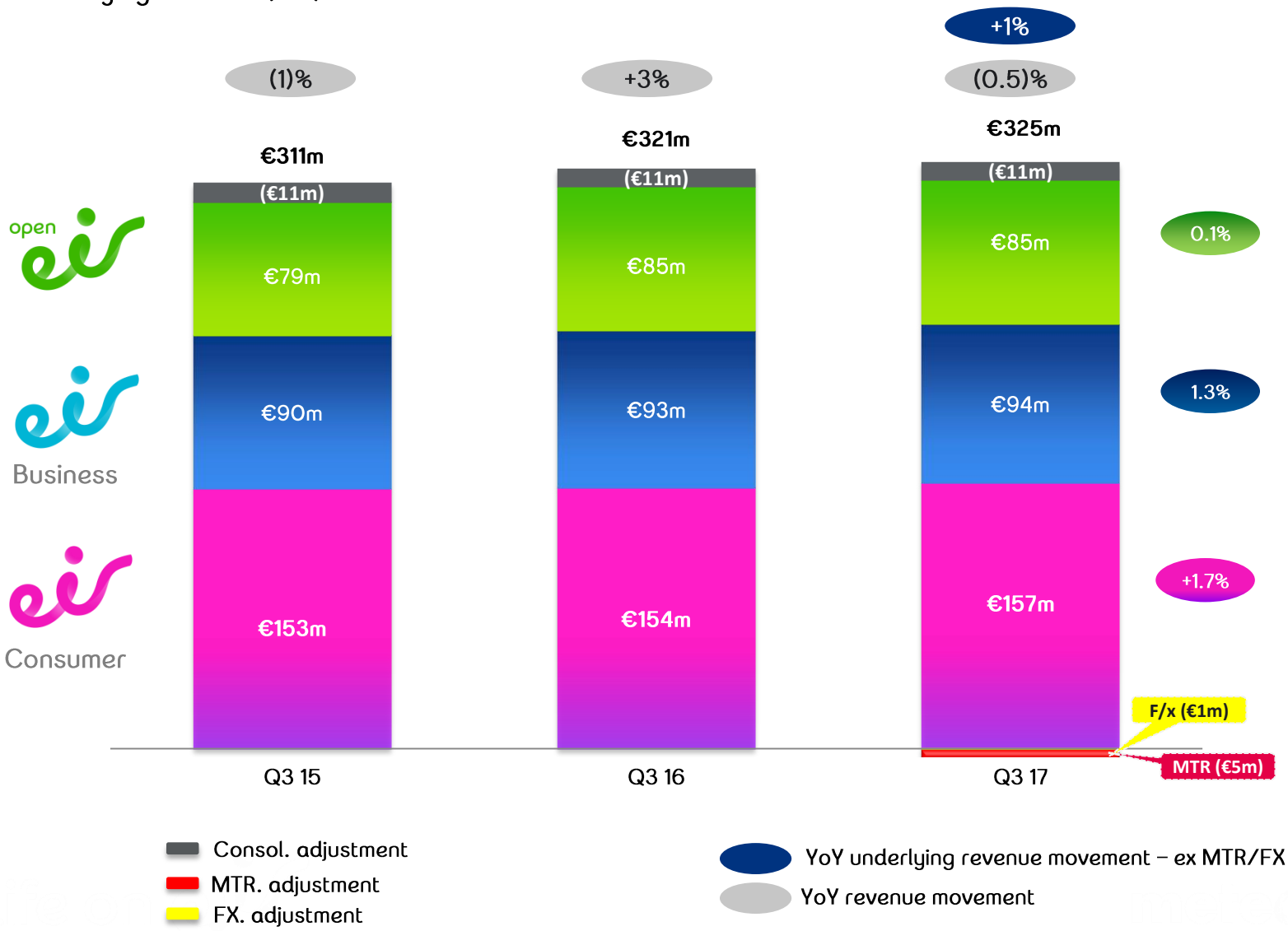
eir signs commitment contract with the Government to deliver FTTH to 300,000 premises in rural Ireland

- eir 300,000 commercial rollout removed from the Government National Broadband Plan (NBP) intervention area – now confirmed at 542,000 premises
- **82,000** FTTH premises passed, of which 44,000 relates to the 300,000 rural rollout
- On track to pass 300,000 premises by Dec 2018
- eir remains engaged in the NBP
  - Official timeline to award contract is end of 2017

Pictured in Ardnanure, Roscommon is Minister Denis Naughten, Jackie Byrne – an eir FTTH customer - who owns and operates CSS Compliance from the family home in Ardnanure and Richard Moat CEO eir

Revenue by business unit remains robust despite negative impacts of regulation & forex

Business Unit Underlying Revenue (€m)



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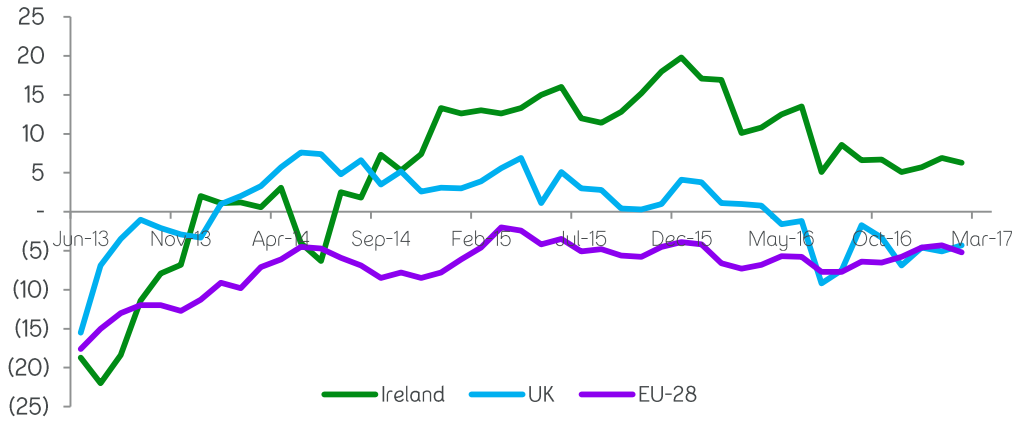
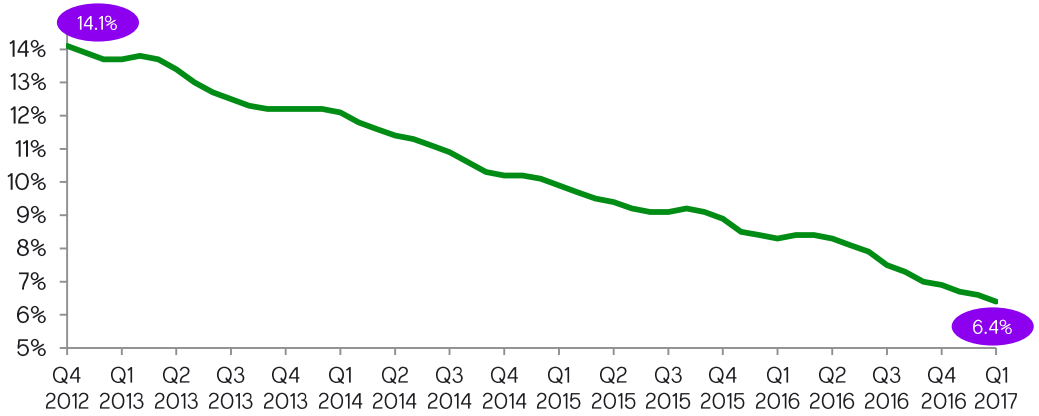
Macro environment remains robust

Consumer confidence remains ahead of EU [1]



Unemployment has fallen by c. 8 p.p. since Q4 2012 [3]



- Positive economic backdrop remains despite Brexit concerns
- Consumer confidence while ahead of EU average remains fragile
- Forecasted GDP for 2017 revised up from 3.5% to 3.8%[2] in the last quarter and expected to outperform the EU and UK
- Unemployment rate continuing to fall - 6.4% at March 2017

(1) Source: European Commission Services Consumer Confidence Indicator
(2) Source: Economic & Social Research Institute – Quarterly Economic Commentary (Spring 2017).
(3) Source: CSO labour market statistics for both sexes between ages 15-74

