# Sunrise Communications Group AG

## Sale of Swiss Towers AG / disposal of passive tower infrastructure

# Key transaction highlights[1]

## Value release to accelerate deleveraging, network investments and shareholder returns

| | | |
|---|---|---|
| **1** | **Compelling partners** | • Agreement with a consortium comprising Cellnex,Swiss Life Asset Managers and Deutsche Telekom Capital Partners ("Consortium") to sell Swiss Towers AG, which owns a portfolio of 2'239 telecom towers, for a consideration of CHF 500 million (subject to closing conditions[2]) |
| **2** | **Service commitments** | • Long term service contract regarding the provision of tower infrastructure services<br>• New build-to-suit program comprising new macro sites and small cells |
| **3** | **Accelerate deleveraging** | • CHF450m proceeds for deleveraging, reducing 2016 reported ND/adj. EBITDA from 2.7x to 2.1x[3]<br>– Accelerate path towards achieving an investment grade credit rating |
| **4** | **Accelerate network investment** | • CHF30m one-off Capex to underpin customer growth momentum<br>– Enhance network capacity & speed<br>– Secure fibre access partnerships<br>– Strengthen distribution / shop network |
| **5** | **Accelerate shareholder returns** | • New dividend policy to reflect stronger financial and operational profile<br>• Targeting a material step up to CHF3.90-4.10 per share for CY17 (+17% to +23% YoY), with future step-up subject to leverage |

Note:
1. All subject to completion
2. subject to merger control clearance and the conclusion of (i) transitional service agreements (i.e. a Service Level Agreement and a Transitional Services Agreement) based on which Sunrise will provide certain (transitional) services to Swiss Towers, as well as (ii) a build-to-suit agreement based on which Sunrise is subcontracted to build new telecom towers
3. Adjusting the 2016 net debt by gross debt deleveraging of CHF450 million and 2016 EBITDA by CHF35 million



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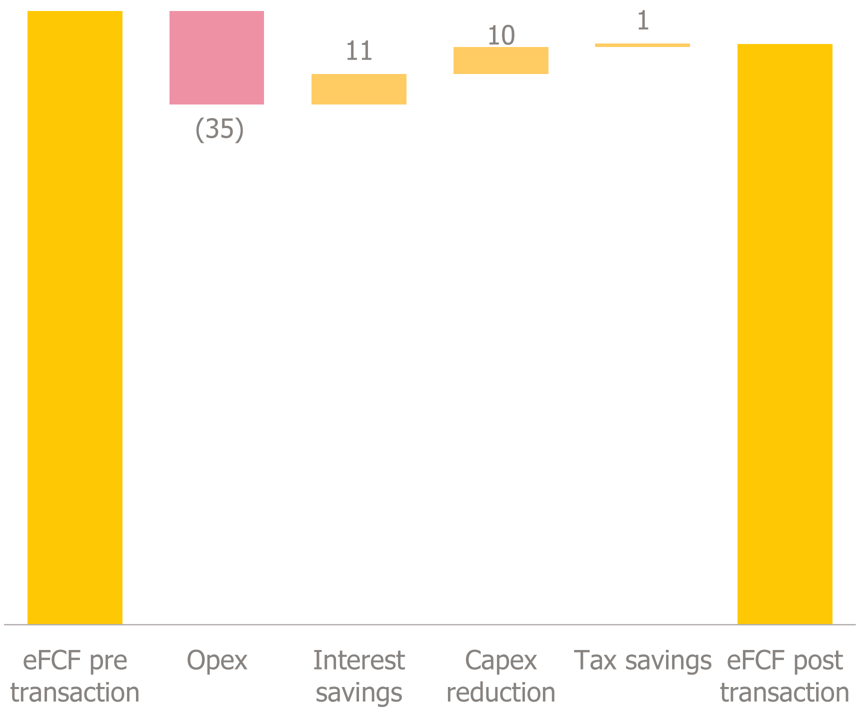
# Financial impact and use of proceeds[1]

## Sale of Swiss Towers (2'239 towers) to the Consortium

**Key financial impacts expected**

- Deconsolidation of passive infrastructure as of 1 July 2017; treated as service contract under IFRS
- IFRS book gain of approx. CHF400m, strengthening shareholders' equity
- Minimal impact on eFCF
- Reduction of 2016 reported ND/adj. EBITDA from 2.7x to 2.1x[2]
- Use of proceeds
    - CHF450m term loan repayment
    - CHF30m one-off Capex to underpin customer growth momentum in 2017
    - CHF20m covering transaction related costs and cash generated in Q1

**Full year eFCF impact (CHFm)**






Note:
1. All subject to completion
2. Adjusting the 2016 net debt by gross debt deleveraging of CHF450 million and 2016 EBITDA by CHF35 million

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# 2017 guidance updated for transaction impact

## 2017 dividend increased and dividend policy upgraded[1]

### 2017 guidance - original

| | CHFm |
|---|---|
| Revenue | 1'820 – 1'860 |
| Adjusted EBITDA | 595 – 610 |
| Capex | 225 – 265 |

**Previous 2017 dividend:**

– Upon meeting guidance, a dividend of CHF3.45 – 3.55 per share is expected to be proposed to the AGM

**Previous dividend policy:**

– At least 65% eFCF

**Previous target leverage:**

– Dividend policy to be reviewed when 2.5x reported ND/adj. EBITDA reached

### 2017 guidance - adjusted for disposal

| | | CHFm |
|---|---|---|
| Revenue | | 1'820 – 1'860 |
| Adjusted EBITDA | | 577 – 592 |
| Capex | normalised[1] | [225 – 265] |
| | reported | [255 – 295] |

**New 2017 dividend:**

– Upon meeting guidance, a dividend of CHF3.90 – 4.10 per share is expected to be proposed to the AGM[2]

**New dividend policy:**

– At least 65% eFCF, and targeting 85% once reported ND/adj. EBITDA is below 2.0x

**New target leverage:**

– Targeting 2.0x reported ND/adj. EBITDA over the medium term

Notes:
1. Subject to completion
2. Excludes CHF30 million additional one-off Capex in 2017
3. Based on underlying eFCF adjusted for book gain on asset sale, transaction costs and one-off Capex

# Conclusion
## Combination of compelling strategic and financial benefits

### Strategic benefits

- Well positioned to retain network leadership in Switzerland
  - The transaction provides additional capital to accelerate network investment strategy
- Compelling partnership for passive infrastructure, complementing existing technology partnership with Huawei
  - Cellnex: proven European telecom partner with track record in optimising passive network infrastructure
  - DTCP: Deutsche Telekom's investment management group with proven track record in TMT investments
  - Swiss Life Asset Managers: solid domestic capital provider with CHF204bn AuM and access to large real estate portfolio

### Financial benefits

- Accelerated investments, with one-off Capex of CHF30m in 2017 to support growth momentum of the company [2]
- Accelerated path towards achieving an investment grade credit rating
- Adjusted for this transaction, net debt reported at Q1'17 would reduce from CHF1.6bn to CHF1.2bn
  - New target leverage of 2.0x reported ND/adj. EBITDA
- Increased dividend payout of CHF3.90-4.10 per share in CY17 (+17% to +23% YoY)
- New dividend policy of at least 65% eFCF, and targeting 85% once reported ND/adj. EBITDA is below 2.0x
- IFRS book gain of approx. CHF400m [2]

Notes:
1. Subject to completion
2. 2017 eFCF will be adjusted for one-off Capex and transaction related book gain/transaction costs



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