Sunrise

Sunrise Communications Group AG

Q1 2018 financial results – 3 May 2018

Agenda

1 Summary & operational update — O. Swantee (CEO)
2 Financials — A. Krause (CFO)
3 Conclusion — O. Swantee (CEO)
4 Q & A

Summary: Entering gross profit growth mode in Q1, after stabilization in 2017

- **Customer** growth momentum in key focus areas continued
  - Strong growth in mobile postpaid (+7.6% YoY), internet (+11.6% YoY) and TV (+25.7%)
  - Q1 with refresh of mobile tariffs after 2014 launch; 'more for more' landline campaign Q2/Q3
- **Revenue** up +6.4% [1)] YoY, driven by service and hardware revenue
  - Service revenue up +3.0% [1)]: customer growth momentum more than offsetting lower ARPUs
  - Sequential service revenue acceleration (Q4: +0.9% MTR adj.) driven by growth momentum and improving B2B trends after recent customer wins
- **Gross profit** growth accelerated to +2.9% [1)] (Q4: +0.3%) YoY, driven by growth momentum and B2B
- Adj. **EBITDA** down -3.5% [1)]; up +2.7% [1)] when excluding higher network service fees after tower disposal; gross profit acceleration partly reinvested into growth momentum
- **Guidance** 2018 reiterated
- Q1'18 in this presentation is based on numbers excl. **IFRS 15** impact, except where indicated differently; IFRS 15 impact is CHF -0.4m (CHF +2.2m) on Q1'18 revenue (adj. EBITDA)

[1)] Incl. IFRS 15: Q1 revenue +6.3%, service revenue +2.6%; GP +2.4%, adj EBITDA -1.9%, adj. EBITDA (excl. tower) +4.2% YoY

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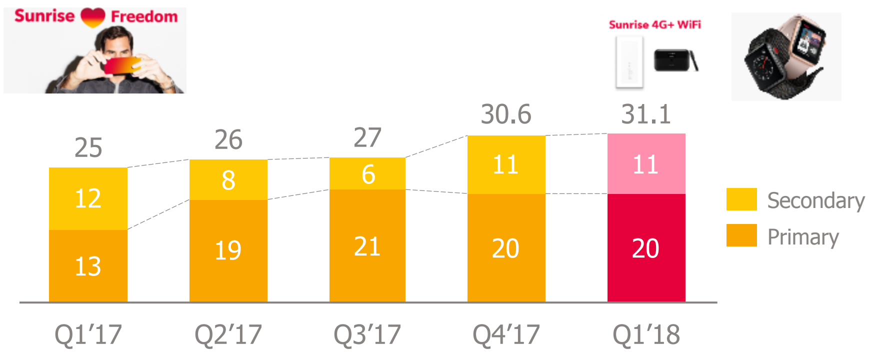
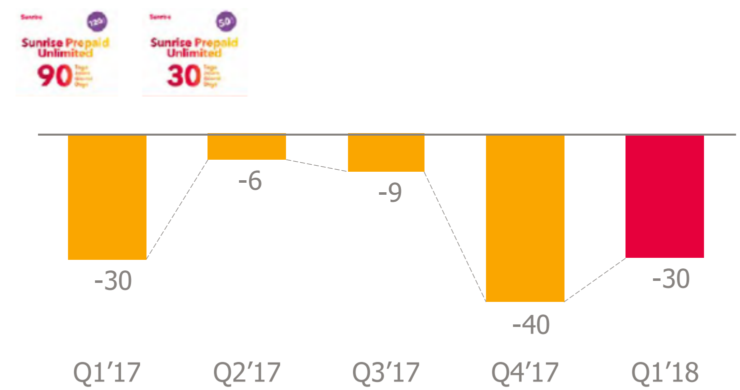
Strongest postpaid net adds since 2011

Postpaid mobile net adds ('000)



- **Postpaid** driven by primary SIMs, leading to 1.63m total subscriptions (+7.6% YoY vs. Q4'17: +7.3%)
- Primary SIMs driven by B2B, Sunrise ONE, multi brand approach, strong network quality, broad product offering with attractive price performance ratio, and diversified distribution channels
- Secondary data SIMs supported by Apple watch and demand for mobile broadband
- Communication platform with refreshed appearance and higher quality focus

Prepaid mobile net adds ('000)



- **Prepaid** with ongoing pre- to postpaid migration, leading to 726k total subscriptions
- Q1 negatively impacted by seasonality as in previous years; focus on valuable customer in-take maintained