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Key strategic priorities

- **Customers:**

  Improving customer experience and advocacy

- **Best in class network:**

  Connecting everyone and everything in Ireland

- **Smart Growth:**

  Building sustainable growth through innovation and investment

- **Simplicity:**

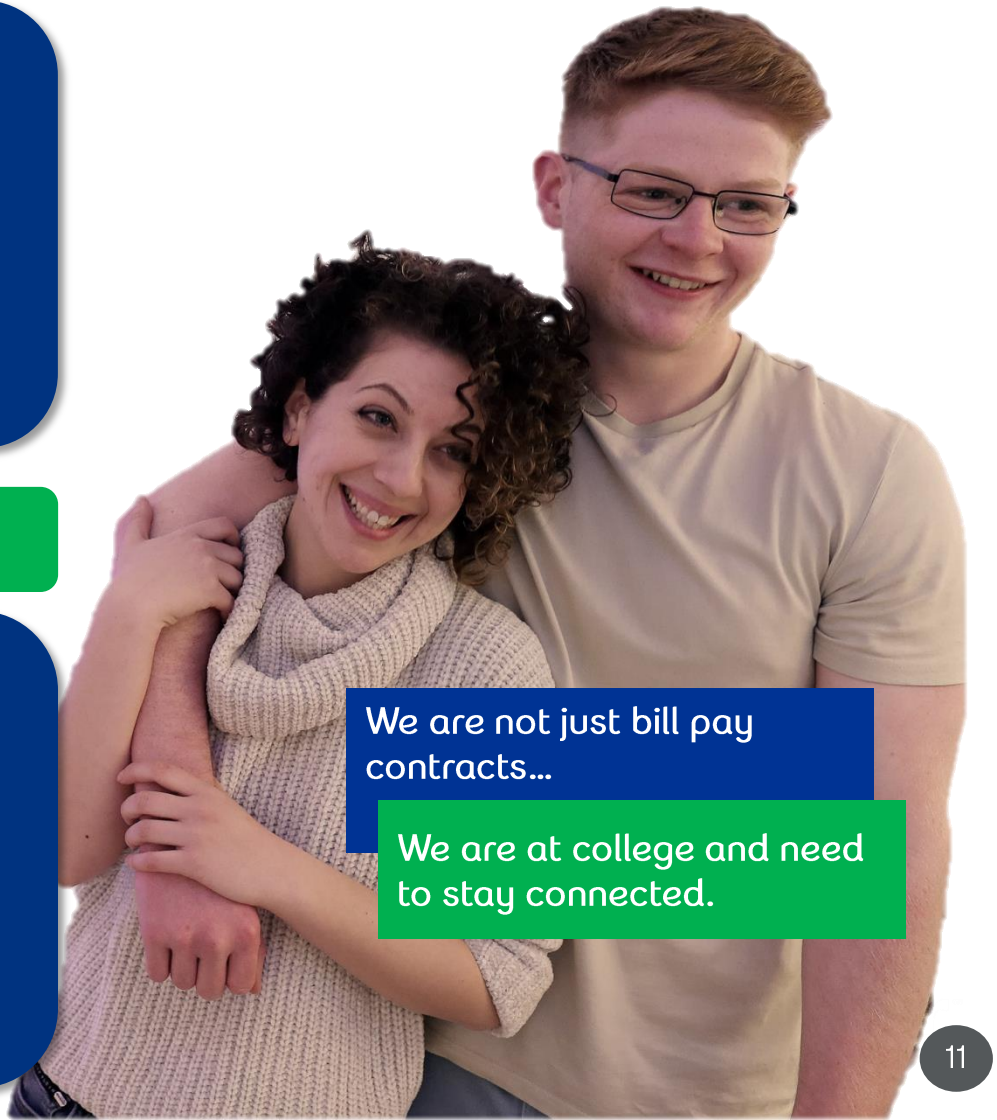
  Striving to continuously simplify our operations and processes

Improving customer experience and advocacy

Improving customer experience..

- **Improved customer on-boarding**
  - ✓ eir connect team are now handling all new orders
- **Continued digital expansion**
  - ✓ Launch of fault tracking capability via my eir app.
- **Improved propensity to contact**
  - ✓ 13% reduction in call volumes in Q3 YoY

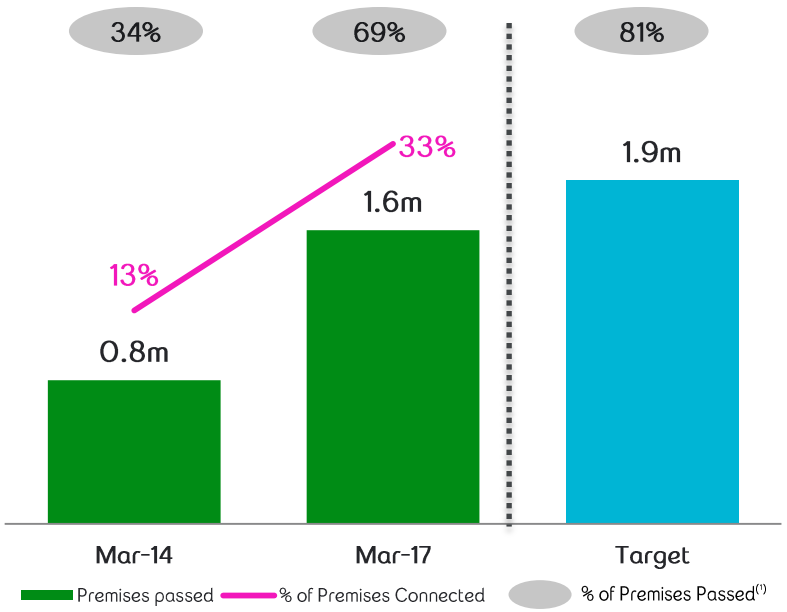
..driving increased customer effort score



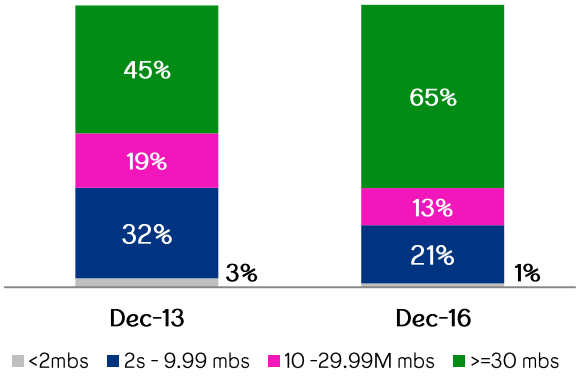
Best in class network – fixed

- Future-proofed network investment passing **69%** of Irish premises & connecting **33%** of customers
- Fibre initiatives continue with focus on FTTH – **82,000** FTTH premises passed, of which 44,000 relates to the 300,000 rural rollout
- Approx. **€518m** invested to date on the fibre investment
- **85%** of current rollout programme complete and on track to pass 1.9m premises by Dec 2018
- eir fibre network delivering an increase in available broadband speeds for customers

eir fibre footprint...



..delivering increasing speeds for broadband customers(2)



(1) Assuming 2.35m premises in Ireland
(2) Source: ComReg – fixed broadband download speeds

