



# **Sunrise Communications Group AG**

Q1'16 financial results – 12 May 2016

# Agenda

- |   |                    |                       |
|---|--------------------|-----------------------|
| 1 | Summary            | Olaf Swantee (CEO)    |
| 2 | Operational update | Timm Degenhardt (CCO) |
| 3 | Financials         | André Krause (CFO)    |
| 4 | Conclusion         | Olaf Swantee (CEO)    |
| 5 | Q&A                |                       |

# Summary

## Solid subscriber momentum and improved eFCF

- Continued **subscriber** growth momentum in key focus areas
  - Another strong quarter for mobile postpaid with 6.3% YoY growth, despite competitive environment
  - Accelerated internet growth of 6.0% YoY alongside 22.1% YoY IPTV growth
- **Revenue** down 8.8% YoY to CHF 446m
  - 5.3 ppt from low-margin hubbing and mobile hardware
  - 3.5 ppt primarily from Freedom hardware unwind<sup>1)</sup>, roaming and postpaid value effect, while decline in prepaid mobile and landline voice was largely mitigated by customer growth in focus areas
- **Adj. EBITDA** slightly up YoY to CHF 140m, with margin up 270bps
  - Cost efficiencies outweighed revenue headwinds
- Reduced interest expenses led to improved **net profit** of CHF 7m and LTM equity **free cash flow** of CHF 208m
- Stable **leverage** ratio of 2.6x compared to Q4'15
- **Guidance** 2016 reiterated

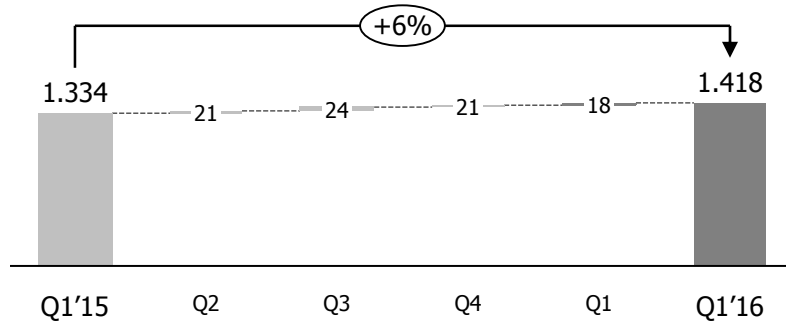
<sup>1)</sup> Pre-Freedom service revenues contain a subsidized hardware component which is unwinding as customers migrate to Freedom offering

# Agenda

- |   |                    |                       |
|---|--------------------|-----------------------|
| 1 | Summary            | Olaf Swantee (CEO)    |
| 2 | Operational update | Timm Degenhardt (CCO) |
| 3 | Financials         | André Krause (CFO)    |
| 4 | Conclusion         | Olaf Swantee (CEO)    |
| 5 | Q&A                |                       |

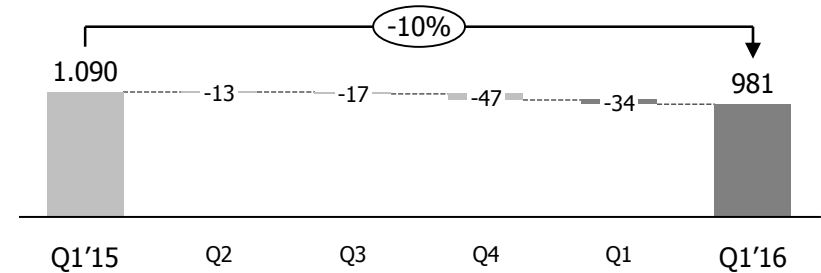
# Good postpaid momentum and continued pressure on prepaid in Q1'16

Postpaid mobile subscriber base ('000)



- **Postpaid** with 18k net adds (Q1'15: 14k) driven by secondary SIMs
- Primary SIM increase of 8k (Q1'15: 12k); continued customer in-take momentum despite competitive pressure
- Secondary SIM increase of 10k (Q1'15: 2k) driven by increased focus on data attachments

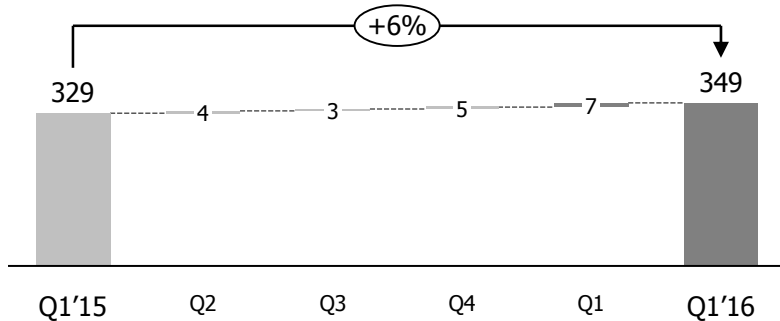
Prepaid mobile subscriber base ('000)



