



# **Sunrise Communications Group AG**

Investor presentation – 2 March 2017

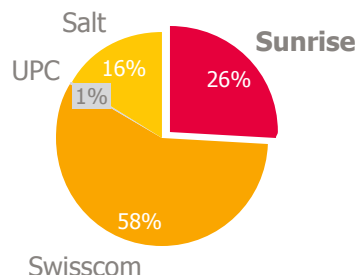
# Sunrise – leading fully integrated challenger in Switzerland

## Fully integrated Swiss telco provider

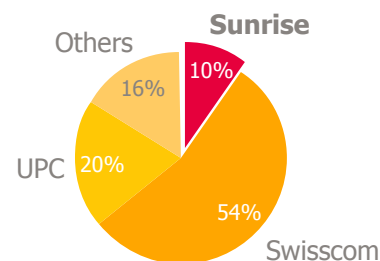
- Present in the affluent and **quality focused** Swiss market
- Diversified company set-up:
  - Fully integrated player benefiting from **cross-selling** and convergence opportunity
  - Serving **residential** (70% of revenue), **business**, and **wholesale** customers
  - Strong **multi-brand** portfolio
- Awarded own mobile network<sup>1</sup>; LLU and competitive Capex-light wholesale access in landline
- Listed at SIX with around CHF 3.1bn market cap (75% free float) and CHF 4.8bn EV

## Leading challenger

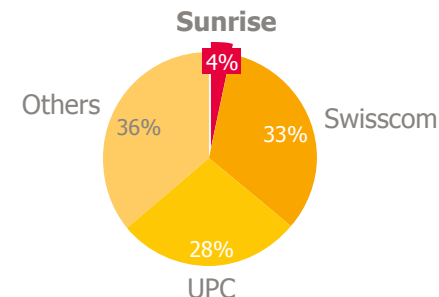
Mobile market share Q4'16 <sup>2</sup>



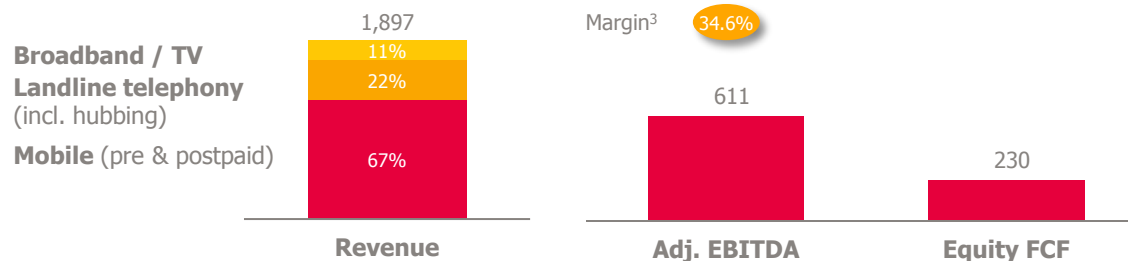
Broadband market share Q4'16



TV market share Q4'16



## Key financials FY'16 (CHFm)



Sources: Company reporting, Swisscom, UPC, Salt, Suissedigital

Notes:

<sup>1</sup> The independent network tester "Connect" ranked Sunrise's mobile network number 1 in Switzerland and the DACH region in 2016 (Connect 1/2017)

<sup>2</sup> Market share including prepaid customers based on the 12-month activity rule; Salt market share estimated as no subscriber number was published at the time this presentation was composed

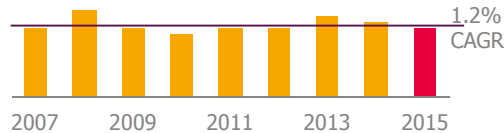
<sup>3</sup> Based on revenues excluding voice hubbing

**Sunrise**

# Present in the affluent and quality focused Swiss market

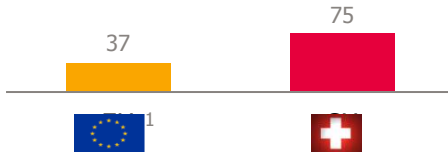
## Attractive Swiss market dynamics

### Steady population growth



### Strong GDP per capita

Nominal GDP per capita <sup>1</sup> (2015, USDk)

