Q1 2019
Financial Results

16 May 2019

Sunrise

Agenda

Summary
Operational Update
Financials
Conclusion
Q&A

Summary

Sunrise continues to lead the market - raising adj. EBITDA guidance

Olaf Swantee
CEO

Sunrise

Summary

- **Customer** growth in key focus areas continued
  - Mobile postpaid (+9% YoY), internet (+10%), TV (+14%)
  - Supported by continued B2B customer wins (Q1 includes: Valora, University Hospital Zurich)
- **Service revenue** up +2.7% with customer growth more than offsetting lower ARPUs; total revenue down -2.6% YoY due to low-margin hubbing
- **Gross profit** growth of +4.2% YoY
- **Adj. EBITDA** up +5.0%; B2B transition on-track with GP and EBITDA in growth territory
- **Guidance** 2019 raised on adj. EBITDA, after a strong start to the year
- Financials in this presentation include IFRS 15 and exclude IFRS 16; IFRS 16 impact is CHF +11m on adj. EBITDA and CHF 265m on net debt in Q1’19

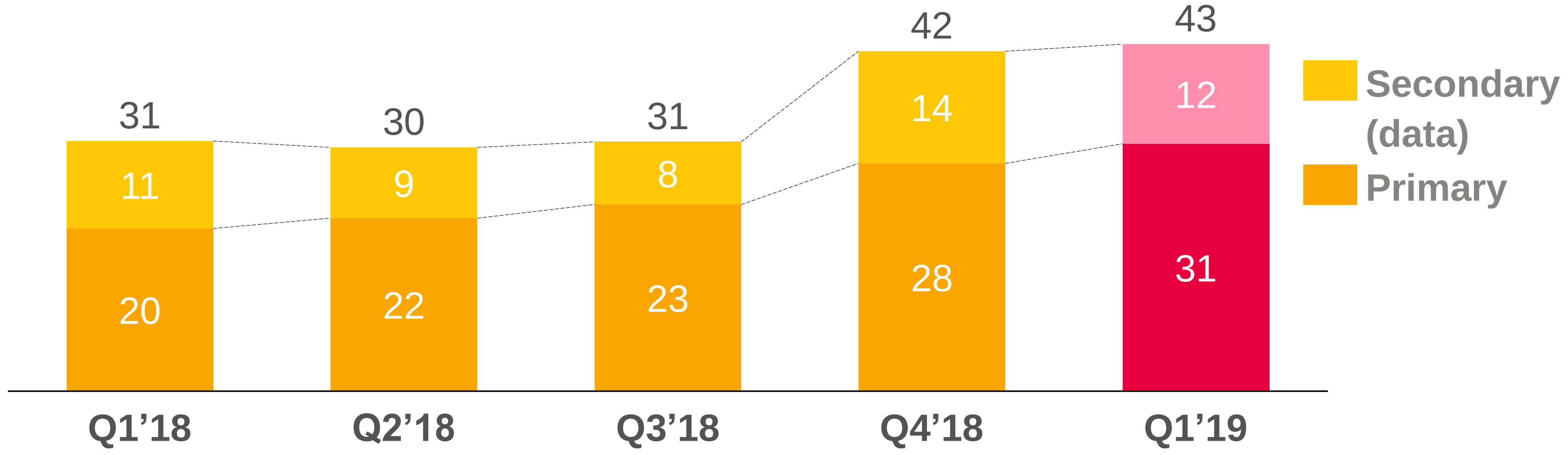
Operational Update

New record postpaid net adds;
Network leadership by pioneering 5G

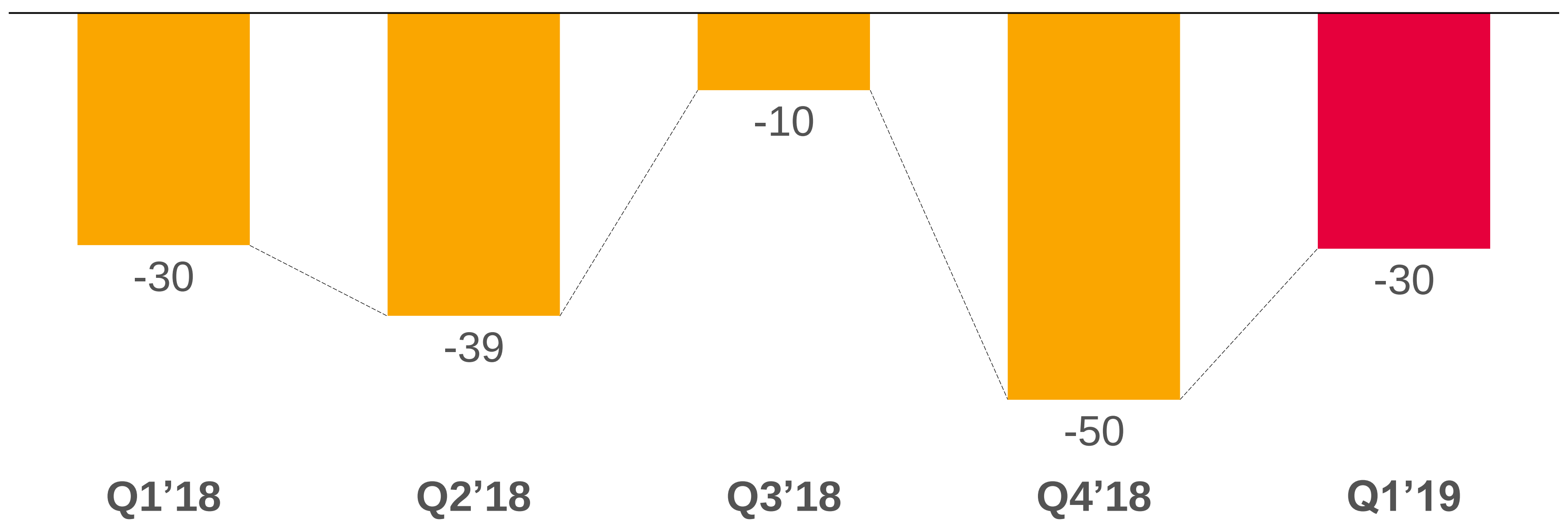
Olaf Swantee
CEO

New record postpaid net adds since 2010

Postpaid mobile net adds (‘000)



Prepaid mobile net adds (‘000)

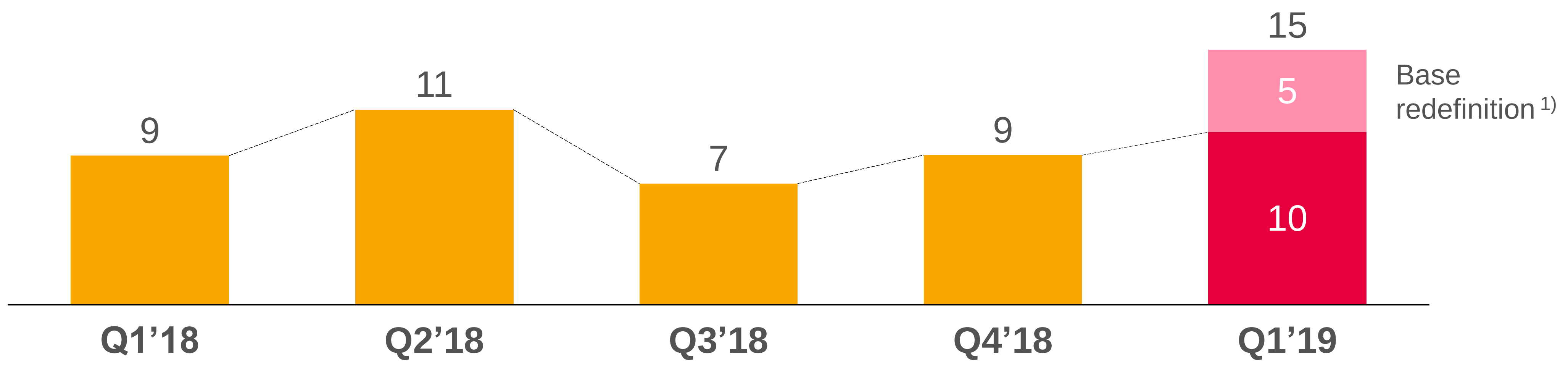


- **Postpaid** with strongest net adds since 2010, leading to 1.77m total subscriptions (+9.0% YoY)
- Primary SIMs driven by B2B (+20% YoY) and Yallo, strong network quality, broad product offering with attractive price performance ratio, and diversified distribution channels
- Secondary data SIMs supported by demand for mobile broadband and Apple Watch
- Introduced unlimited roaming data in high-end tariffs

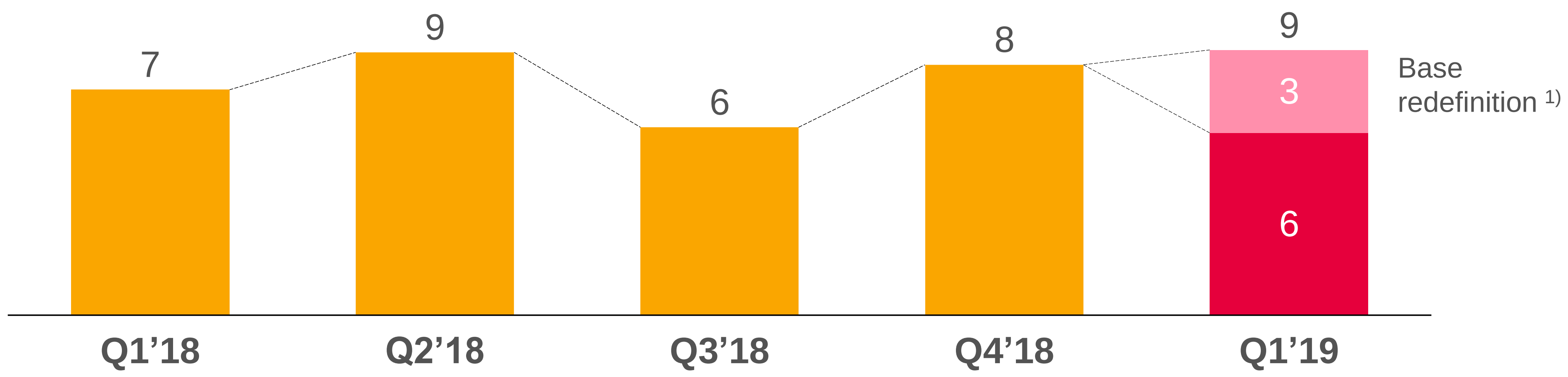
- **Prepaid** with ongoing pre- to postpaid migration, leading to 597k total subscriptions; prepaid accounts for ~4% of total revenue
- Q1 negatively impacted by seasonality as in previous years
- Focus on valuable customer in-take maintained