- **Prepaid** with ongoing pre- to postpaid migration
- Further impact from increased competitive environment whilst Sunrise focusing on valuable customer in-take

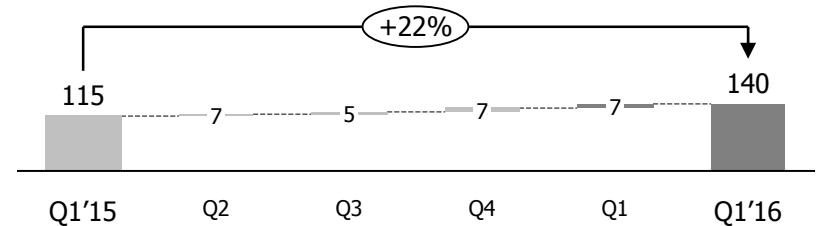
# Continued growth momentum in broadband

Internet subscriber base ('000)



- **Internet** in Q1 experienced the strongest increase in subscribers in more than five years
- Increase supported by attractive 'Home' tariffs since Q3'14, convergence benefit, increased broadband speeds and the enhanced Sunrise TV offering

TV subscriber base ('000)

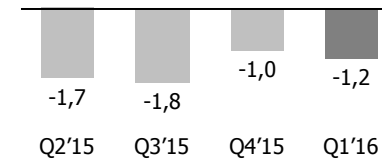


- **TV** net adds supported by enhanced Sunrise TV offering launched in Nov 15
- 4K compatible set-top box to be launched in mid 2016

# Q1'16 ARPU: Trends continuing

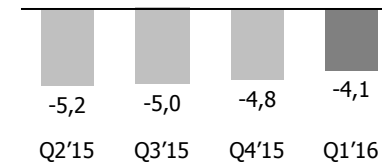
## Blended mobile service ARPU: $\Delta$ YoY (CHF)

- **ARPU down 4%** (CHF -1.2) to CHF 31.4: Pressure mainly from mobile postpaid as a result of Freedom HW unwind, roaming and value effect
- Q1'16 ARPU decrease slightly higher than in Q4'15 due to temporary impact of promotions <sup>1)</sup>



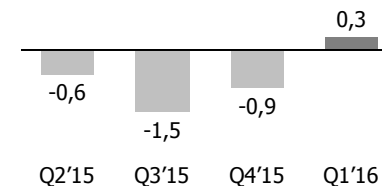
## Landline voice ARPU: $\Delta$ YoY (CHF)

- **ARPU down 11%** (CHF -4.1) to CHF 32.6: Fixed to mobile/OTT migration resulting in reduced voice usage



## Blended internet & IPTV ARPU: $\Delta$ YoY (CHF)

- **ARPU up 1%** (CHF 0.3) to CHF 46.0: supported by TV customer growth and enhanced Sunrise TV, offering new features at a higher price; both of which compensated for migrations to the Sunrise 'Home' portfolio launched in Q3'14 ('Home' share already at 68%)



<sup>1)</sup> Sunrise offered temporary promotions to some of its high value postpaid tariffs (offer period: Oct 2015 until mid Jan 2016), whereby a discount is applied for the first six months, after which time the tariff will revert back to the original price; the promotions target to improve value mix over the mid term

# Agenda

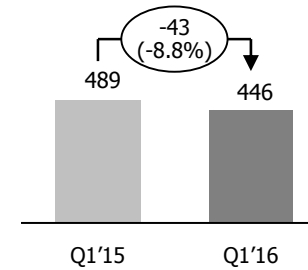
- |   |                    |                       |
|---|--------------------|-----------------------|
| 1 | Summary            | Olaf Swantee (CEO)    |
| 2 | Operational update | Timm Degenhardt (CCO) |
| 3 | Financials         | André Krause (CFO)    |
| 4 | Conclusion         | Olaf Swantee (CEO)    |
| 5 | Q&A                |                       |



# EBITDA slightly up in Q1'16 despite lower revenue

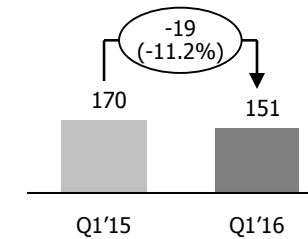
## Revenue (CHFm)

- **Revenue down -8.8%** compared to -7.7% in Q4'15
- Continued subscriber growth momentum in focus areas offset by headwinds
- Gross profit down -4.9% compared to -6.2% in Q4, representing **second quarter** of the **moderating trend**



