

EIR THIRD QUARTER FY19 RESULTS ANNOUNCEMENT



Dublin, 29 May 2019

Results in line with expectations, with continued YoY growth in fibre broadband, postpay mobile, TV, sport & product bundling

eir today announced its results for the third quarter and nine months ended 31 March 2019 which were in line with expectations. Third quarter revenue declined by 2% year on year, while EBITDA increased by 7% or €10m year on year and operating costs reduced by €19m or 16%. The company saw further solid growth in its key performance indicators, with continued year on year growth in fibre broadband and postpay customers, increasing multi-play product bundling, and increases in TV and sport subscribers.

Q3 Financial Highlights

-  7% **EBITDA of €147m**, up **€10m** year on year
-  2% **Revenue of €310m**, down **€7m** year on year
-  16% **Operating costs of €100m**, reduced by **€19m** year on year ¹
-  85% **Cash on balance sheet of €237m**, up **€109m** year on year ²

Q3 Business Updates

-  Customer care insourcing programme complete, with hundreds of customer care staff brought back in-house, with consistent improvements in service levels after transition
-  **1.9m** premises passed with high-speed fibre technology
 - **337,000** total FTTH premises passed, **275,000** as part of rural rollout
 - **81%** of Irish premises now passed with fibre technology
-  **688,000** fibre broadband connections, **73%** of total broadband base
32% of customers now on triple or quad-play bundles, up **3p.p.** year on year

¹ Operating costs are pay and non-pay costs excluding non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation, and exceptional items.
² Cash includes 56% share of Tetra joint venture.

Carolán Lennon, eir Chief Executive Officer, commented:

“We continued to make substantial progress in the third quarter as we focused on our on-going mobile and fibre infrastructure investments as well as on delivering real improvements for customers in the levels of service and care experience as we complete the transition to in-house customer service.

Investment programme

“eir is the biggest investor in telecoms infrastructure in Ireland, having invested €1.5 billion in the last five years and have committed to a further €1 billion over the next five. We continued to accelerate work and planning for our capital investment programme during the quarter, and our FTTH rollout has now passed 337,000 homes and businesses with super-fast broadband, including 275,000 rural premises. We recently announced the latest step in our €500m fibre network investment programme, agreeing a deal with KN Circet to build the Optical Distribution Network for the rollout of high-speed broadband to 1.4m premises, including every town in Ireland with more than 1,000 premises, delivering a network capable of speeds up to 10 Gbps. Together with eir’s team, this major project will support up to 1,000 jobs in design and network construction across Ireland.

“Our €150m mobile investment programme to build Ireland’s best mobile network continues to make excellent progress, with sites going live in Dublin, Carlow, Clare, Kildare, Laois and Wexford.

Refinancing

“We launched a bond and loan refinancing transaction in April which was extremely well received by the market and successfully completed in May. The significant demand from investors allowed us to raise more than originally planned, ahead of schedule, and at significantly lower pricing for our bonds. This transaction ensures that our financing is secured for the medium term and that our €1 billion network investment programme will be complete before we return to the capital markets.

“This was achieved on the back of the significant deleveraging since our acquisition last year, which has seen our net debt to EBITDA ratio fall from 4.1 times at June 2017 to 3.6 times at March 2019. We expect that by June of this year this ratio will be broadly in-line with the June 2017 level. All three major rating agencies confirmed their corporate scores for eir, highlighting the confidence they have in our business.

Customer service

“We have continued to see real progress made by our new in-house customer service teams since the transition of bringing customer care back to in-house. The increasingly positive customer feedback confirms our view that having customer-facing roles filled by direct eir staff will lead to a better experience for our customers.

“We have now completed the insourcing programme, and in the seven months since October we have hired and trained over 445 new front-line staff across our three new care hubs in Sligo, Cork, and Limerick, with an additional 220 staff having transferred to eir.

“As part of this internal reorganisation, we have also relocated over 1,000 staff from our corporate HQ to other existing company locations in Dublin.

Outlook

“It is exciting to be the CEO of a company investing so substantially in Ireland’s future connectivity, and I look forward to further investment and growth in the coming years. Our significant network investments, coupled with our innovative products and services will ensure we offer the very best fixed and mobile experience for customers across Ireland.” ■

Q3 Trading Highlights



Solid broadband growth

- **941,000** broadband customers, up **22,000** or **2%** year on year



Continued growth in TV & sport

- **79,000** eir Vision customers, up **5,000** or **6%** year on year
- **304,000** eir Sport users across all platforms, up **54,000** or **22%** year on year



More mobile customers opting for bundles

- **1.032m** total mobile customers
- **54%** of mobile customers on postpay, up **3 p.p.** year on year
- **27%** of households include mobile in a bundle, up **3 p.p.** year on year



Household Revenue Generating Units (RGUs) growing

- **2.41** RGUs per household, up **5%** year on year

Stephen Tighe, eir Chief Financial Officer, commented:

“eir has achieved another set of strong financial and operational results for the third quarter of financial year 2019, with EBITDA growth and operating cost efficiencies building further momentum after a solid performance in the first half of the financial year.

“Revenue declined by 2% in the quarter due to a decline in fixed revenue, which was in line with our expectations. On a year to date basis, revenue declined by 1% or €11m. Recent headcount reductions, insourcing of customer care and sales, as well as a continued focus to simplify and streamline non-pay activities have enabled a 7% or €10m year on year increase in EBITDA for the quarter, with operating cost savings of 16% or €19m. On a year to date basis, we have achieved an EBITDA increase of 11% year on year, with associated operating cost savings of 14% or €51m.

“Our operational KPIs continued their robust year on year growth in the quarter, with the Group broadband base growing by 2% or 22,000; the postpay mobile base increasing by 5% or 27,000; and 2P+ bundling expanding by 3 percentage points to 77% of total consumer fixed households.

“In terms of capital expenditure, we have seen accelerated expansion of growth capex to €48m for the quarter, driven by site expansion under our mobile network investment. We will continue to invest in growth capex as we prepare to build-out our FTTH network to an additional 1.4m premises across urban and suburban Ireland.”

Third quarter reported revenue of €310m decreased by 2% or €7m year on year. On a year to date basis, revenue of €944m reduced by 1% or €11m year on year. Growth in data services, postpay mobile, TV, sport and bundling was offset by a reduction in access and managed services revenue, as well as by the impact of regulated and wholesale pricing and promotions to support retail growth and increase market share.

Third quarter operating costs of €100m reduced by 16% or €19m year on year. On a year to date basis, operating costs of €313m reduced by 14% or €51m year on year.

Third quarter EBITDA of €147m increased by 7% or €10m year on year. On a year to date basis, EBITDA of €426m increased by 11% or €42m year on year, driven by the continued significant operating cost savings in the quarter.

The Group broadband base totalled 941,000 customers as at 31 March 2019, growing by 2% or 22,000 year on year, driven by strong subscriber growth in the consumer division.

Customers using fibre-based high-speed broadband services totalled 688,000 at the end of the quarter, representing an increase of 68,000 customers or 11% year on year. 73% of our broadband customers are now connected to the company's fibre network, which represents a 36% penetration of fibre premises passed.

The Group mobile base stood at 1.032m customers at quarter end, a decline of 2% or 21,000 compared to the corresponding prior year period. The postpay subscriber base increased by 27,000 customers or 5% year on year. Postpay customers now represent 54% of the total mobile base, an increase of 3 percentage points year on year.

In summary, the Group has delivered another set of solid financial and operational results for the third quarter and nine months to 31 March 2019, which are in line with expectations.

ENDS

For more information on this announcement, visit:

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