



# **Sunrise Communications Group AG**

## **Investor Presentation, September 2015**

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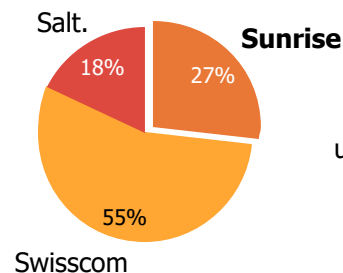
# Sunrise – leading fully integrated challenger in Switzerland

## Fully integrated Swiss telecommunication provider

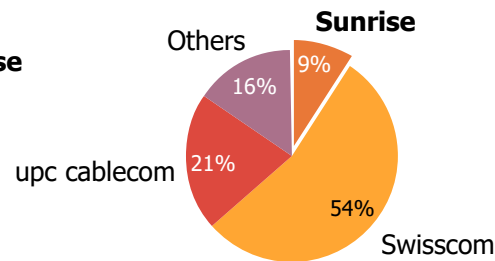
- Present in affluent and **quality focused** Swiss market
- Diversified company set-up
  - Fully integrated player benefiting from **cross-selling**
  - Serving **residential, business, and wholesale** customers
  - Strong **multi-brand** portfolio
- Competitive network infrastructure with own mobile and fiber based backbone network
- Listed at the SIX Swiss Stock Exchange with 75% free float

## Leading challenger

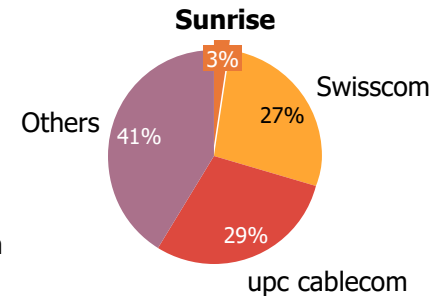
Mobile network share Q2'15 <sup>2</sup>



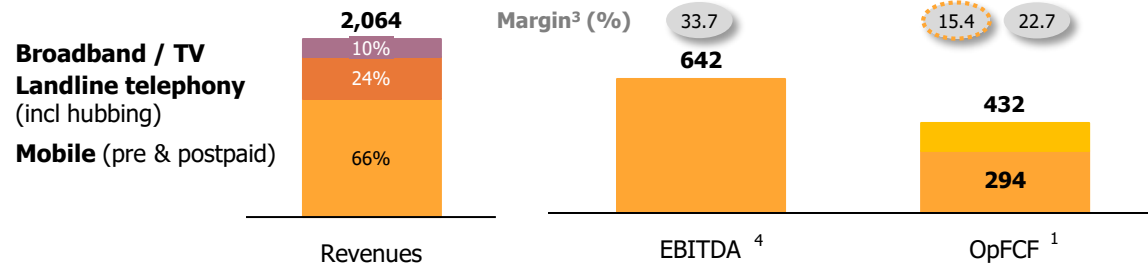
Fixed BB market share Q2'15



TV market share Q2'15



## Key financials (CHFm) H1'15 LTM



Sources: Company reporting, Swisscom and Orange quarterly reports, Swisscable press release

Notes:

