



eir Third Quarter FY16 Results Presentation

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Huib Costermans – Chief Financial Officer

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Agenda



Business highlights

Economic update

Strategic priorities

Trading highlights

Business unit performance

FY16 guidance

Q&A

Business highlights



Financial

- Q3 Revenue €321m



- Q3 EBITDA €125¹m



Operational KPIs

- 394k fibre customers



- Multi-play bundles

19% of households now
subscribing to 3P+ bundles

- 47% of mobile base
in contract



Key developments

- Approval of Setanta Sports acquisition
- Credit rating upgrades driven by solid execution of strategy
- Commenced rollout of rural high speed broadband to 300,000 premises
- Extending 4G coverage to >90%

Broadband, Mobile and TV markets remain highly competitive

¹EBITDA before storm costs

Setanta Sports acquisition complete



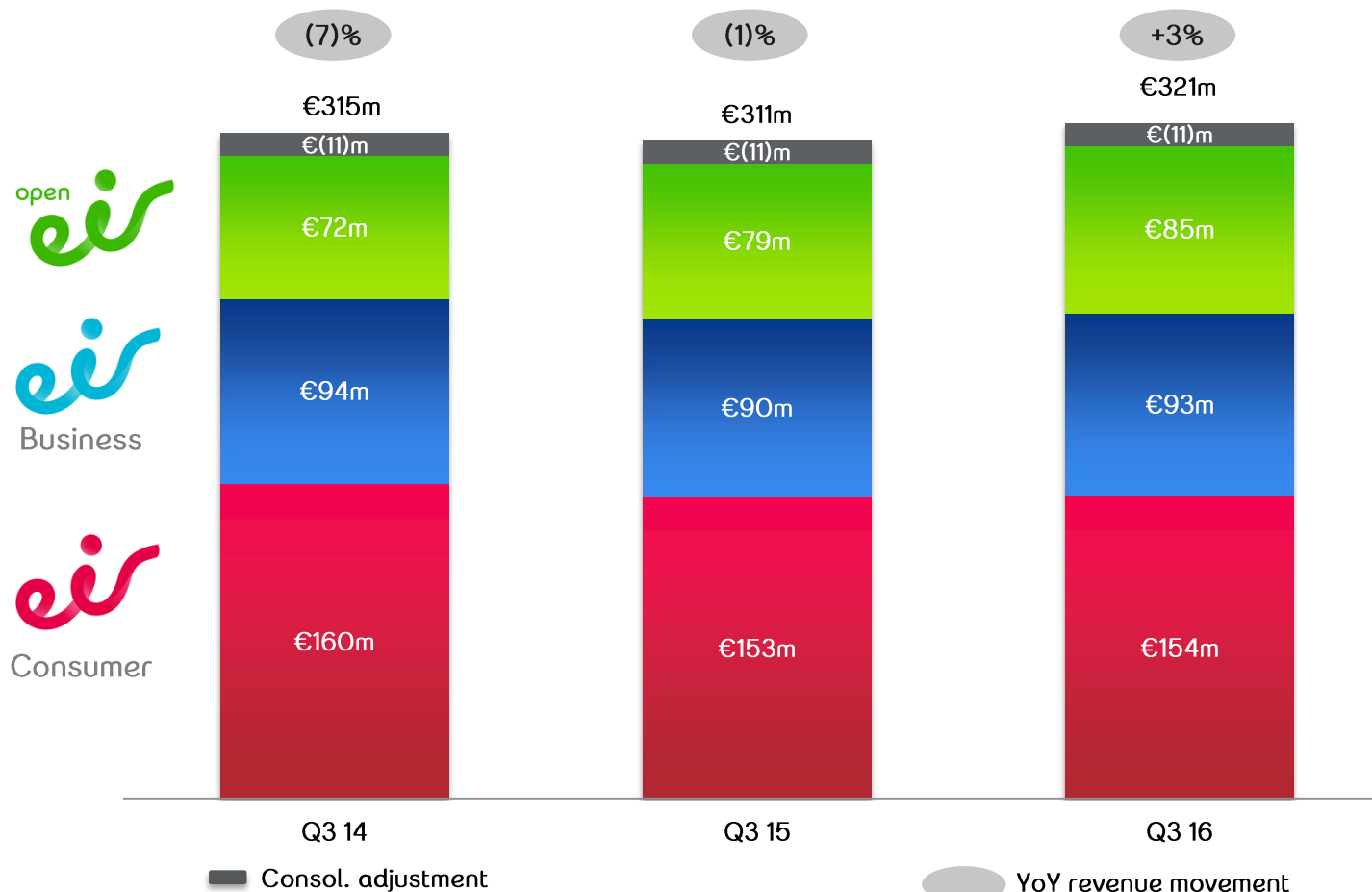
- Acquisition of Setanta Sports approved and integration into eir has commenced
- Another significant milestone in Company turnaround
- Exclusive range of sports content including Premier, Champions and Europa League
- Opportunity to drive bundle penetration and reduce churn
- Proposition and brand under consideration



Revenue growth across all three business units



Business Unit Revenue (€m)



- Consumer revenue stabilised; fixed ARPU growth offsetting continued structural decline in access base
- Business revenue growth mainly from increased managed service sales and mobile
- Growth in Wholesale driven by significant increase in broadband customers

Agenda



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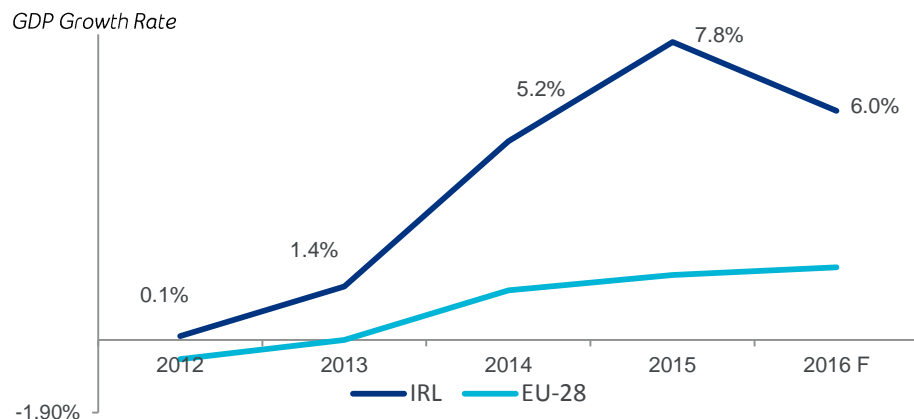
Business unit performance

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Economic environment continues to improve

Fastest growing economy in EU

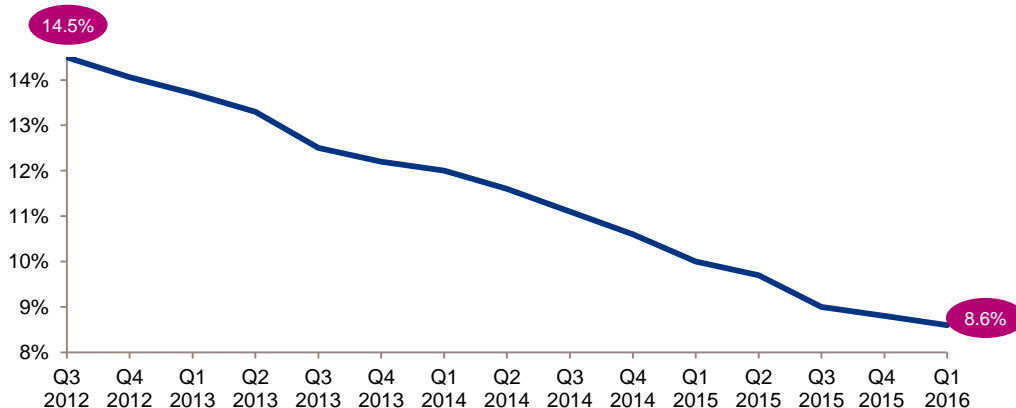


Source: Davy research, 2016

European Commission, European Economic Forecast, Winter 2016

- Fastest growing economy in EU in 2015 with GDP growth of 7.8% - set to continue in 2016