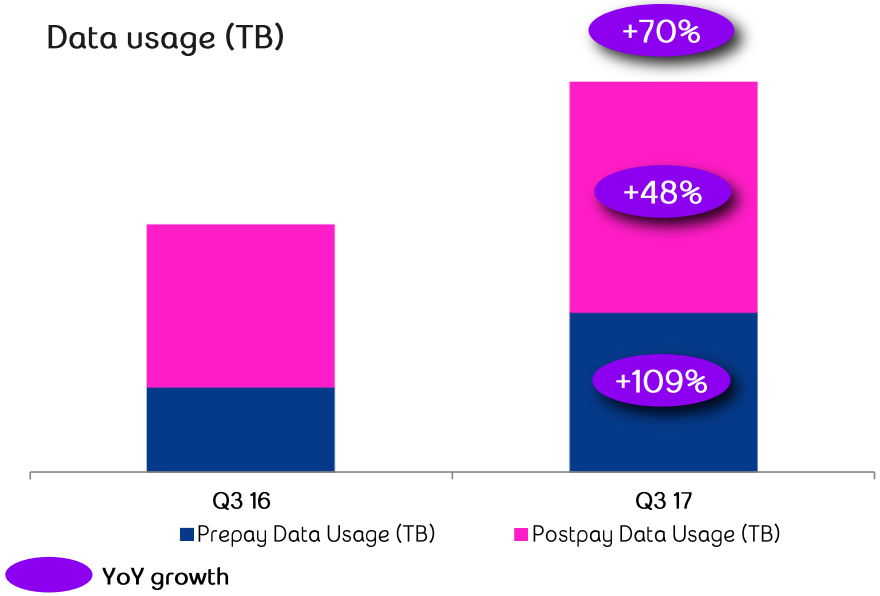
Best in class network - mobile

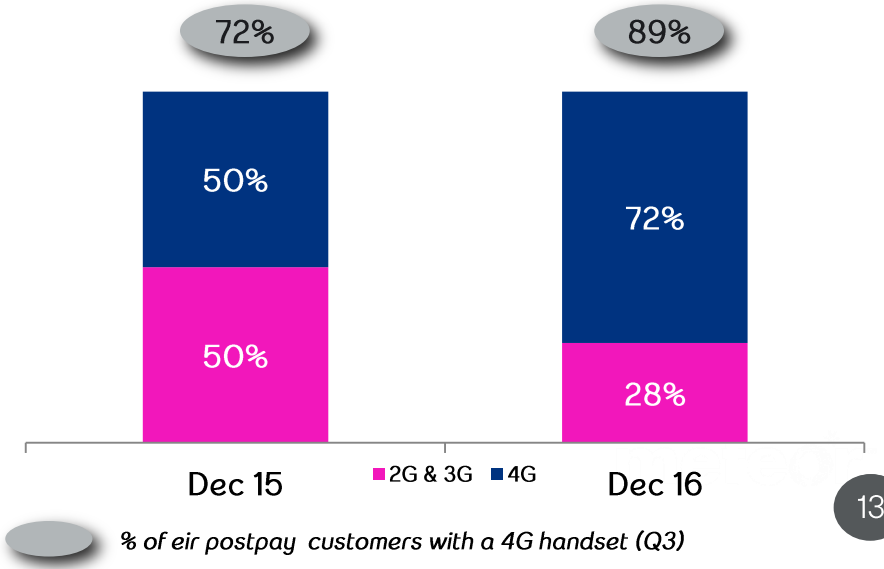
- **95%** 4G coverage and nationwide 3G coverage network including HSPA + coverage of 80%

- Supporting an increase in demand for mobile data – up **70%** YoY

- **72%** of mobile data is now generated on 4G networks, up from 50% in the prior year

- eir first to launch **Wifi calling** this quarter supporting our converged strategy and improving customer experience

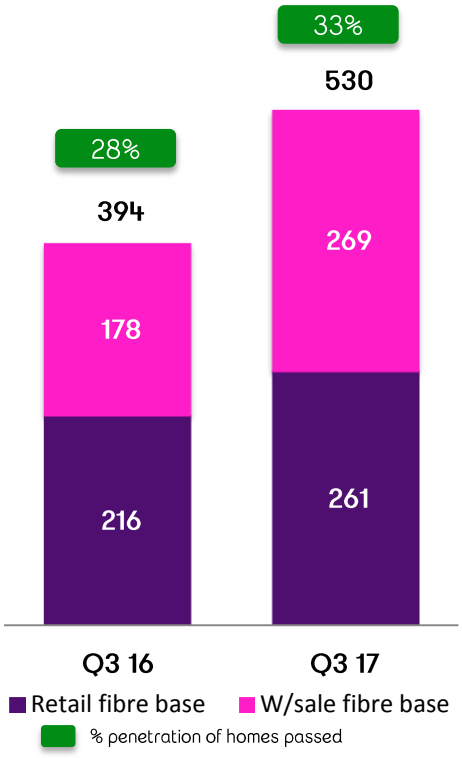




(1) Coverage refers to outdoor population coverage
(2) Source: ComReg Q4 2016 Quarterly Key data Report

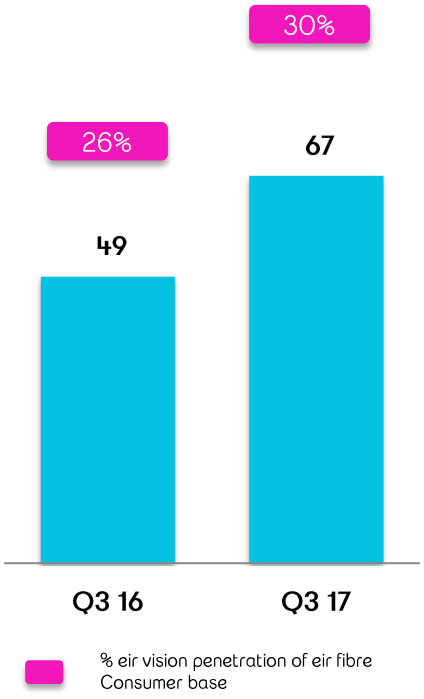
Smart growth

Group fibre base ('000)



Fibre base enabling multi-product bundles

eir vision base ('000)



Value TV offering & eir sport driving quad play take-up

Postpay subscriptions ('000)

Increasing higher value postpay contracts & bundle penetration – 11% increase in eir mobile base

Household view[1]

70% of customers with 2P+
2.16 RGU's per HH, up from 2.02 RGU's Q3 FY16

[1]*Represents percentage of consumer households with fixed access paths subscribing to fixed voice, fixed broadband, TV and/or bundled mobile services*

eir sport

- Exclusive content delivered over 7 channels with the recent addition of BoxNation and EuroSport 1&2
- This quarter we have Alliance League GAA and Premier League games **exclusively** as well as games across FA Cup, European Rugby, UEFA, Formula 1, Masters Golf and Box Nation among others
- Over **210,000** customers - **42%** uptake by eir consumer broadband customers
- Early days but broadband churn rates improving – eir sport customers are very engaged and with low churn rates
- eir sport for mobile launched in April 2017

Simplicity

Product Rationalisation

Mass market products down from 450 to 275 - on target for <200 by year end

B2B mobile product rationalisation commenced

Process Simplification

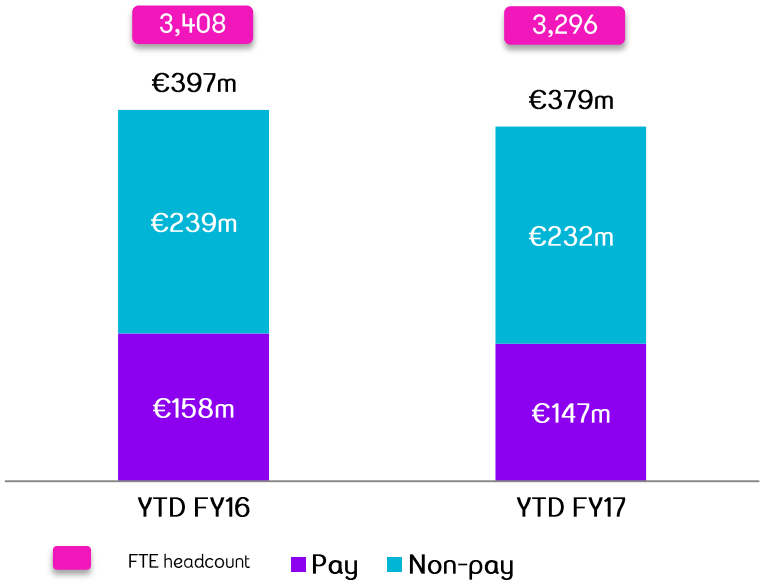
Customer onboarding process management positively impacting KPIs including Customer Effort

Transformation of IT Landscape

OSS planning phase commenced

Review of BSS platforms and suppliers underway

Operating costs



5% YoY

- 5% reduction in pay/non pay costs[1]
- On track to deliver full year savings of 4%
- Continue to implement opportunities identified as part of AT Kearney benchmarking exercise

Cross functional simplification driving efficiency and improved customer satisfaction

[1] YoY pay and non pay savings of 3% excluding the impact of PY storm costs (€5m)

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Maintaining underlying revenue growth:
1% for **Q3** and **2%** year to date

EBITDA growth of **10%** YoY for **Q3 and 5%** year to date

Pay and non pay cost savings of **7%** in **Q3** and **5%** year to date

Encouraging KPI growth:

- **54,000** growth in group **broadband YoY**
  60% of broadband base on fibre
- **48%** of mobile base in contract

Capex remains at elevated levels due to continued fibre investment

Closing cash in line with expectations
Q4 cash will be impacted by refinancing fees and debt repayment

Group EBITDA – Q3 FY17

Group EBITDA – Q3 FY2017	Q3 FY17	v Prior Year Better/(Worse)	v Prior Year Better/(Worse)
	€m	€m	%
Fixed line revenue	250	5	2%
Mobile revenue	86	0	0%
Eliminations	(11)	0	(2%)
Underlying revenue growth before MTR/FX	**325**	**5**	**1%**
MTR/FX Adjustment	(6)	(6)	N.M
Reported revenue post MTR/FX	**319**	**(2)**	**(1)%**
Cost of sales	(65)	2	5%
Gross profit	254	0	1%
Gross Margin	80%	.9 p.p	
Pay costs	(48)	6	10%
Non pay costs	(75)	4	5%
Operating costs	(123)	10	7%
Group EBITDA	**131**	**11**	**10%**
EBITDA Margin	41%	3.8p.p	
Fixed EBITDA	111	9	10%
Fixed EBITDA Margin	*45%*	*3.8p.p*	
Mobile EBITDA	20	2	8%
Mobile EBITDA Margin	*24%*	*3.2p.p*	