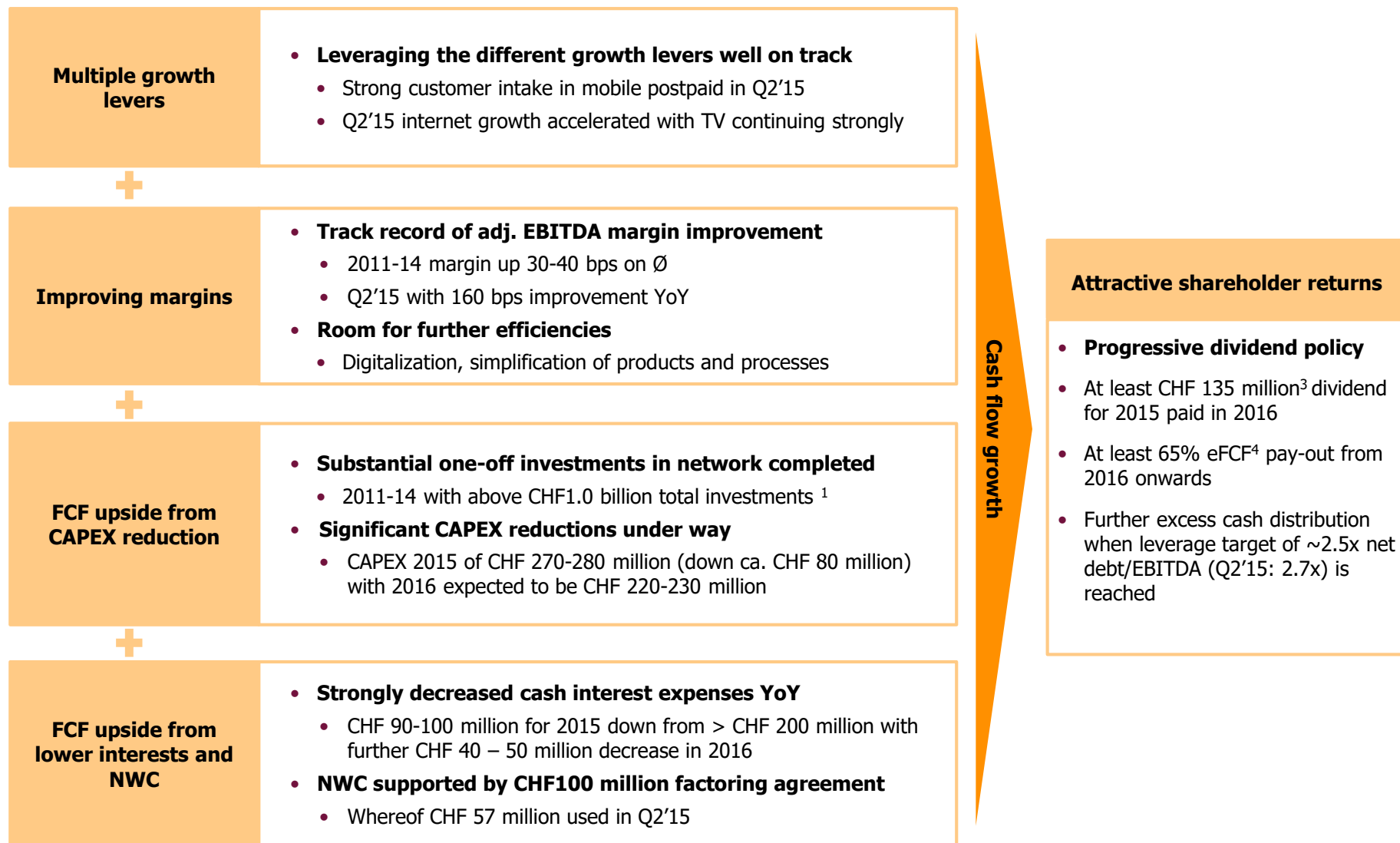
1 OpFCF is defined as Adjusted EBITDA – CAPEX. Higher figure assuming normalised CAPEX at 11% of revenue (excluding voice hubbing)

2 Market share including prepaid customers based on the 12-month activity rule, all segments; Salt. market shares based on Sunrise estimates as no subscriber number published

3 Based on revenues excluding voice hubbing

4 Adjusted EBITDA, excluding one-off opex

# Sunrise - delivering cash flows and dividends



Source: Company reporting

Notes:

<sup>1</sup> Investments mainly into network and excluding mobile license payments

<sup>2</sup> Normalised CAPEX of ~11% of revenues (excl. hubbing) reflecting CAPEX-light last-mile access strategy in landline

