

A scenic landscape photograph of a coastline. In the foreground, two people are sitting on a grassy cliffside. The person on the left is wearing a brown jacket and a green beanie, looking at a tablet. The person on the right is wearing a blue puffer vest over a grey sweater and a red beanie, looking out at the ocean. The background shows a vast blue sea, a rocky coastline with some buildings in the distance, and a sky with soft, white clouds. The overall mood is peaceful and scenic.

# eir Group Results

for the second quarter  
and half year FY20

20 February 2020



Business highlights 4

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Trading update 9

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Financing 15

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Outlook 17

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Q&A

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Presented by

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**Carolan Lennon**

Chief Executive Officer



**Stephen Tighe**

Chief Financial Officer

# Business highlights


## Financial

Q2 EBITDA <sup>1, 2</sup>  
€147 million

 4% YoY

- ▶ Q2 EBITDA growth of €6m YoY
- ▶ H1 EBITDA €287m, up €8m or 3% YoY


Q2 Revenue <sup>1</sup>  
€313 million

 3% YoY

- ▶ Q2 revenue decline of €9m YoY
- ▶ H1 revenue €617m, down €17m or 3% YoY


## Operational

730,000 fibre customers

 9% YoY

- ▶ +60,000 connections YoY
- ▶ 80% of Irish premises passed with fibre <sup>3</sup>

703,000 postpay customers

 26% YoY

- ▶ 62% of mobile base on postpay, up 9pp YoY

Multi-play bundles

 3pp YoY

- ▶ 34% of fixed households on 3P+ bundles,  
79% on 2P+ bundles

## Key Developments

- ▶ Ireland's Fibre Network now passing over 60,000 urban and suburban premises with FTTH; first premises now connected
- ▶ 5G rollout expanding, with superfast data speeds now available in 20 towns & cities, covering 25% of the population <sup>4</sup>
- ▶ Strong market performance for GoMo, launched in October as Ireland's newest and best value mobile network, with more than 100,000 subscribers joining by Christmas

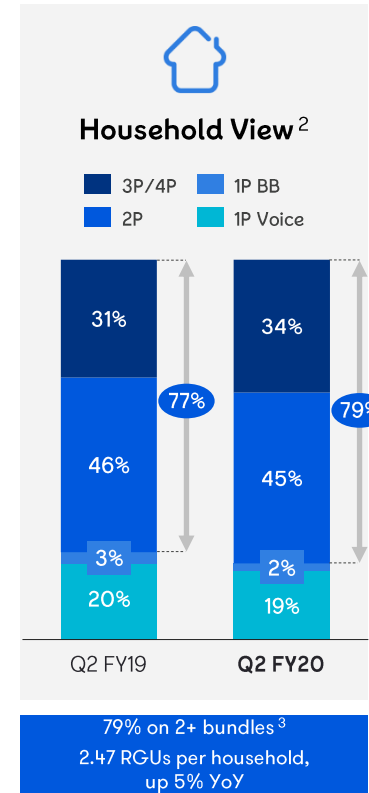
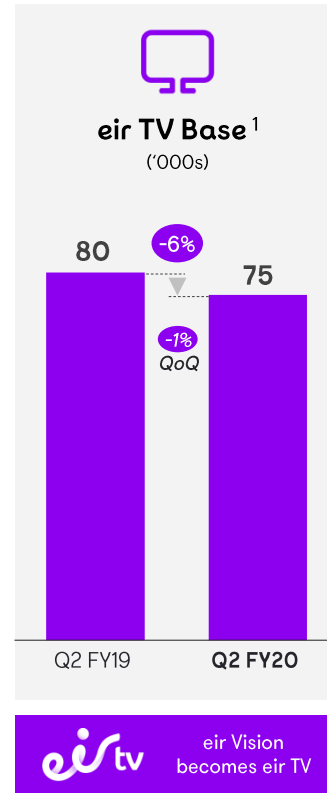
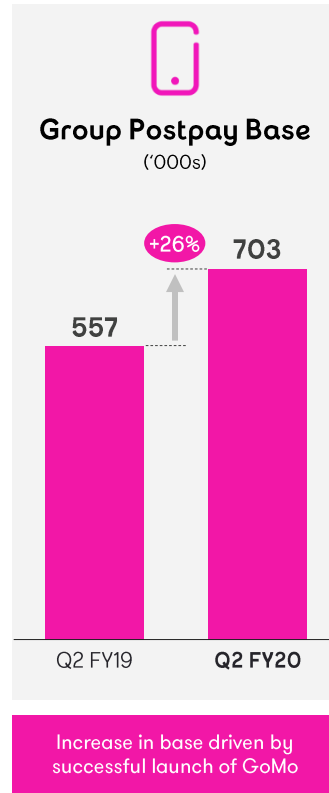
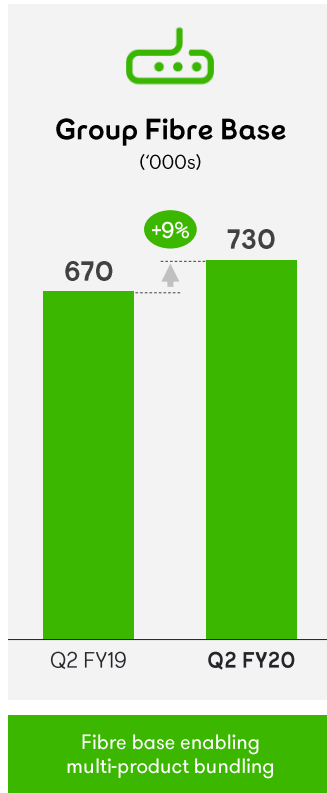
<sup>1</sup> Excludes IFRS 15 adjustments. See appendix for details.