- Underlying revenue of €325m up 1% or €5m YoY
- MTR/FX impact of €6m on revenues
- Operating costs down by 7% with savings in both pay and non pay costs
- Group EBITDA of €131m, up €11m or 10% YoY (5% before PY storm costs) driven primarily by pay and non-pay cost savings

[1] *Includes proportionate consolidation of Tetra Ireland at 56% for actual and prior year*
[2] *Operating costs are pay and non pay costs before non-cash pension charge and lease fair value credits*
[3] *Numbers in the above tables have been presented to the nearest million and therefore totals presented above may vary slightly from the actual arithmetic totals of such information*

Group EBITDA – Year to date FY17

Group EBITDA – YTD FY2017	YTD FY17	v Prior Year Better/(Worse)	v Prior Year Better/(Worse)
	€m	€m	%
Fixed line revenue	753	18	3%
Mobile revenue	270	(2)	(1%)
Eliminations	(32)	1	3%
Underlying revenue growth before MTR/FX	**991**	**17**	**2%**
MTR/FX Adjustment	(15)	(15)	N.M
Reported revenue post MTR/FX	**976**	**2**	**0%**
Cost of sales	(223)	(3)	(1)%
Gross profit	753	(1)	0%
Gross Margin	77%	-0.2p.p	
Pay costs	(147)	11	7%
Non pay costs	(232)	7	3%
Operating costs	(379)	18	5%
Group EBITDA	**374**	**17**	**5%**
EBITDA Margin	38%	1.7p.p	
Fixed EBITDA	329	17	6%
Fixed EBITDA Margin	*44%*	*1.7p.p*	
Mobile EBITDA	45	flat	0%
Mobile EBITDA Margin	*17%*	*1p.p*	

- Underlying revenue of €991m up 2% or €17m YoY
- MTR/FX impact of €15m on revenues
- Slight dilution in gross margin due to shift in product mix to managed services, TV and content
- Operating costs down 5% due to savings in both pay and non pay costs
- Group EBITDA of €374m, up 5% YoY (4% before PY storm costs)

[1] *Includes proportionate consolidation of Tetra Ireland at 56% for actual and prior year*
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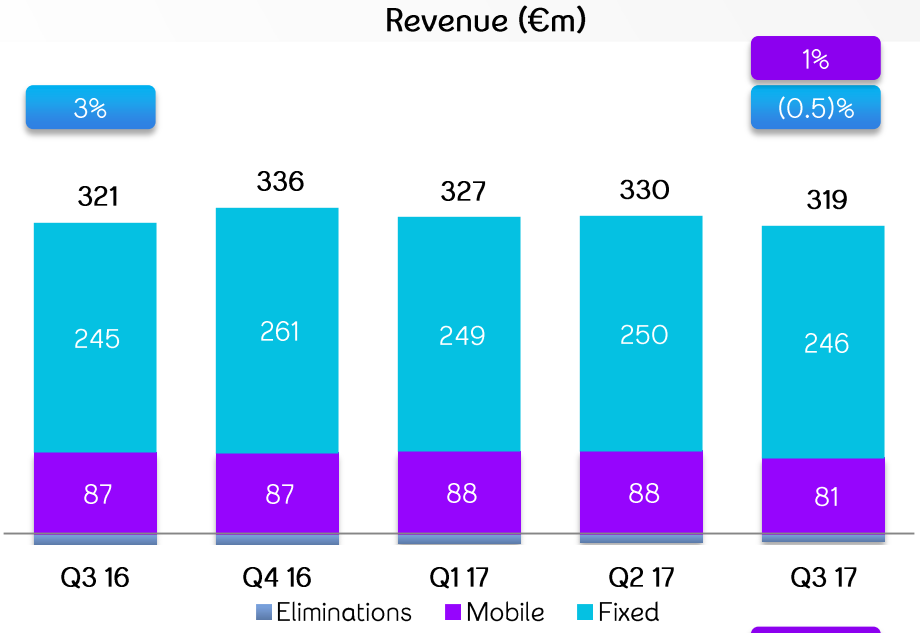
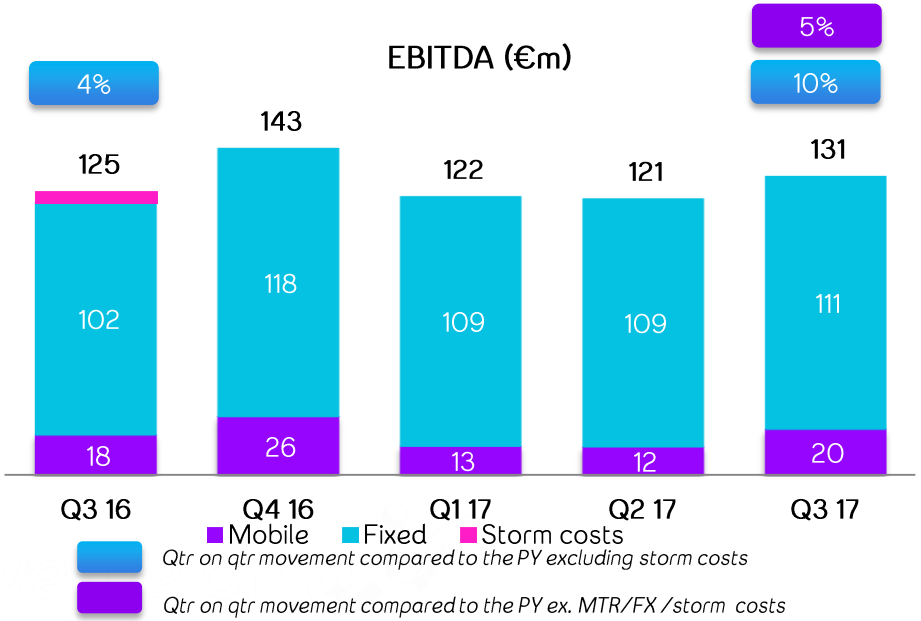
Quarterly trading to March 2017 in line with expectations





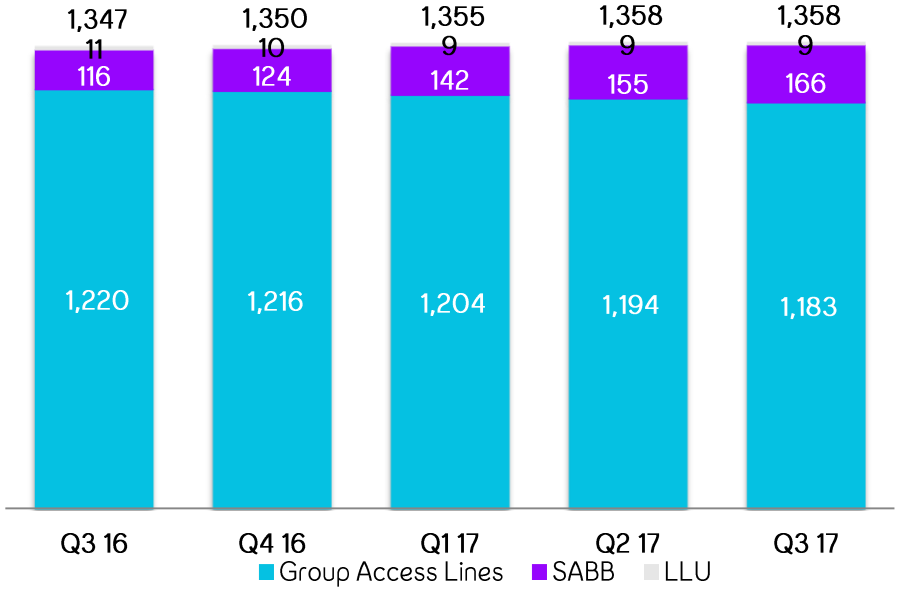
- Continued strong performance on revenues despite regulatory price reductions
- Underlying revenue growth in Q3 of €4m or 1% YoY (before MTR/FX impact)
- Bundles continue to gain traction

- EBITDA increase of 10% YoY to €131m driven mainly by pay and non pay cost savings
- 5% YoY increase in EBITDA when PY storm costs excluded – 9 consecutive quarters of YoY EBITDA Growth
- MTR reductions EBITDA neutral at a Group level