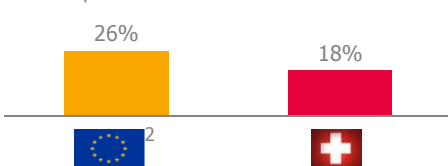


### Favourable business environment

10y Govt yield <sup>3</sup>



Ø corporate tax rate <sup>3</sup>



## Healthy frame conditions

### Customers focusing on quality

#### Limited space for new entrants

- 3 MNO-player market
- Available mobile spectrum secured until 2028

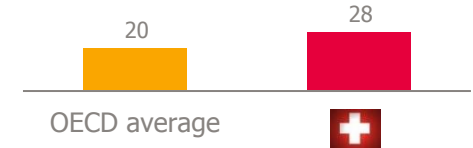
#### Ex-post regulation

- Intervention by the regulator only if industry negotiations fail
- Partial revision of telecommunication act ongoing with final implementation of law earliest expected in 2019 or beyond

## Above Ø tariff prices related to above Ø costs

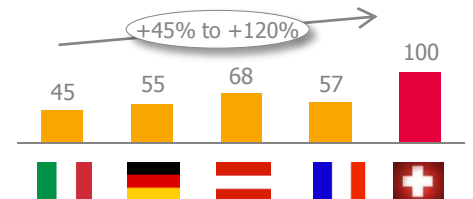
### Above average mobile tariff prices

Mobile basket voice and data <sup>4</sup> (2015, EUR)

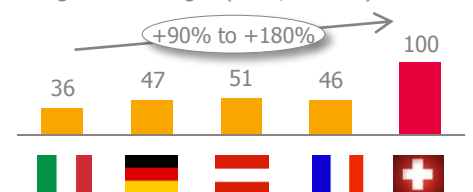


### Above average costs

Costs to construct, operate and maintain a mobile network infrastructure (2012, indexed) <sup>5</sup>



Average annual wages (2015, indexed) <sup>6</sup>



Sources: PWC, KPMG, Reuters, Swiss Federal Statistical Office, Strategy Analytics, OECD.Stat, Company data

Notes:

<sup>1</sup> Represents Eurozone

<sup>2</sup> Represents EU-15 area

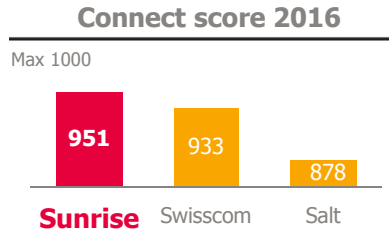
<sup>3</sup> Average of Eurozone 10-year gov't yields as of 1 December 2016; corporate tax rates as of 2013

<sup>4</sup> Based on ComCom FY15 annual report and Strategy Analytics, UK (Teligen price benchmarking 2015); including a defined amount of voice and data and focusing on the cheapest products marketed by the largest operators in a country

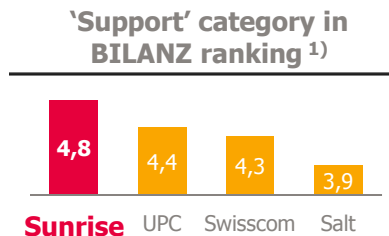
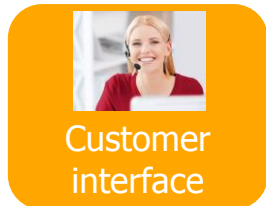
<sup>5</sup> Based on PWC "mobile network cost study" September 2013; CH indexed to 100; on a per capita base

<sup>6</sup> Based on OECD.Stat, not adjusted for PPP; 2015

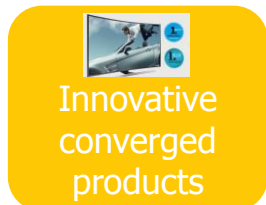
# Sunrise strategic priorities



- Outstanding mobile network with **0.125% dropped call** rate (3G), **99.4% LTE** population **coverage**, and **35 Mbit/s average** experienced **download speed** for LTE
- Capex-light landline access strategy with increased broadband speeds