<sup>2</sup> Excludes non-cash pension charge, fair value lease credits and management charge.

<sup>3</sup> Approximate percentage of an estimated total premises in Ireland of 2.4 million, based on data from GeoDirectory.

<sup>4</sup> Outdoor population coverage.

# Operational KPIs | Continued growth in fibre, expansion of postpay base



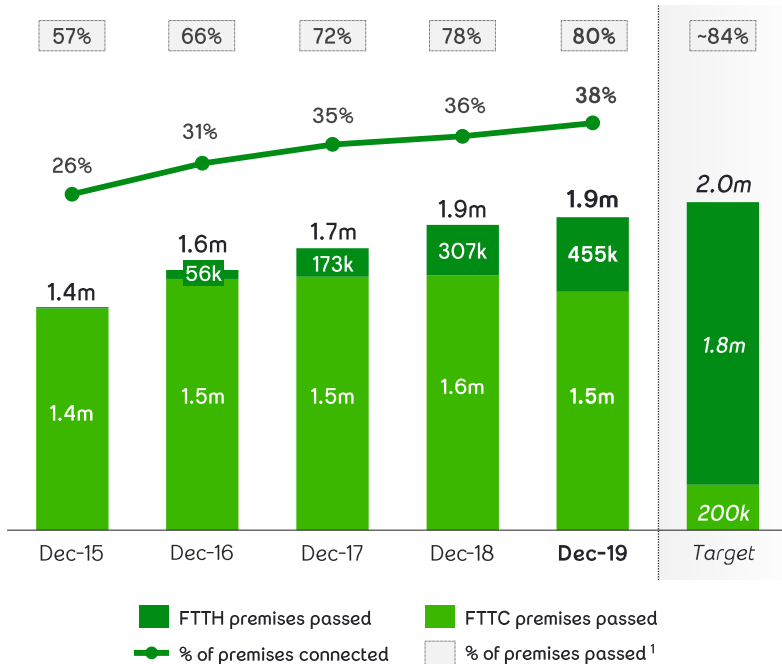
<sup>1</sup> eir TV base includes eir Vision subscribers.

<sup>2</sup> Percentage of consumer households with fixed access paths subscribing to fixed voice, fixed broadband, TV, and / or bundled mobile services (excluding 1P mobile).

<sup>3</sup> Percentage of fixed consumer households subscribing to two or more products.