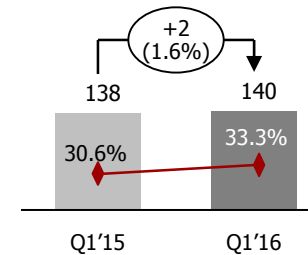
## Adjusted Opex (CHFm) <sup>1)</sup>

- **Reduction** in adj. **Opex** YoY in line with expectations
- Supported by organizational streamlining announced in September and other efficiencies



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

- **Improved EBITDA**
- Strong cost focus outweighed top-line pressure

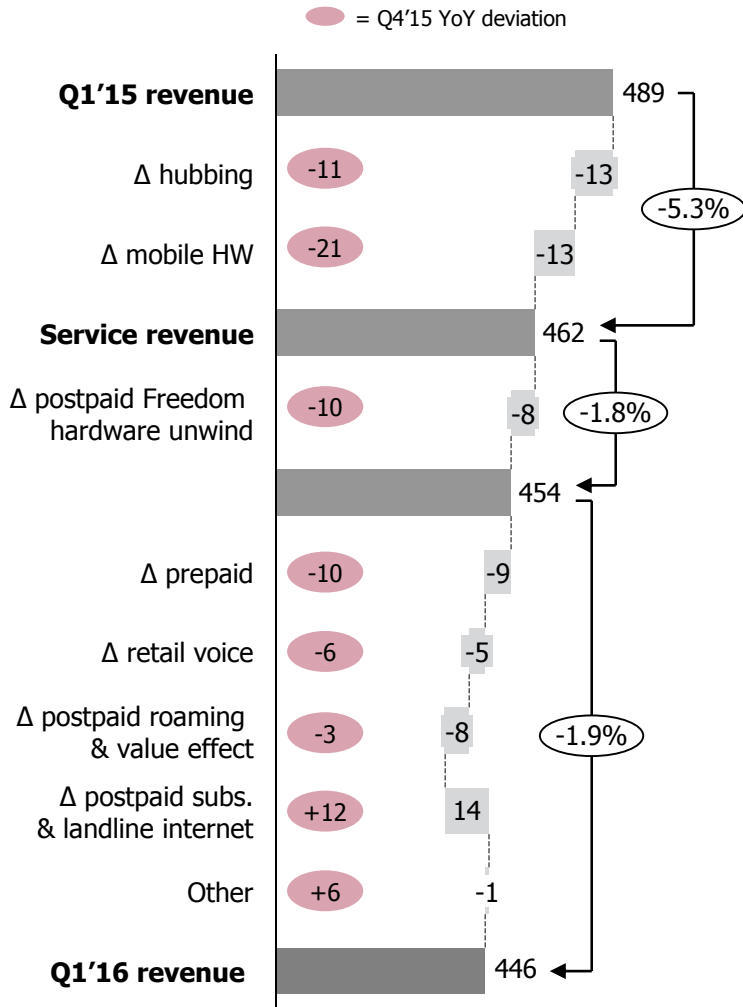


◆◆ Margin (excl. hubbing)

<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.

# Focus on Q1 revenue

## Q1'16 revenue bridge (CHFm)



**Hubbing:** While the international trading business is volatile by nature, Sunrise has increasingly focused on profitability (stable GP YoY)

**Mobile HW:** revenues are dependent on handset innovations / launches and have also been negatively impacted by the strengthened CHF

**Postpaid Freedom hardware unwind:** Freedom required a change in revenue recognition leading to immediate hardware upfront and subsequent lower mobile service revenue recognition; YoY effect expected to fade away

**Prepaid:** Decline mainly caused by pre- to postpaid migration (e.g. yallo postpaid)

**Retail voice:** Decline caused by fixed to mobile substitution, migration to flat rates as part of fixed bundles, and OTT applications

**Postpaid roaming & value effect:** Higher liquidity and more attractive offers at the value end of the market and roaming price change with negative ARPU impacts; furthermore Q4'15 promotions <sup>1)</sup> with temporary impact

**Postpaid subscription:** Positive impact of increased customer base driven by investments in customer service, innovation, brand and network