Unemployment has fallen by c.6 p.p. since Q3 2012



Source: Trading economics/IMF

- Unemployment rate at 8.6% - lowest rate in 7 years

Agenda



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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



Initiatives

Improved customer service

- Increasing first call resolution
- Improving agent skills & knowledge
- Propensity to contact reduction programme



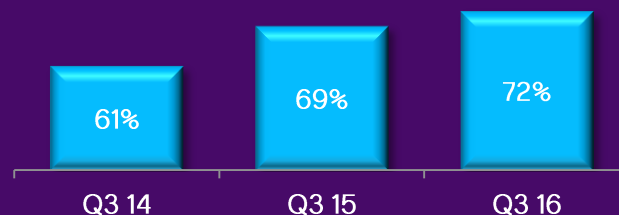
Transform customer journeys

- Sales to activation
- Ticket to resolution
- Bill to cash



Progress

First contact resolution rate



- House move (SMB)
- Improved appointment process
- Enhanced provisioning

Measurement

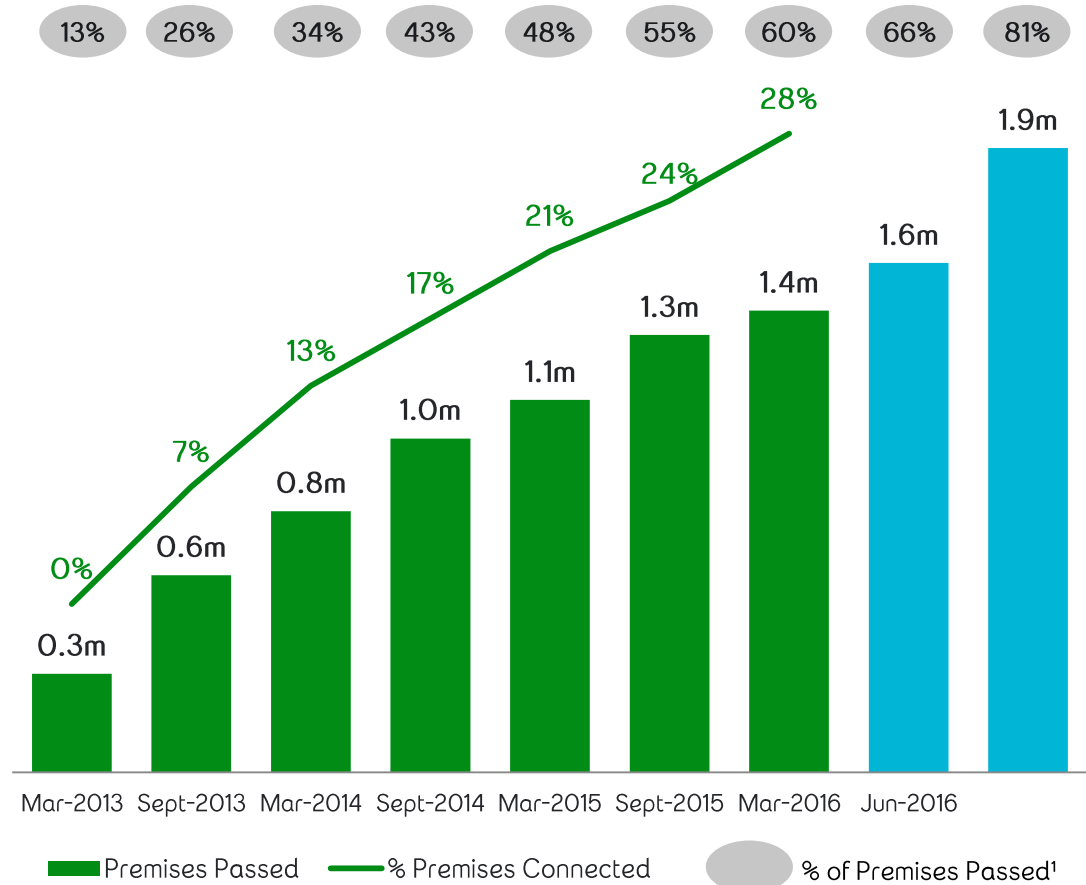
- Customer Effort Score (CEs)
- Propensity to Contact (PTC)



Best in class network - fixed



- Future-proofed network investment passing over 1.4m or 60% of Irish premises
- Over €360m spent to date on the fibre investment
- 28% of premises passed are now connected to fibre broadband
- Rollout continues at pace and on track to pass 1.6m premises by June



¹Assuming 2.35m premises in Ireland

Bringing broadband to rural Ireland



- eir is committed to supporting Ireland's digital future by commercially rolling out high speed broadband to over 80% of Irish premises
- Commenced rollout of first 100,000 of 300,000 rural extension, which will offer speeds of up to 1 Gb/s
- 300,000 premises are currently within the Government National Broadband Plan (NBP) intervention footprint
- Fully engaged in NBP process;
 - Project team mobilised
 - Response to PQQ submitted