<sup>3</sup> Equalling CHF 3 dividend per share

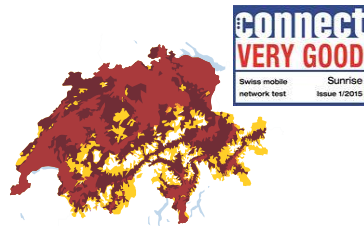
<sup>4</sup> EBITDA – CAPEX – delta net working capital adjusted for monetisation of Freedom receivables – IRUs payments – interests – taxes (pre spectrum licence payments)

# Multiple investments in fundamentals to drive subscriber momentum

## Innovative offering



## Awarded network



## Customer experience



## Brand awareness



- **Freedom** mobile tariff since Q2'14: handset and service contracts separated, no fixed contract duration
- **Sunrise Home** landline portfolio launched in Q3'14; internet speeds increased to up to 1 Gbit/sec in Q3'15
- **New Sunrise Smart TV** to be launched in November 2015
- Cross selling via **convergence** offers
- **Mobile network quality** significantly improved; LTE coverage target for end of 2015 is 95%
- >CHF 1 billion CAPEX between 2011-2014
- **CAPEX-light landline** access strategy based on attractive wholesale agreements
- **Introduction of NPS** in 2013 with closed loop feedback process leading to strong improvements
- Customer Care accessibility 90%; first time call resolution 82% <sup>1)</sup>
- Bilanz <sup>2)</sup> rating shows Sunrise in front of Swisscom, Salt and upc
- Significant own retail network with above 90 shops in Switzerland
- **Rebranding** in Q2'14 pushing corporate values fairness, transparency, and customer orientation
- **Roger Federer** acting as brand ambassador since Q4'14, perfectly matching Sunrise corporate values

Note:

1 As per August 2015

2 Residential telecom service providers; Bilanz magazin 18/2015 4.-17. September 2015



# Sunrise BILANZ Telecom Ranking 2015

## Die besten Telekomanbieter für Privatkunden

Rang	Anbieter	Punkte					
		Total	Qualität	Innovation	Preis	Flexibilität	Support
2015							
<b>Festnetztelefonie</b>							
1	Netstream	23,1	4,5	3,7	5,3	5,0	4,6
2	iWay	22,9	4,4	3,8	4,8	4,9	4,9
3	Sunrise	22,8	4,4	4,1	4,8	4,8	4,7
4	Green	22,3	4,4	3,8	4,6	4,7	4,7
5	Quickline	22,2	4,4	4,1	4,6	4,6	4,5
6	TalkTalk	22,0	4,2	4,0	4,9	4,6	4,4
7	Sipcall	21,6	4,1	3,6	5,0	4,6	4,2
8	Swisscom	21,4	4,3	3,8	4,2	4,5	4,6
9	UPC Cablecom	21,3	4,1	3,9	4,5	4,4	4,4
<b>Mobiltelefonie</b>							
1	TalkTalk	22,5	4,3	4,0	4,9	4,7	4,6
2	Sunrise	22,4	4,3	4,1	4,7	4,7	4,6
3	UPC Cablecom	22,3	4,1	4,1	4,9	4,6	4,5
4	Aldi	21,7	4,2	3,7	5,0	4,7	4,2
5	M-Budget	21,7	4,2	3,5	5,0	4,6	4,3
6	Swisscom	21,2	4,2	3,9	4,2	4,4	4,5
7	Coop	19,9	3,7	3,2	4,9	4,3	3,9
8	Yallo	19,9	3,7	3,6	4,6	4,1	3,9
9	Salt	19,1	3,6	3,6	4,0	3,9	3,9