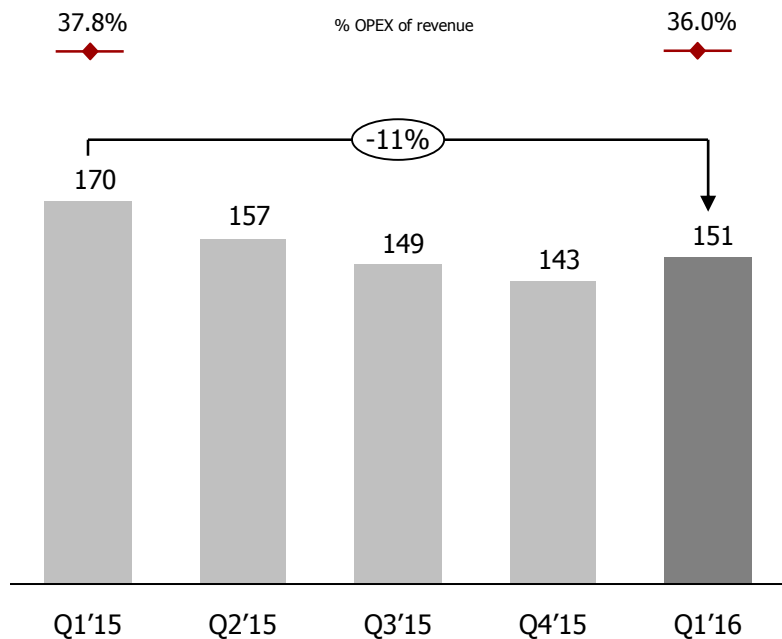
**Landline internet:** Continued subscriber growth in internet and TV

**Other:** Driven by lower sales in B2B due to volatility related to project business, the latter resulted in higher B2B HW sales in Q4'15

<sup>1)</sup> Sunrise offered temporary promotions to some of its high value postpaid tariffs (offer period: Oct 2015 until mid Jan 2016), whereby a discount is applied for the first six months, after which time the tariff will revert back to the original price; the promotions target to improve value mix over the mid term

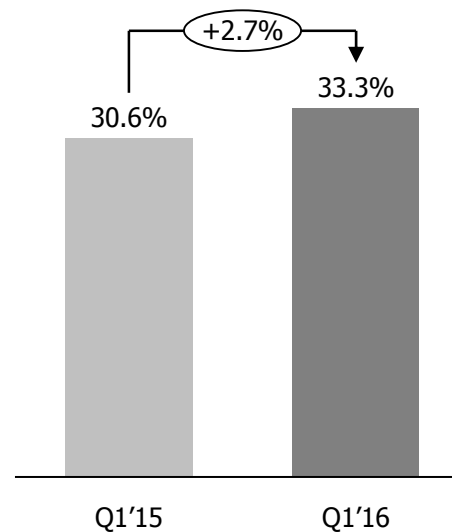
# Cost containment supporting Q1 adjusted EBITDA margin

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



- Adj. **Opex down** 11% YoY supported by organizational streamlining; more marketing spend in Q1 compared to Q4
- Average quarterly Opex of slightly below CHF 150m to be expected for remaining 2016
- Further cost opportunities identified based on simplifying and digitizing processes and customer interactions