Growing internet and TV customer base

Internet net adds (‘000)



TV net adds (‘000)



- **Internet continues to grow customer base:** Sunrise now has 472k internet subscriptions
- Driven by 2-4P bundle offers, supporting 22% YoY increase in 4P billed customer base
- ~40% of Q1 internet net adds on fiber; increased online distribution channel share
- Proactive internet onboarding support confirmed by strong NPS

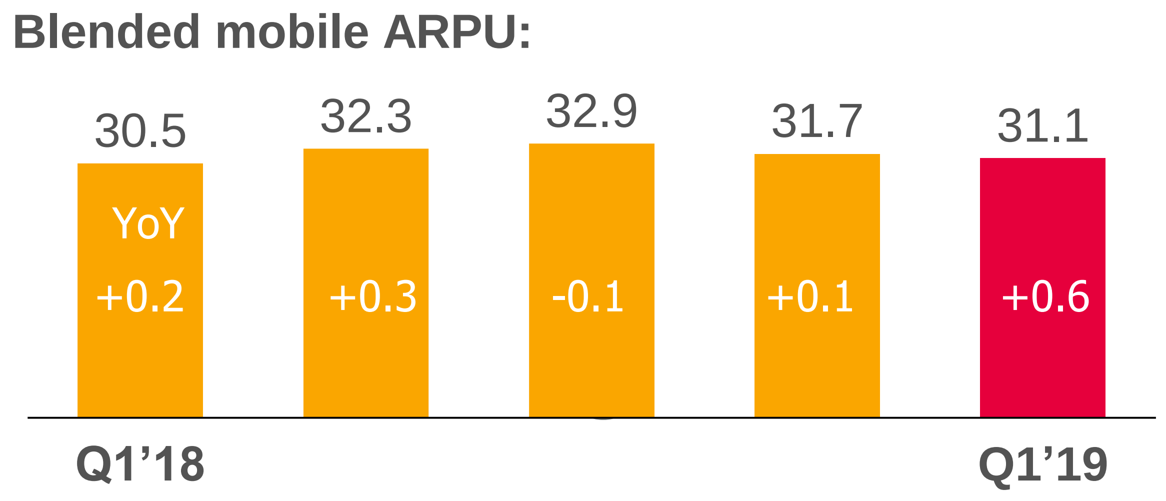
- **TV with solid growth:** Sunrise now has 252k TV subscriptions
- Supported by strong Sunrise TV offering including attractive TV sports content with Sky and Teleclub

1) Q1 internet / TV / landline voice net adds impacted by +4.7k/+2.7k/+4.7k from redefinition of customer base, with no effect on revenue. Reason for redefinition: Customers in migration between rate plans were not counted in the past and are included now

ARPU trends continuing

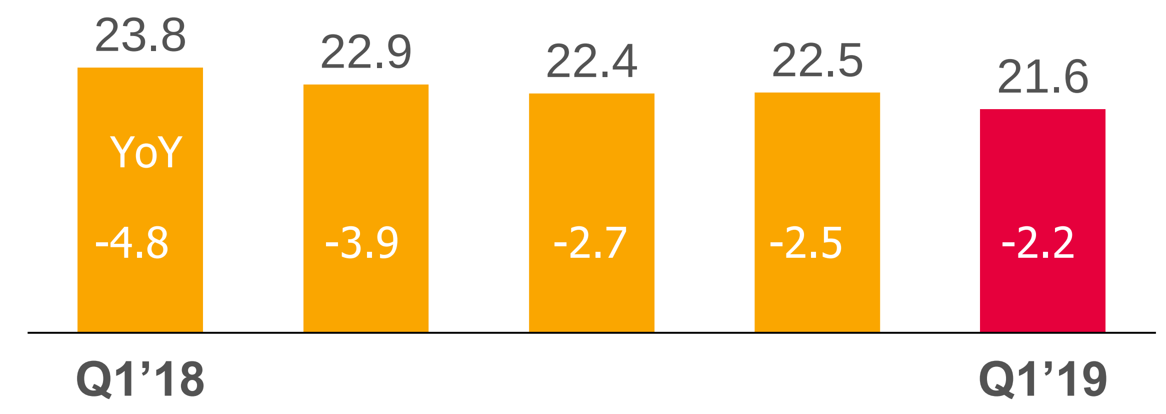
Blended mobile ARPU
(CHF)

- **Blended mobile** ARPU roughly stable YoY, as increasing postpaid subscriptions have higher ARPU than decreasing prepaid subscriptions
- **Postpaid** down CHF -1.0 YoY due to continued 2nd SIM dilution, roaming and MTR
- **Prepaid** decreased CHF -0.8 YoY as a result of high value prepaid customers migrating to postpaid and shift to OTT



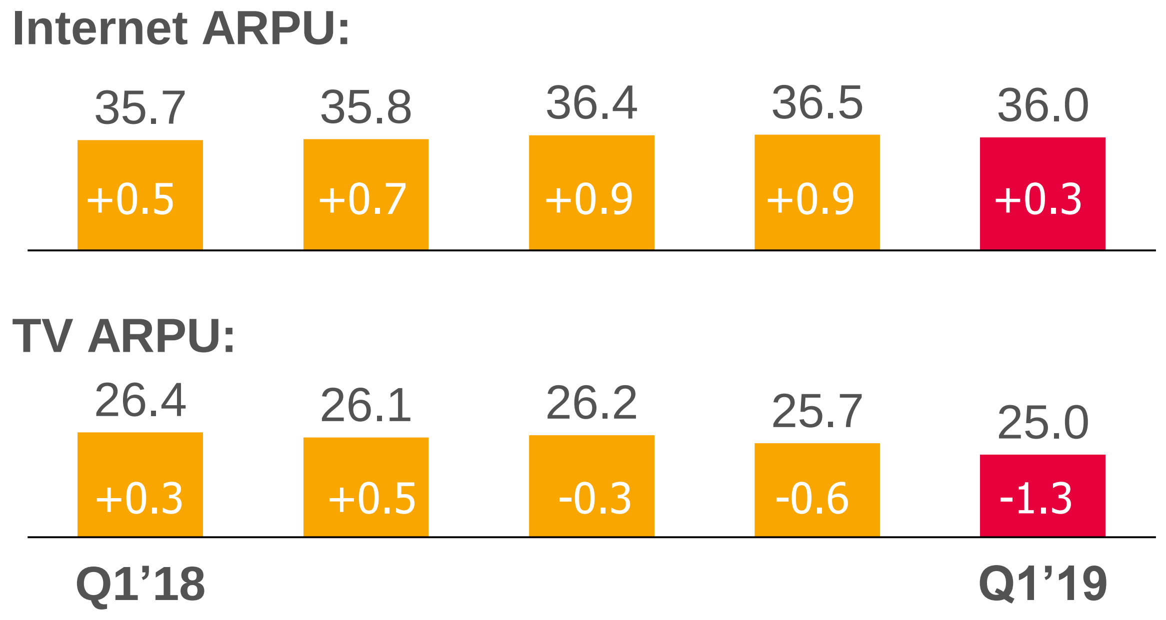
Landline voice ARPU

- **Landline voice** down CHF -2.2 YoY due to migration to flat rate packages and fixed to mobile/OTT migration resulting in reduced voice usage



Internet & TV ARPU

- **Internet & TV:** impacted by 'more for more' move in Q3'18, mix effects (e.g. Sunrise ONE), promotions, and Q1'19 redefinition of customer base



Sunrise

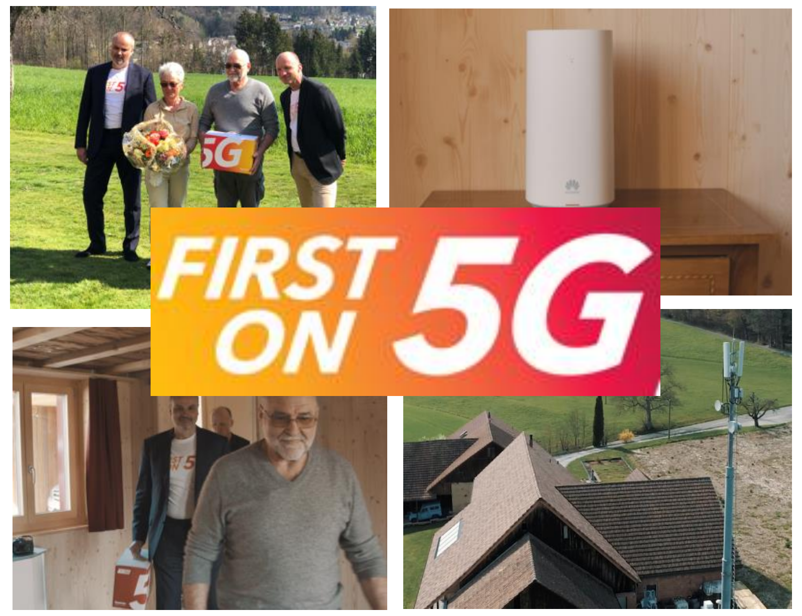
Network leadership by pioneering 5G

First on 5G – becoming a true network leader

- **Strong 5G spectrum** acquired at attractive price, including 100 MHz in 3.5-3.8 GHz
- **First operator in Europe** to launch **5G service** - **152 cities** /villages covered by end of Q1
- First operator in the world to launch Xiaomi's and Huawei's 5G handset in May 19
- **Monetize** via customer momentum, mobile broadband and smartphone extra fee; industrial leadership can create halo into other segments
- 5G with more capacity and **efficiency**

5G monetization on-track

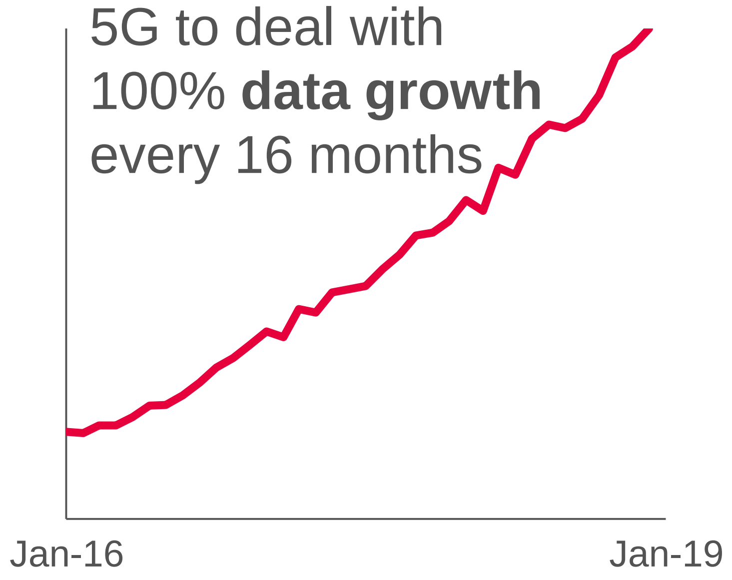
100 test 5G **MBB** boxes launched in Q1, providing high speed to ADSL/VDSL households