## eir fibre footprint

Premises passed with FTTH and FTTC | Last 5 years



### Commentary

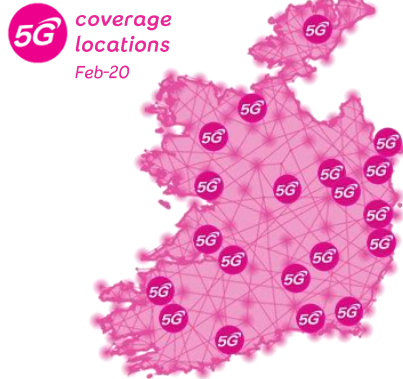
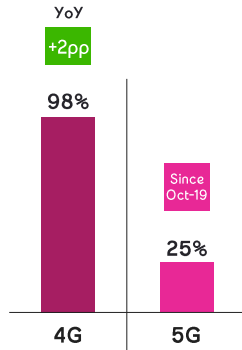
- ▶ FTTH rollout now passing **455,000** premises, up **48%** or **148,000** YoY
- ▶ **1.9 million** or **80%**<sup>1</sup> of Ireland's premises passed with eir fibre, with **38%** of passed premises now connected
- ▶ **Over 60,000** urban and suburban premises now passed with Ireland's Fibre Network, with first round of premises already connected



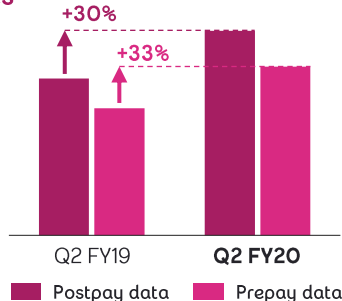
<sup>1</sup> Approximate percentage of an estimated total premises in Ireland of 2.4 million, based on data from GeoDirectory.

## Mobile coverage <sup>1</sup>

Feb-20

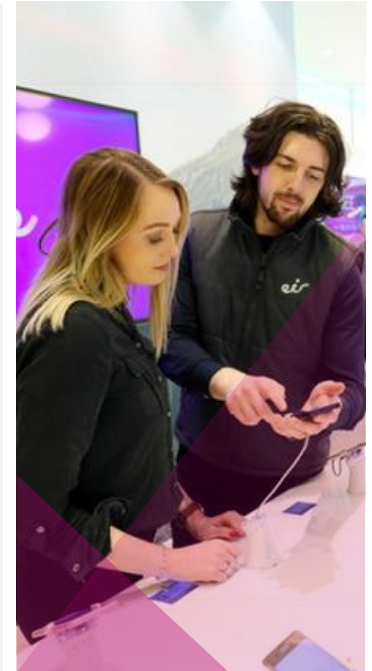


## eir network data traffic volumes



## Commentary

- ▶ 5G network continues to expand across Ireland, with superfast coverage now available in 20 towns & cities
- ▶ 5G coverage already over 25%, 4G coverage now over 98% <sup>1</sup>
- ▶ Over 500 mobile sites now upgraded; 4G geographic coverage now at 92%
- ▶ GoMo successfully launched to very strong reception; initial 100,000 subscription target achieved before Christmas
- ▶ Overall mobile data usage up 31%, driven by GoMo and No Limits Data plans



<sup>1</sup> 4G and 5G coverage refers to outdoor population coverage in Ireland.

# Trading update



- ▶ Revenue down 3% in Q2; down 3% in H1<sup>1</sup>
- ▶ Operating costs reduced by 9% in Q2; down 10% in H1<sup>1,2</sup>
- ▶ EBITDA up 4% in Q2; up 3% in H1<sup>1,2</sup>

- ▶ Continued KPI growth:
  - ▶ +11,000 broadband customers YoY
  - ▶ 77% of broadband base using fibre
  - ▶ +146,000 postpay subscribers YoY
  - ▶ 62% of mobile base on postpay

- ▶ Q2 capex of €63m, 20% of revenue<sup>3</sup>
- ▶ December closing cash of €104m, after RCF repayment, shareholder distribution, and refinancing fees

<sup>1</sup> Excludes IFRS 15 adjustments.

<sup>2</sup> Excludes non-cash pension charge, fair value lease credits and management charge.

<sup>3</sup> Incurred capex; excludes capitalisation of non-cash pension charge, spectrum, and asset retirement obligations.

# Group EBITDA | Continued cost optimisation driving EBITDA growth

Excludes IFRS 15 adjustments. See slide 19 for details.