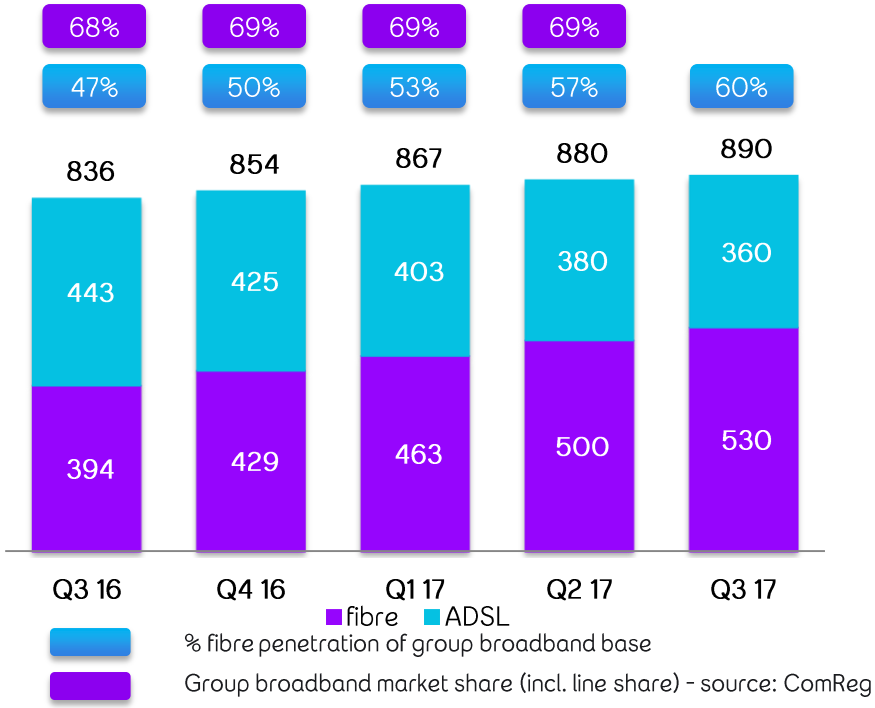
[1] *The above chart includes the proportionate consolidation of Tetra Ireland at 56% for actual and prior year*
[2] *Numbers in the above charts have been presented to the nearest million and therefore totals presented above may vary slightly from the actual arithmetic totals of such information*

Group fixed KPI's

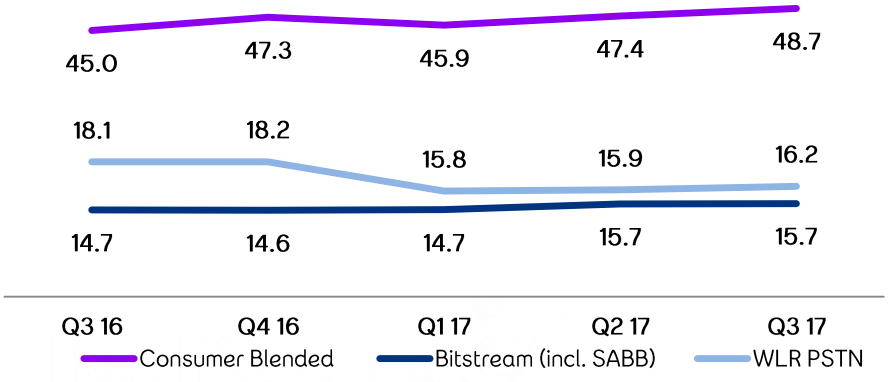
Group access paths[1] (000's)



Group broadband base[2] (000's)



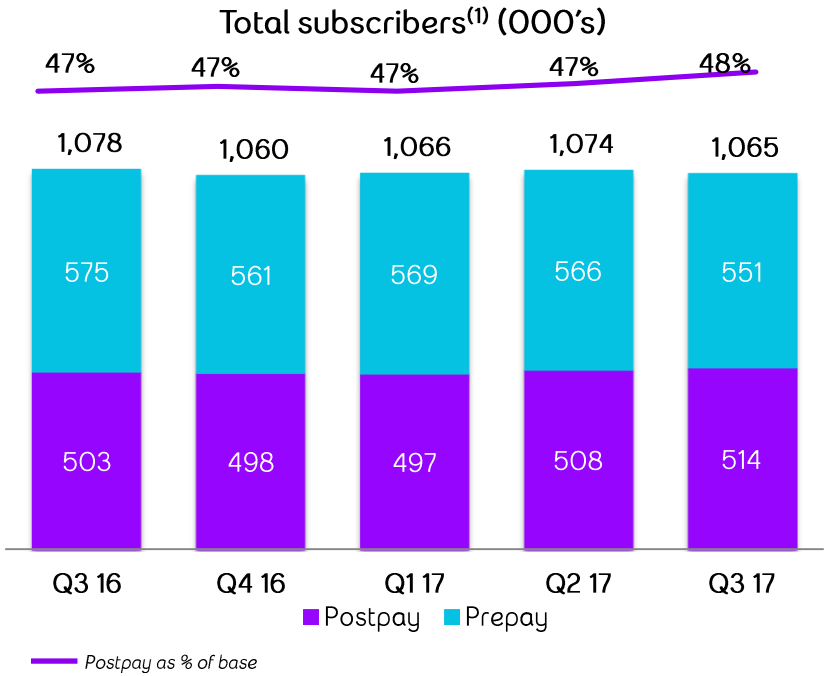
Fixed line ARPU's (€)



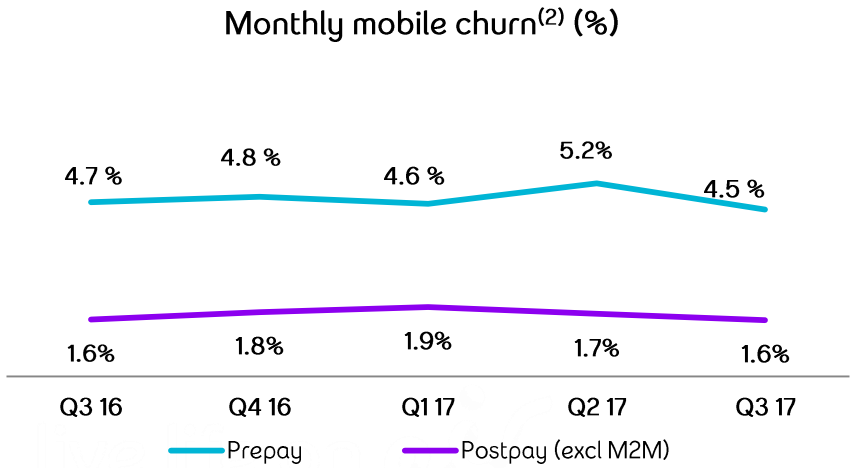
- Group access paths were broadly flat in Q3
- Continued group broadband growth: 10,000 QoQ and 54,000 YoY; **60%** of broadband base on fibre. Group broadband market share at **69%**
- Consumer blended ARPU of €48.7 up 8.2% on prior year due to introduction of higher value bundles and increased RGU's
- WLR ARPU reduction due to WLR regulatory price reduction implemented in Q1 FY17
- Bitstream YoY increase driven mainly by NGA price change and SABB

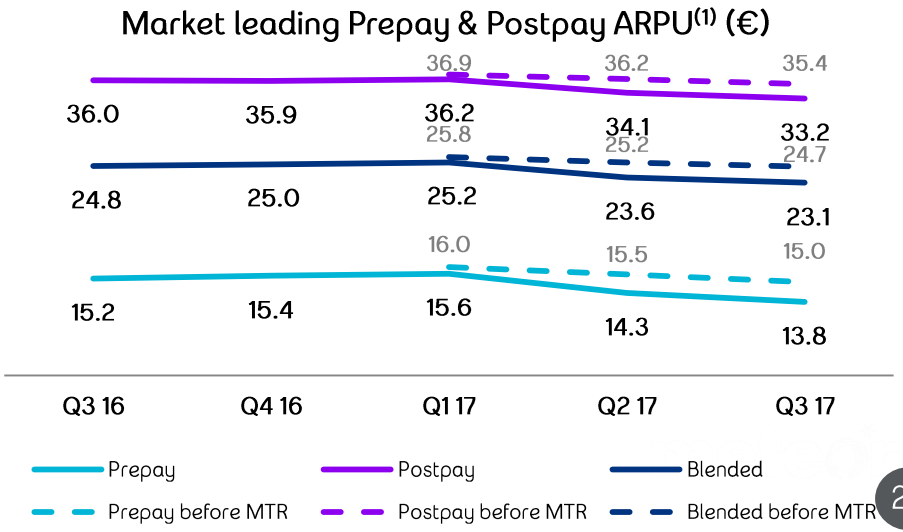
(1) Now includes SABB & LLU as access paths
(2) Excludes Line share

Group mobile KPIs



- **48%** of mobile subscribers on postpay contracts, up 1 p.p YoY.
- Postpay growth of 6,000 partially offsetting reduction in the prepay base.
- YoY blended ARPU reduction (ex. MTR) due to increased promotional activity and bundling to drive customer lifetime value.