5G **mobiles** launched in Q2

5G leadership driving **momentum**

5G to deal with 100% **data growth** every 16 months



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Update on acquisition of UPC Switzerland (1/3)

Update on key transaction milestones

1. **Management roadshow with over 170 investors since announcement, broad support from vast majority of existing and new investors**
2. **Merger control notification submitted, regulatory clearance expected in H2’19**
3. **Integration planning under way, high level of confidence in synergy realisation**
4. **UPC Switzerland turnaround on track, Q1 results in line with expectations**
5. **Expected closing in Q4’19, subject to regulatory clearance and EGM approval**

Update on acquisition of UPC Switzerland (2/3)

UPC Q1’19 results demonstrating improving leading indicators and KPIs

Turnaround plan on track	• **Record March total customer sales growth of 30% YoY** • Improving trajectory with RGU losses slowing • Customer ARPU returning to growth (+3.6% YoY in Q1’19)[3)] • Continued strong momentum in mobile and B2B
Mobile growth accelerating	• **Revamp of mobile offering with launch of unlimited data and flexible top-up plans** • MVNO switch to Swisscom network with significant NPS uplift • 13k net adds[4)], representing best Q1 ever
Revamped fixed offering	• **Revamped fixed-line bundles driven by convergence** • 4P churn 9pp[4)] better than 3P churn • 15%[4)] of mobile subscribers also taking broadband subscription • Boosted the top broadband speed to 600Mbps while 1Gbps roll-out is ahead of plan and will launch this year
Next-gen. TV platform hitting the market	• **130k[1)] boxes rolled out** • Key initiatives on track • Best-in-class TV experience with clear signs of improvements: rNPS score up by 30 points[4)], 90 out of 100 points[4)] in recent usability test[2)]

1) At the end of Apr’19
2) Product test run by independent Swiss product experts on behalf of UPC. Tests include functionality, usability and performance
3) As per Liberty Global Q1’19 results presentation, p.8
4) As per Liberty Global Q1’19 results presentation, p.9

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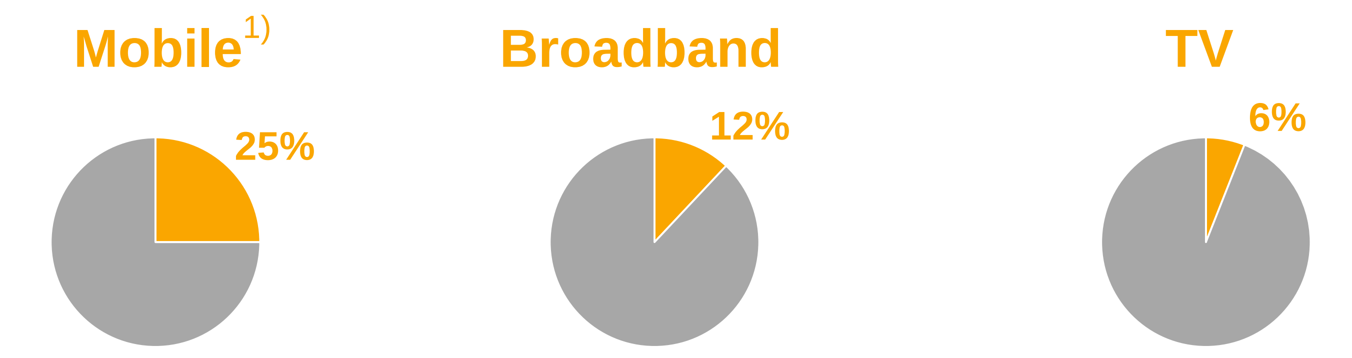
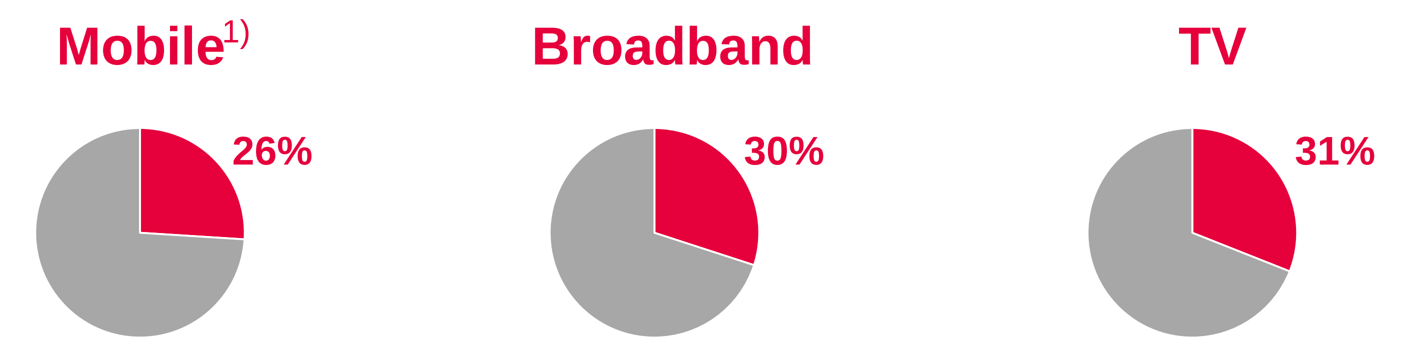
Update on acquisition of UPC Switzerland (3/3)

New Sunrise – stronger company positioned for long-term growth

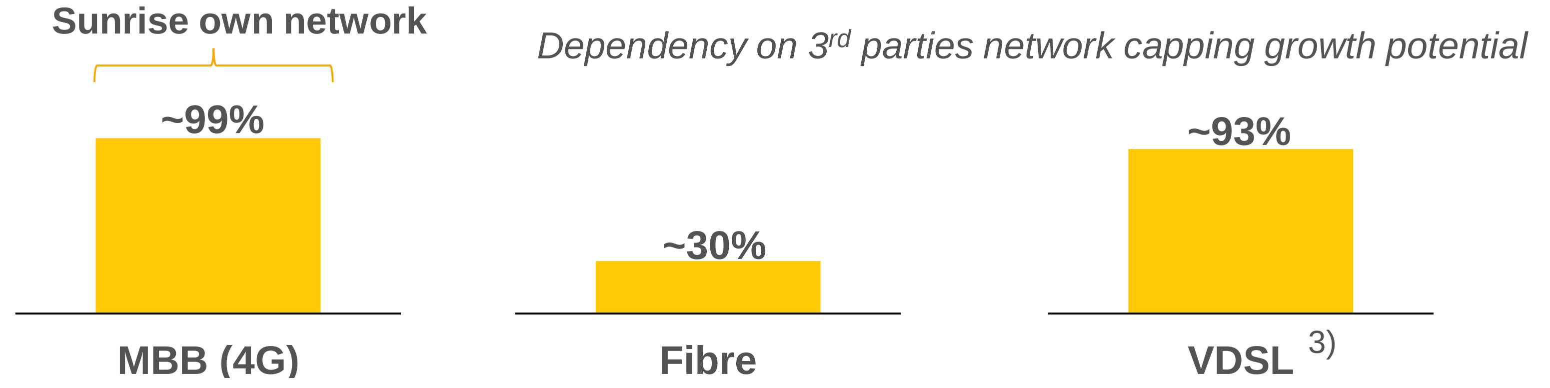
Sunrise | **New Sunrise**

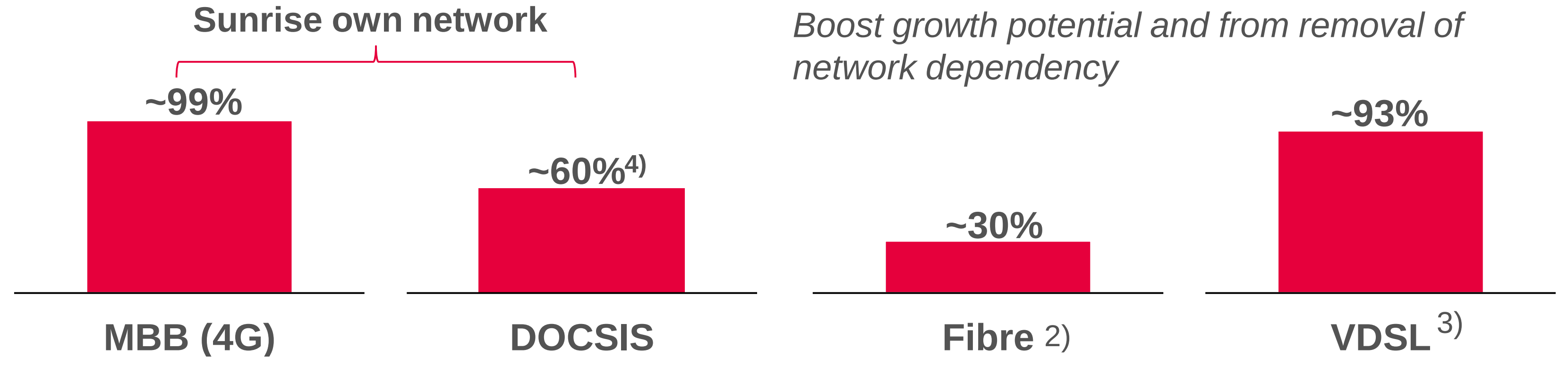
Scale advantage strengthens Sunrise position to successfully operate in the long-term