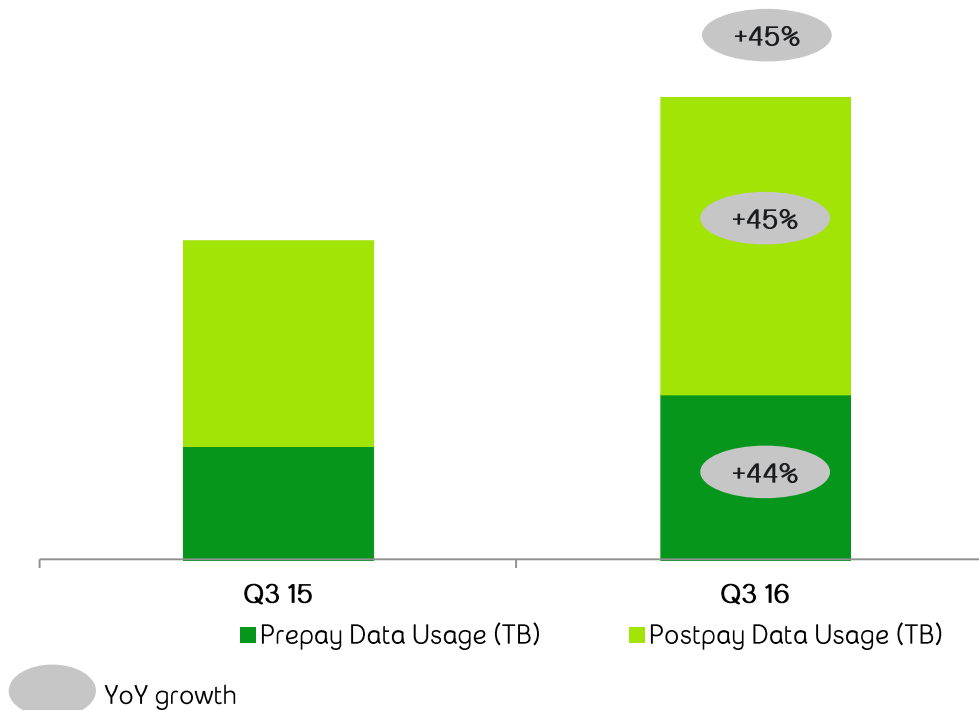


Bringing broadband to rural Ireland

Best in class network - mobile



Enhanced mobile network capability driving increased data usage

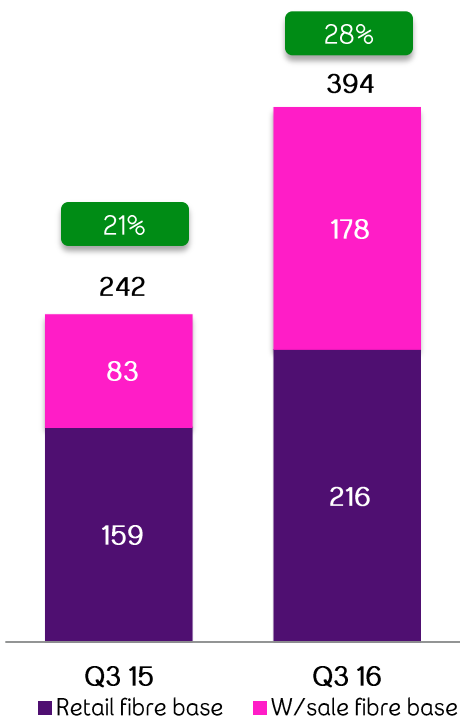


- Data usage up 45% YoY: Prepay & postpay
- Extending 4G footprint: >90% 4G population coverage by end Dec '16; up from 50% at Mar '14
- Nationwide 3G network including dual carrier HSPA + coverage of 75%
- Continued progress on network share to deliver best in class network

Smart growth



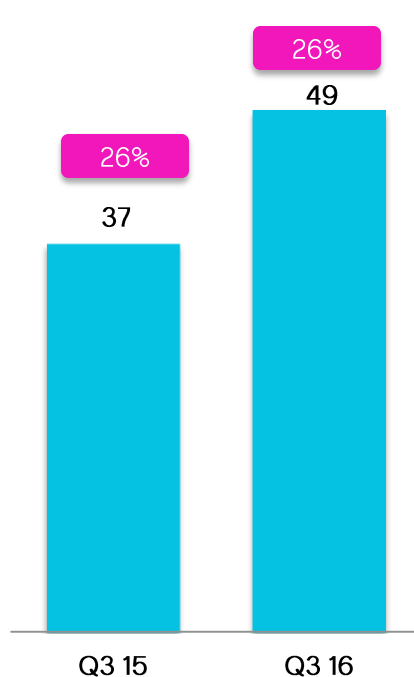
Group fibre base ('000)



Fibre base enabling multi-product bundles



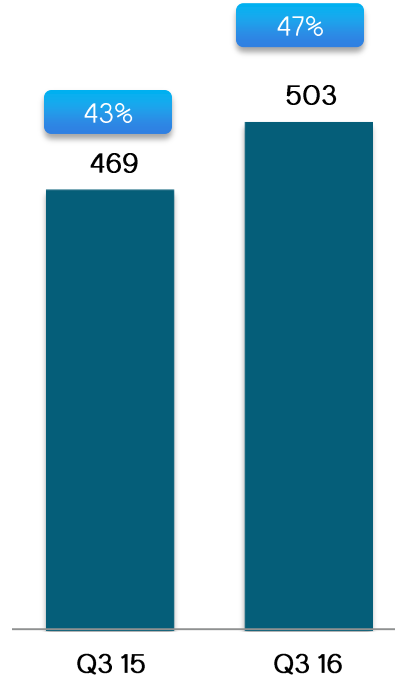
eir vision base ('000)



Value TV offering driving quad play take-up



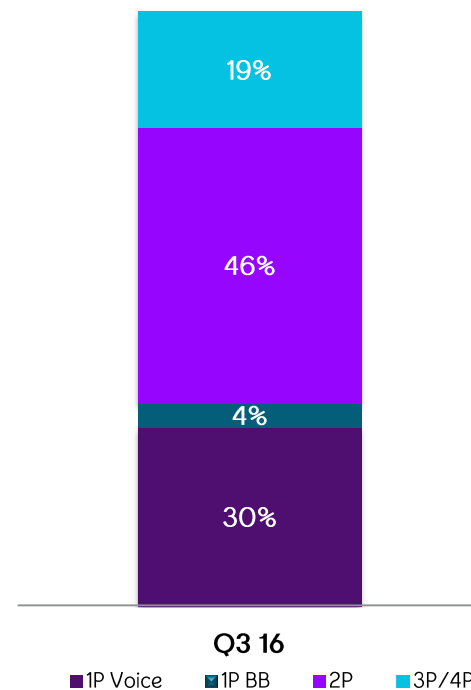
Postpay subscriptions ('000)



Increasing higher value postpay customers



Household view¹



66% of customers with 2P+ 2.02 RGU's per HH

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

On track to deliver gross savings of €60 - €80m over three years
with c.60% to be reinvested

Product Rationalisation

Process Simplification

Transformation of IT
Landscape

Converged Structure



Evolution from functional process to simplified end to end process management

Quarter 3

Billing process review to
improve customer
experience & drive
efficiencies



Continued product
rationalisation



Quarter 4

Execute billing process
transformation

Review customer order process

Product set to reduce from
>450 to 350 by June 2016

Agenda



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Strategic priorities

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Business unit performance

FY16 guidance

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Maintaining consistent revenue growth trend

EBITDA growth of 4% YoY (excl. storm costs)

One-off storm costs of €5m due to unprecedented flooding

Seasonal prepay churn but improving postpay mix

Momentum in fibre connections maintained

Cashflow and capex remain on track

Competitive environment remains challenging

Group EBITDA – Q3 FY16



Group EBITDA – Q3 FY2016	Q3 FY16	v Prior Year Better/(Worse)	v Prior Year Better/(Worse)
	€m	€m	%
Fixed line revenue	245	10	4%
Mobile revenue	87	(1)	(1%)
Eliminations	(11)	1	5%
Total revenue	321	10	3%
Cost of sales	(67)	(3)	(5%)
Gross profit	254	7	3%
Gross Margin	79%	-0.4p.p	
Pay costs (before storm costs)	(52)	(4)	(8%)
Non pay costs (before storm costs)	(77)	2	3%
Operating costs (before storm costs)	(129)	(2)	(1%)
Group EBITDA before storm costs	125	5	4%
Storm costs	(5)		
Group EBITDA	120	-	-
EBITDA Margin	37%	-1.3p.p	
Fixed EBITDA	102	1	1%
<i>Fixed EBITDA Margin</i>	<i>42%</i>	<i>-1.3p.p</i>	
Mobile EBITDA	18	(1)	(7%)
<i>Mobile EBITDA Margin</i>	<i>21%</i>	<i>-1p.p</i>	

- Group revenues up 3% on prior year driven by growth in fixed line revenues
- Operating costs affected by storm costs – broadly flat excluding storm impact
- Group EBITDA excluding storm costs of €125m, up 4% YoY

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 FY16



Group EBITDA – YTD FY2016	YTD FY16	v Prior Year Better/(Worse)	v Prior Year Better/(Worse)
	€m	€m	%
Fixed line revenue	734	25	4%
Mobile revenue	272	7	2%
Eliminations	(32)	2	6%
Total revenue	974	34	4%
Cost of sales	(220)	(15)	(7%)
Gross profit	754	19	3%
Gross Margin	77%	-0.75p.p	
Pay costs (before storm costs)	(156)	(4)	(3%)
Non pay costs (before storm costs)	(236)	2	1%
Operating costs (before storm costs)	(392)	(3)	(1%)
Group EBITDA before storm costs	362	16	5%
Storm costs	(5)		
Group EBITDA	357	11	3%
EBITDA Margin	37%	-0.1p.p	
Fixed EBITDA	312	2	1%
<i>Fixed EBITDA Margin</i>	<i>43%</i>	<i>-1.2p.p</i>	
Mobile EBITDA	45	9	24%
<i>Mobile EBITDA Margin</i>	<i>16%</i>	<i>2.8p.p</i>	