€ in millions	Q2 FY20	Change YoY €m Better/(Worse)	Change YoY % Better/(Worse)	H1 FY20	Change YoY €m Better/(Worse)	Change YoY % Better/(Worse)
Fixed Line Revenue	230	(9)	(3%)	460	(15)	(3%)
Mobile Revenue	92	(0)	(2%)	175	(1)	(1%)
Eliminations	(9)	0	3%	(18)	(1)	3%
<b>Total Group Revenue</b>	<b>313</b>	<b>(9)</b>	<b>(3%)</b>	<b>617</b>	<b>(17)</b>	<b>(3%)</b>
Cost of Sales	(71)	5	6%	(139)	3	2%
Gross Margin	242	(4)	(2%)	478	(14)	(3%)
Gross Margin %	77%	-	1pp	78%	-	-
Pay Costs	(41)	(4)	(13%)	(83)	(11)	(16%)
Non-Pay Costs	(54)	14	20%	(108)	33	23%
Total Operating Costs <sup>1</sup>	(95)	10	9%	(191)	22	10%
<b>Total Group EBITDA <sup>1</sup></b>	<b>147</b>	<b>6</b>	<b>4%</b>	<b>287</b>	<b>8</b>	<b>3%</b>
EBITDA Margin %	47%	-	3pp	46%	-	2pp

## Commentary

- ▶ Revenue down €9m or 3% in Q2; down €17m or 3% in H1
- ▶ EBITDA up €6m or 4% in Q2; up €8m or 3% in H1
- ▶ Continued YoY growth in broadband, data services, postpay and bundling, offset by reduced access, voice, managed services and prepay revenues, as well as wholesale regulatory pricing
- ▶ Gross margin up 1pp to 77% in Q2; stable at 78% in H1
- ▶ Operating costs reduced by €10m or 9% in Q2; reduced by €22m or 10% in H1

<sup>1</sup> Stated before non-cash pension charge, fair value lease credits, management charge, and exceptional costs.

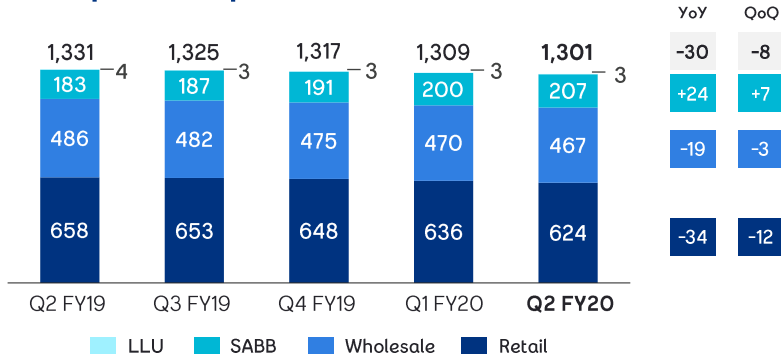
<sup>2</sup> Table includes proportionate consolidation of Tetra Ireland at 56% for actual and prior year.

<sup>3</sup> Figures are presented to the nearest million and may vary slightly from actual arithmetic totals.

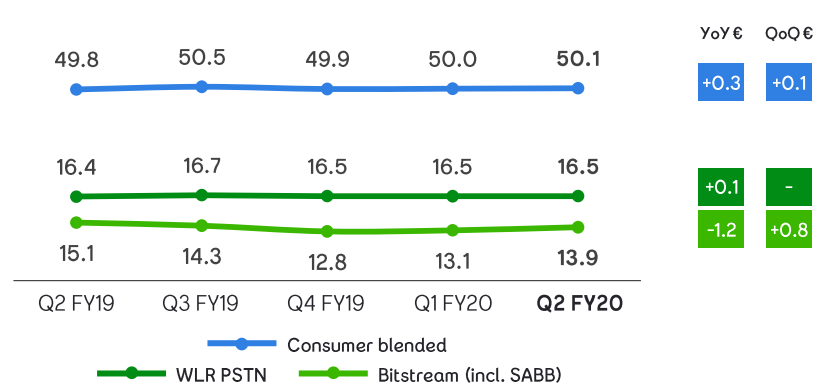
# Group fixed KPIs | Further growth in broadband despite retail headwinds



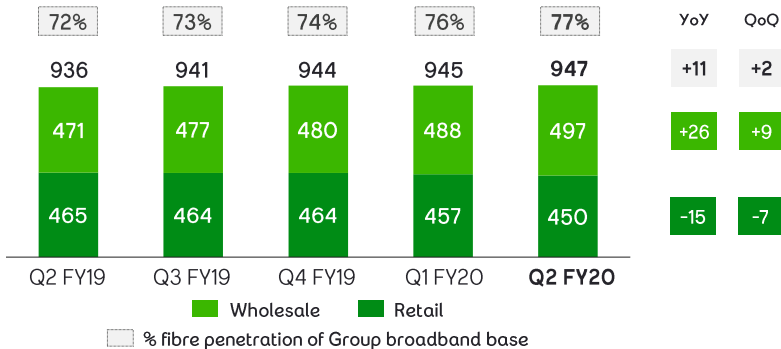
## Group access paths ('000s)