- **Net Promoter Score up** almost **50ppt** since introduction in 2013
- **No. 1** of 'big providers' in BILANZ residential category '**Support**'



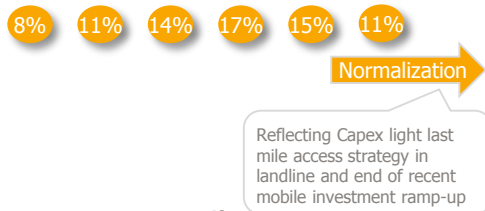
- Customer growth driven by innovation & quality; BILANZ ranked Sunrise **No. 1** of 'big providers' in the residential category '**Innovation**' <sup>1)</sup>
- Attractive **iPhone renewal program** launched in H2'16; internet turnaround supported by **Sunrise TV upgrade** and increased speeds at attractive prices

<sup>1)</sup> Source: BILANZ 18/2016 September; referring to residential results; average rating across Mobile Telephony, TV, and Internet Service Provider except for Salt which is Mobile Telephony only

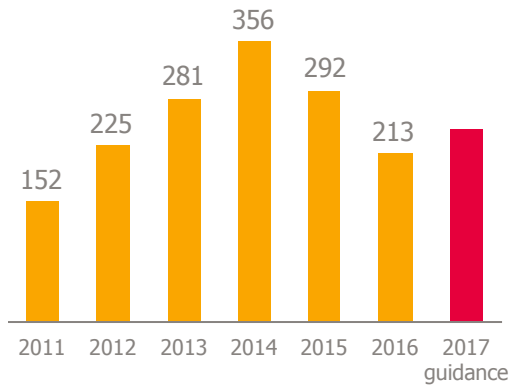
# Emerged as best mobile network in DACH area