## Adjusted EBITDA<sup>1)</sup> margin (excl. hubbing) (%)

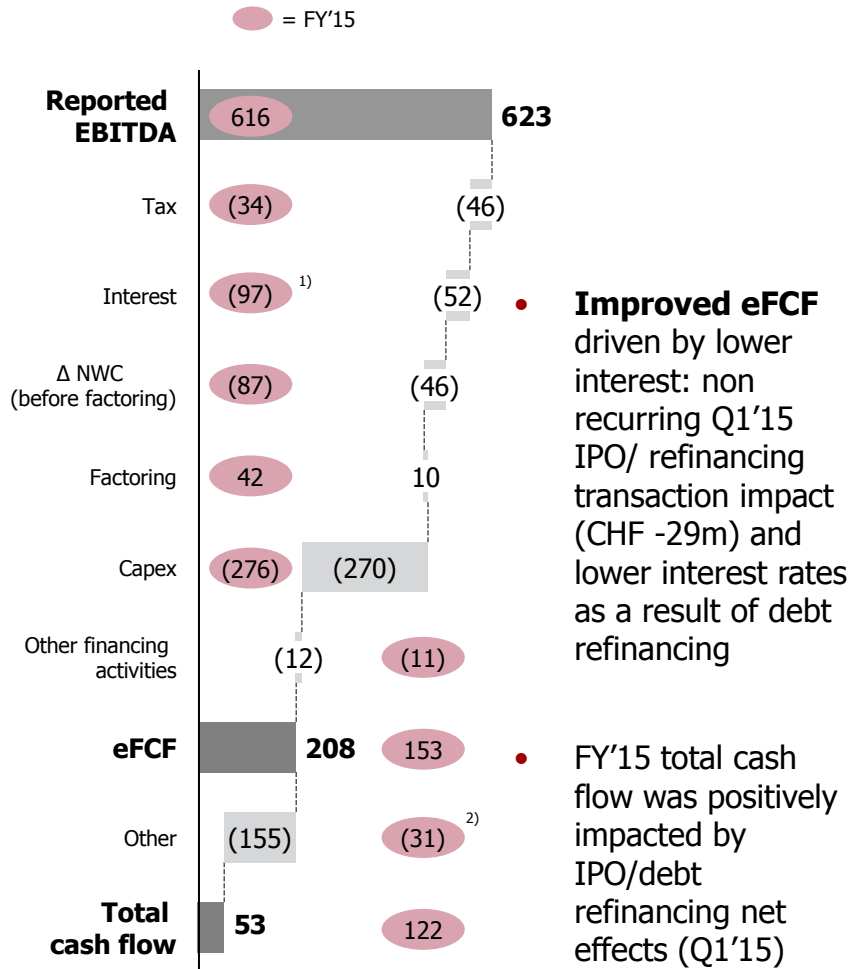


- **Improved margin** supported by reduced adj. Opex
- Gross margin (excl. hubbing) increase supported by lower HW revenues, subsequently offsetting higher international termination rates and Freedom HW unwind

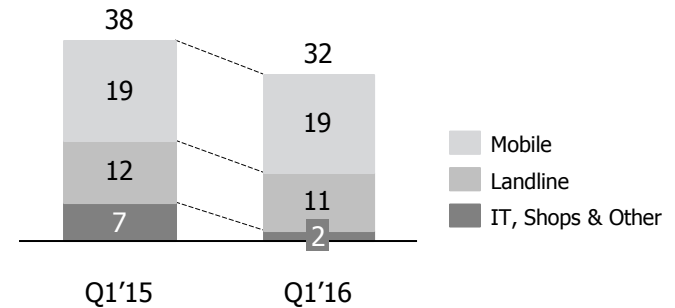
<sup>1)</sup> Total adjustments to reported EBITDA include out-of-period income and expenses, such as prior year related events, non recurring and/or non operating events and cost related to share-based payment

# Equity FCF improvement on track

## Cash flow Q1'16 LTM (CHFm)

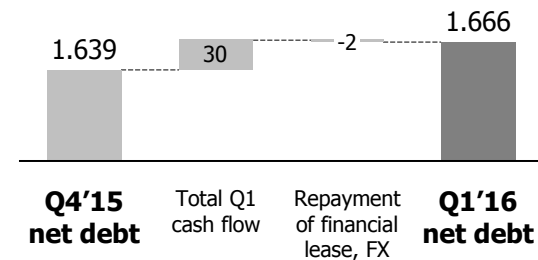


## Reduced Capex Q1'16 (CHFm)



- Capex reduction well on track
- Reiterating CHF 220-230m Capex guidance for 2016

## Slightly higher net debt QoQ (CHFm)



- Sequentially stable net debt / EBITDA ratio of 2.6x

<sup>1)</sup> Q1'15 interest included CHF -29m IPO and refinancing transaction impacts

<sup>2)</sup> «Other» included IPO/debt refinancing net effects (Q1'15) as well as the payment of the 2nd installment of mobile license (Q2'15)

# Agenda

- |   |                    |                       |
|---|--------------------|-----------------------|
| 1 | Summary            | Olaf Swantee (CEO)    |
| 2 | Operational update | Timm Degenhardt (CCO) |
| 3 | Financials         | André Krause (CFO)    |
| 4 | Conclusion         | Olaf Swantee (CEO)    |
| 5 | Q&A                |                       |

# Conclusion

- Continued **subscriber growth** momentum in key focus areas
- **Revenues down** with more than half of the decrease related to low-margin areas
- Substantial Opex improvement YoY as expected, leading to slightly **higher** adj. **EBITDA**
- Equity **free cash flow improving** as expected



FY'16 **guidance** is reiterated

# Agenda

- |   |                    |                       |
|---|--------------------|-----------------------|
| 1 | Summary            | Olaf Swantee (CEO)    |
| 2 | Operational update | Timm Degenhardt (CCO) |
| 3 | Financials         | André Krause (CFO)    |
| 4 | Conclusion         | Olaf Swantee (CEO)    |
| 5 | Q&A                |                       |