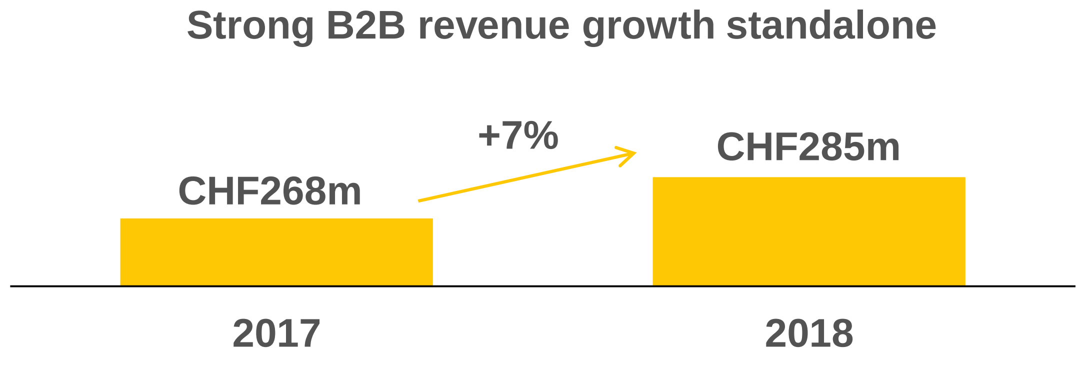


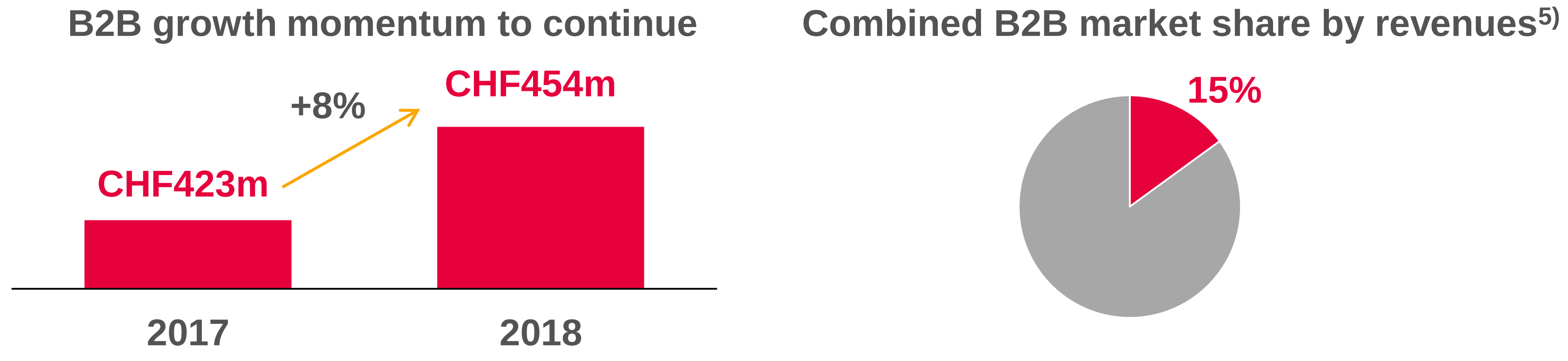
Expand leadership from mobile into landline



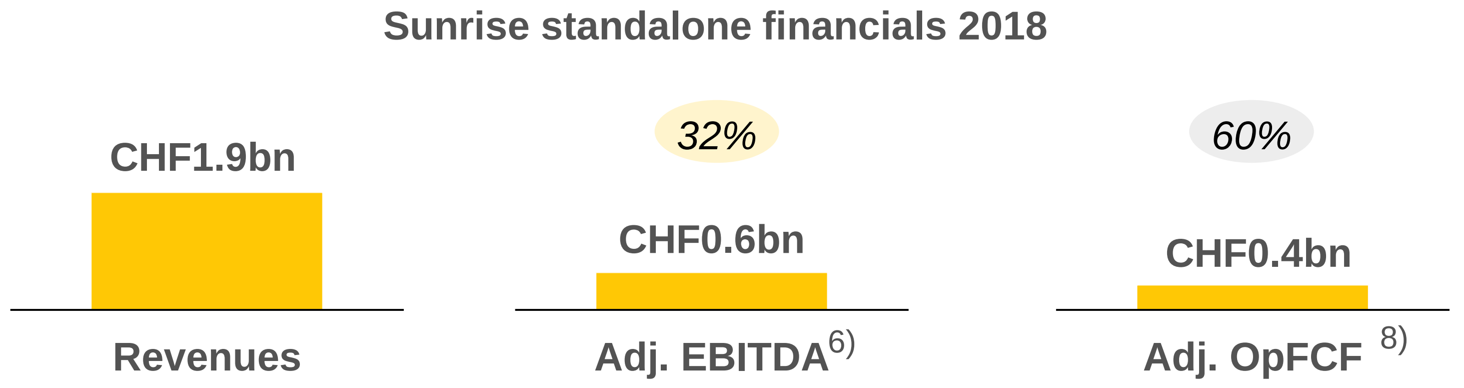


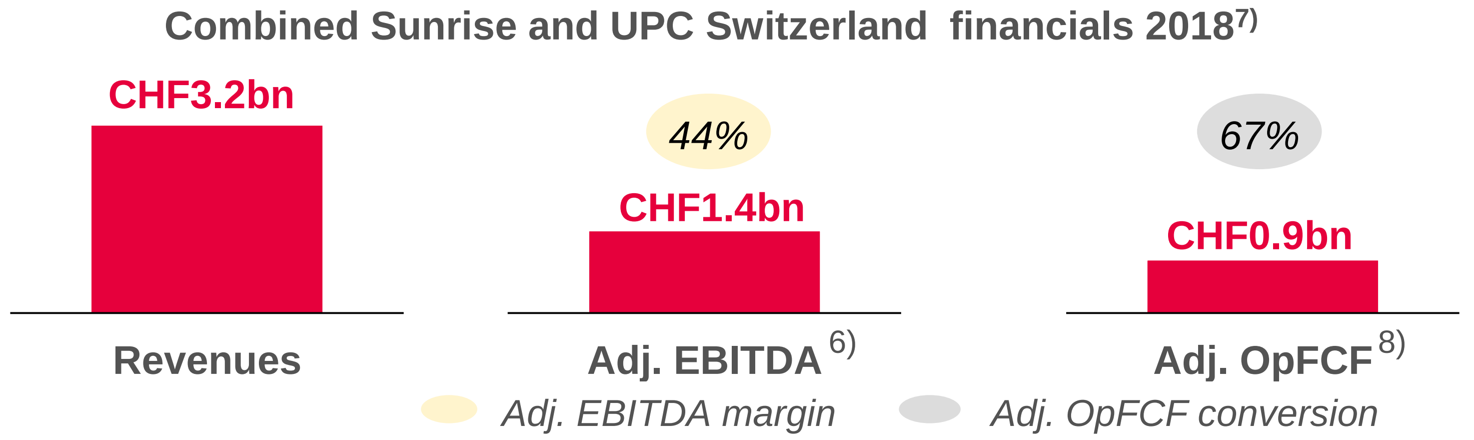
Complementary B2B offerings to Enterprise and SME clients





Scale up with strong EBITDA and cash flow generation





Source: Company information

Notes: Sunrise financials audited under IFRS standards; UPC Switzerland unaudited financials under US GAAP standards

1) Customer market share; including prepaid customers based on the 12-month activity rule; excluding MVNOs

2) Based on Swisscom Q3'18 reporting; the fiber network is typically co-built between Swisscom and local utilities in Switzerland

3) Including FTTH, FTTS/C-Vectoring, FTTC, and FTTS G.fast; taking into account primary households and businesses

4) Based on UPC Switzerland DOCSIS 3.0 coverage. 60% cable coverage is calculated by dividing homes passed through households

5) B2B market share based on reported financials available from Swisscom, Sunrise, Salt and UPC Switzerland; 6) Adjusted as post central opex & capex allocations and other adjustments; 7) Aggregated figures not reflecting a common IFRS accounting framework. Financials incl. run-rate cost synergies and capex synergies; 8) Adj. OpFCF calculated as adj. EBITDA (as defined above) less recurring capex

New Sunrise - positioned for growth and shareholder returns

Transaction creates a stronger and more valuable Sunrise

Strong commercial momentum as demonstrated by our recent results and increased guidance for 2019 expected to continue on the combined business, underpinned by a clear execution plan in place to deliver

Potential to further market share gains as a fully converged challenger nationwide with scale across all elements of the 4P bundle and significant headroom to incumbent

Leading internet infrastructure through the combination of a leading mobile network, an advanced cable network and wholesale access to fibre, providing the broadest 1Gbps coverage and a superior infrastructure for whole Switzerland

Significant synergy realisation will support further value creation, investments and shareholder returns

Continued progressive dividend policy supported by strong cash flow generation of UPC and a prudent capital structure. Pro-forma company will continue to offer one of the most attractive yields in the SPI

Q1 Financials

Higher service revenue, GP and adj. EBITDA

André Krause
CFO

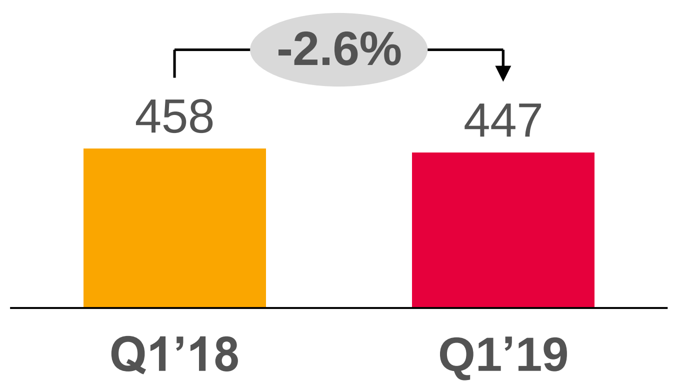
Sunrise

Financial Overview Q1 *excl. IFRS 16* [1)]

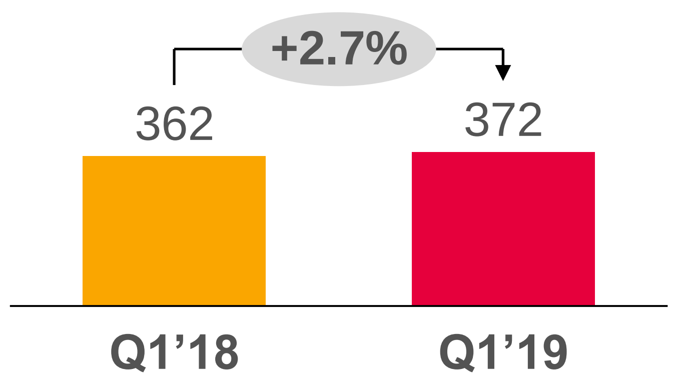
Revenue
(CHFm)

- **Revenue down** -2.6% due to lower revenues from hubbing and hardware (both low margin)
- **Service revenue up** +2.7% driven by customer growth in mobile postpaid and internet/TV, offsetting lower ARPUs

Total revenue:



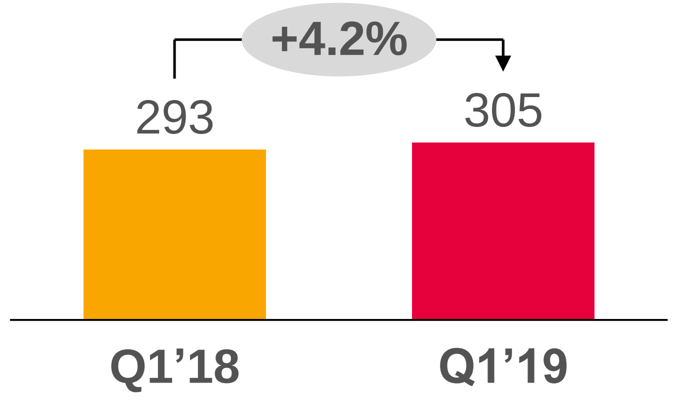
Service revenue [2)]:



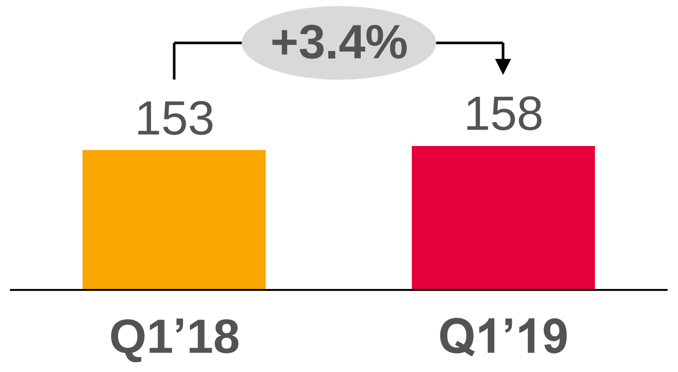
GP & adj. Opex

- **Gross profit growth** of +4.2% driven by service revenue and service gross margin expansion
- Adj. Opex up +3.4% mainly due to variable growth expenses supporting momentum

Gross profit:



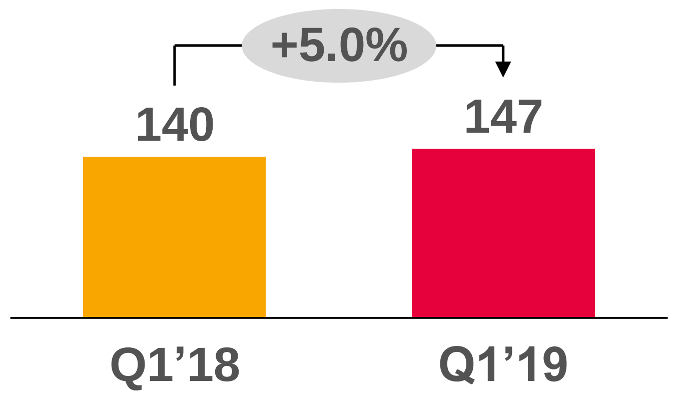
Adj. Opex:



Adj. EBITDA

- **Adj. EBITDA up** +5.0% driven by gross profit

Adj. EBITDA:



[1)] Incl. IFRS 16: Q1 revenue -2.6% YoY, service revenue +2.7%; GP +4.2%, adj EBITDA +13.2%; [2)] Service revenue is total revenue excluding hubbing and mobile hardware revenue, which are low-margin

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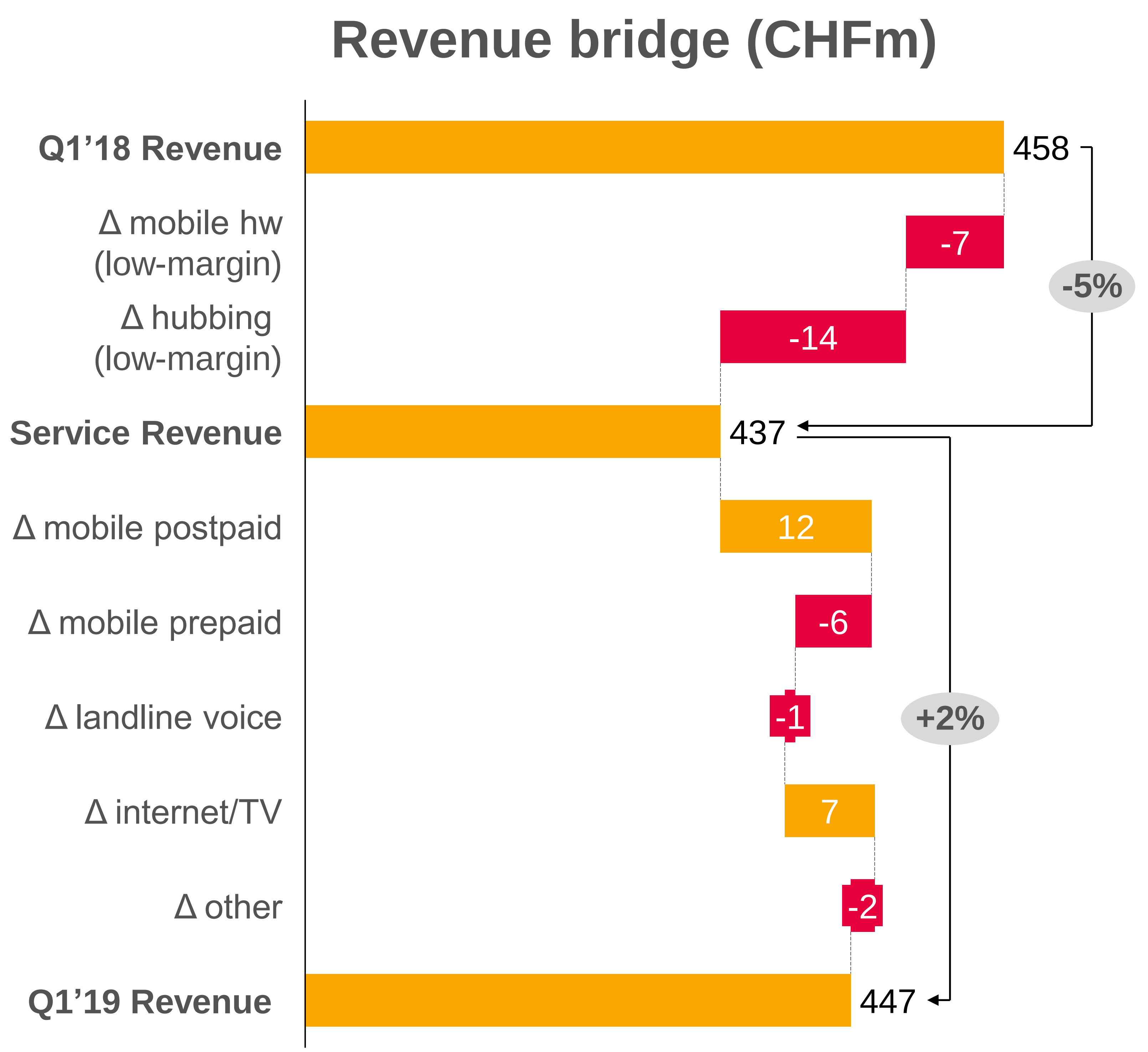
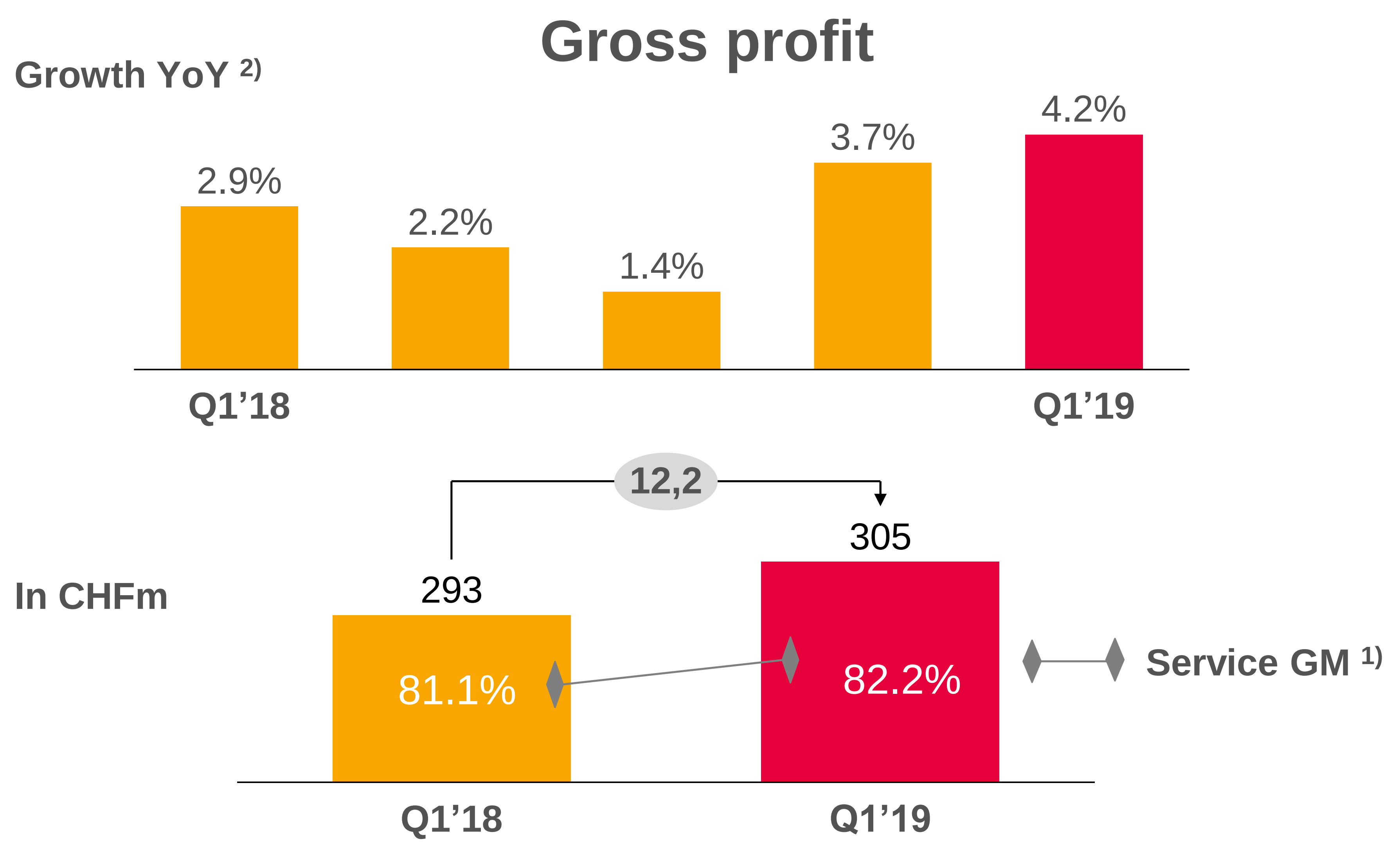
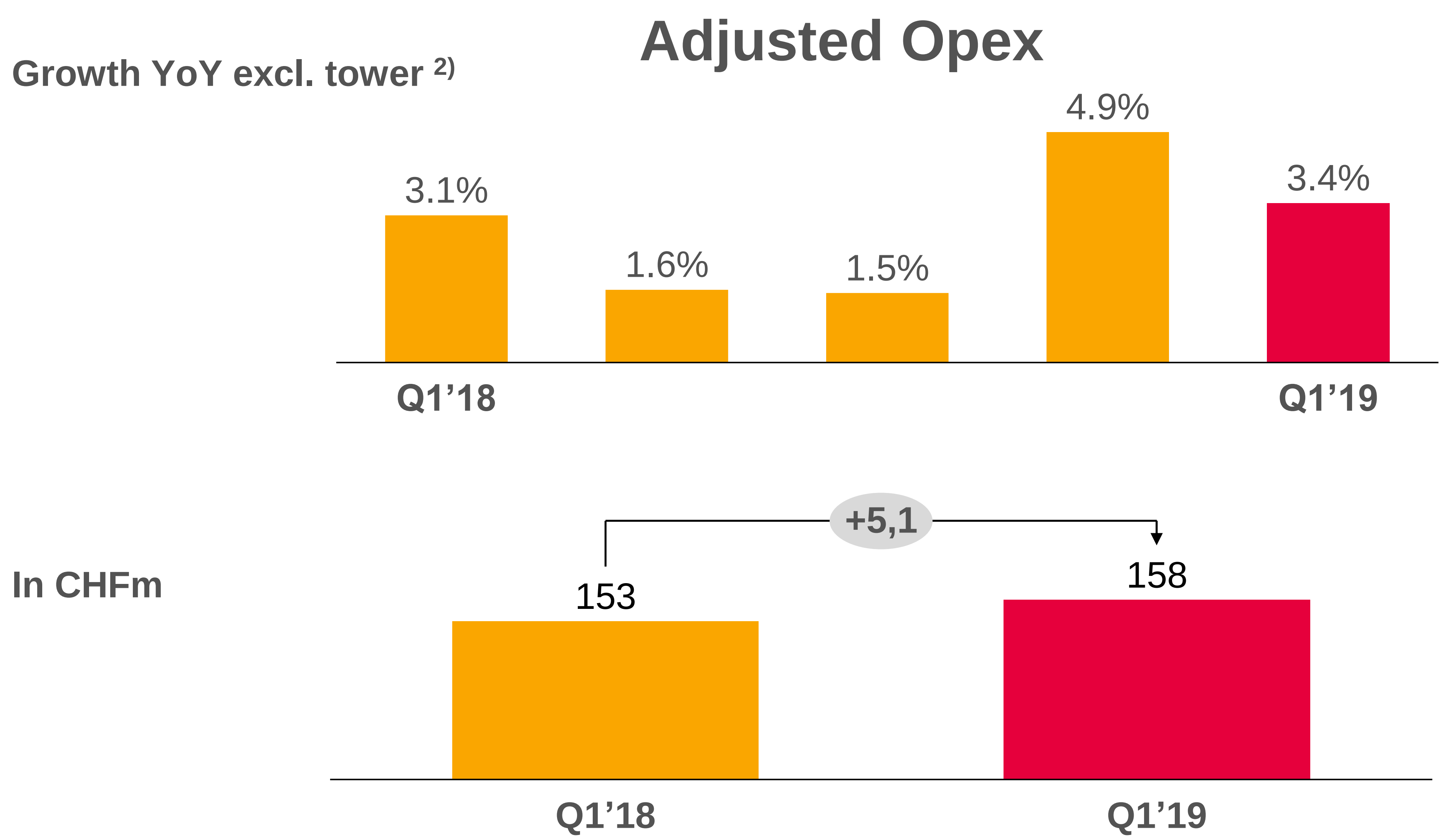
Service revenue growth driven by postpaid and internet/TV