## Recent network investment ramp-up finished

### Capex/revenue <sup>1)</sup>



### Capex (CHFm) <sup>1)</sup>



## Achieved best network quality in DACH region

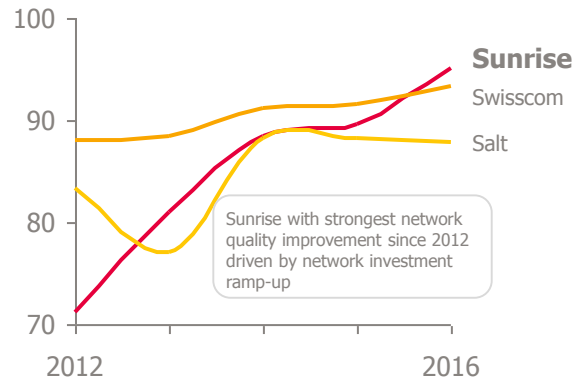


### Connect score reached in 2016



### Connect score 2012-2016

% reached of max

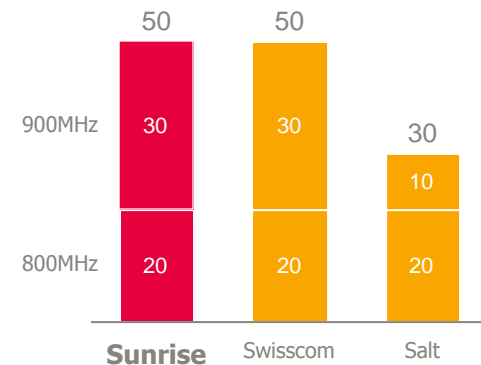


## Technically superior spectrum position (160MHz)

### Sub 1GHz spectrum per million mobile subscriber <sup>2)</sup>



### Sub 1GHz spectrum allocation in CH <sup>2)</sup>



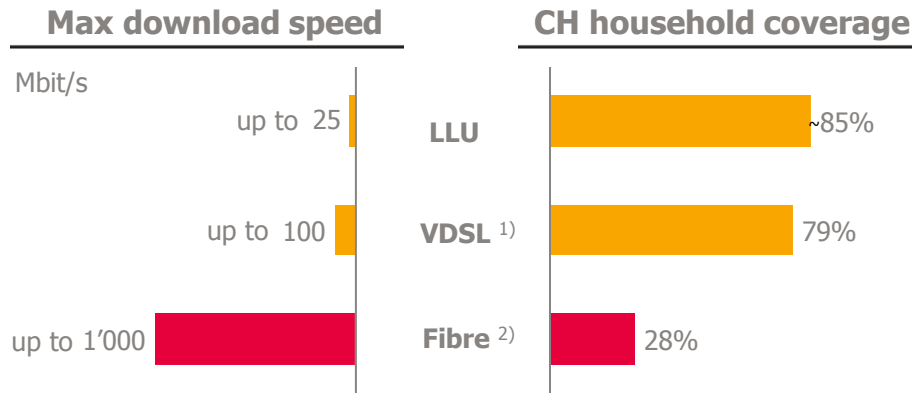
Sources: Company reporting, ComCom, connect.de

Notes:

<sup>1</sup> Excl. CHF 482m spectrum investments phased-in over 2012 (CHF 289m), 2015 and 2016

<sup>2</sup> Paired spectrum; as of Q4'16, except Salt (Q3'16); prepaid subscribers counted with 12 month rule

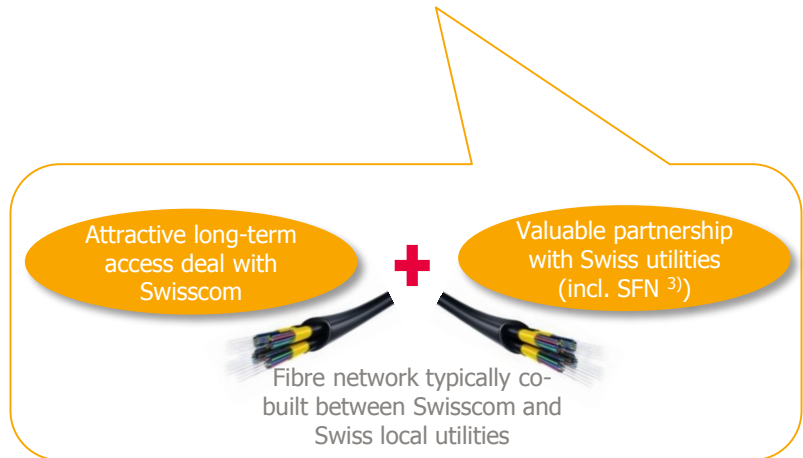
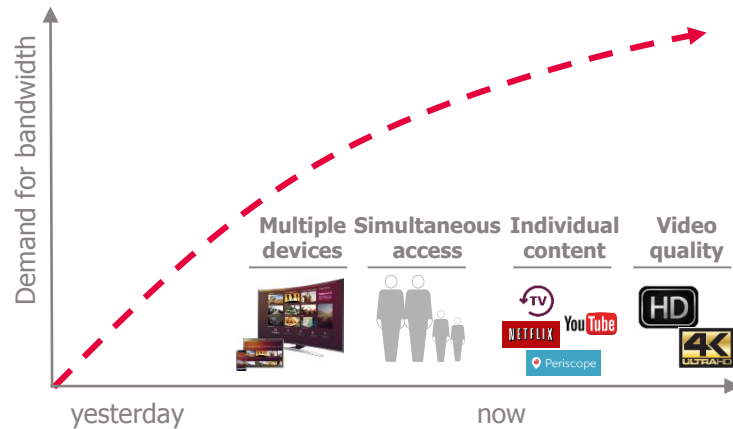
# Capex light last mile access strategy in landline



- Fully invested LLU network with above 600 PoPs, supported by 10,800km nationwide backbone
- Full and attractive access via Swisscom BBCS
- Full and attractive access to Swisscom fibre & partnerships with SFN <sup>3)</sup> and local utilities