# Appendix



# Overview of results – Income Statement

<b>Financial Results</b>	<b>Q1 2016</b>	<b>Q1 2015</b>
CHF million		
Mobile services	297	320
Landline services (incl. voice)	97	119
<i>thereof hubbing</i>	26	39
Landline internet & TV	52	49
<b>Total revenues</b>	<b>446</b>	<b>489</b>
% yoy growth	(8.8%)	
<b>Revenues (excl. hubbing)</b>	<b>420</b>	<b>450</b>
% yoy growth	(6.7%)	
<b>COGS</b>	<b>(155)</b>	<b>(183)</b>
<b>Gross profit</b>	<b>291</b>	<b>306</b>
% margin	65.3%	62.6%
% yoy growth	(4.9%)	
<b>Opex</b>	<b>(152)</b>	<b>(173)</b>
<b>EBITDA</b>	<b>139</b>	<b>133</b>
% margin	31.3%	27.2%
% margin (excluding hubbing revenues)	33.2%	29.5%
% yoy growth	4.8%	
<b>Adjusted EBITDA</b>	<b>140</b>	<b>138</b>
% margin (excluding hubbing revenues)	33.3%	30.6%
% yoy growth	1.6%	
<b>Depreciation and amortization</b>	<b>(114)</b>	<b>(113)</b>
% yoy growth	(0.4%)	
<b>Operating income</b>	<b>25</b>	<b>19</b>
<b>Net financial items</b>	<b>(15)</b>	<b>(188)</b>
<b>Income taxes</b>	<b>(4)</b>	<b>1</b>
<b>Net (loss) / income</b>	<b>7</b>	<b>(167)</b>
Thereof (before tax impact)		
IPO & refinancing transaction	-	155
PPA effect <sup>1)</sup>	(32)	(38)

<sup>1)</sup> Purchase Price Allocation (PPA) effect of fair value adjustments resulting from the acquisition of Sunrise Communications AG in 2011 & embedded derivatives on the condensed consolidated interim statements of income

# Overview of results – Cash Flow Statement

<b>Cash Flow</b>	<b>Q1 2016</b>	<b>Q1 2015</b>
CHF million		
<b>EBITDA</b>	<b>139</b>	<b>133</b>
Change in net working capital	(101)	(110)
<i>thereof handset receivable factoring impact</i>	<i>(17)</i>	<i>15</i>
Movement in pension and provisions	(4)	1
Interest (paid) / received, net incl. foreign currency impact	(15)	(60)
<i>thereof IPO and refinancing transaction impacts</i>	<i>-</i>	<i>(29)</i>
Corporate income and withholding tax (paid) / received	(13)	(2)
<b>Cash flow from operating activities</b>	<b>6</b>	<b>(38)</b>
Capex	(32)	(38)
<i>% Capex-to-revenues (excl. hubbing revenues)</i>	<i>3.3%</i>	<i>3.9%</i>
<b>Cash flow after investing activities</b>	<b>(26)</b>	<b>(77)</b>
Repayment other financing items	(1)	(0)
Proceeds/(repayments) from debt, net	(2)	(865)
Settlement of derivatives	0	(348)
Proceeds from initial public offering, net	(0)	1'330
<b>Total cash flow</b>	<b>(30)</b>	<b>40</b>
<b>Cash and cash equivalents as of BoP</b>	<b>244</b>	<b>120</b>
Foreign currency impact on cash	0	2
<b>Cash and cash equivalents as of March 31</b>	<b>215</b>	<b>161</b>
<b>Equity Free Cash Flow</b>	<b>Q1 2016</b>	<b>Q1 2015</b>
CHF million		
<b>EBITDA</b>	<b>139</b>	<b>133</b>
Change in net working capital	(101)	(110)
Interest (paid) / received, net incl. foreign currency impact	(15)	(60)
Corporate income and withholding tax (paid) / received	(13)	(2)
Capex	(32)	(38)
Other financing activities	(1)	(0)
<b>Equity free cash flow</b>	<b>(24)</b>	<b>(78)</b>