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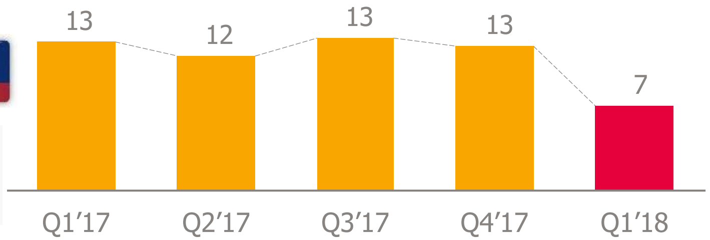
Growing Internet and TV customer base

Internet net adds (‘000)

- **Internet customer base continues to grow**: Sunrise now has 431k internet subscriptions
- Converged tariff ‘Sunrise ONE’ supported growth: 54k or 36% of billed 4P customer base already on Sunrise ONE (Q4: 46k or 32%)

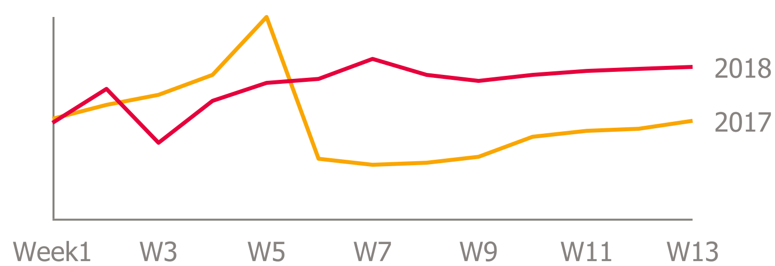
TV net adds (‘000)

- **TV has solid growth**: Sunrise now has 221k TV subscriptions; supported by attractive Sunrise TV offering and improved TV sports content with Sky and Teleclub
- 32% YoY increase in 4P billed customer base



TV order in-take

- Internet and TV net add growth pace slowed due to different promotional seasonality
- Order acceleration in second half of Q1, with usual time delay between order in-take and activation (i.e. net add)
- Market liquidity continues to be limited



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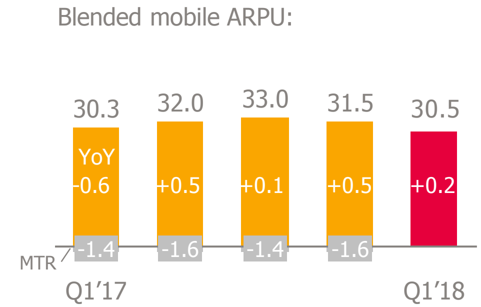
ARPU trends continuing
Incl. IFRS 15 [1)]

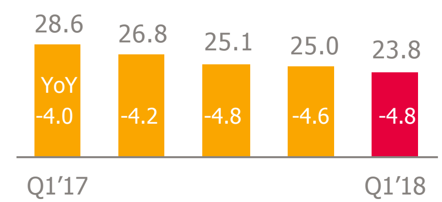
Blended mobile ARPU (CHF)

- **Blended mobile** ARPU up CHF +0.2 YoY due to growing postpaid subscribers, which have a higher ARPU than decreasing prepaid subscribers
- **Postpaid** down CHF -1.0 YoY mainly due to 2nd SIM dilution; MTR effect negligible thus not any longer separately disclosed
- **Prepaid** down CHF -0.9, due to high value prepaid customers migrating to postpaid and shift to OTT



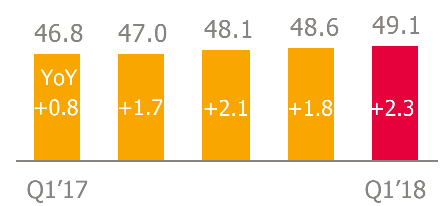
Landline voice ARPU (CHF)

- **Landline voice** down CHF -4.8 YoY due to migration to flat rate packages and fixed to mobile/OTT migration resulting in reduced voice usage



Blended internet & TV ARPU (CHF)

- **Blended internet & TV** up CHF +2.3 YoY driven by TV customer growth



1) Q1'18 ARPUs excl. IFRS 15: Blended mobile: CHF 30.7; landline voice CHF 23.8; blended internet & TV: CHF 49.1

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B2B transformation on-track

Product strategy

Evolving into a managed service provider

Mobile

Best mobile solutions for people and things - ultra-fast data connections and voice based telephony

Connectivity

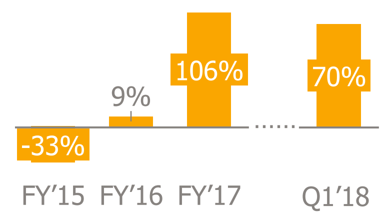
Complete customer networking up to the end user and ensure the fastest and most secure internet access