Capitalizing on

## Increasing demand for bandwidth



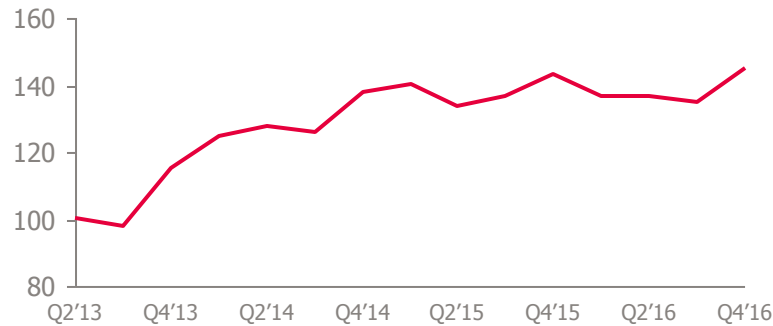
Sources: Company reporting, Swisscom, Swiss Fibre Net, Swiss federal statistic department

Notes:  
<sup>1</sup> Including FTTH and copper coupled to FTTC, FTTC/Vectoring, FTTS, and FTTB; G.fast (roll-out ongoing) to increase copper speed up to 400Mbit/s  
<sup>2</sup> Including FTTH based on Swisscom published FTTH number as of Q3'16; Swiss federal statistic department for private households and businesses  
<sup>3</sup> Swiss Fibre Net AG, fibre deployed by utilities on an open access basis (network typically co-built with Swisscom)

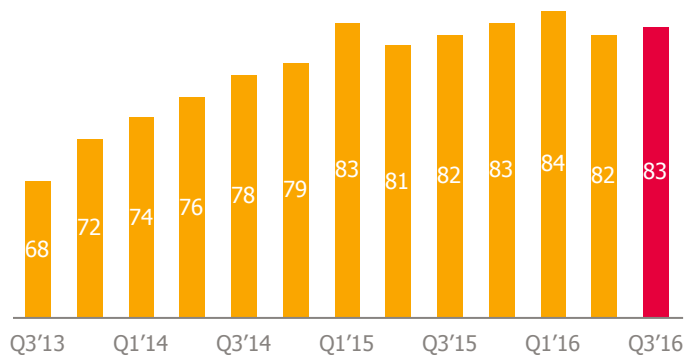
# Customer focused investments are paying off

## Net promoter score (NPS) <sup>1</sup>

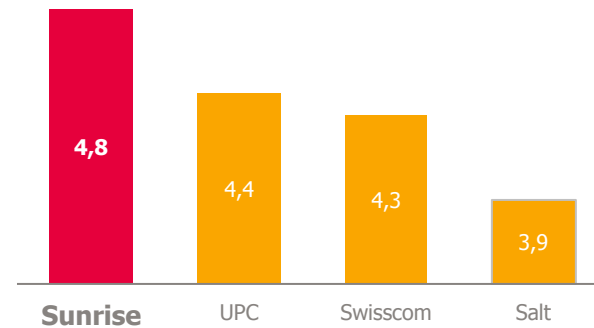
Q2'13 rebased to 100



## Solving rate (%) <sup>2</sup>



## BILANZ ranking 2016: Category "Support" <sup>3</sup>



- **Nr. 1** of 'big providers' in residential category '**Support**'
- Introduction of Net Promoter Score in 2013 with closed loop feedback process led to strong improvements
- 10k telecom user participated in independent annual survey published by magazine BILANZ

Source: Company reporting; Bilanz

Notes:

<sup>1</sup> NPS includes customer ratings on Sunrise shops, call centers, and other customer touch points

<sup>2</sup> The solving rate represents the first time call resolution (also called "efficiency")

<sup>3</sup> Referring to residential results; average rating across Mobile Telephony, TV, and Internet Service Provider except for Salt which is Mobile Telephony only