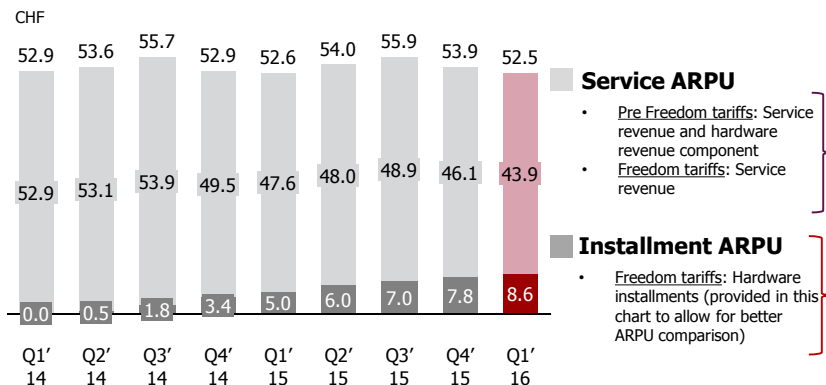
# Stable leverage ratio at 2.6x

<b>Net debt</b>	<b>March 31, 2016</b>	<b>December 31, 2015</b>	<b>March 31, 2015</b>
CHF million			
Senior Secured Notes issued February 2015	500	500	500
Term loan B	1'360	1'360	1'360
<b>Total cash-pay borrowings <sup>1)</sup></b>	<b>1'860</b>	<b>1'860</b>	<b>1'860</b>
Financial lease	21	23	28
<b>Total debt</b>	<b>1'881</b>	<b>1'883</b>	<b>1'888</b>
Cash & Cash Equivalents	(215)	(244)	(161)
<b>Net debt</b>	<b>1'666</b>	<b>1'639</b>	<b>1'727</b>
<b>Net debt / EBITDA</b>	<b>2.6x</b>	<b>2.6x</b>	<b>2.7x</b>

<sup>1)</sup> Nominal amounts, i.e. excluding capitalized debt issuance cost

# Freedom tariff – P&L impact

## Postpaid ARPU



## Postpaid P&L

CHFm

### Revenue

Postpaid Service  
Total Mobile Hardware<sup>2)</sup>  
of which Freedom related

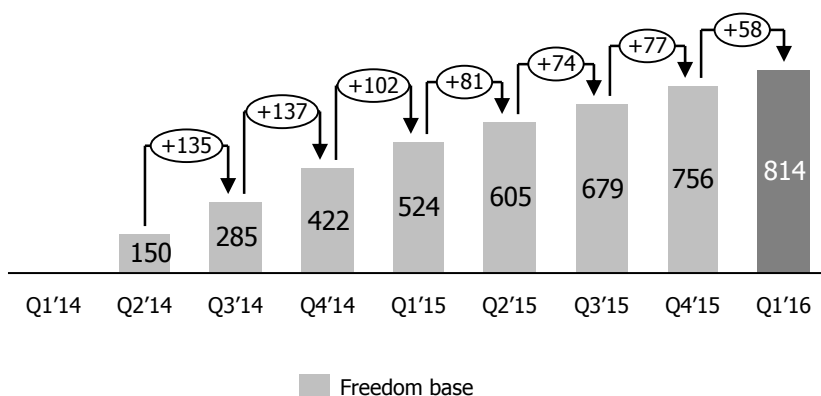
### EBITDA contributions

Postpaid Service Gross Profit  
Mobile Hardware  
Postpaid SARC<sup>3)</sup>

### EBITDA impact

	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16
<b>Revenue</b>									
Postpaid Service	202	206	211	195	188	193	201	192	185
Total Mobile Hardware <sup>2)</sup>	16	70	66	100	65	61	55	78	52
of which Freedom related		51	49	73	48	48	42	60	41
<b>EBITDA contributions</b>									
Postpaid Service Gross Profit	176	179	183	169	165	168	172	162	158
Mobile Hardware	(0)	3	2	3	1	2	2	3	1
Postpaid SARC <sup>3)</sup>	(41)	(21)	(13)	(16)	(13)	(14)	(12)	(14)	(12)
<b>EBITDA impact</b>	135	161	172	156	152	157	163	151	146

## Freedom<sup>1)</sup> subscriber development ('000)



## Additional statistics:

- Total postpaid SIM-only share of 37% as of Q1'16
- Below 100k subscribers left on pre-Freedom, subsidized rate plans
- Negative YoY postpaid service revenue due to pre-Freedom hardware unwind<sup>4)</sup>, fading as migration nears completion in 2016

<sup>1)</sup> Freedom are postpaid mobile rate plans launched in April 2014 (see Q1'15 results report for more information)

<sup>2)</sup> Mobile HW revenue increased in Q2'14 supported by upfront recognition

<sup>3)</sup> Shift of HW costs from SARC to COGS as of Q2'14 (both times fully recognized upfront); Q2'14 EBITDA positively impacted by upfront recognition of HW

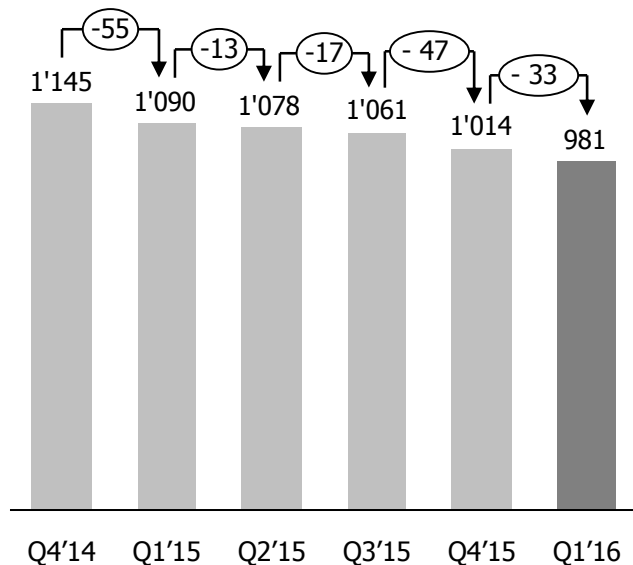
<sup>4)</sup> i.e. pre-Freedom hardware revenue component is not existent under Freedom any longer