Rang	Anbieter	Punkte					
		Total	Qualität	Innovation	Preis	Flexibilität	Support
2015							
<b>TV</b>							
1	Sunrise	23,0	4,4	4,3	4,7	4,8	4,8
2	Netplus	22,5	4,3	4,1	4,7	4,8	4,7
3	Green	22,3	4,2	3,8	4,8	4,7	4,8
4	Swisscom	22,0	4,3	4,2	4,3	4,5	4,7
5	Quickline	21,8	4,2	4,0	4,6	4,5	4,4
6	Zattoo	21,3	3,9	3,7	5,2	4,3	4,1
7	UPC Cablecom	20,6	4,0	3,8	4,3	4,3	4,2
<b>Internet Service Provider</b>							
1	Netplus	23,0	4,4	4,2	4,8	4,9	4,8
2	iWay	23,0	4,5	3,8	4,9	4,9	4,8
3	Sunrise	22,9	4,4	4,2	4,7	4,8	4,8
4	Quickline	22,2	4,3	4,1	4,6	4,6	4,6
5	TalkTalk	22,1	4,2	3,9	4,8	4,7	4,5
6	Green	21,8	4,3	3,8	4,5	4,6	4,6
7	Swisscom	21,8	4,2	4,0	4,3	4,5	4,7
8	UPC Cablecom	21,2	4,1	4,0	4,4	4,4	4,4

Die besten Anbieter innerhalb einer Kategorie

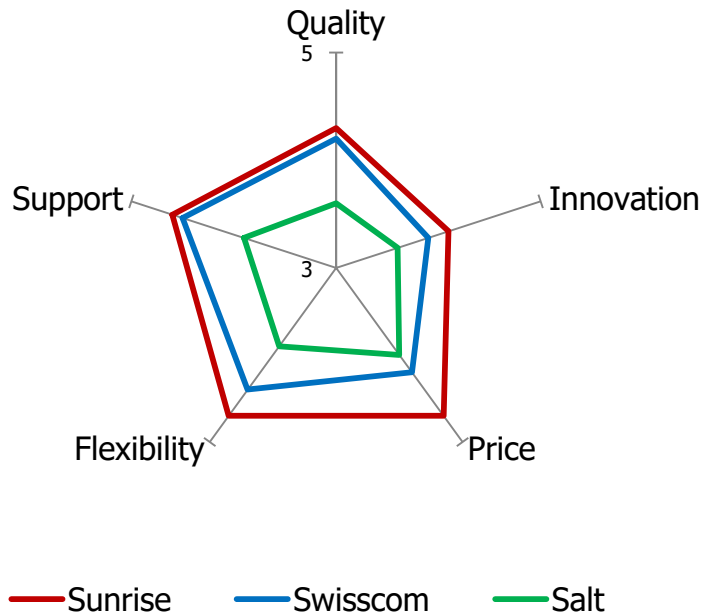
Die schlechtesten Anbieter

Die Punktezahlen sind jeweils auf eine Dezimalstelle gerundet.

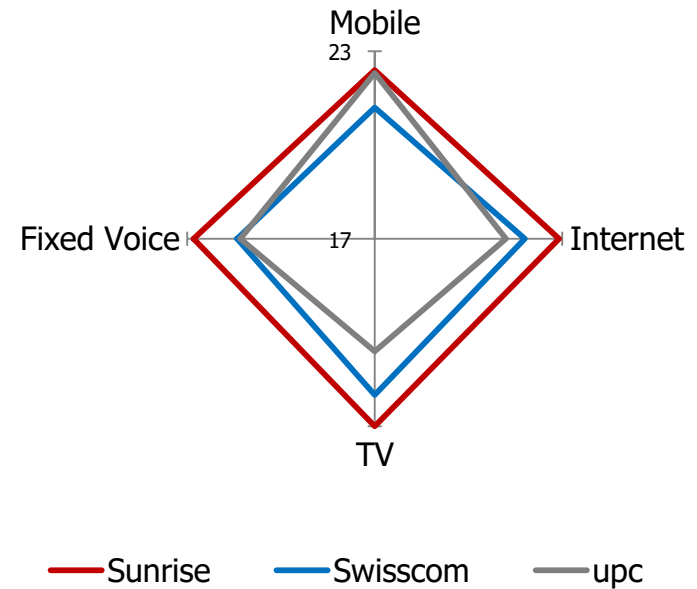
# Sunrise BILANZ Telecom Ranking 2015 (continued)