# Well positioned with multi-brand set-up

## Follow multi-brand strategy

**Sunrise**



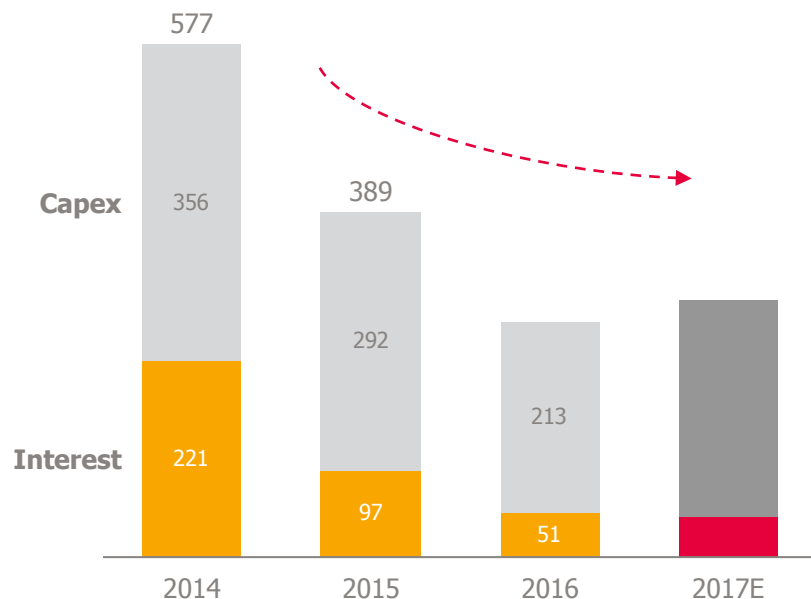
- Differentiate **Sunrise brand** as the premium challenger through improved quality and brand experience, customer service, as well as relevant and innovative convergent offerings at a non-monopolistic price with no hidden costs
- Use **multi-brand** approach to compete in Budget and Ethno segments
- Further increase awareness for Sunrise **B2B** and provide simple and relevant solutions based on business customer needs

- 
- Increase awareness of the Sunrise brand via brand ambassador
  - Follow a segmented go to market approach by utilizing multi brands
  - Focus on growth within mobile postpaid, internet and TV as well as B2B



# Delivered on equity free cash flow acceleration

Capex and cash interests (CHFm)



## Capex reduction

- Substantial network investment ramp-up completed <sup>1</sup>
- Capex 2017 guided at CHF 225-265m <sup>2</sup>

## Cash interest reduction

- Q1'15 with IPO and debt refinancing leading to substantial interest cost reduction in 2015
- Further refinancing in Q4'16 leading to CHF~44m annual cash interests as of 2017

Notes:

<sup>1</sup> 2011-14 with above CHF 1.0bn of total investments (mainly into network and excluding mobile license payments)

<sup>2</sup> Reflecting Capex-light last-mile access strategy in landline

# Financial outlook 2017

## **Revenue (excl. MTR) heading toward stabilization**

- Cont'd mobile postpaid, internet, and TV momentum driven by Sunrise ONE, 'Connect' test win and improved NPS
- MTR changes to negatively impact revenue, while largely neutral on gross profit level– as announced on 20 Oct 2016

## **Cost focus continues**

- Sunrise will further identify cost opportunities
- Will provide flexibility to support operational momentum and further quality improvements

## **eFCF expected to grow further**

- Term loan repricing from end of 2016 lowered weighted average cost of debt from 2.4% to 2.0%
- $\Delta$ NWC trends to improve YoY
- Capex reflecting internet/TV growth

## **Guidance 2017**

	million CHF
Revenue <sup>1)</sup>	1'820 - 1'860
Adjusted EBITDA	595 – 610
Capex <sup>2)</sup>	225 - 265

**Dividend** policy of at least 65% eFCF pay-out reiterated

- Upon meeting guidance a dividend of CHF 3.45 to CHF 3.55 per share is expected to be proposed to the AGM

<sup>1)</sup> The new MTR rates will impact revenue negatively by 2-3% compared to 2016, with respectively lowered CoGS largely offsetting the effect on gross profit level