## Fixed line ARPUs (€)



## Group broadband base<sup>1</sup> ('000s)



## Commentary

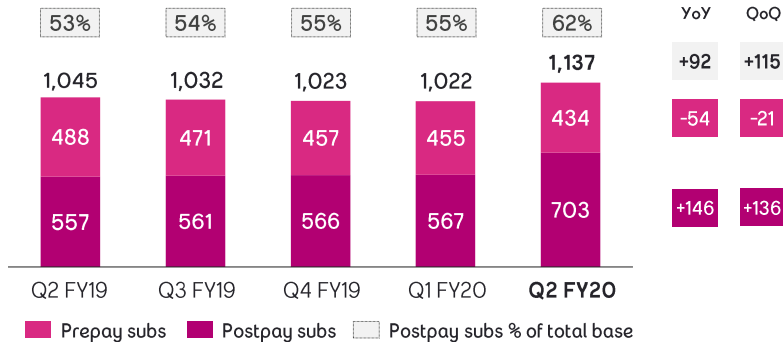
- ▶ Group access paths down 2% or 30k YoY and 1% or 8k QoQ due to traditional access reductions
- ▶ Group broadband base up 1% or 11k YoY, up 2k QoQ; retail broadband impacted by sport content, competitive pricing and an increase in out of contract customers
- ▶ 77% of Group broadband base now on fibre, up 5pp YoY and 1pp QoQ
- ▶ Consumer blended ARPU broadly stable, up 1% YoY
- ▶ Bitstream ARPU down 8% YoY due to regulated price decrease, up 6% QoQ driven by change to product mix; WLR ARPU broadly stable YoY and QoQ

<sup>1</sup> Excludes Line Share / LLU.

# Group mobile KPIs | Successful launch of GoMo driving 26% postpay growth



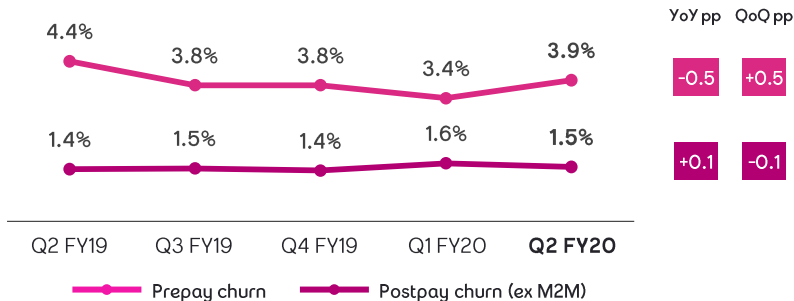
## Mobile subscribers ('000s)



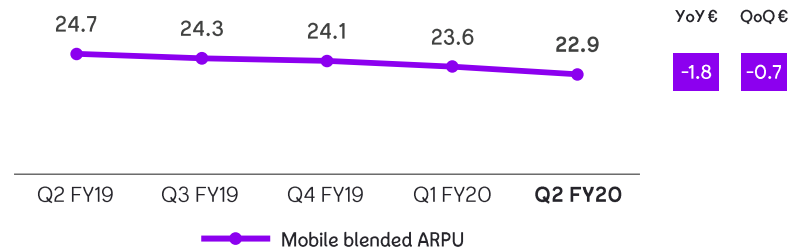
## Commentary

- ▶ Postpay base growth of 26% or 146k YoY, up 24% or 136k QoQ driven by strong performance of GoMo launch
- ▶ 62% of mobile base on postpay, up 9pp YoY
- ▶ Prepay churn down 11% YoY, increase QoQ driven by Christmas seasonality
- ▶ Mobile blended ARPU down 7% YoY and 3% QoQ, driven by a change in the mix