(1)Includes Mobile Broadband and M2M
(2)Mobile churn has been restated as a result of data cleansing carried out in Q1 FY17

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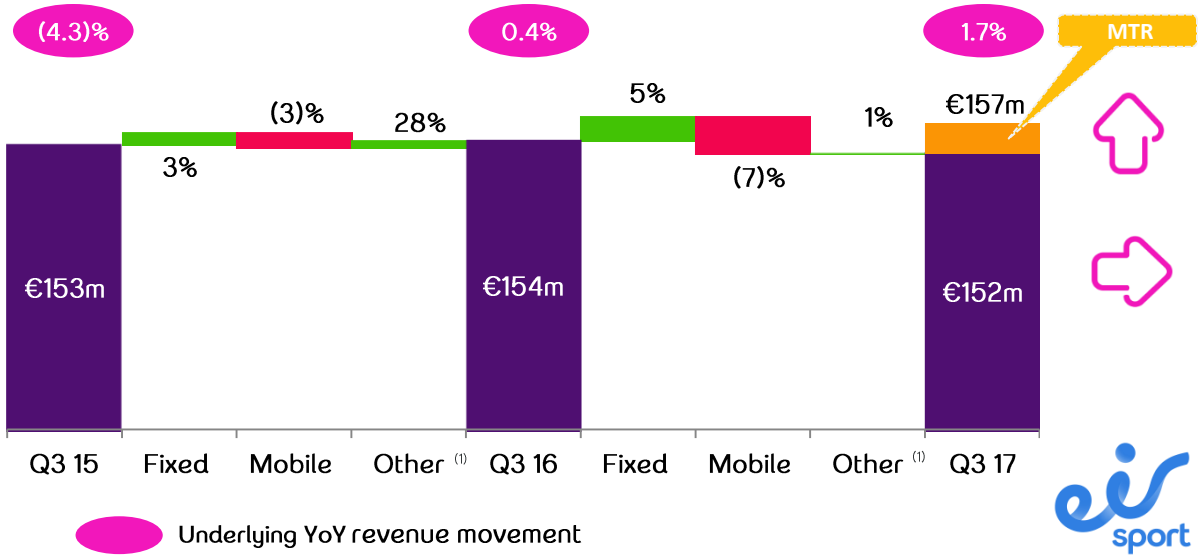
eir Consumer

Revenue movement

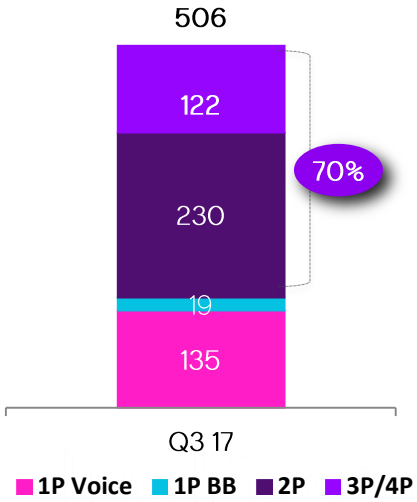


Underlying YoY revenue growth of **1.7%** mainly due to the introduction of higher value bundles including eir sport

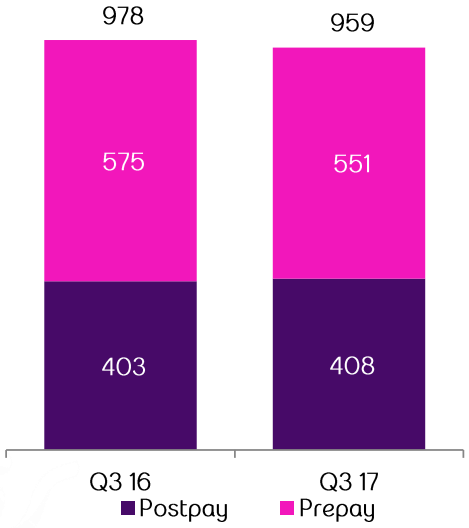
Reported revenue stable; fixed line up 5% offset by mobile reduction of 7% - mainly due to regulatory MTR rate reduction and increased promotional activity

eir Sport momentum continues to offer further value to bundle offerings – **42%** of broadband base taking eir Sport

Household view(2) ('000)



Consumer mobile base(3) ('000)



24% triple/quad penetration; up 5 p.p YoY

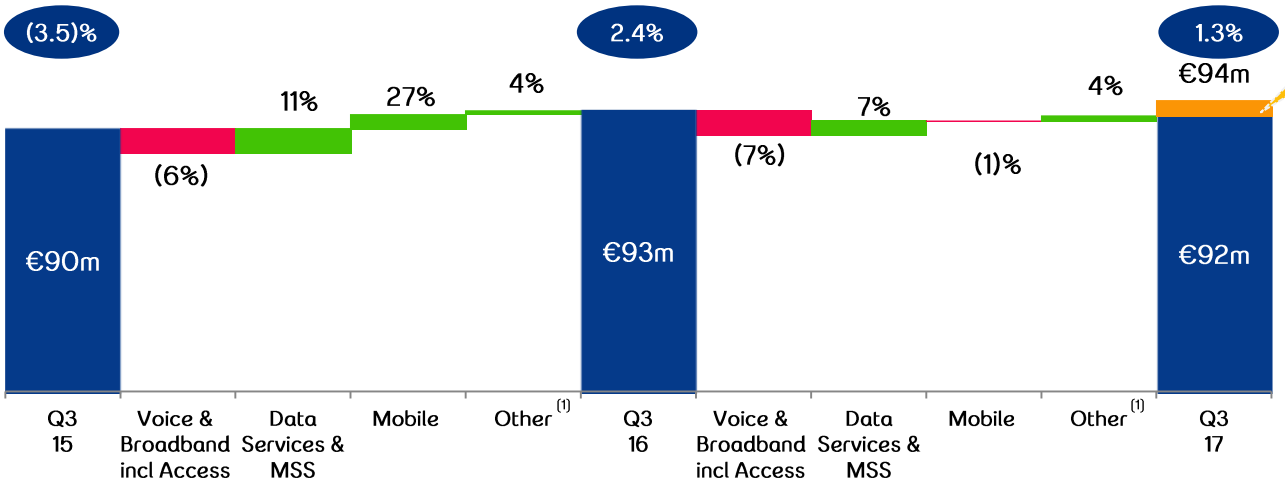
RGU per household at **2.16**, up from 2.02 on prior year

43% customers on postpay contract; up 2p.p YoY.

(1) *Other includes operator services, TV Income and miscellaneous customer credits*
(2) *Represents number of households with fixed access paths subscribing to fixed voice, fixed broadband, TV and/or bundled mobile services*
(3) *Includes Mobile Broadband*

eir Business

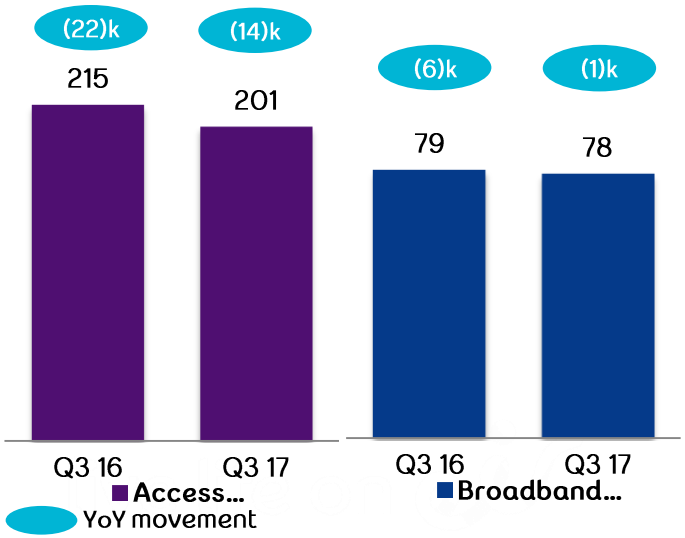
Revenue movement



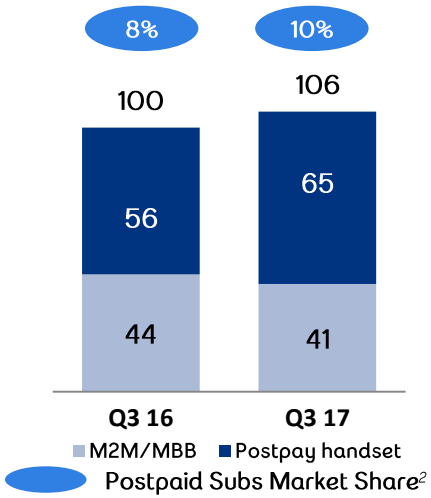
Underlying revenue up 1.3% when adjusted for MTR & FX impact