- Group revenues up 4% on prior year, with strong growth across Fixed and Mobile
- Slight dilution in gross margin due to changes in product mix
- Operating costs broadly in line with prior year
- Group EBITDA margin down 0.1pp
- Mobile EBITDA margin of 16% up 2.8pp on prior year

¹ Includes proportionate consolidation of Tetra Ireland at 56% for actual and prior year

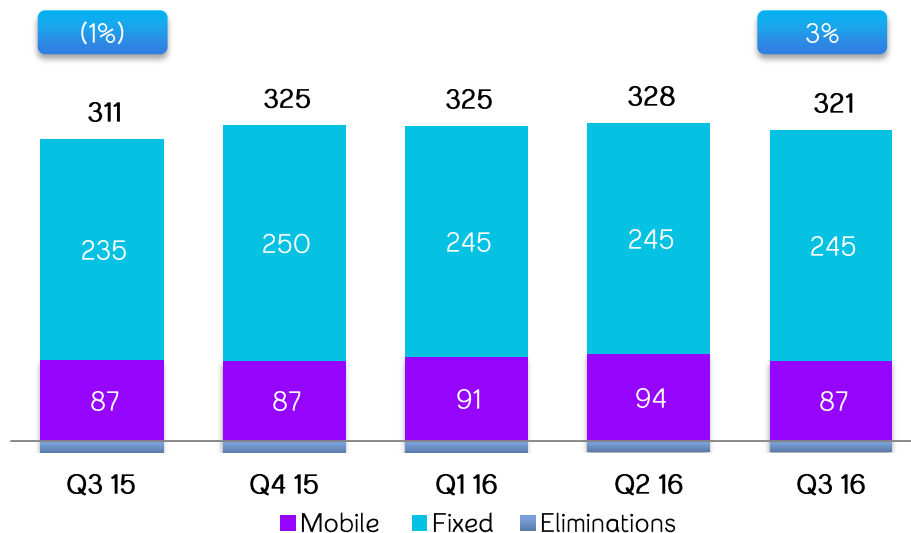
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Quarterly trading to March 2016

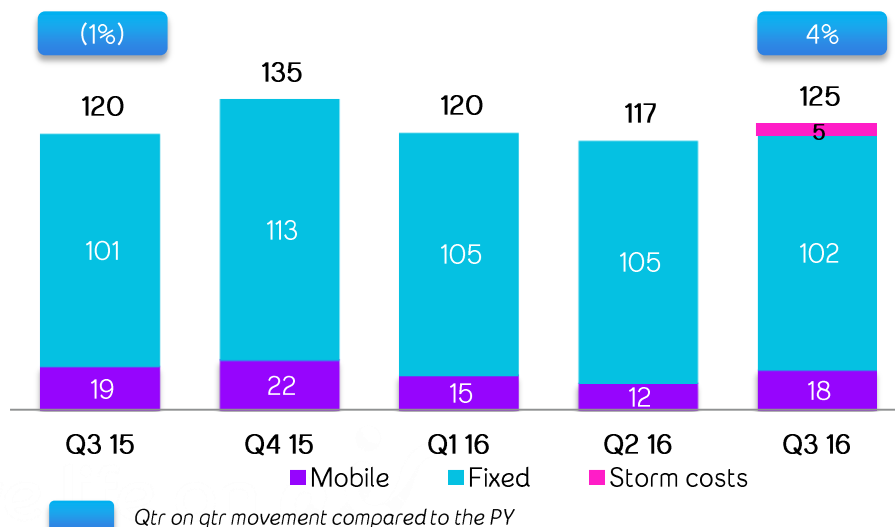


Revenue (€m)



- Continued strong performance on revenues
- Revenue of €321m in Q3 up 3% YoY (compared to 1% decline in Q3 of prior year)

EBITDA (€m)



- Reported EBITDA in Q3 FY16 impacted by one-off network repair costs of €5m due to flooding
- 4% YoY increase (excluding storm costs) in Q3 EBITDA to €125m, driven by revenue growth across all business units

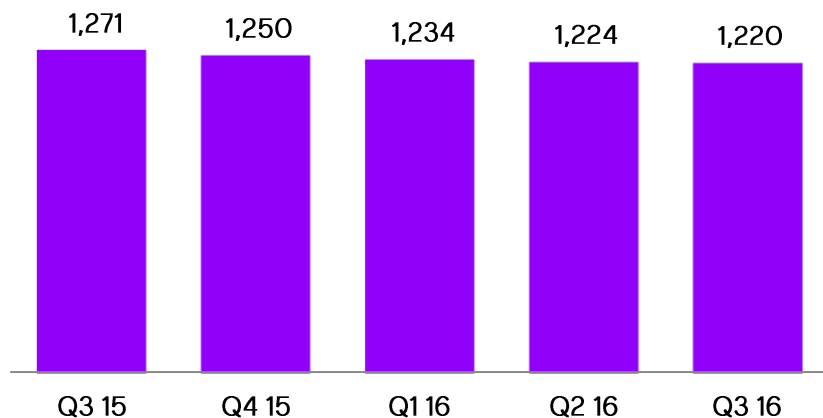
¹ The above chart includes the proportionate consolidation of Tetra Ireland at 56% for actual and prior year

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

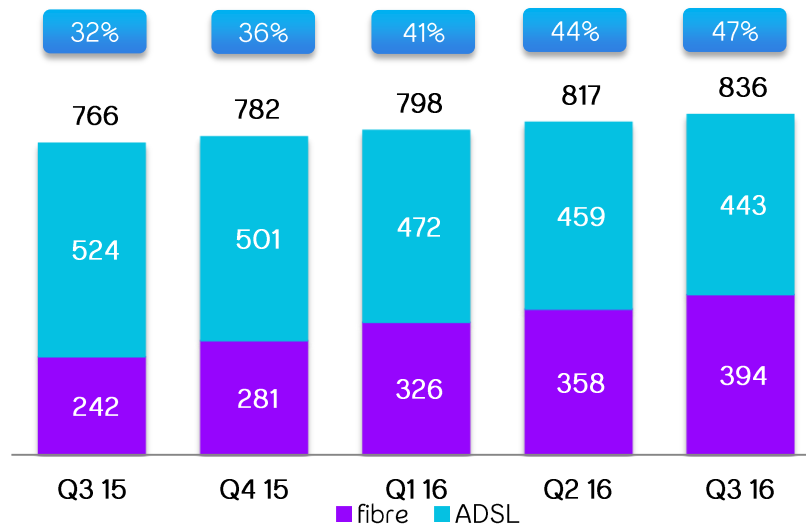
Group fixed KPI's



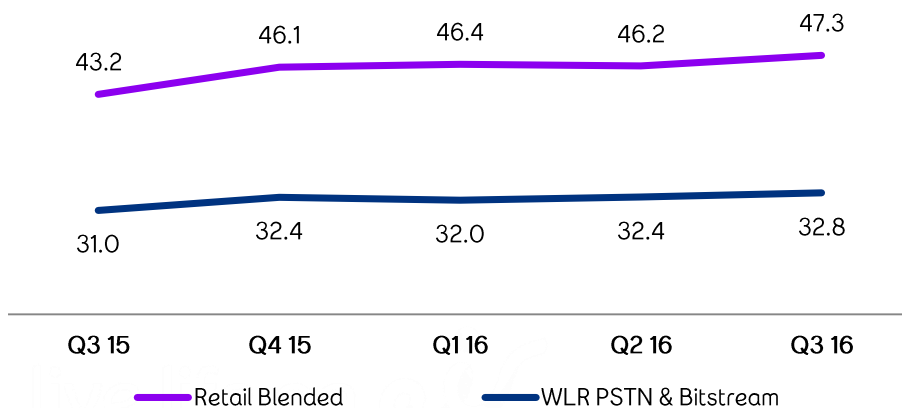
Group access base (000's)