Work Smart

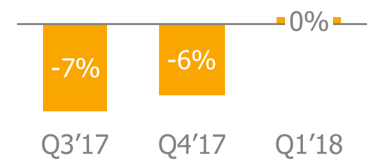
Sunrise's Work Smart solutions create modern workplace to work safely, flexibly and efficiently

Positive B2B momentum

B2B 1 yr order value YoY [1):



B2B gross profit YoY (excl. IFRS 15):



- **Positive momentum** confirmed by improving gross profit trend
- Focus on customer acquisition in the enterprise segment and cross selling initiatives at **SME**s
- Recent **customer gains** include P&G, Heineken, Euromaster and Froneri
- Launch of new UCaaS solution in Q4’17
- 8% increase in B2B **sales force** YoY in Q1’18; Q4’17 opening of new B2B support center to smoothly process higher orders

[1) One year order value does not take into account contract losses; excludes ‘Integration’ unit

Commercial update mobile
Refresh of 'Freedom' mobile tariffs in Q1

'Freedom' launched in 2014

- First Swiss mobile tariff without fixed contract duration
- Supported **27% postpaid customer growth** since launch
- Pricing largely unchanged since 2014, while network quality improved

'Freedom' refresh in 2018

Balanced refresh with fine-tuning of pricing, roaming and data buckets

Replacing 'Max' with 'Swiss Neighbours'

Sunrise Young

Replacing 'MTV' with 'Sunrise' brand

New 'travel day pass data': 100MB for CHF 1.90 per day

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Commercial update landline

Refresh of internet tariffs with 'more for more'

Sunrise landline approach

- Follow **quality strategy** and focus on high-end customers, e.g. with unlimited tariff 'Sunrise ONE'
- Apply assertive **promotions** to unlock market liquidity
- Stand out with **customer service**: Targeted measures to improve NPS and propensity to call; facilitate customer onboarding
- Benefit from **pervasive distribution** and reputation momentum

Rising speeds and pricing in Q2 / Q3'18

internet start

Monthly price (CHF)

45.- → 50.-

internet speed

40 Mbit/s → 50 Mbit/s

internet comfort

Monthly price (CHF)

65.- → 70.-

internet speed

100 Mbit/s → 200 Mbit/s

- **Increasing speeds** for new (July) and existing (August) customers
- Customers can choose to opt-out at existing terms

Targeted promotions continue

- Current fibre tariff promo
- Previous 'iPad on top' promo

Financials

A. Krause (CFO)

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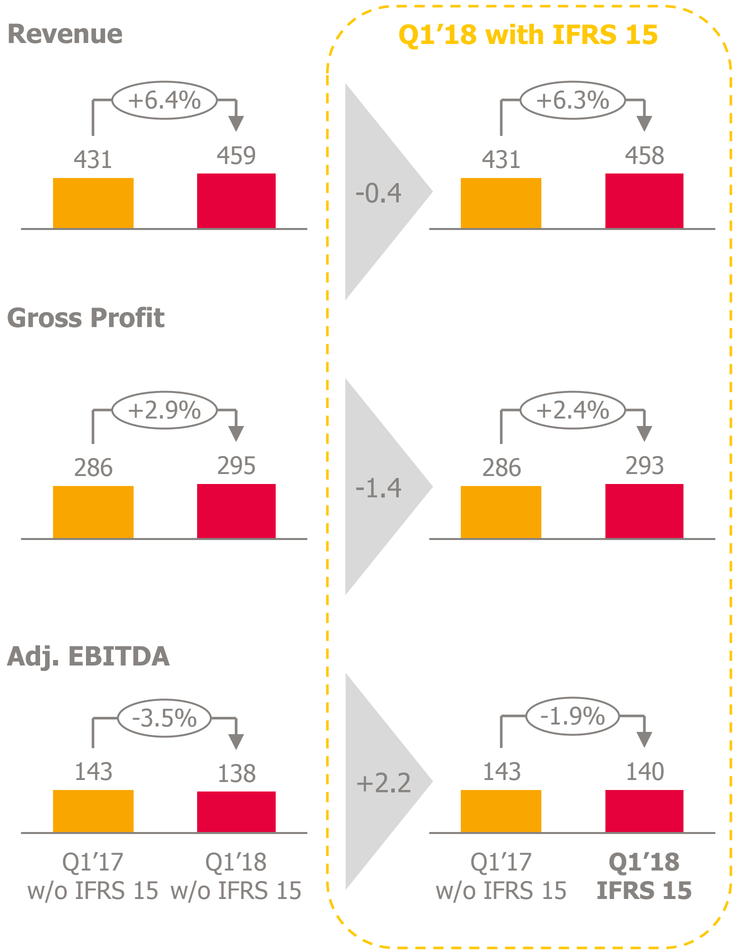
IFRS 15 update