Reported revenue broadly stable

eir Business fixed base ('000)



eir Business mobile base ('000)



6% YoY growth in B2B mobile handset - 17% growth in Postpaid handsets

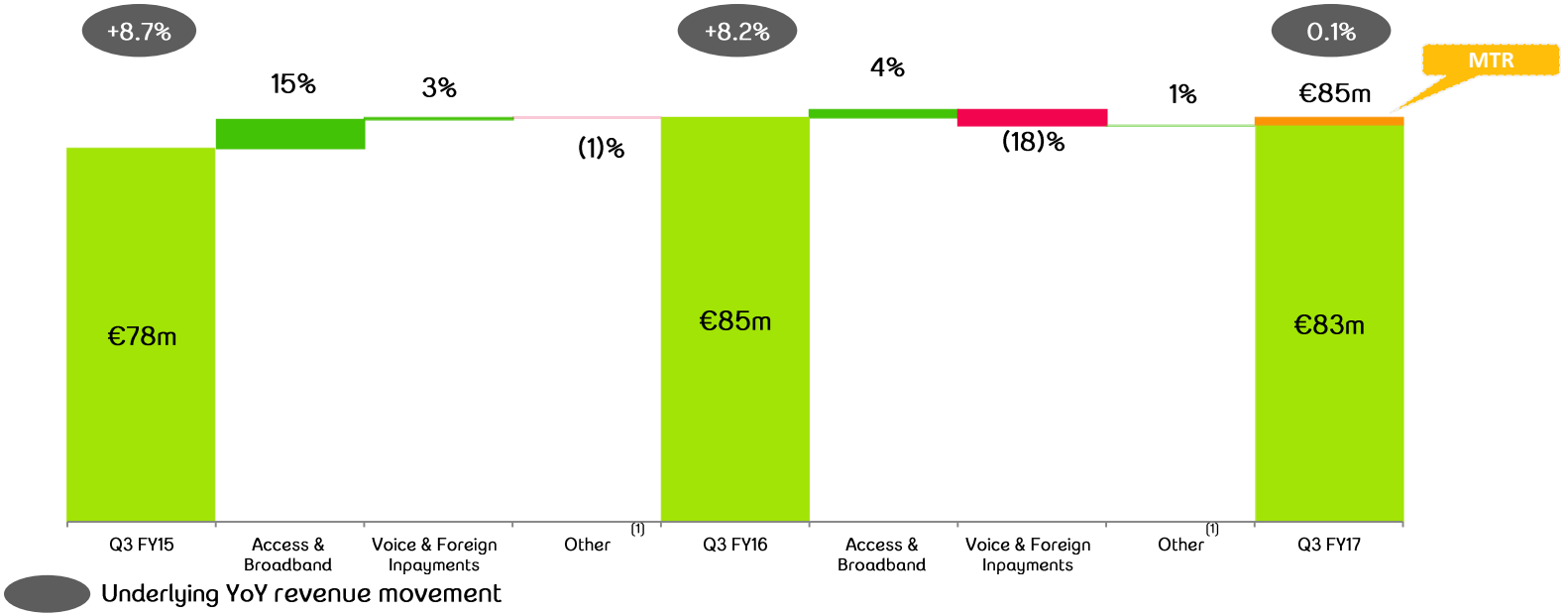
2p.p growth in business mobile market share based on subscriptions

Broadband base flat QoQ - 46% of customers on fibre; up from 32% in prior year

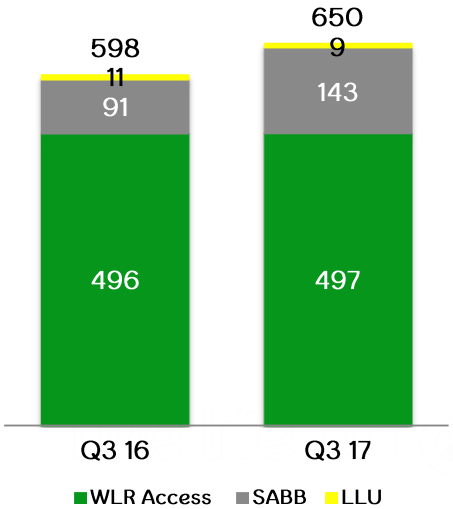
Rate of access losses continue to reduce

[1] *Other includes eir UK and Tetra revenues*
[2] *Source: Comreg ComReg Q4 2016 Quarterly Key data Report excl. M2M/MBB*

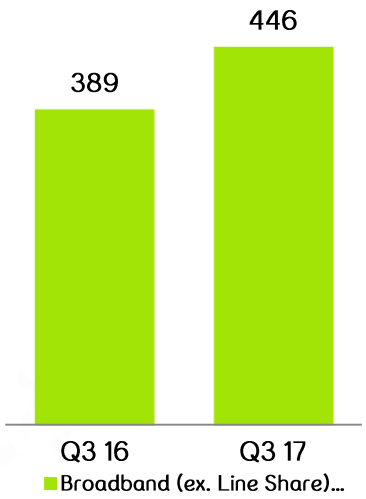
Revenue movement



Access paths '000



Bitstream '000



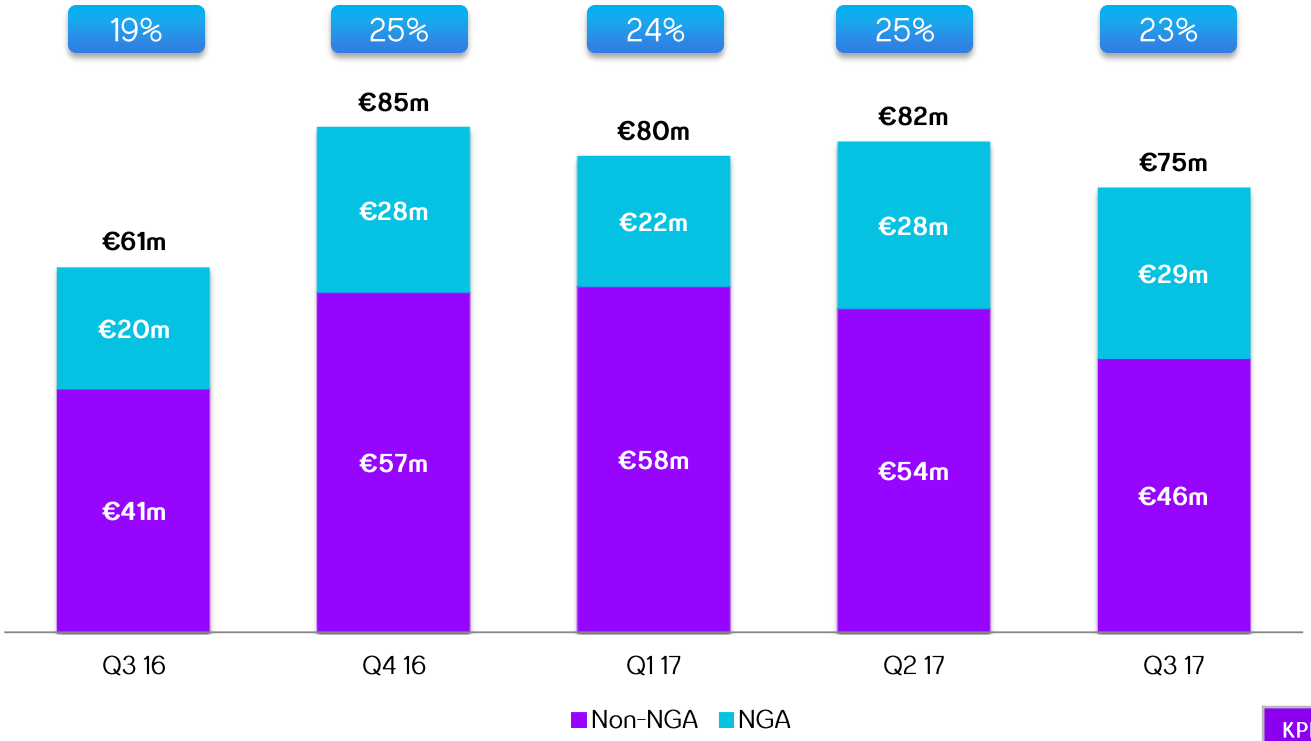
[1] *Other includes Data services, MSS and other revenue*

Underlying revenue broadly flat YoY. MTR impact of c.€2m YoY

Growth in access and broadband revenues, up 4% YoY offset by declining voice services and impact of MTR