Group broadband base (000's)



Fixed line ARPU's (€)

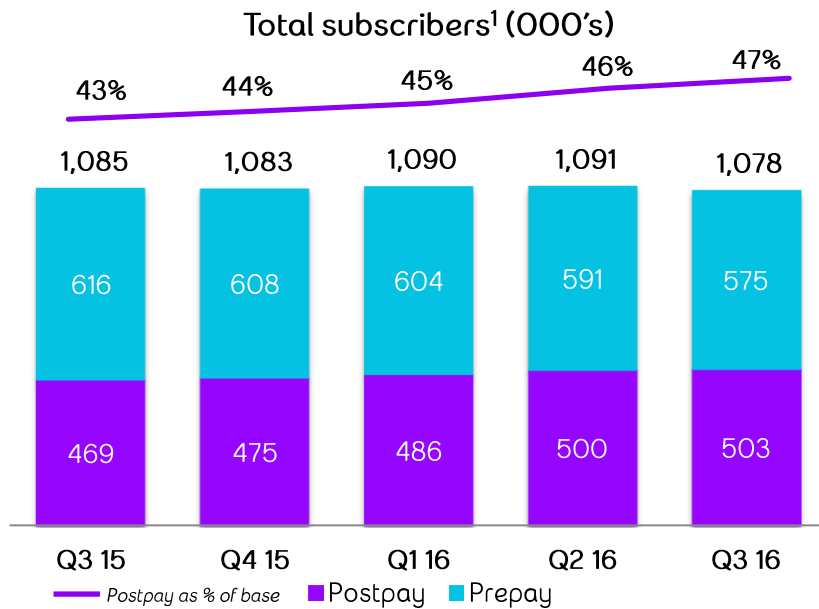


- Group access lines declined by 4k in the quarter compared to 22k in Q3 FY15
- Continued group broadband growth: 19k QoQ
- Retail Blended ARPU of €47.3, up 9% on prior year

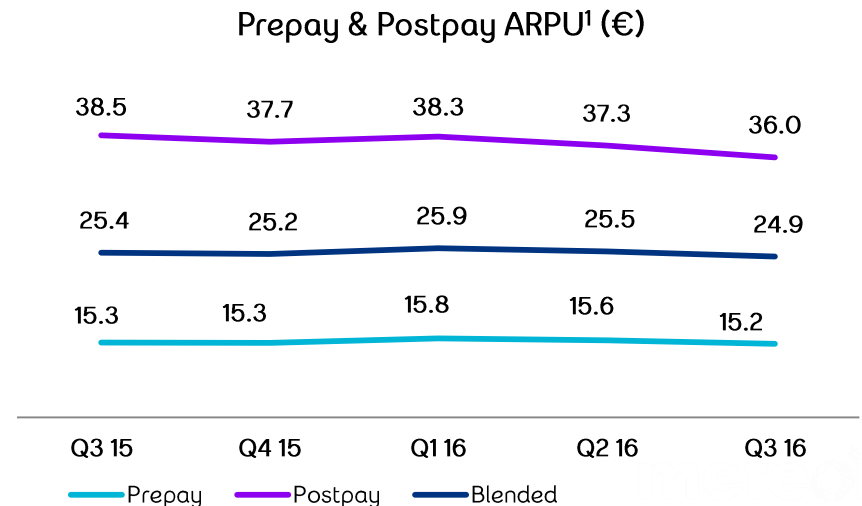
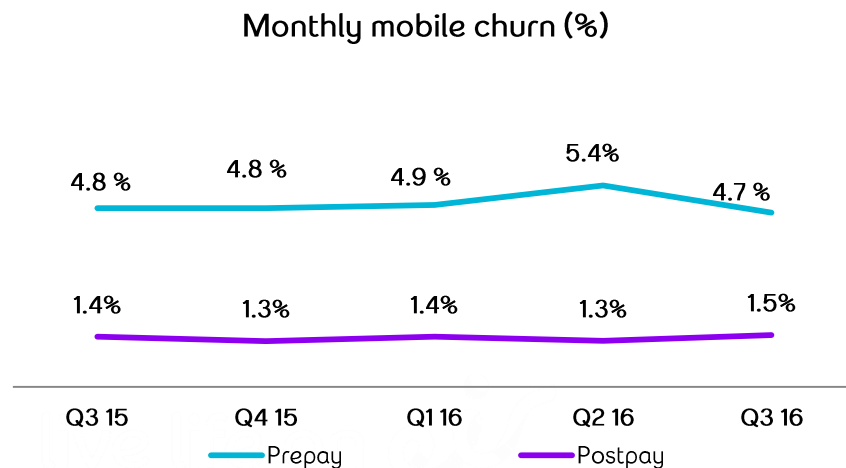
¹ Retail ARPU's include core voice, access rental and broadband rental revenues (less voice and bundle discounts) and exclude connection and other ancillary revenues

¹ Wholesale ARPU includes WLR PSTN plus Bitstream (including SABB)

Group mobile KPIs



- 47% of mobile subscribers now on postpay contracts, up 4 p.p YoY
- Prepay decline of 16k due to reduction in gross additions driven by seasonality & intense competition
- Blended ARPU impacted by increased mobile promotions and prepay seasonality



¹ Includes Mobile Broadband and M2M

Agenda



Business highlights

Economic update

Strategic priorities

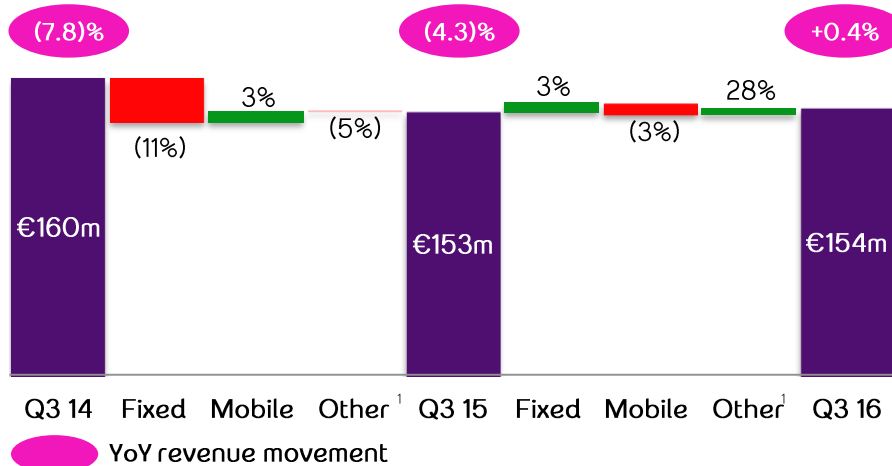
Trading highlights

Business unit performance

FY16 guidance

Q&A

Revenue movement



eir offering free EU roaming ahead of June 2017 deadline



Commercial investment using both tariff promotions & handset subsidy to drive sales



Continued revenue growth; fixed up 3% offset by reduction in mobile due to meteor promotions



