



# **Sunrise Communications Group AG**

Investor presentation – September 2017

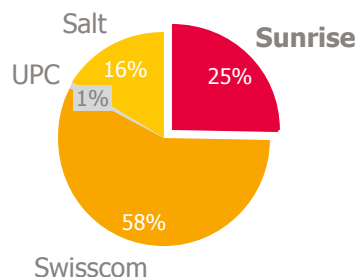
# Sunrise – leading fully integrated challenger in Switzerland

## Fully integrated Swiss telco provider

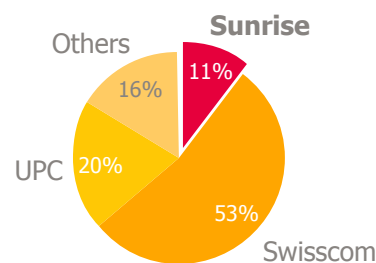
- Present in the affluent and **quality focused** Swiss market
- Diversified company set-up:
  - Fully integrated player benefiting from **cross-selling** and convergence opportunity
  - Serving **residential** (70% of revenue), **business**, and **wholesale** customers
  - Strong **multi-brand** portfolio
- Awarded own mobile network<sup>1</sup>; LLU and competitive Capex-light wholesale access in landline
- Listed at SIX with around CHF 3.6bn market cap (75% free float) and CHF 5.3bn EV

## Leading challenger

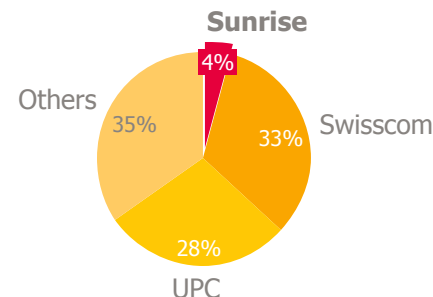
Mobile market share Q2'17 <sup>2</sup>



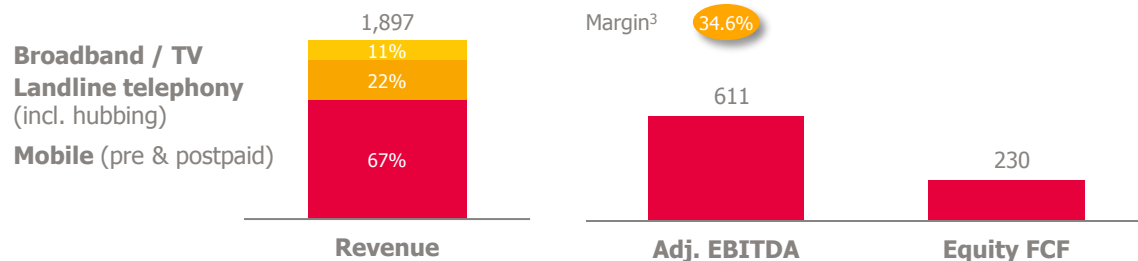
Broadband market share Q2'17



TV market share Q2'17



## 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

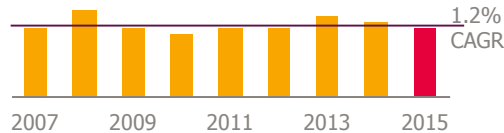
<sup>3</sup> Based on revenues excluding voice hubbing