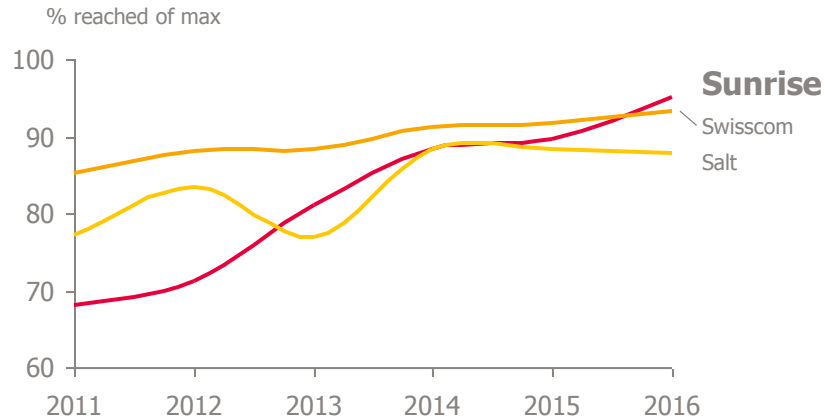
<sup>2)</sup> The range is widened as the change in Capex presentation (see 2016 annual report) makes Capex and ' $\Delta$ NWC' more volatile due to timing of payments. Included in the Capex guidance is the expectation that the recently announced new convergent offering – Sunrise One – drives further growth in the internet and TV base, triggering increasing needs for capitalized routers and set-top boxes.



# Appendix

# Connect network test 2016

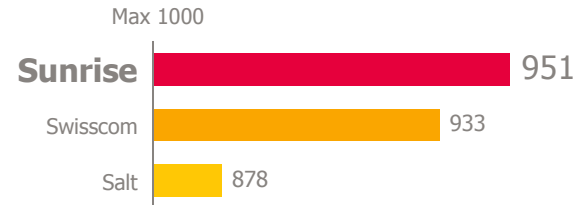
## Strongest improvement since 2011



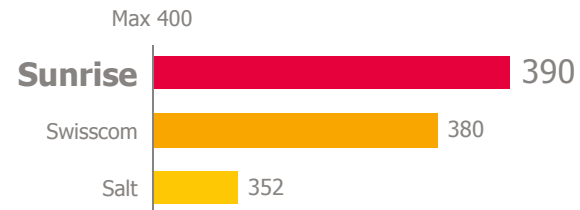
- **Sunrise** new **Nr. 1** in terms of mobile network quality in Switzerland and DACH region
- 40% **improvement** since 2011 supported by investment ramp-up
- Connect <sup>1)</sup> represents independent mobile network tester

<sup>1)</sup> Source: Connect 1/2017; [www.connect.de](http://www.connect.de)

