

Press release

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Q3 with market share gains and EBITDA growth

- Continued customer momentum in mobile postpaid (+10% YoY), internet (+9%) and TV (+14%)
- Service revenue increased +2.0% driven by customer momentum and B2B, while total revenue was up +1.0%
- Gross profit growth of +1.9% in Q3, with improvement partly reinvested into growth momentum
- Adj. EBITDA up +2.0% (incl. IFRS 16: +9.4%)
- Termination of SPA with Liberty Global
- 2019 guidance confirmed

Revenue (CHF m)	Q3'18 <i>excl. IFRS 16</i>	Q3'19 <i>incl. IFRS 16</i>	Q3'19 <i>excl. IFRS 16*</i>	YoY <i>incl. IFRS 16</i>	YoY <i>excl. IFRS 16</i>
Mobile services	321	325		1.3%	
Landline services	77	72		(5.7%)	
Landline internet	72	76		6.8%	
Total revenue	469	474		1.0%	
Service revenue (total excl. hubbing & hardware)	385	393		2.0%	
Gross profit	310	316	316	1.9%	1.9%
EBITDA	154	175	163	13.0%	5.5%
Adjusted EBITDA	158	173	161	9.4%	2.0%
Net income	32	48	48	51.7%	53.6%
Equity free cash flow	58	88		52.0%	
Customers (in k)					
Mobile Postpaid	1,686	1,854		9.9%	
Mobile Prepaid	677	591		(12.7%)	
Landline Voice	460	497		8.0%	
Internet	449	490		9.1%	
TV	236	269		14.4%	

*IFRS 16 has no impact on revenue

Olaf Swantee, CEO of Sunrise, comments: "In Q3 we continued our 5G rollout, covering 309 cities and villages by the beginning of October. Our network leadership, solid Q3 performance and strong score in the BILANZ telecom ranking all confirm our strategic focus on quality across our networks, services and products."

Strong customer growth in postpaid, internet and TV

Momentum in subscriber additions continued, with Sunrise achieving 41,400 postpaid net adds in Q3'19, vs. 31,000 in the same period last year. This strong performance was supported by B2B customer wins (including 'GF Machining Solutions' and 'ewl energie wasser luzern') and a focus on going the extra mile for customers. YoY, Sunrise grew its mobile postpaid customer base +9.9%, up from +9.5% in the previous quarter. The mobile prepaid customer base decreased YoY as customers continue to migrate to postpaid tariffs. Internet and TV subscribers rose by +9.1% YoY and +14.4% YoY respectively. These substantial increases were supported by 2-4P bundle offers, attractive TV content (which includes 'Netflix', 'Sky Sports' and 'Sky Show'), a focus on service excellence, and dedicated promotions.

Revenue growth driven by customer growth

Service revenue increased by +2.0% YoY as a result of mobile postpaid, internet / TV and B2B revenue growth. This represents a slowdown compared to Q2'19 growth (+3.1% YoY), primarily driven by project driven 'Integration' business. Total revenue increased by +1.0% YoY to CHF 474m: Service revenue growth was partly offset by reduced hubbing and mobile hardware sales, which both carry low profitability.

Adj. EBITDA up +2.0%

Gross profit rose by +1.9% YoY to CHF 316m, due to service revenue growth. Service gross margin decreased slightly, mainly due to promotions and customers' higher roaming usage. Gross profit improvement was partly reinvested into growth momentum. Q3 adjusted Opex increased +1.7% YoY as a result of variable customer onboarding and operational momentum costs, driving service revenue growth. Q3 adjusted EBITDA increased +2.0% (incl. IFRS 16 +9.4%) to CHF 161m. Net income improved from CHF 32m last year to CHF 48m supported by EBITDA growth and a deferred tax liability reduction.

Improved eFCF

Equity free cash flow increased from CHF 58m to CHF 88m in Q3 YoY, as a result of EBITDA growth and different Capex and NWC seasonality than last year. Net debt saw an improvement in Q3 to CHF 1,554m vs. CHF 1,636m in Q2 – driven by equity free cash flow. Pro forma IFRS 16 net debt to adjusted EBITDA ratio stood at 2.35x at the end of Q3'19. Excluding IFRS 16, the ratio amounted to 2.10x, a slight YoY increase from 2.08x driven by spectrum payment.

Termination of SPA with Liberty Global

Sunrise canceled the share purchase agreement with Liberty Global as of 12 November 2019. The cancellation triggers the payment of a penalty of CHF 50m to Liberty Global. Sunrise expects total additional costs of CHF 70-75m related to the transaction, consisting of underwriting fees (CHF 19m) advisory and legal fees, as well as already incurred integration costs (CHF 24m). Thereof, CHF 27m are already reflected in the financial statements of the first nine months of 2019, including CHF 24m as other operating expenses.

FY'19 guidance confirmed

FY'19 revenue and adjusted EBITDA continue to be expected between CHF 1,860-1,900m and CHF 618-628m, respectively. This guidance does not yet include the effects of IFRS 16. FY'19 Capex is reiterated in the range of CHF 420-460m. Upon meeting its FY'19 guidance, Sunrise expects to propose a dividend in the range of CHF 4.35-4.45 per share for FY'19, paid out of capital contribution reserves in FY'20.

Complementary 9m'19 results table

Revenue (CHF m)	9m'18 <i>excl. IFRS 16</i>	9m'19 <i>incl. IFRS 16</i>	9m'19 <i>excl. IFRS 16*</i>	YoY <i>incl. IFRS 16</i>	YoY <i>excl. IFRS 16</i>
Mobile services	938	929		(1.0%)	
Landline services	245	218		(11.0%)	
Landline internet	208	229		10.1%	
Total revenue	1,390	1,375		(1.1%)	
Service revenue (total excl. hubbing & hardware)	1,121	1,151		2.6%	
Gross profit	907	933	932	2.9%	2.8%
EBITDA	439	506	472	15.4%	7.7%
Adjusted EBITDA	448	496	463	10.9%	3.4%
Net income	72	109	111	50.4%	54.0%
Equity free cash flow	92	92		(0.4%)	

*IFRS 16 has no impact on revenue

Please see www.sunrise.ch/reports for the IFRS report, the investor presentation, and further information.

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