**Sunrise**

# Present in the affluent and quality focused Swiss market

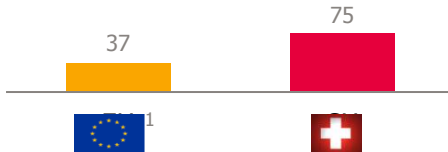
## Attractive Swiss market dynamics

### Steady population growth



### Strong GDP per capita

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

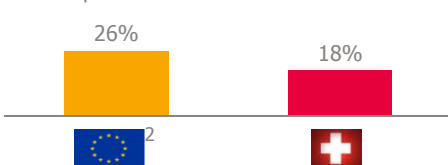


### Favourable business environment

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

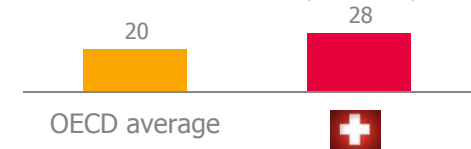
#### Ex-post regulation

- 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

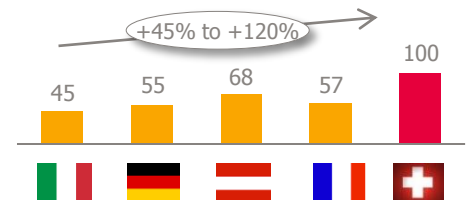
### Above average mobile tariff prices

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

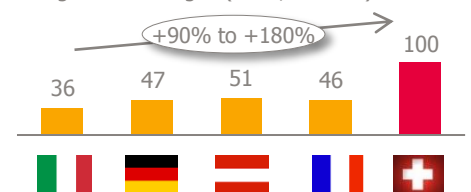


### Above average costs

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

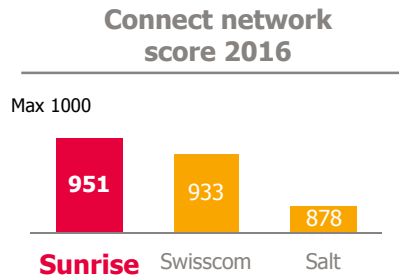
<sup>3</sup> Average of Eurozone 10-year gov't yields as of 1 December 2016; corporate tax rates as of 2013

<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

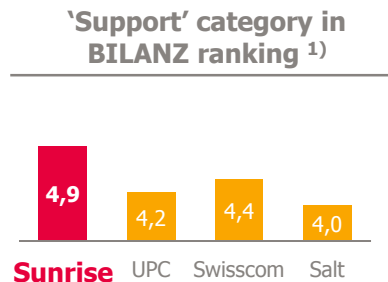
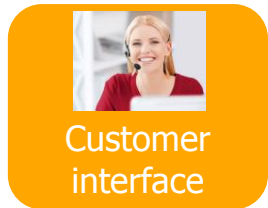
<sup>5</sup> Based on PWC "mobile network cost study" September 2013; CH indexed to 100; on a per capita base

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

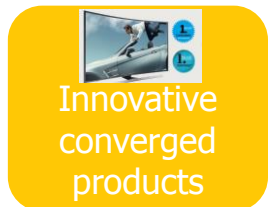
# Sunrise strategic priorities



- Outstanding mobile network with **0.15% dropped call** rate (3G), **99.8% LTE** population **coverage**, and **30 Mbit/s average** experienced **download speed** across 2-4G
- Capex-light landline access strategy via wholesale and co-investments



- **No. 1** of 'big providers' in BILANZ residential category '**Support**' driven by NPS introduced in 2013
- **Enhance own shop** network with better quality locations and ongoing **refresh** of shops with new corporate appearance and values



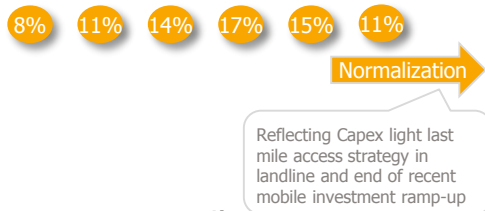
- Successful launch of converged tariff '**Sunrise ONE**' in March 2017 driving cross selling from mobile into landline
- Enhanced TV box and TV sports offering
- **No. 1** of 'big providers' in the BILANZ category '**Innovation**' <sup>1)</sup>

<sup>1)</sup> Source: BILANZ 09 2017; referring to residential results; average rating across Mobile Telephony, TV, and Internet Service Provider except for Salt which is Mobile Telephony only