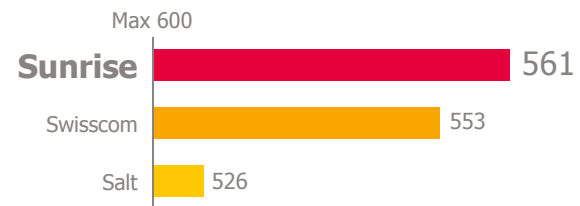
## Total Connect score 2016



## Mobile Voice sub category



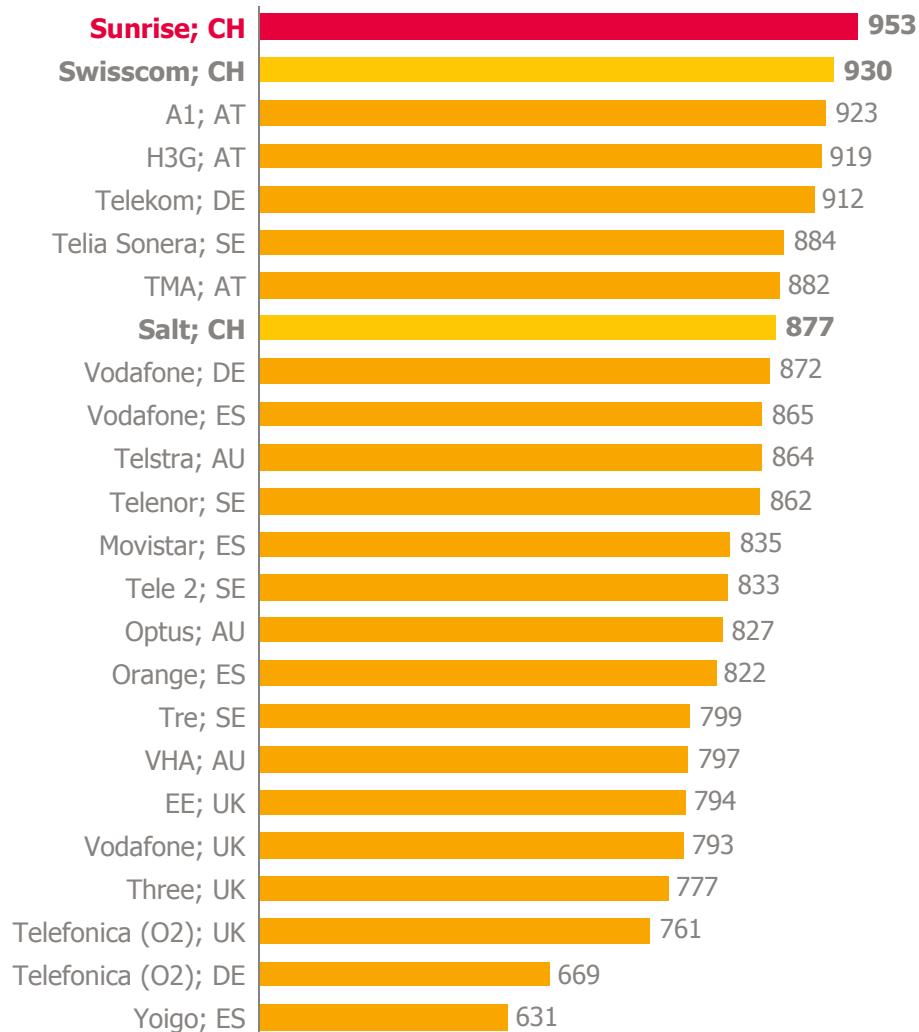
## Mobile Data sub category



# Sunrise with leading mobile network quality in Europe

## Mobile network quality across EU countries in 2016 <sup>1)</sup>

Max 1000 Pt.



# BILANZ telecom ranking 2016

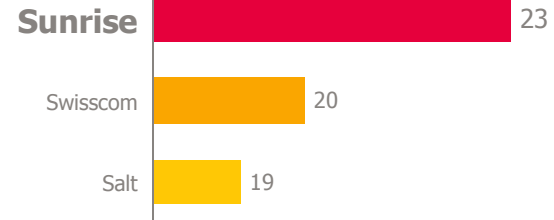


- Sunrise again with **best results** of «big providers» for the residential market in 2016
- **10k** telecom user participated in independent annual survey published by magazine BILANZ
- Rated were quality, innovation, price, flexibility and support on a scale from 1-lowest and 6-highest
- Result reflecting strongly improved **network** quality and customer **interaction** as well as improving brand **perception**

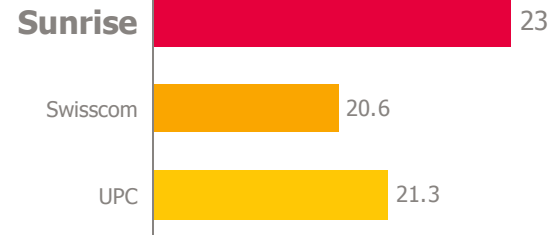
<sup>1)</sup> Residential results; Source: BILANZ 18/2016 September

## Mobile <sup>1)</sup>

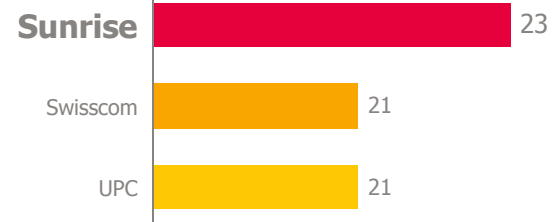
Points reached (max 30)



## Internet <sup>1)</sup>



## TV <sup>1)</sup>



# 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.