Sunrise with best results of «big providers» in Bilanz telecom ranking 2015 for the residential market

## Mobile experience

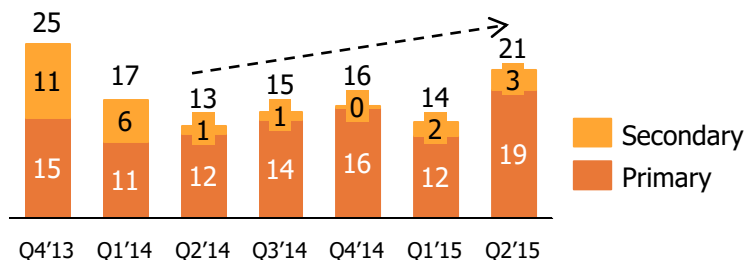


## Full service (quad-play) experience



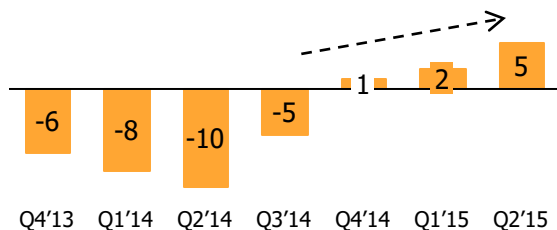
# Solid subscriber momentum in Q2'15

## Postpaid mobile quarterly net adds ('000)



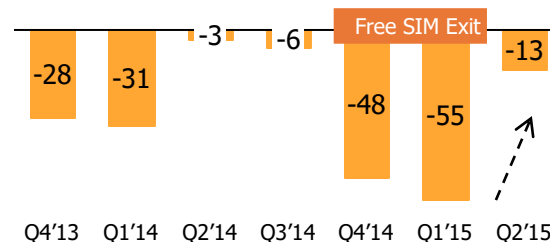
- **Postpaid** net adds (strongest quarter since Q4'13) accelerated despite competitor moves
- Successful Yallo postpaid introduction
- "Share data" concept has accelerated secondary SIM adoption

## Internet quarterly net adds ('000)



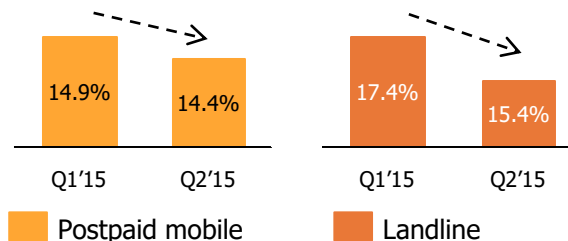
- **Internet** growth improved
- IPTV net adds on stable run rate

## Prepaid mobile quarterly net adds ('000)



- **Prepaid** net adds recovering to normalized run rates following exit of free SIM business

## Churn LTM (%)

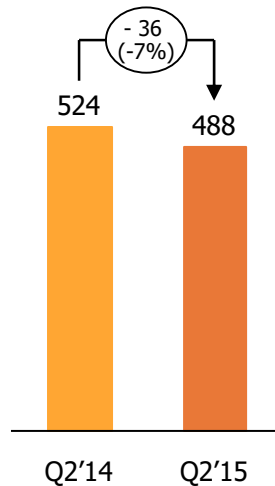


- Improved **Churn** supported by NPS and churn initiatives



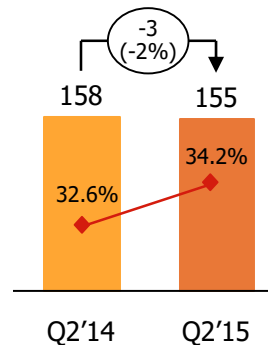
# Lower Q2'15 revenue largely offset by cost efficiencies