- **Mobile hardware:** depends on handset innovation, launches, pricing and attachment rate; variations across quarters lead to revenue volatility
- **Hubbing:** increased focus on profitability led to lower revenue while GP remained stable in Q1
- **Postpaid:** strong customer growth driven by investments into quality, offsetting lower ARPU
- **Prepaid:** pre- to postpaid migration and shift to OTT; prepaid accounting for ~4% of total revenue
- **Landline voice:** fixed to mobile substitution, migration to flat rates, and OTT; landline voice accounting for~7% of total revenue
- **Internet/TV:** strong customer growth
- **Other:** includes lower-margin areas such as volatile B2B equipment sales and wholesale

GP growth partly reinvested into operational momentum





- **Gross profit** +4.2% in Q1, driven by service revenue growth and service gross margin (GM) expansion
- Service gross margin up: Positive impacts of MTR, revenue mix, and Swisscom and utility access deals

- Adj. **Opex up** to CHF 158m, mainly driven by variable expenses into operational momentum and onboarding; continued investments into frontline (e.g. shops, B2B staff and support center)
- Q2 and Q3 Opex increase expected to be stronger YoY due to commercial push and growth investments (reflected in guidance)

1) Service gross margin is calculated as total gross profit divided by service revenue (i.e. revenue excluding low-margin hardware and hubbing revenue); 2) 2018 YoY growth rates exclude IFRS 15 effects as IFRS 15 not available for 2017 base

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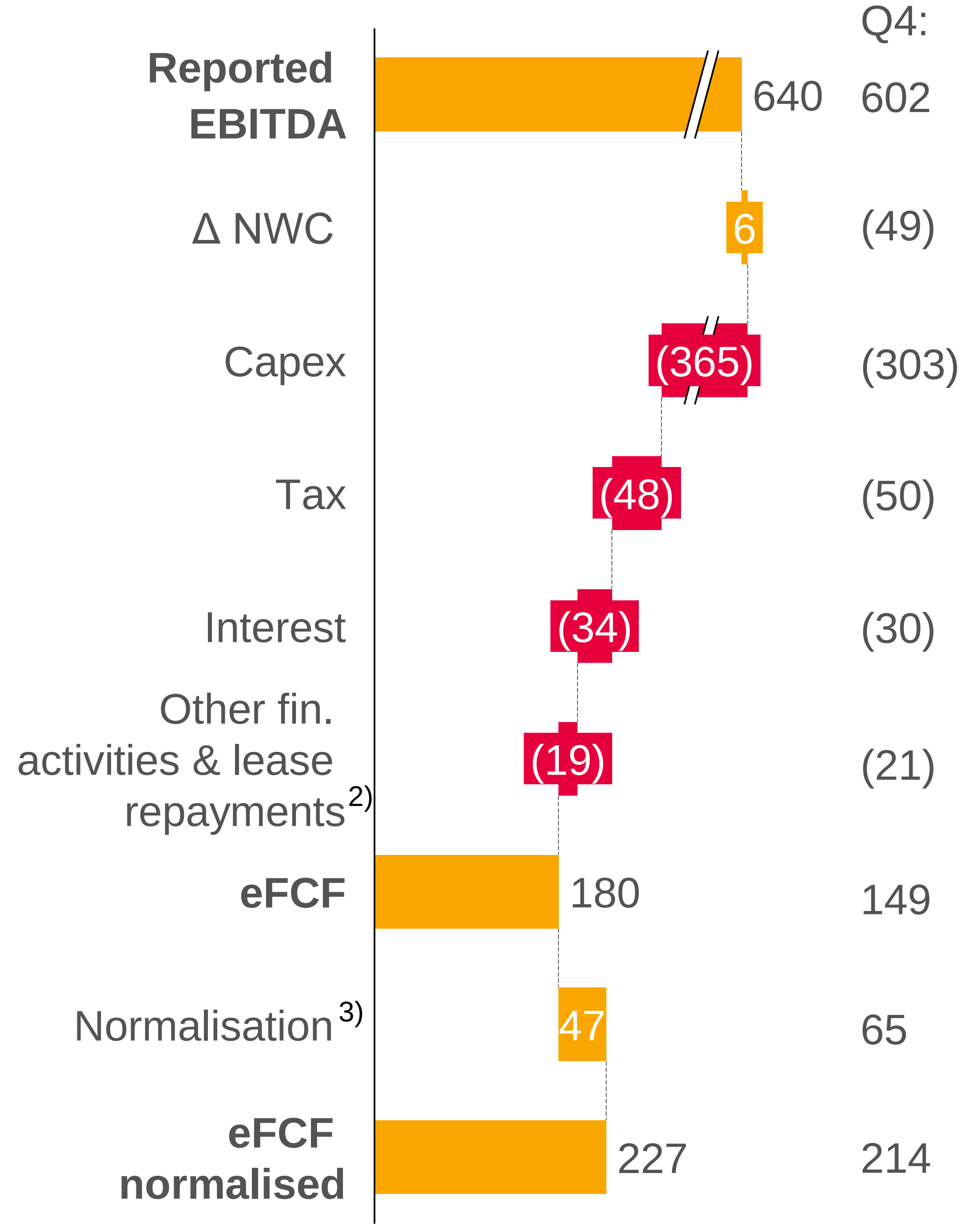
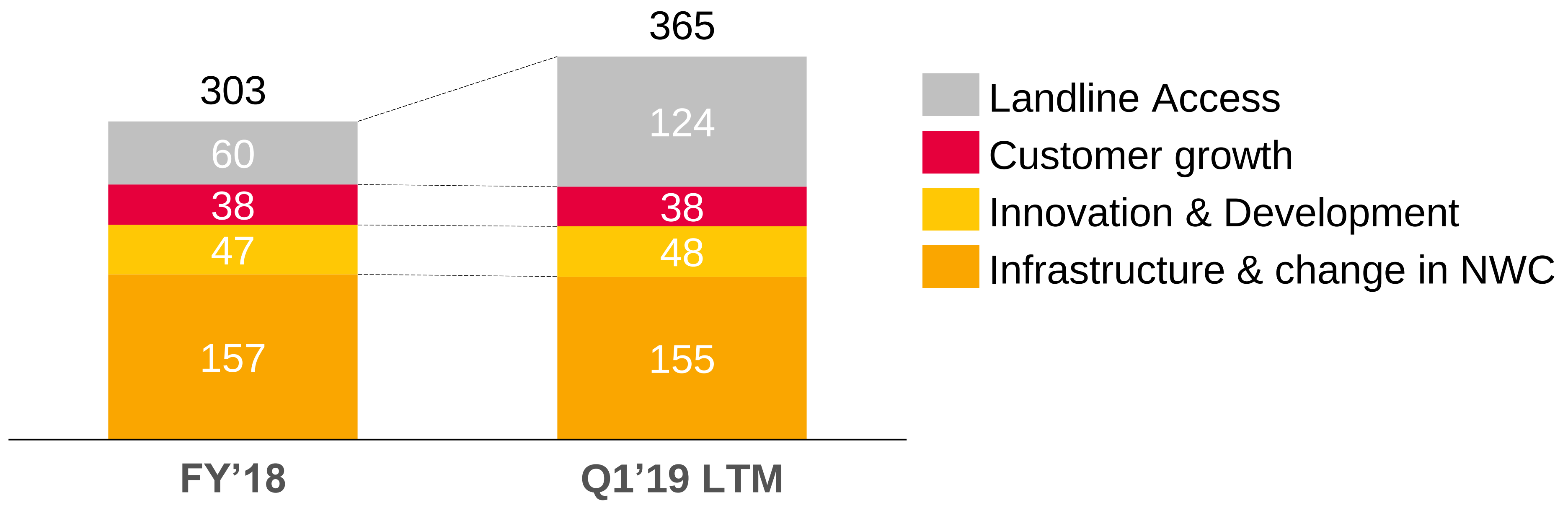
Higher eFCF driven by EBITDA and NWC