Q1’18 without and with IFRS 15



IFRS 15 reporting at Sunrise

- **Q1’18** in this presentation is based on numbers **without IFRS 15**, except where indicated differently
- IFRS report focuses primarily on IFRS 15; complementary it provides Q1’18 numbers under IAS 18 in the ‘operational and financial review’ section
- At Sunrise, the 2018 impact of IFRS 15 is mainly related to the capitalization of costs to obtain a contract, resulting in a **positive Opex effect**

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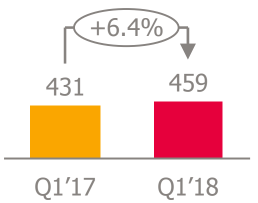
Financial Overview
excl. IFRS 15 [1)]

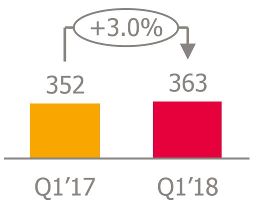
Revenue (CHFm)

- **Revenue up** +6.4% due to service and hardware revenue
- **Service revenue up** +3.0%, an acceleration compared to Q4 (+0.9% MTR adj.) supported by B2B and growth momentum

Total revenue:



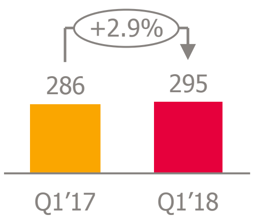
Service revenue [2)]:



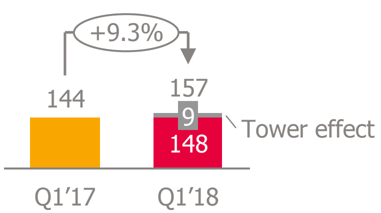
Gross profit & adj. Opex (CHFm)

- **Gross profit** growth accelerated to +2.9% (Q4: +0.3%) driven by B2B and growth momentum
- Adj. Opex up +9.3% due to tower disposal in Aug 2017 leading to increased network service fees; adj. Opex excl. tower up +3.1%

Gross profit:



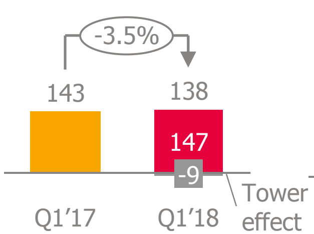
Adj. Opex:



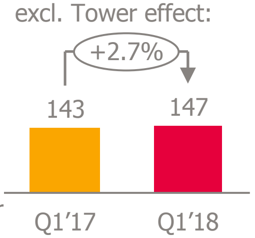
Adj. EBITDA (CHFm)

- **Adj. EBITDA down** -3.5%
- Adj. EBITDA up +2.7% when excluding higher network service fees after tower sale, driven by service revenue growth

Adj. EBITDA:



Adj. EBITDA
excl. Tower effect:



[1)] Incl. IFRS 15: Q1 revenue +6.3%, service revenue +2.6%; GP +2.4%, adj EBITDA -1.9%, adj. EBITDA (excl. tower) +4.2% YoY
[2)] Service revenue is total revenue excluding hubbing and mobile hardware revenues, which are low margin

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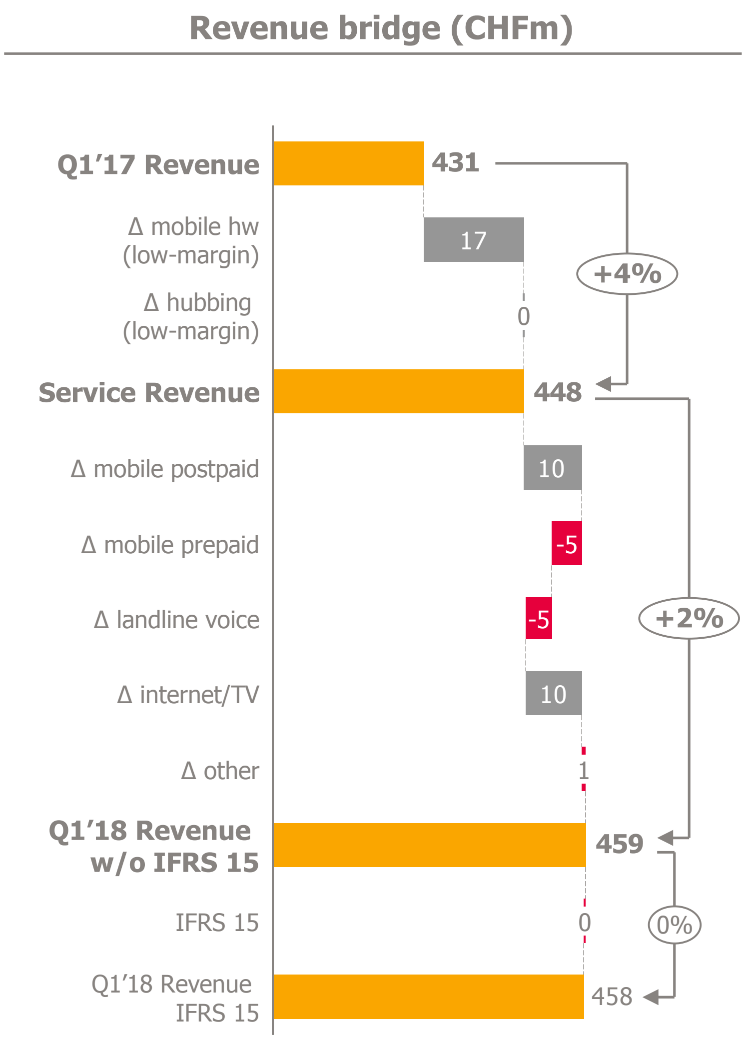
Revenue driven by postpaid, internet and TV