19% triple/quad penetration; up 1 p.p QoQ

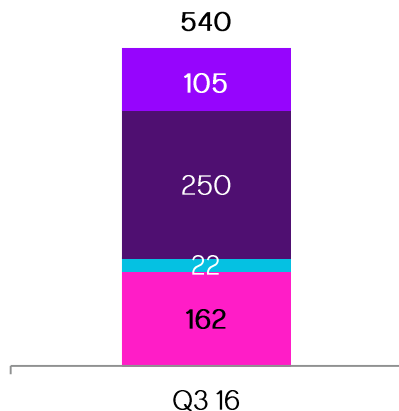


41% customers on postpay contract; up 2p.p YoY

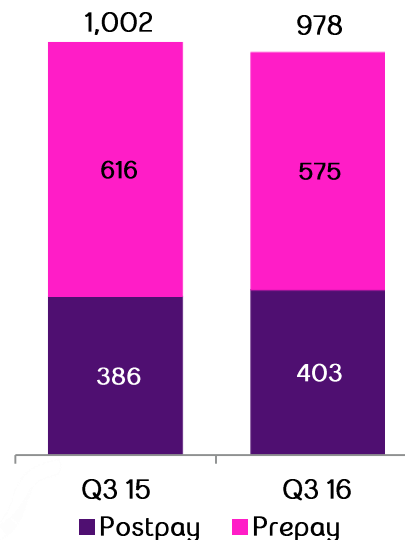


On track to meet full year Group mobile EBITDA margin of 20%

Household view² ('000)



Consumer mobile base³ ('000)



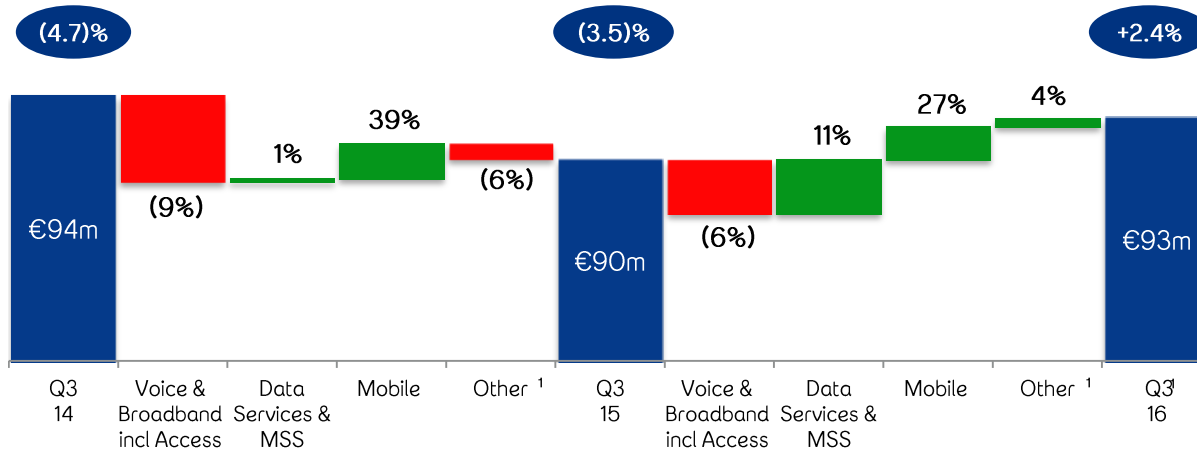
■ 1P Voice ■ 1P BB ■ 2P ■ 3P/4P

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

Revenue movement



Revenue growth of 2.4% YoY driven by data, MSS & mobile

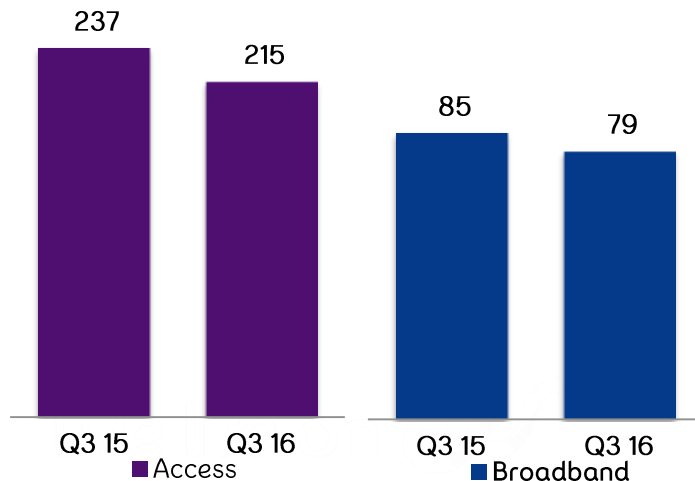


New revenue growth offsetting decline in legacy voice and access revenue

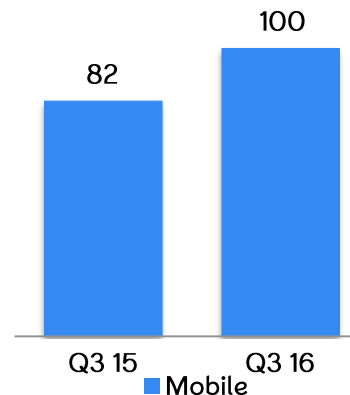


YoY revenue movement

eir Business fixed base ('000)



eir Business mobile base ('000)



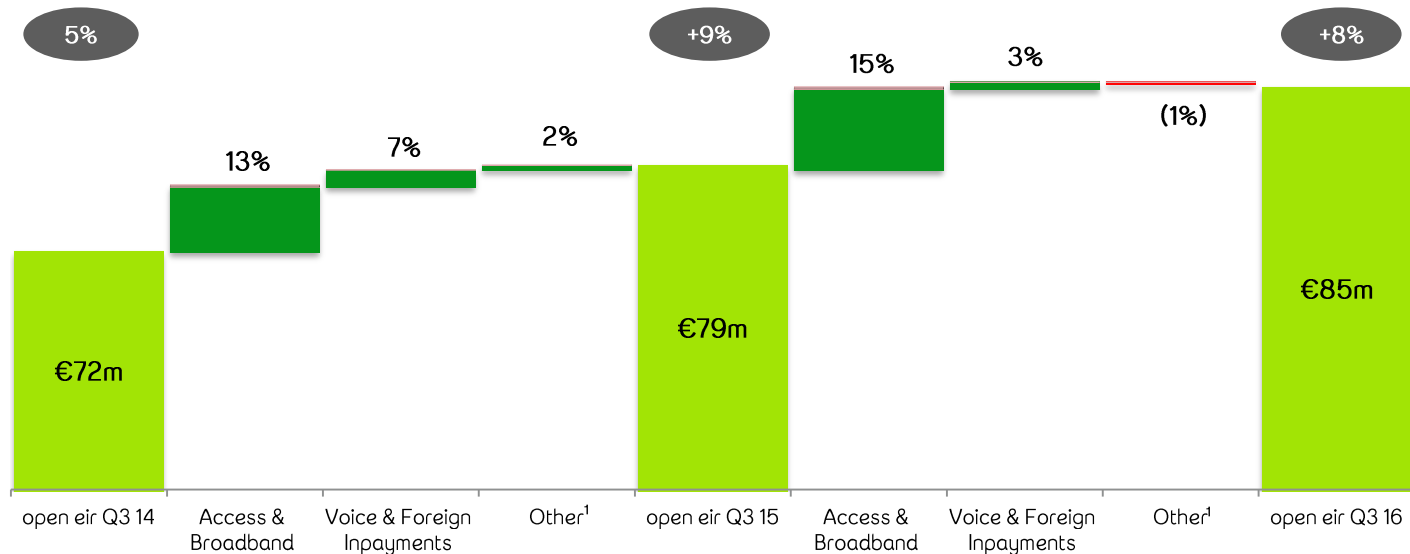
Significant growth in B2B mobile base: 22% increase YoY