## Mobile churn <sup>1</sup>



## Mobile blended ARPU <sup>2, 3</sup> (€)

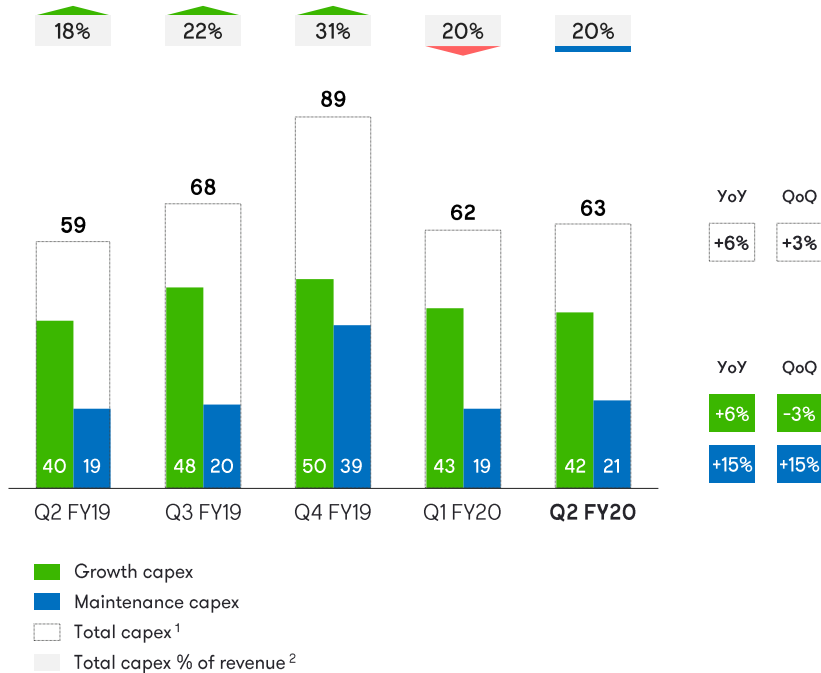


<sup>1</sup> Monthly average.

<sup>2</sup> Excludes IFRS 15 adjustments.

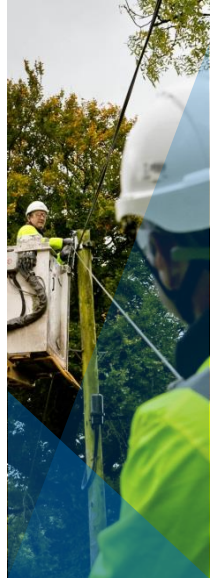
<sup>3</sup> Includes mobile broadband.

## Capex investment (€m)



## Commentary

- ▶ Q2 capex of €63m, or 20% of revenue, up 6% or €4m YoY
- ▶ Growth capex up 6%, driven by fibre and mobile network investments
- ▶ Maintenance capex up 15%, driven by IT spend and targeted pole replacement programme



<sup>1</sup> Incurred capex. Growth capex includes investment to rollout new NGA and mobile networks as well as the development of a new IT stack. Maintenance capex includes network and IT renewal.

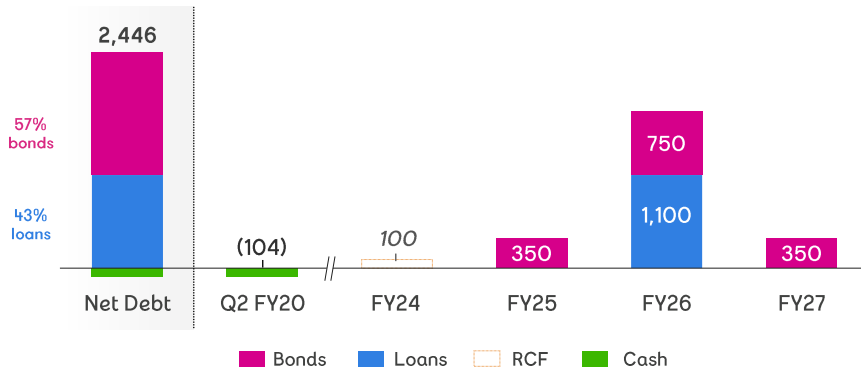
<sup>2</sup> Capex % of revenue excludes non-cash pension charge, spectrum, and asset retirement obligations.