- **Mobile hardware**: revenue depends on handset innovations / launches, which vary across quarters leading to revenue volatility
- **Hubbing**: international trading business which is volatile by nature
- **Postpaid**: strong customer growth driven by investments into quality, offsetting lower ARPU
- **Prepaid**: pre- to postpaid migration and shift to OTT
- **Landline voice**: fixed to mobile substitution, migration to flat rates as part of fixed bundles, and OTT
- **Internet/TV**: strong customer growth
- **Other:** mainly driven by lower-margin areas such as volatility in B2B equipment sales and in wholesale

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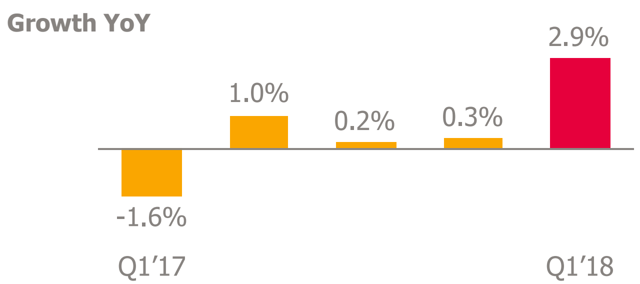
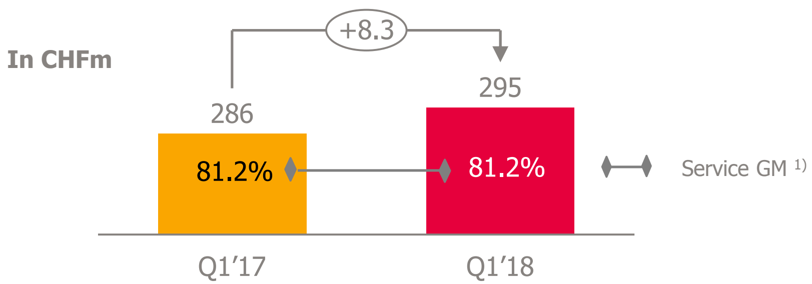
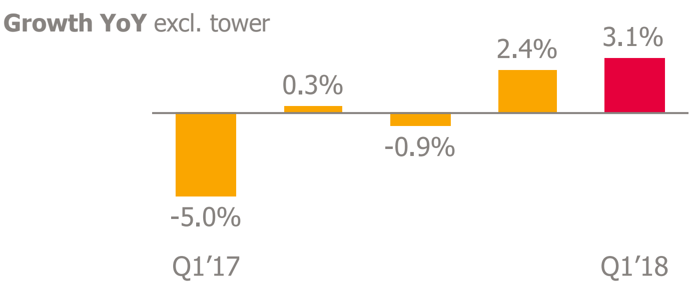
Accelerated gross profit, partly reinvested into growth momentum

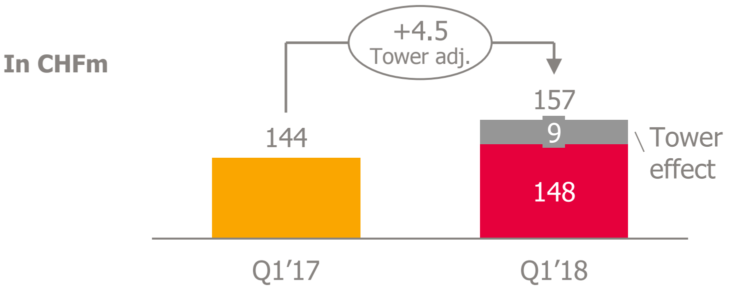
Gross profit





Adjusted Opex





- **Gross profit +2.9%** in Q1, representing acceleration driven by B2B and growth momentum
- Service gross margin [1] stable: Positive impacts of MTR and utility access deals offset by revenue mix effects