Q1 LTM equity FCF (CHFm) 1)



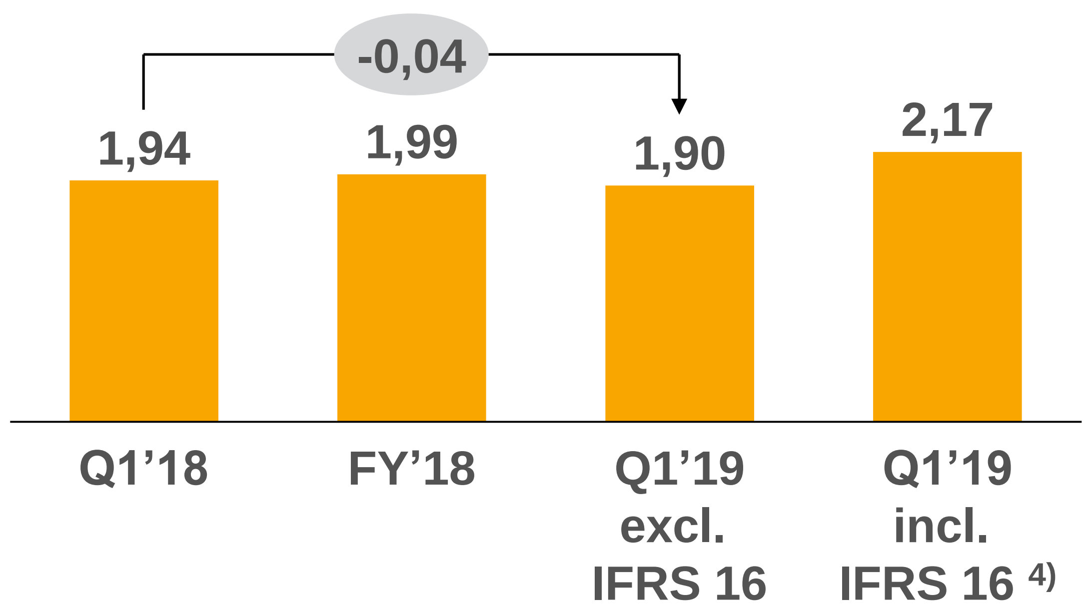
- **EBTIDA** supported in Q1 by underlying growth and the sale of 133 towers
- **NWC:** positively impacted in Q1'19 by calendar effects and less towers; YoY improvement as Q1'18 was negatively impacted by down payments of YE'17 handset inventory build-up
- **Capex** impacted by landline access payments to Swisscom (CHF 61m in Q1'19) and to utilities (mainly 2018)
- **IFRS 16** neutral on eFCF, as positive effects on EBITDA and NWC were compensated by interest impact and lease repayments

Capex (CHFm)



Leverage ratio

Net debt / adj. EBITDA pro forma



1) LTM numbers are based on IFRS 16 for 2019 and are without IFRS 16 for 2018; 2) 'Other financing activities' generally include access deal installments and IRUs; lease repayments include 2019 repayments of lease liability related to IFRS 16 (by YE'18 financial lease was not any longer material in balance sheet (CHF 5m)); 3) Includes normalization for NWC, Capex (assuming linearized landline access fee payments to Swisscom and utilities), and EBITDA (reduction of asset retirement obligation (ARO; Q4'18); gain on sale of 133 towers in Q1'19; UPC advisory fees); 4) Based on IFRS 16 net debt and pro forma adj. EBITDA annualizing the Q1'19 IFRS 16 effect

Conclusion

Strong start to the year –
raising guidance

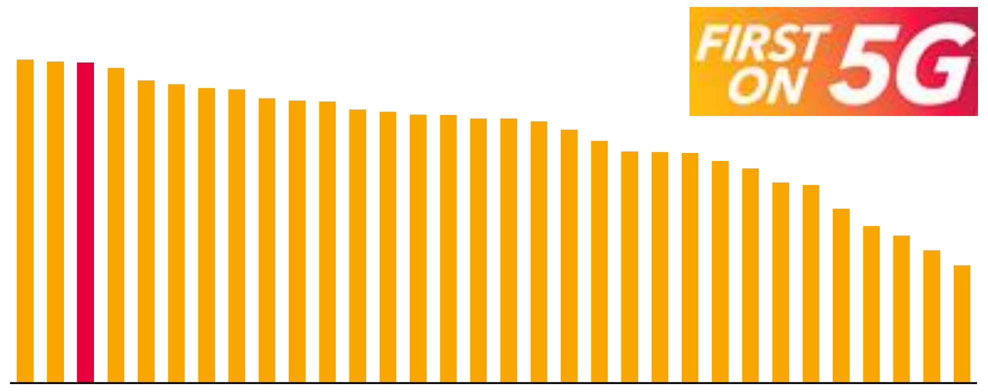
Olaf Swantee
CEO

Sunrise

Investing into 3 strategic priorities

Network quality

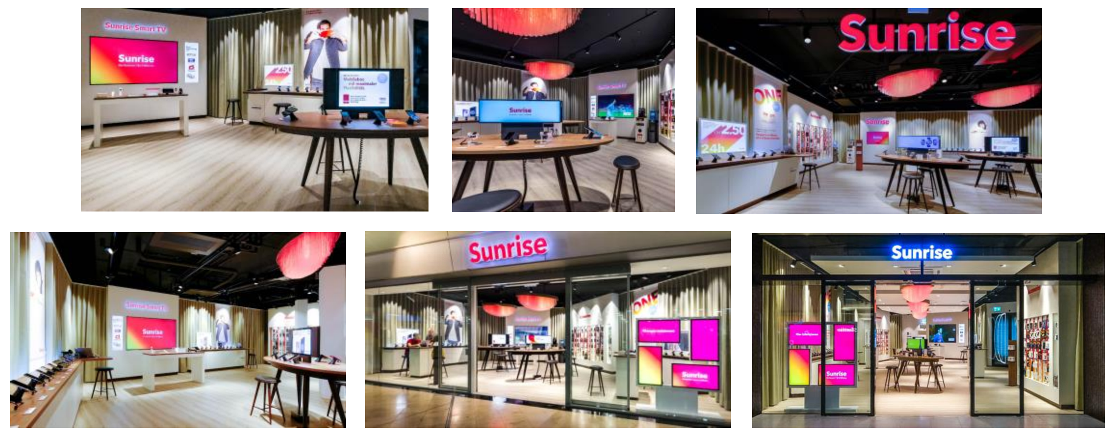
- Outstanding mobile network with leading **dropped call ratios**, 58 Mbit/s average experienced **download speed**, and 99.9%/96.0% LTE population/geographic coverage covering 62% YoY data growth
- **5G** in 152 cities /villages by end of Q1; strong 5G spectrum position
- Landline access via FTTH, xDSL, and MBB



1 of the world's best mobile networks [1)]

Customer interface

- **NPS** strongly up since introduction in 2013, evidenced by **No. 1** ranking of 'large providers' in BILANZ category 'Support' [2)]
- Ongoing shop refurbishment and opening of new shops, supporting lead in 'connect' mobile shop test [3)]
- Digital transformation on-track with strongly increasing **online** distribution channel share; improving brand metrics



Refurbished 6 shops in Q1

Innovative converged products

- 5G **MBB** box launched by end of Q1, with 100 selected customers currently testing it
- Launch of **TV** OTT app in Q2
- Apple collaborations: 'smartphone recycling' and 'lifestyle packs'
- **B2B** with recent launch of 'Unlimited Mobile Workplace' product strategy - added Google 'G Suite' in Q2

Drive convergence

[1)] Source: P3 as per end of January 2019, [2)] Source: BILANZ 09 2018; referring to residential results; average rating across Mobile Telephony, TV, and Internet Service Provider except for Salt which is Mobile Telephony only in ranking, [3)] Source: Connect 07 2018

Q1 conclusion

Customers	• Strong subscriber **growth** in mobile postpaid, internet and TV, incl. record postpaid net adds • Test 5G MBB products launched in Q1; 5G antennas in 152 cities /villages
Revenue	• **Accelerated** service revenue growth driven by customer momentum
Profitability	• Adj. EBITDA **up +5%** with GP growth partly reinvested into operational momentum • B2B transition reconfirmed
Cash Flow	• Equity FCF **as expected**; reduced leverage after tower disposal gives flexibility for strategic investments

FY'19 guidance raised after strong start to the year

• Revenue	CHF 1,860 - 1,900m
• Adj. EBITDA	CHF 613 – 628m (prev.: CHF 608 - 623m)
• Capex	CHF 420– 460m
Spectrum	CHF 91m
Landline access	CHF 77m
Base Capex	CHF 252-292m

Guidance is excl. IFRS 16 impact [1)]