# Prepaid customer development

## Market and performance update

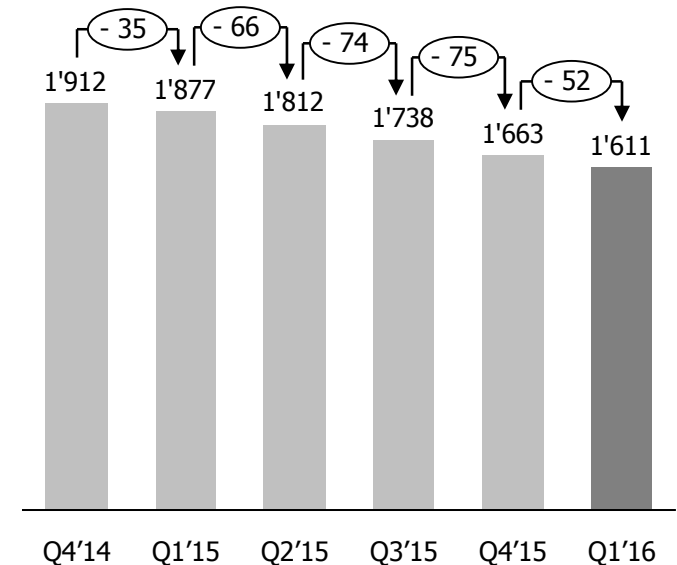
- Decreasing prepaid customers as a result of pre- to postpaid migration: postpaid flat rate plans provide similar cost control to prepaid; demand for high value smart phone instalment plans which are not available in prepaid
- Migration strategy focused on maximizing value through attractive postpaid SIM-only offers (Freedom, yallo postpaid)

### Prepaid customers: 3 month rule



- For the purpose of transparency, prepaid customers based on a 12 month activity rule are provided
- 3 month activity rule is a more accurate representation of the prepaid market

### Pro-forma prepaid customers: 12 month rule





**Thank you for your interest in Sunrise**

# Contact information

## Investor contact

---



Uwe Schiller  
uwe.schiller@sunrise.net

investor.relations@sunrise.net  
+41 58 777 96 86



Stephan Gick  
stephan.gick@sunrise.net

# Disclaimer

This document and any materials distributed in connection herewith (including any oral statements) (together, the "Presentation") do not constitute or form a part of, and should not be construed as, an offer for sale or subscription of or solicitation of any offer to purchase or subscribe for any securities, and neither this Presentation nor anything contained herein shall form the basis of, or be relied upon in connection with, or act as an inducement to enter into, any contract or commitment whatsoever.

The information contained in this Presentation has not been independently verified and no representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness, reasonableness or correctness of the information or opinions contained herein. None of Sunrise Communications Group AG, its subsidiaries or any of their respective employees, advisers, representatives or affiliates shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this Presentation. The information contained in this Presentation is provided as at the date of this Presentation and is subject to change without notice.

Statements made in this Presentation may include forward-looking statements. These statements may be identified by the fact that they use words such as "anticipate", "estimate", "should", "expect", "guidance", "project", "intend", "plan", "believe", and/or other words and terms of similar meaning in connection with, among other things, any discussion of results of operations, financial condition, liquidity, prospects, growth, strategies or developments in the industry in which we operate. Such statements are based on management's current intentions, expectations or beliefs and involve inherent risks, assumptions and uncertainties, including factors that could delay, divert or change any of them. Forward-looking statements contained in this Presentation regarding trends or current activities should not be taken as a representation that such trends or activities will continue in the future. Actual outcomes, results and other future events may differ materially from those expressed or implied by the statements contained herein. Such differences may adversely affect the outcome and financial effects of the plans and events described herein and may result from, among other things, changes in economic, business, competitive, technological, strategic or regulatory factors and other factors affecting the business and operations of the company. Neither Sunrise Communications Group AG nor any of its affiliates is under any obligation, and each such entity expressly disclaims any such obligation, to update, revise or amend any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on any such forward-looking statements, which speak only as of the date of this Presentation.

It should be noted that past performance is not a guide to future performance. Please also note that interim results are not necessarily indicative of full-year results.