## Revenue (CHFm)



- **FX** -> less low margin hardware & hubbing revenues
- **Structural declines** in
  - Prepaid mobile and landline retail
  - Roaming revenues following tariff adjustments
- Lower service revenue in mobile postpaid due to
  - **Migration effects** (Freedom tariff introduction)
  - Change in **value mix**

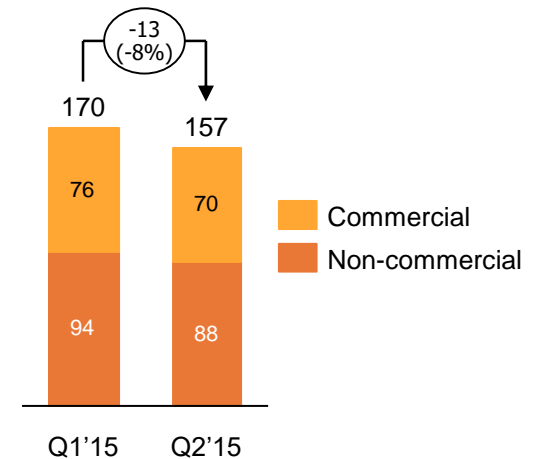
## Adjusted EBITDA <sup>1</sup> (CHFm)



◆ Margin (excl. hubbing)

- **Q2** revenue headwinds largely compensated by cost efficiencies
- **FY15 guidance:** Cost efficiencies to offset low-to-mid single digit revenue decline, leading to YoY comparable adj. EBITDA

## Adjusted OPEX <sup>1</sup> (CHFm)



- Normalized **marketing** expenses (within commercial)
- **Efficiency** initiatives (within non-commercial)

<sup>1)</sup> Total adjustments to reported EBITDA include out-of-period income and expenses, such as prior year related events, non recurring and/or non operating events and cost related to share-based payment.

# Becoming simpler & more digital

## CUSTOMER BEHAVIOR IS INCREASINGLY BECOMING ONLINE CENTRIC...

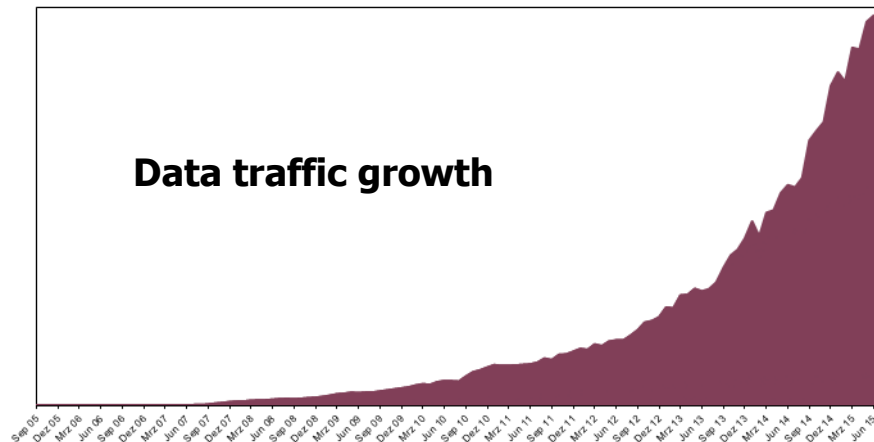
*"Average minutes spent on phones daily"*