Broadband base flat QoQ but down 6,000 YoY
32% of customers on fibre; up 65% YoY

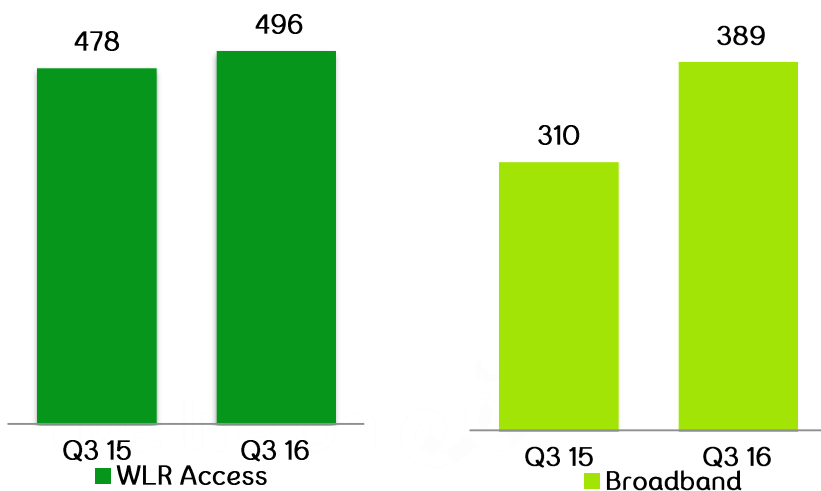
¹ Other includes eir UK and Tetra revenues

Revenue movement



YoY revenue movement

Open eir base '000



Continued revenue growth of 8% YoY

Strong growth in access and broadband revenues, up 15% YoY



Broadband base up 78k or 25% YoY

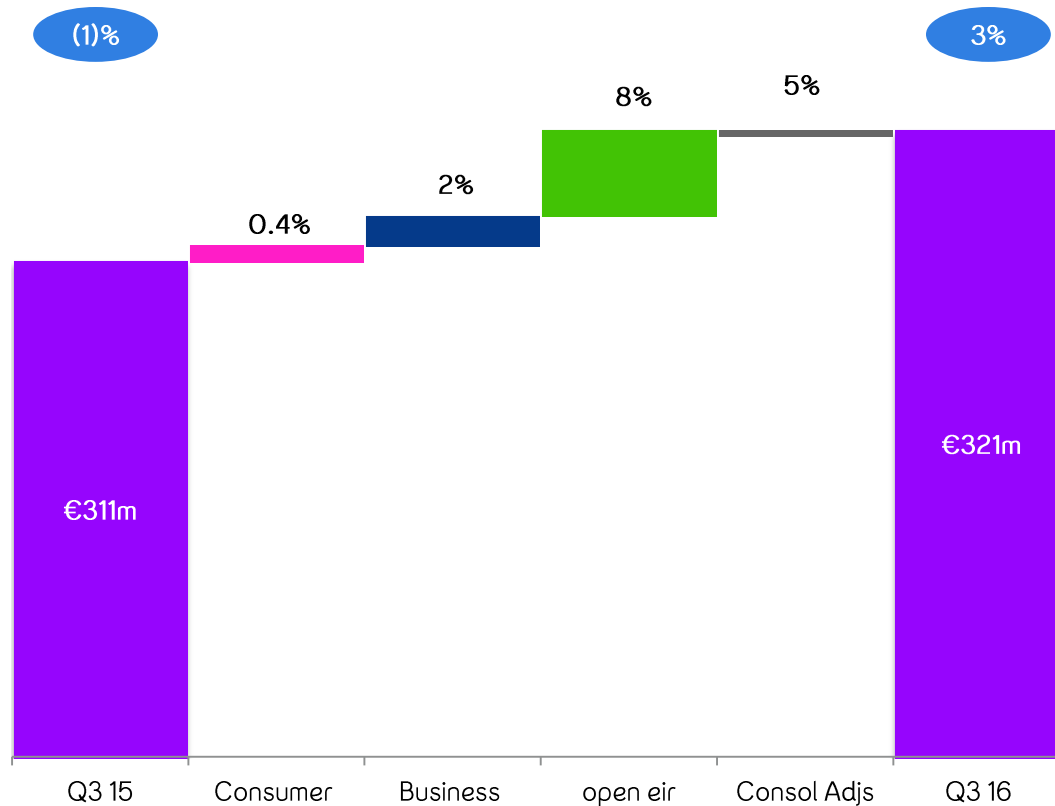
Access base up 4% YoY

¹ Other includes Data services, MSS and other revenue

Group revenue movement

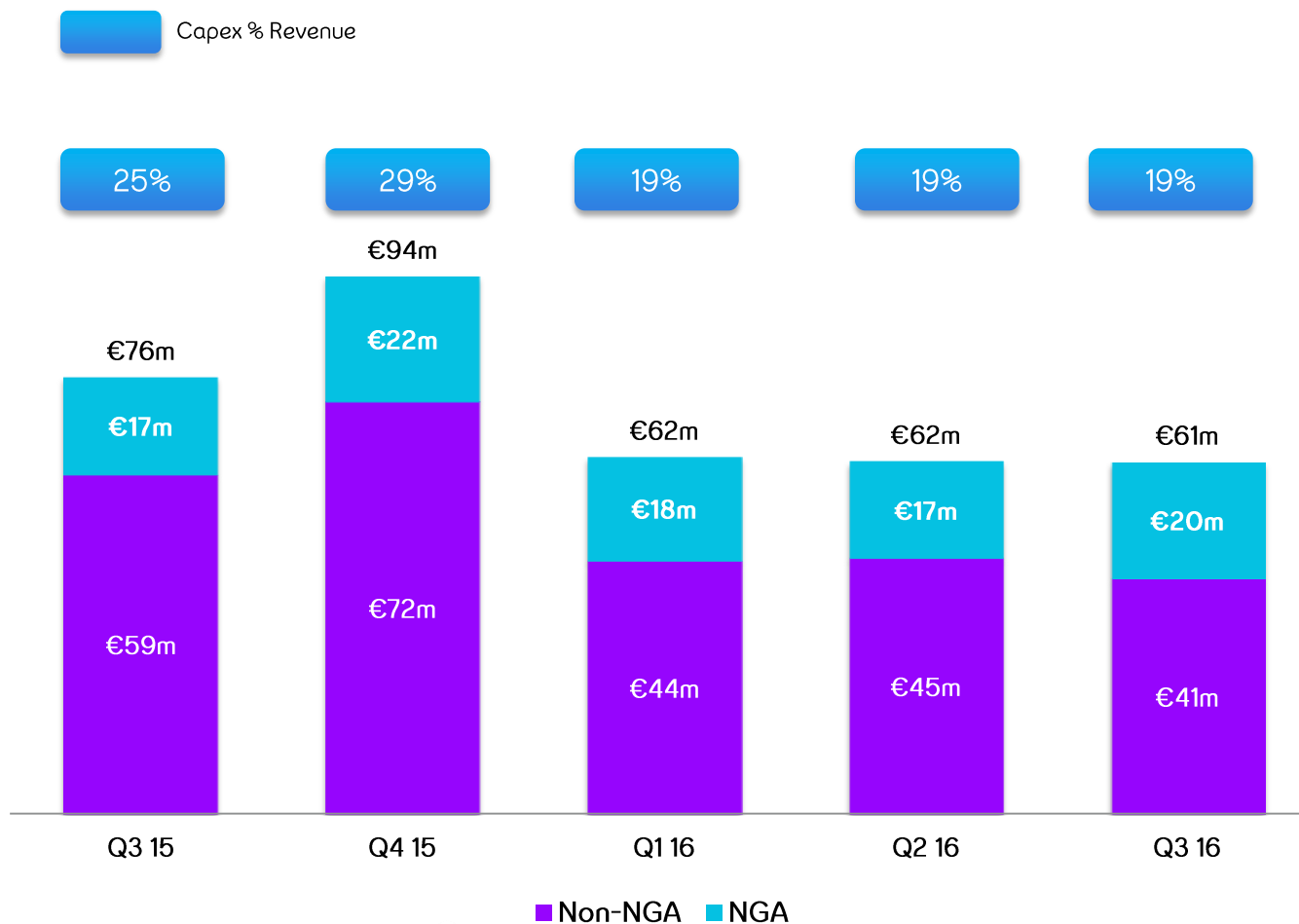


Group revenue movement by segment



- Continued YoY revenue growth across all business units in Q3 FY16
- YoY revenue growth will moderate in Q4