- Adj. **Opex up** to CHF 157m, mainly due to tower deconsolidation, following disposal in Aug 2017, leading to higher network service fees (CHF 9m)
- Costs excl. tower up to CHF 148m: cost savings reinvested into operational momentum, such as commercial expenses and front line (e.g. shops, B2B staff, B2B support center)

[1] Service gross margin is calculated as total gross profit divided by service revenue (i.e. revenue excluding low-margin hardware and hubbing revenue)

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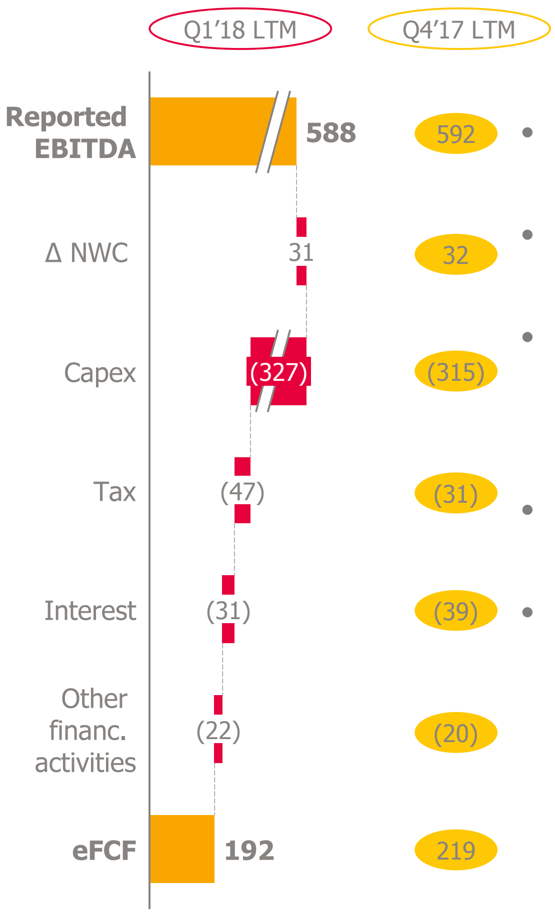
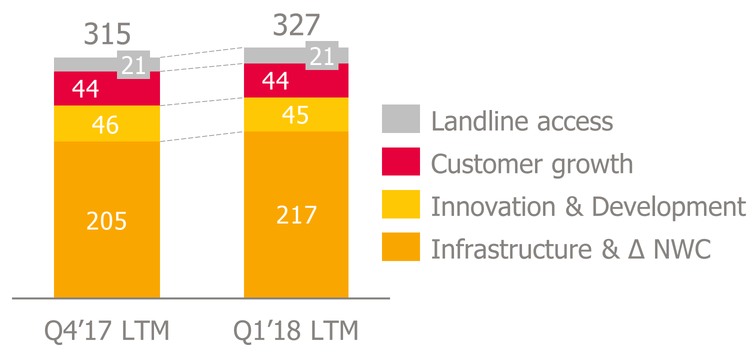
eFCF and leverage as expected

Equity Free Cash Flow (CHFm) [1)]



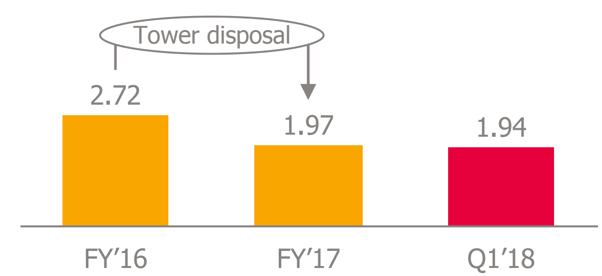
- **EBITDA** impacted by tower disposal
- **Capex** in-line with company expectation
- **Tax** with different seasonality (month end 'cut-off') and higher taxable income
- **Interest** with different seasonality
- **Other** including installment of 2014 Swisscom access deal payment

Capex (CHFm)



Leverage ratio [1)]

Net debt/adj. EBITDA



- Slightly improved leverage ratio
- Expected increase in Q2 due to dividend payment

[1)] IFRS 15 has no impact on total eFCF as the impact on EBITDA is offset by the impact on NWC; eFCF chart: LTM EBITDA and ΔNWC are based on IFRS 15 for 2018 and are without IFRS 15 for 2017 quarters; Leverage ratio: LTM EBITDA is based on IFRS 15 for 2018 and without IFRS 15 for 2017 quarters; Leverage ratio is pro forma taking into account annualized network service fees related to tower disposal