**90**

*"Average number of times people check their phone daily"*

**150**

Mobile data evolution in Sunrise's network



## ... AND SUNRISE NEEDS TO BECOME SIMPLER AND MORE DIGITAL

### Simplification of products and processes

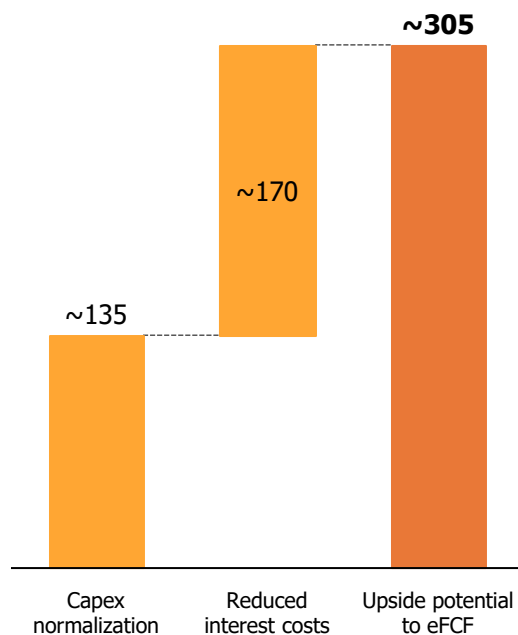
- Supporting better **customer experience**
- Simplification is a **prerequisite** for digitalization
- Enabling **retirement** of **costly legacy applications & infrastructure**

### Digitalization

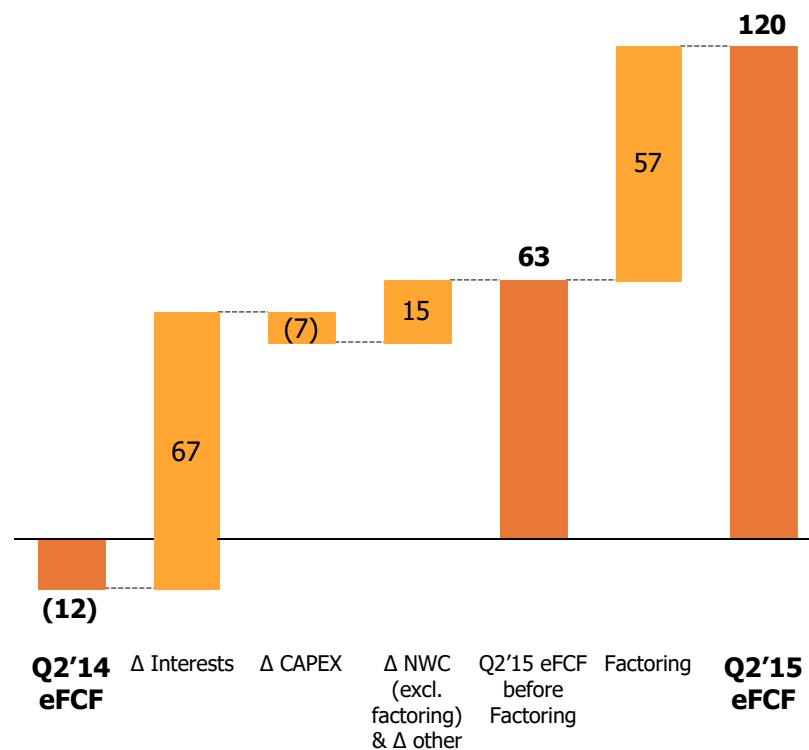
- Complying with more and more **online centric expectations**
- Strengthen **customer relations**
- Further improve **cost to serve**