Capex breakdown by quarter to March 2016

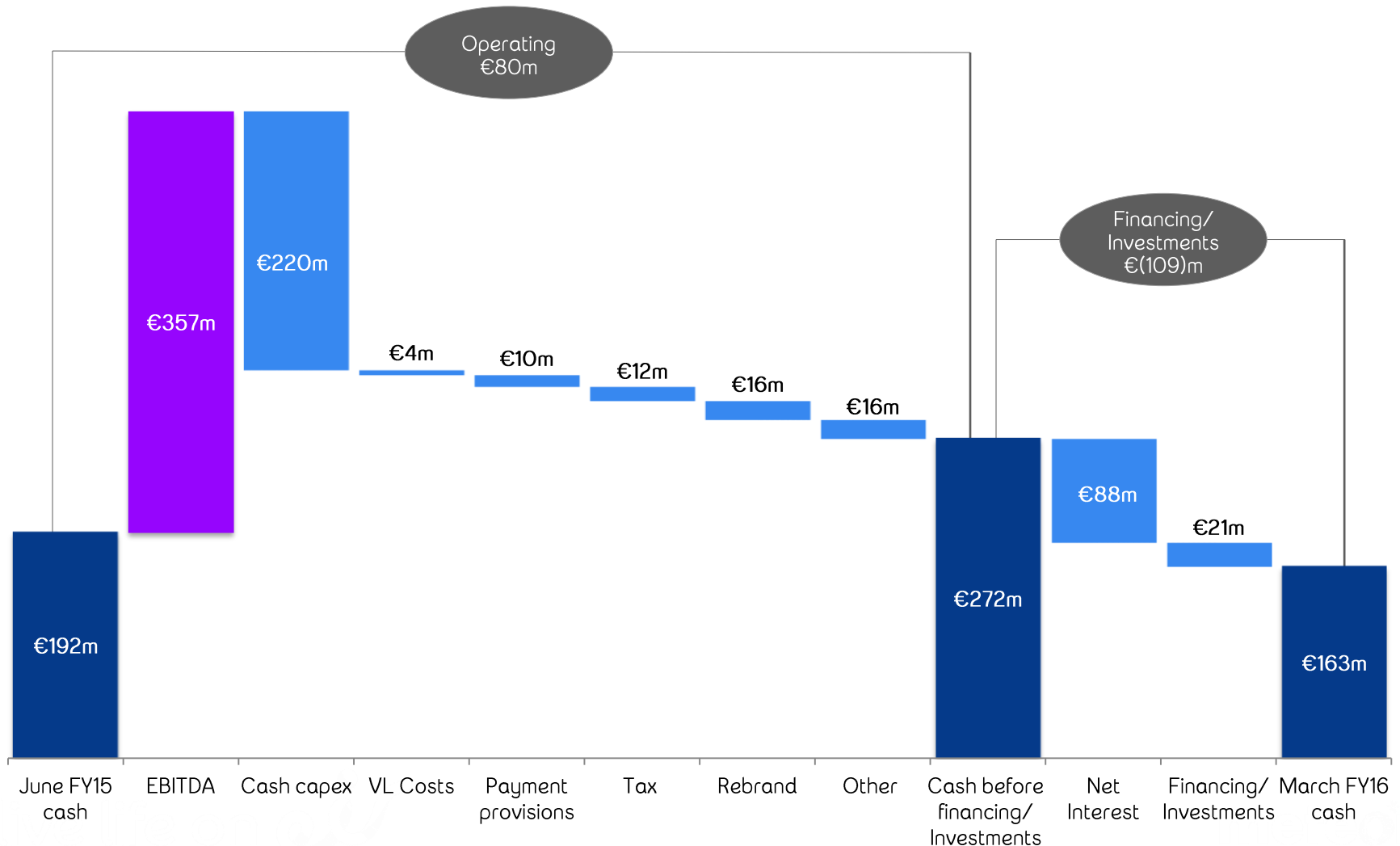


- Continued investment in FTTC and FTTH rollout
- Commenced rollout of broadband to rural Ireland
- Capex to revenue ratio of 19% in line with expectations
- Expect investment in capex to remain at similar levels for next 12-24 months due to accelerated fibre rollout programme, increasing 4G coverage and the NBP

Maintaining strong liquidity despite rebrand costs and high cash capex



Year to date cash movement



Notes:

¹ Includes eircom share of Tetra cash

² Other includes working capital movements

Ratings upgrade and improved capital structure

Solid execution of strategy drives ratings upgrade and positive outlooks



Capital structure

As at Mar '13

As at Mar '16– diversified sources, extended maturity of c.6 years, no PIK, positive outlook

Ratings¹
Moody's: Caa1, stable
Fitch: B-, negative
S&P: B, stable

€2,363m

Ratings¹
Moody's: B2, positive
Fitch: B, positive
S&P: B, positive

€1,863m

€159m

€350m

2017

2018

2019

2020

2021

2022

■ Term loan B1 ■ Term loan B2 ■ Senior Secured Notes ■ Term loan B3

Mar-16

€m	Balance	x LTM EBITDA	Pricing	Maturity
Term loan B2	159	0.3x	E + 4.5%	Sep-19
Term loan B3	1,863	3.8x	E + 4.5%	May-22
Senior Secured Notes	350	0.7x	9.25%	May-20
Tetra	-	0.0x		Feb-16
Gross debt	2,372	4.8x		
Cash	(163)	(0.3)x		
Net debt	2,209	4.5x		
LTM EBITDA: Mar 16	492			

- Improved capital structure with modest reduction in net leverage driven by improved EBITDA performance
- Ratings upgrades;
 - ✓ Moody's to B2 - positive outlook remains;
 - ✓ S&P outlook changed to positive from stable; and
 - ✓ Fitch outlook changed to positive from stable

Regulatory update



Mobile Termination Rates

- Decision issued on 12 February 2016
- Changes to MTR's required from 1 September 2016 that will see MTR's reduce from 2.6 cent to the following prices:

BU Pure LRIC MTRs

(€ per minute)

From: 1 Sep 2016 to 31 Dec 2016	€0.0084
From: 1 Jan 2017 to 31 Dec 2017	€0.0082
From: 1 Jan 2018 to 31 Dec 2018	€0.0079

Broadly EBITDA neutral for the group

Pricing

Access Network Cost Model Review

- Move from retail minus to cost based pricing
- ComReg have notified the EU Commission of its draft decision
- Expect final decision during Q4 FY16 (May-June) to be implemented in early FY17
- Downward pressure on access prices including WLR and other access products

Roaming

- Abolition of EU roaming charges by June 2017

Price changes expected and impacts included in financial forecasts

Regulatory Governance Model (RGM)

- In 2011, eir committed to implementing Wholesale Reforms, including an enhanced Regulatory Governance Model (RGM) over a period of three years
- The majority of Regulatory Controls have been implemented across the Business Units
- In Dec-15, ComReg announced it will undertake a review of the effectiveness of the RGM during 2016, in parallel with on-going market reviews. This provides an opportunity for eir to demonstrate the effectiveness of the RGM
- We expect the review to commence in the coming months with an outcome expected within 12 months

Strategic review of RGM was expected

Agenda



Business highlights

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Strategic priorities

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Business unit performance

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Q&A

EBITDA

Low single digit growth

Capex

Between 19% and 22%
of revenue

Cashflow

Modest free cashflow
generation¹



ev

Q & A



Thank You

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