Conclusion

O. Swantee
CEO

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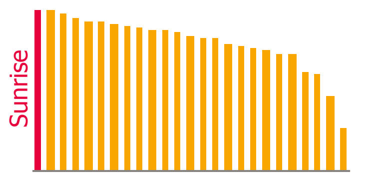
Investing into 3 strategic growth priorities

Network quality

Leading European network quality 1)



- Outstanding mobile network with leading **dropped call ratios**, 44 Mbit/s average experienced **download speed**, **VoLTE** launched, and 99.9%/95.2% **LTE** population/geographic coverage covering 70% YoY data growth
- Landline access to speeds up to 1000 Mbit/s via FTTH, VDSL, and MBB

Customer interface

Refurbished shops

- **Refurbishment** of shops ongoing: improve locations and refresh appearance
- Diversified distribution channel strategy with around 40% online sales growth 2); targeted measures to improve propensity to call and to facilitate onboarding of landline customers
- **No. 1** of 'big providers' in BILANZ residential category **'Support'** 3)

Innovative converged products

Drive convergence

- Q1 with **refresh** of mobile tariffs
- New option to combine **'Sunrise ONE'** with various mobile tariffs
- Leverage improving perception into **B2B**; use recent customer wins as signaling for further prospective customers

1) Source: P3 as per 24 November 2017; see FY'17 investor presentation for more details
2) Referring to postpaid
3) Source: BILANZ 09 2017; referring to residential results; average rating across Mobile Telephony, TV, and Internet Service Provider except for Salt which is Mobile Telephony only

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Q1 conclusion
Gross Profit acceleration after 2017 stabilization

Customers	• Continued strong subscriber **growth** in mobile postpaid, internet and TV
Revenue	• Service Revenue growth **accelerated** driven by B2B and growth momentum
Profitability	• Adj. EBITDA (excl. tower effect) **up**, supported by Gross Profit acceleration
Cash Flow	• Equity FCF as expected; reduced leverage after tower disposal gives **flexibility** for strategic investments

FY'18 guidance reiterated

- Revenue: CHF 1,830-1,870m
- Adj. EBITDA: CHF 580-595m
- Capex [1]: CHF 283-323m
- Dividend: CHF 4.15-4.25

Guidance is pre IFRS 15 impact

[1] Includes CHF 56m upfront investments for fibre access at SFN, IWB and SIG; excludes potential spectrum payments and potential renewal of Swisscom access deal

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Q & A

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Appendix

Income Statement

P&L (CHFm)	Q1 2018 incl. IFRS 15	Q1 2018 excl. IFRS15	Q1 2017 excl. IFRS 15
Mobile services	**302**	**303**	**279**
thereof mobile postpaid	*190*	*191*	*181*
thereof mobile prepaid	*25*	*25*	*30*
thereof hardware	*66*	*65*	*48*
Landline services	**89**	**89**	**95**
thereof landline voice	*32*	*32*	*37*
thereof hubbing	*31*	*31*	*31*
Landline internet & TV	**67**	**67**	**57**
Total revenue	**458**	**459**	**431**
% YoY growth	*6.3%*	*6.4%*	
Service revenue (total excl. hubbing & hardware)	362	363	352
% YoY growth	*2.6%*	*3.0%*	
COGS	(165)	(164)	(145)
Gross profit	**293**	**295**	**286**
% YoY growth	*2.4%*	*2.9%*	
% margin	*64.0%*	*64.2%*	*66.4%*
Opex	(156)	(160)	(145)
EBITDA	**137**	**135**	**141**
% YoY growth	*(2.9%)*	*(4.5%)*	
Adjusted EBITDA	**140**	**138**	**143**
% YoY growth	*(1.9%)*	*(3.5%)*	
% margin	*30.5%*	*30.0%*	*33.1%*
% margin (excluding hubbing revenues)	*32.7%*	*32.2%*	*35.7%*
Depreciation and amortization	(105)	(105)	(110)
% YoY growth	*5.3%*	*5.3%*	
Operating income	**32**	**30**	**31**
Net financial items	(10)	(10)	(12)
Income taxes	(6)	(5)	(6)
Net income	**17**	**15**	**13**
Thereof (before tax impact):			
PPA effect	(32)	(32)	(32)