# Equity free cash flow acceleration

## Illustrative upside potential to eFCF<sup>1</sup> (CHFm)



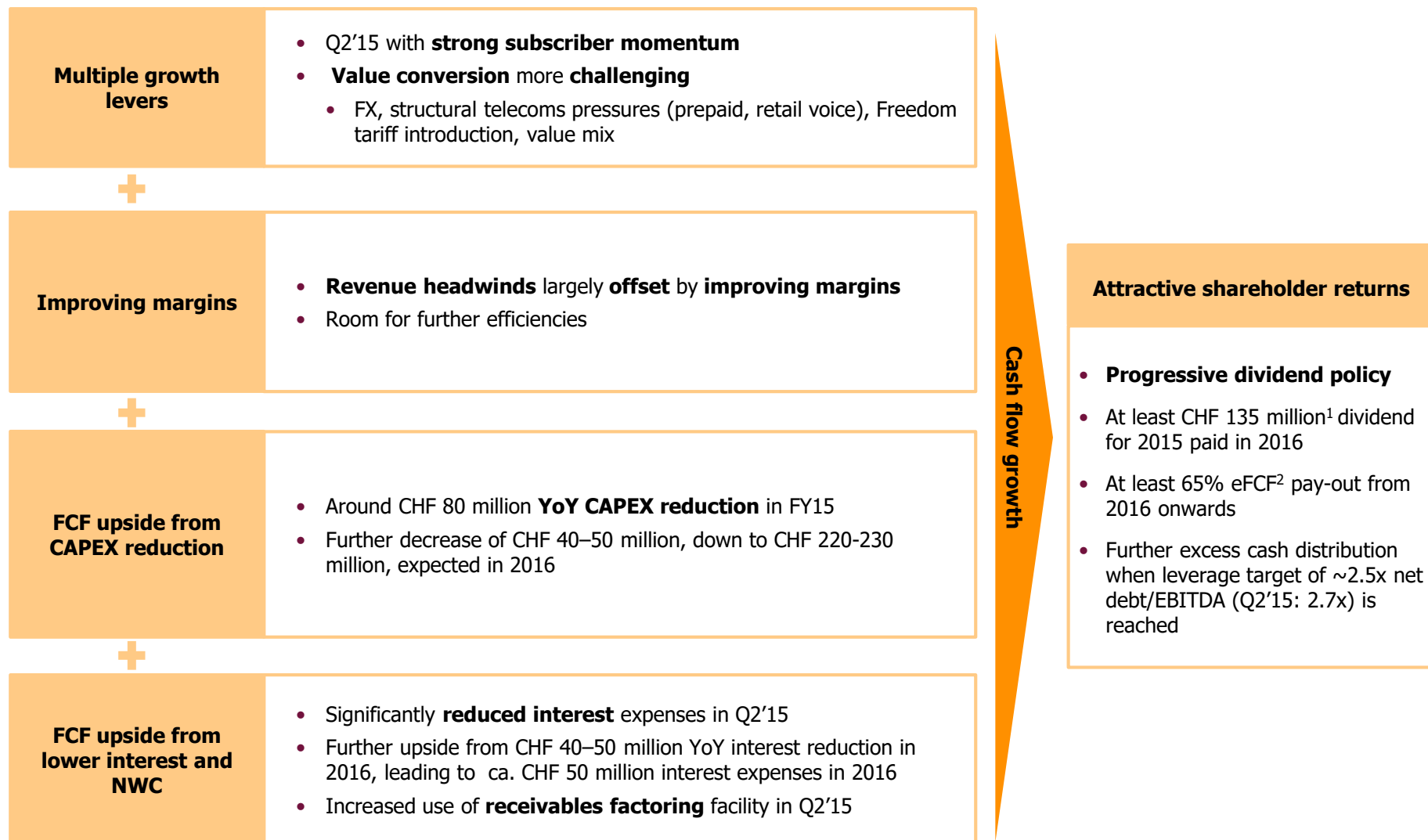
## Strong YoY increase in eFCF in Q2'15 (CHFm)



Notes:

<sup>1</sup> eFCF defined as: EBITDA – capex – delta net working capital adjusted for monetisation of Freedom receivables – IRUs payments – interests – taxes (pre spectrum licence payments)  
Based on 2014 cash interests of CHF 225 million and Capex of CHF 356 million

# Sunrise on track to deliver cash flow and dividend returns



Source: Company reporting

Notes:

1 Equalling CHF 3 dividend per share

2 EBITDA – CAPEX – delta net working capital adjusted for monetisation of Freedom receivables – IRUs payments – interests – taxes (pre spectrum licence payments)



## Q&A