Strong growth in access paths of 52,000 and broadband base of 57,000 YoY

Capex investment continues to drive long-term growth



- Fibre investment continues with focus on FTTH – **82,000** premises passed, of which 44,000 relate to the 300,000 rural rollout
- 4G rollout substantially complete in Q2 FY17 resulting in QoQ reduction in non-NGA capex
- Capex expected to remain at elevated levels for FY17 and FY18

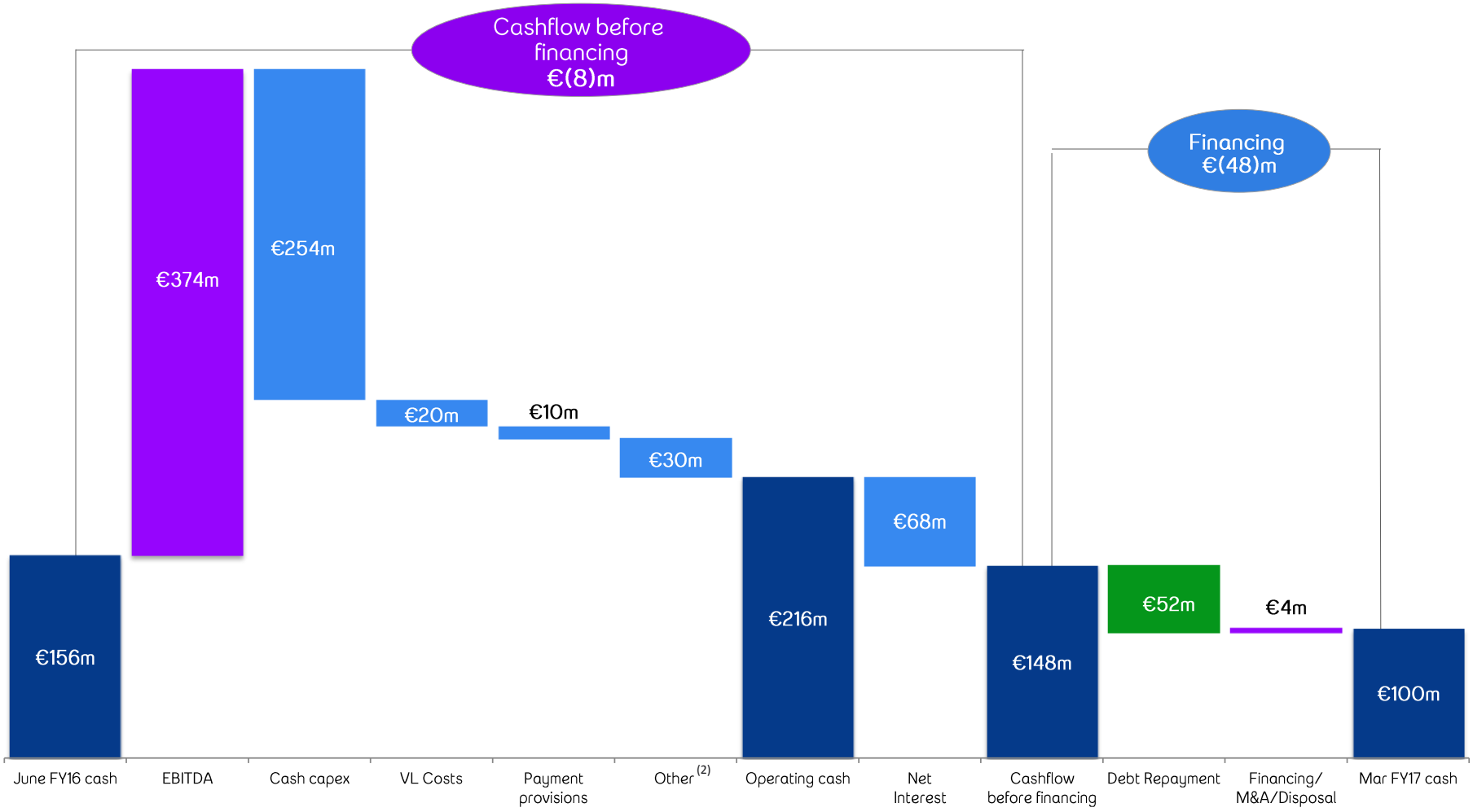
KPI's	Q3 16	Q3 17
NGA % of Irish premises passed	60%	69%
Fibre penetration	28%	33%
4G coverage	75%	95%
FTTH rollout	34,000	82,000

Incurred capex % Revenue

Table represents incurred capex
Capex excludes investments in acquired intangibles pertaining to eir sport

Strong liquidity despite large capex investment

YTD 2017 cash movement



Notes:
(1) Includes eircom share of Tetra cash
(2) Other includes working capital movements (driven in part by 2 vat payments in the quarter)

Successful refinancing further improves Capital Structure

Rating upgrades from all 3 agencies and ~ €40m annual interest savings

Capital structure

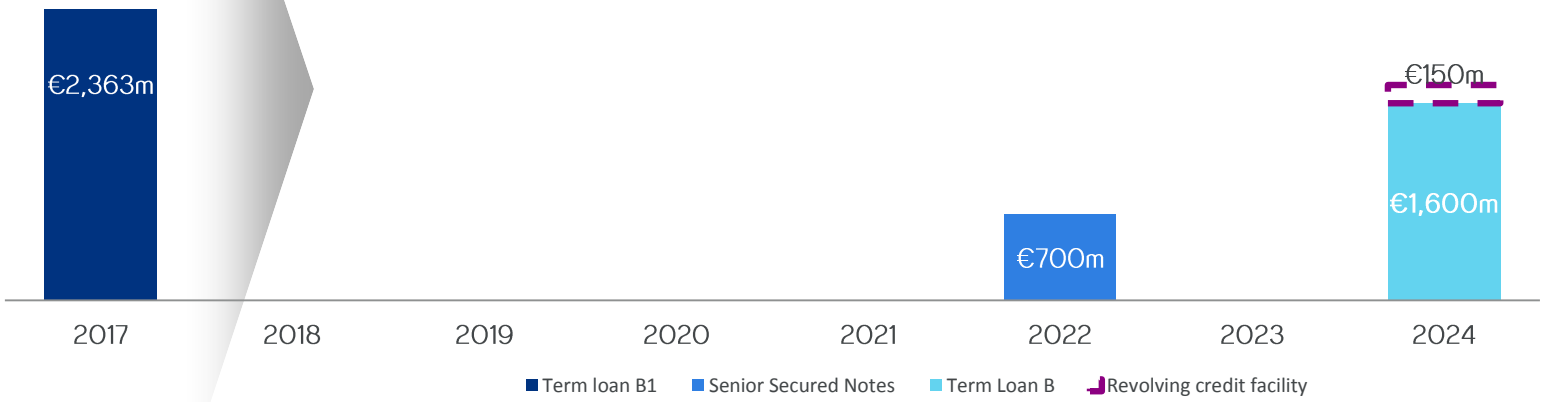
As at Mar '13

Ratings[1]
Moody's: **Caa1**, stable
Fitch: **B–**, negative
S&P: **B**, stable

As at Mar '17 – Ratings upgrade, reduced cost of debt, diversified sources, extended maturity, RCF

Ratings[1]
Moody's: **B1**, Stable
Fitch: **B+**, Stable
S&P: **B+**, Stable

Average cost of debt now **3.63%** [2] **reduced from 5.2%** at beginning of the financial year



Mar 17 - proforma €m	Balance	x LTM EBITDA	Pricing	Maturity
Term Loan B	1,600	3.1x	E + 3.25%	May-24
Senior Secured Notes	700	1.4x	4.5%	May-22
Gross debt	**2,300**	4.4x		
Cash	(100)	(0.2)x		
Net debt	**2,206**	4.3x		
LTM EBITDA: Mar '17	517			
Available RCF – undrawn	150		E + 2.75%	Oct-23

[1] *Corporate family rating*
[2] *Excluding swap and RCF interest costs*

- Increased flexibility and further reduced cost of debt post refinancing
- **Further €13 million** in annual interest savings from refinancing as result of reprice from E+4% to E+3.25%
- **~ €40 million interest savings** achieved as part of capital structure optimisation within the past year coupled with €63 million debt repayment

Agenda

Business highlights

Economic update

Strategic priorities

Trading highlights

Business unit performance

FY17 outlook

Q&A

On track to achieve FY17 outlook

EBITDA	Low single digit growth
Capex	Between 19% and 22% of revenue
Cashflow	Continued YoY growth[1]

[1] *Excludes cash impacts arising from any refinancing or M&A activities*

Q & A

Thank You

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