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Cash Flow Statement

Cash Flow (CHFm)	Q1 2018 incl. IFRS 15	Q1 2018 excl. IFRS 15	Q1 2017 excl. IFRS 15
EBITDA	**137**	**135**	**141**
Change in net working capital	(15)	(13)	(14)
Movement in pension and provisions	1	1	1
Interest paid	(6)	(6)	(14)
Corporate income and withholding tax paid	(23)	(23)	(7)
Cash flow from operating activities	**94**	**94**	**107**
Capex	(73)	(73)	(60)
% Capex-to-revenue	*15.8%*	*15.8%*	*14.0%*
Sale of PPE	8	8	0
Cash flow after investing activities	**29**	**29**	**47**
Repayment other financing items	(20)	(20)	(17)
Proceeds/(repayments) from debt, net	(1)	(1)	(2)
Total cash flow	**8**	**8**	**28**
Cash and cash equivalents as of BoP	272	272	214
Foreign currency impact on cash	0	0	0
Cash and cash equivalents as of EoP	**281**	**281**	**242**

Equity Free Cash Flow			
EBITDA	**137**	**135**	**141**
Change in net working capital	(15)	(13)	(14)
Interest paid	(6)	(6)	(14)
Corporate income and withholding tax paid	(23)	(23)	(7)
Capex	(73)	(73)	(60)
Other financing activities	(20)	(20)	(17)
Equity free cash flow	**1**	**1**	**29**

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Deleveraging YoY driven by tower proceeds

Net debt (CHFm)	March 31, 2018	December 31, 2017	March 31, 2017
Senior Secured Notes issued February 2015	500	500	500
Term loan B	910	910	1'360
Total cash-pay borrowings	**1'410**	**1'410**	**1'860**
Financial lease	8	9	15
Total debt	**1'418**	**1'419**	**1'875**
Cash & Cash Equivalents	(281)	(272)	(242)
Net debt	**1'137**	**1'147**	**1'633**
Net debt / pro forma adj. EBITDA [1)]	**1.9x**	**2.0x**	**2.7x**

[1)] Pro forma taking into account annualized network service fees related to tower disposal

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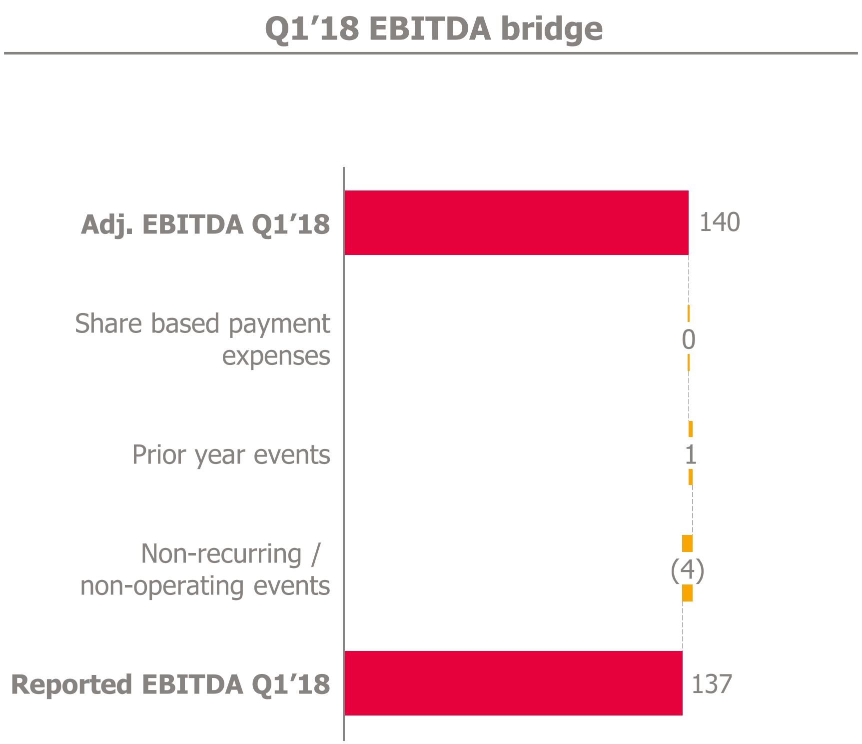
Bridge adjusted to reported EBITDA



- Share-based payment provisions for multi-year compensation plans
- Prior year related events mainly include adjustments of provisions/accruals based on newly available information
- Non-recurring / non-operating events mainly represent costs for one-time expenses

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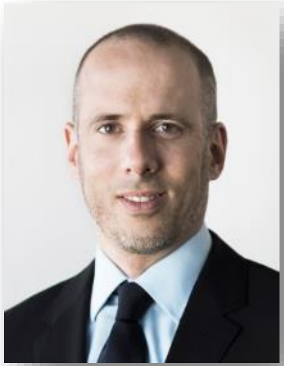
Thank you

Contact information

Investor contact



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