[1)] IFRS 16 is expected to impact adj. EBITDA by CHF40-45m positively in FY'19

Q & A

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Appendix

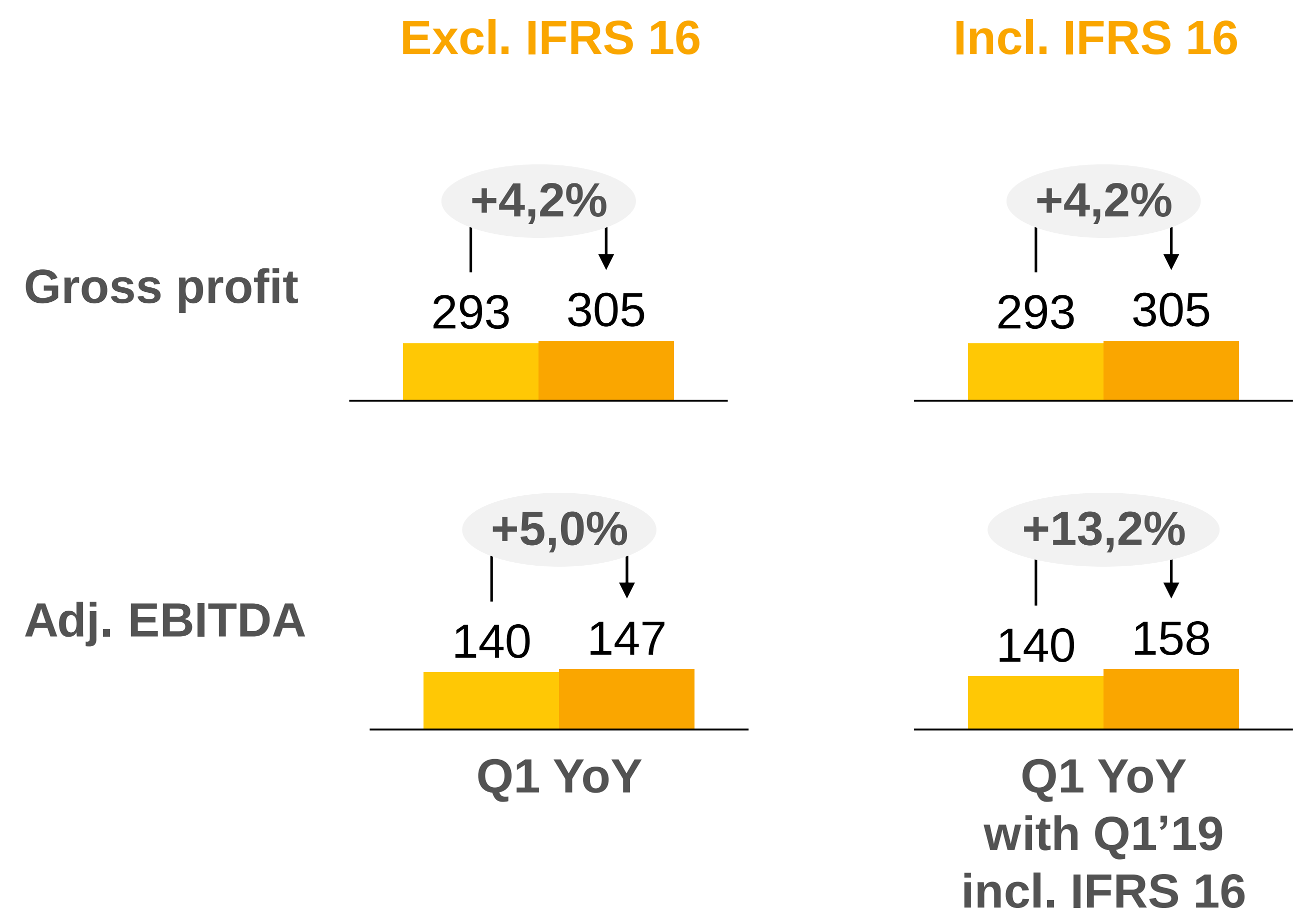
IFRS 16 update

IFRS 16 accounting standard

- Introduced as per Jan 2019, replacing previous standards (e.g. IAS 17); impact on:
- **P&L** lease recognition: reallocation from COGS (immaterial) and Opex to depreciation and interest expenses; results in increase of EBITDA
- **BS** lease recognition: increase of assets (‘right of use assets’) and liabilities (‘lease liability’); results in increase of net debt
- **CFS:** No impact on total Cash Flow, but reallocations within Cash Flow Statement

Impact on Sunrise [1)]

- **EBITDA:** CHF +40m to CHF +45m positive impact is expected in FY’19
- **Net debt:** CHF 265m increase as per Mar 2019
- **Leverage:** Net debt/adj. EBITDA ratio rose by 0.27x due to IFRS 16 in Q1’19
- Sunrise does not restate 2018; in order to provide YoY comparability, Sunrise is disclosing 2019 trends also under IAS 17



[1)] FY’19 indication based on the current progress of the implementation

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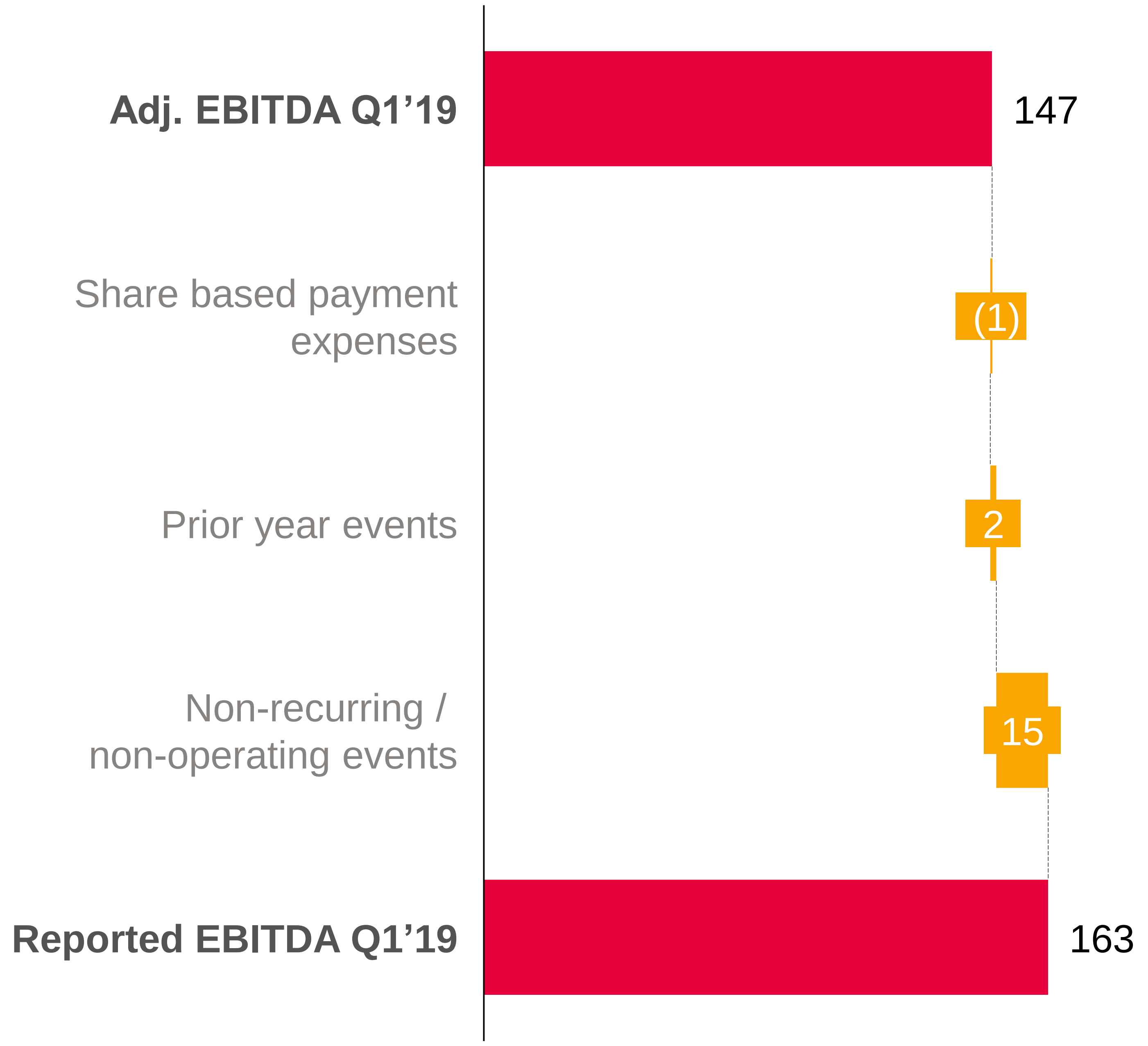
Bridge adjusted to reported EBITDA

Q1 EBITDA bridge (excl. IFRS 16)



- Share-based payment provisions for multi-year compensation plans
- Prior year related events include among others adjustments of provisions/accruals based on newly available information
- Non-recurring / non-operating events mainly represent costs / income for one-time events, e.g. the gain on the 133 telecom **tower disposal** to Swiss Towers AG in January 2019 (CHF +25m in Q1 2019), partly offset by advisory fees related to the acquisition of **UPC** Switzerland (CHF -7m), early employee contract terminations (CHF -1m), advisory fees related to the frequency auction (CHF -1m) and other various offsetting effects (CHF -1m)

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Income Statement

CHF million January 1 - March 31	Q1 2019 with IFRS 16	Q1 2019 without IFRS 16	Q1 2018 without IFRS 16	Change with IFRS 16 (%)
Revenue				
Mobile services	302	302	302	(0.2)
- Thereof mobile postpaid	*201*	*201*	190	*6.1*
- Thereof mobile prepaid	*19*	*19*	25	*(23.0)*
- Thereof mobile hardware	*58*	*58*	66	*(11.4)*
- Thereof other	*23*	*23*	*22*	*4.8*
Landline services	71	71	89	(20.1)
- Thereof landline voice	*31*	*31*	32	*(2.5)*
- Thereof hubbing	*17*	*17*	31	*(45.9)*
- Thereof other	*23*	*23*	*26*	*(11.2)*
Landline Internet and TV	74	74	67	10.2
Total revenue	**447**	**447**	**458**	**(2.6)**
Revenue excl. mobile hardware and hubbing	372	372	362	2.7
Gross profit	**305**	**305**	**293**	**4.2**
% margin	68.4%	68.4%	64.0%	
% margin (excl. hubbing & hardware revenue)	82.2%	82.2%	81.1%	
EBITDA	**175**	**163**	**137**	**27.4**
EBITDA adjusted	**158**	**147**	**140**	**13.2**
% margin	35.5%	32.9%	30.5%	
% margin (excl. hubbing & hardware revenue)	42.6%	39.5%	38.7%	
Net income	**35**	**36**	**17**	**110.8**

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Cash Flow Statement

CHF million January 1 - March 31	Q1 2019 with IFRS 16	Q1 2019 without IFRS 16	Q1 2018 without IFRS 16	Change with IFRS 16 (%)
Cash flow				
Reported EBITDA	175	163	137	27.4
Change in NWC	40	33	(15)	(359.4)
Net interest	(9)	(6)	(6)	64.8
Tax	(21)	(21)	(23)	(6.9)
CAPEX	(134)	(134)	(73)	85.1
Repayments of lease liability	(16)	(1)	0	-
Other financing activities	(0)	(0)	(20)	(98.2)
Equity free cash flow	**33**	**33**	**1**	**2'625.5**
Other	5	5	7	(30.4)
Total cash flow	**38**	**38**	**8**	**364.2**

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Leverage ratio

Net debt (CHFm)	March 31, 2019	December 31, 2018	March 31, 2018
Senior Secured Notes issued February 2015	0	0	500
Term loan B	1'410	1'410	910
Senior Secured Notes issued June 2018	200	200	0
Total cash-pay borrowings	1'610	1'610	1'410
Operational lease	269	5	8
Total debt	1'879	1'615	1'418
Cash & Cash Equivalents	(459)	(421)	(281)
Net debt	**1'420**	**1'194**	**1'137**
Net debt / pro forma adj. EBITDA [1)]	**2.2x**	**2.0x**	**1.9x**

[1)] Based on pro forma view for 2019 by annualizing the IFRS 16 adj. EBITDA effect; based on pro forma view for March 31 2018, taking into account annualized network service fees related to tower disposal

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Have a sunny day

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