# Financing

# Capital structure | Operating cash up 16% or €45m YoY



## Debt profile at quarter end (€m)



▶ Net Debt to EBITDA<sup>1</sup> 4.2x at quarter end, flat QoQ

▶ Average cost debt 3.03%, down 61 bps YoY<sup>2</sup>

▶ Undrawn €100m RCF

▶ Corporate ratings

Reported:

▶ Moody's **B1 Stable** Oct-19

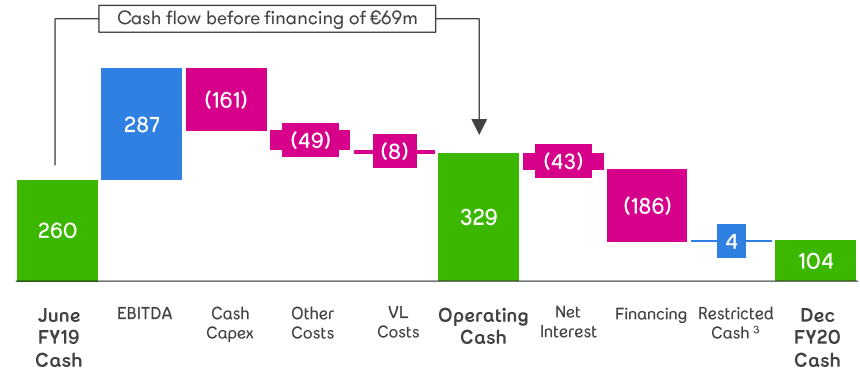
▶ S&P **B+ Stable** Oct-19

▶ Fitch **B+ Stable** Aug-19

<sup>1</sup> Net Debt to LTM EBITDA. Management view. Does not equate to SFA-defined calculation, which includes IFRS 15 and management charge impacts, and excludes Tetra joint venture.

<sup>2</sup> Excluding swaps and RCF.

## Cash profile at quarter end (€m)



▶ Cash on balance sheet €104m at quarter end<sup>4</sup>

▶ Other costs include working capital, tax, and provisions

▶ Financing includes €100m RCF repayment, €80m distribution to equity shareholders, and €6m financing costs relating to refinancing activities

<sup>3</sup> Restricted cash primarily relates to escrow deposit.

<sup>4</sup> Cash on balance sheet includes eir Group's share of Tetra cash.

# Outlook



## FY20 outlook

**EBITDA**

Low single digit EBITDA growth

**Capex**

Capex between 21%-23% of revenue

**Cash flow**

Further year-on-year cash flow growth <sup>1</sup>

# Appendix

## IFRS 15 Adjustments

# IFRS 15 Adjustments | H1 FY20 & FY19



€ in millions

	H1 FY20			H1 FY19		
	Before Adjustment	IFRS 15 Adjustment	After Adjustment	Before Adjustment	IFRS 15 Adjustment	After Adjustment
Fixed Line Revenue	460	-	460	475	-	475
Mobile Revenue	175	(2)	173	176	(2)	174
Eliminations	(18)	-	(18)	(17)	-	(17)
<b>Total Group Revenue</b>	<b>617</b>	<b>(2)</b>	<b>615</b>	<b>634</b>	<b>(2)</b>	<b>632</b>
Cost of Sales	(139)	-	(139)	(142)	-	(142)
Gross Profit	478	(2)	476	492	(2)	490
Gross Margin %	78%	(1pp)	77%	78%	-	78%
Pay Costs	(83)	-	(83)	(72)	-	(72)
Non-Pay Costs	(108)	4	(104)	(141)	8	(133)
Total Operating Costs <sup>1</sup>	(191)	4	(187)	(213)	8	(205)
<b>Total Group EBITDA <sup>1</sup></b>	<b>287</b>	<b>2</b>	<b>289</b>	<b>279</b>	<b>6</b>	<b>285</b>
EBITDA Margin %	46%	1pp	47%	44%	1pp	45%

## Commentary

- ▶ Mobile revenue impacted by **-€2m** adjustment in both H1 FY20 and H1 FY19, related to IFRS 15 revenue recognition of mobile handset service and equipment revenue
- ▶ Non-pay costs impacted by **+€4m** and **+€8m** adjustment in H1 FY20 and H1 FY19 respectively, related to IFRS 15 recognition of sales commissions, affected by timing of SAC investment and reduced commissions YoY

<sup>1</sup> Stated before non-cash pension charge, fair value lease credits, management charge, and exceptional costs.

<sup>2</sup> Table includes proportionate consolidation of Tetra Ireland at 56% for actual and prior year.

<sup>3</sup> Figures are presented to the nearest million and may vary slightly from actual arithmetic totals.

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