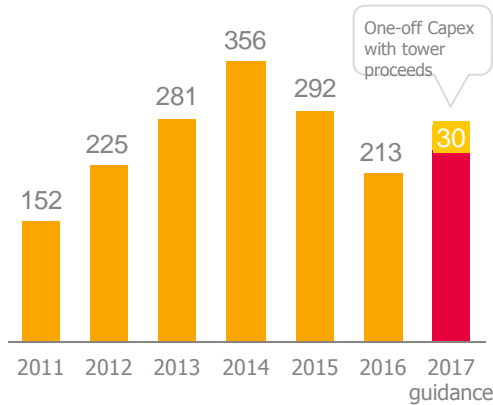
# Emerged as best mobile network in DACH area

## Recent network investment ramp-up finished

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



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



## Achieved best network quality in DACH region

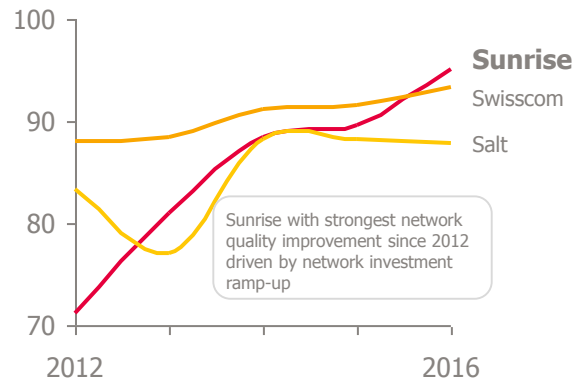


### Connect score reached in 2016



### Connect score 2012-2016

% reached of max

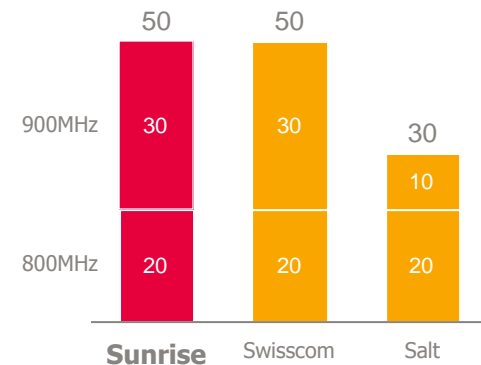


## Technically superior spectrum position (160MHz)

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



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



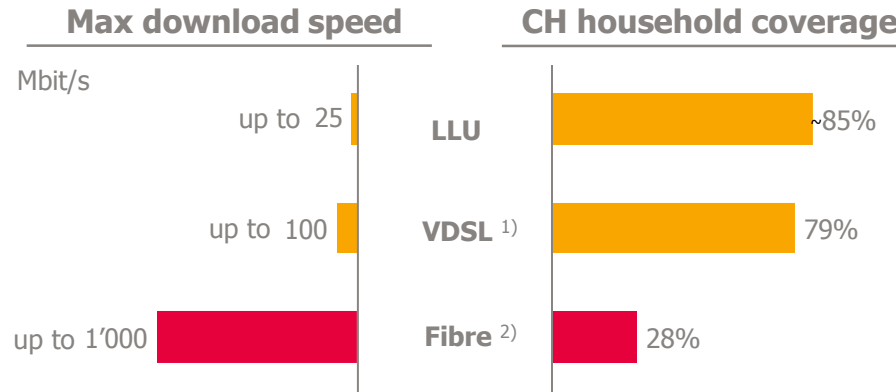
Sources: Company reporting, ComCom, connect.de

Notes:

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

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

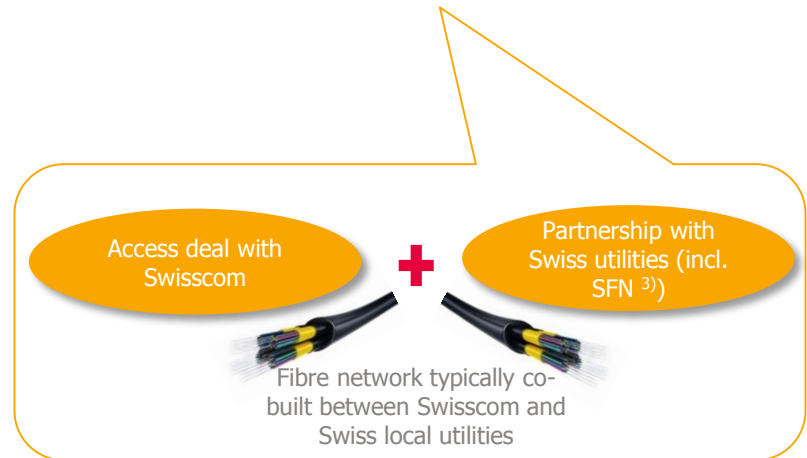
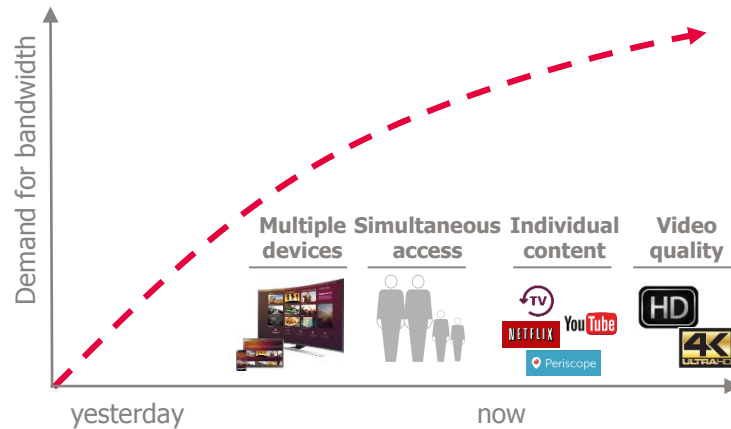
# Capex light last mile access strategy in landline



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

Capitalizing on

## Increasing demand for bandwidth



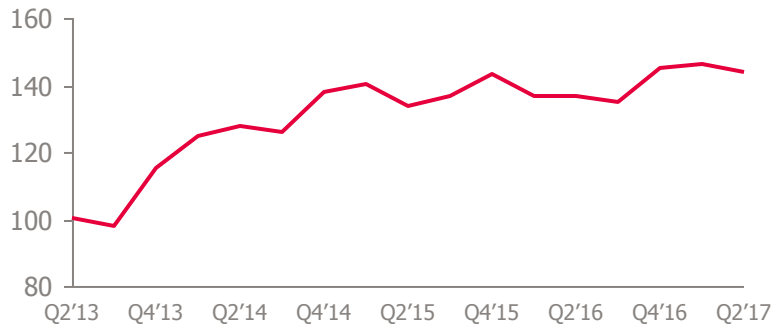
Sources: Company reporting, Swisscom, Swiss Fibre Net, Swiss federal statistic department

- Notes:
- 1 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
  - 2 Including FTTH based on Swisscom published FTTH number as of Q3'16; Swiss federal statistic department for private households and businesses
  - 3 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

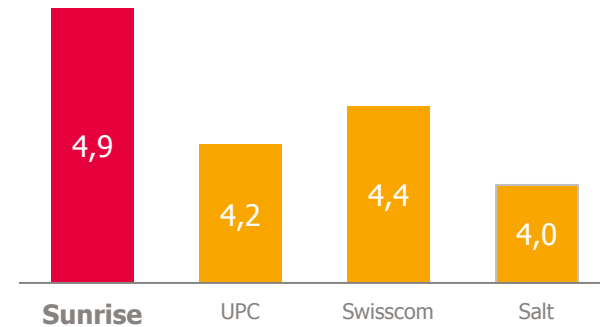
## Net promoter score (NPS) <sup>1)</sup>

Q2'13 rebased to 100



- **Introduction** of Net Promoter Score **in 2013** with closed loop feedback process led to strong improvements

## BILANZ ranking 2017: Category "Support" <sup>2)</sup>



- **Nr. 1** of 'big providers' in residential category '**Support**'
- 9k telecom user participated in independent annual survey published by magazine BILANZ

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

<sup>2)</sup> Source: BILANZ 09 2017; 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

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**Sunrise**

**yallo**



**ortel**  
MOBILE

**Lebara** mobile

- 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 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

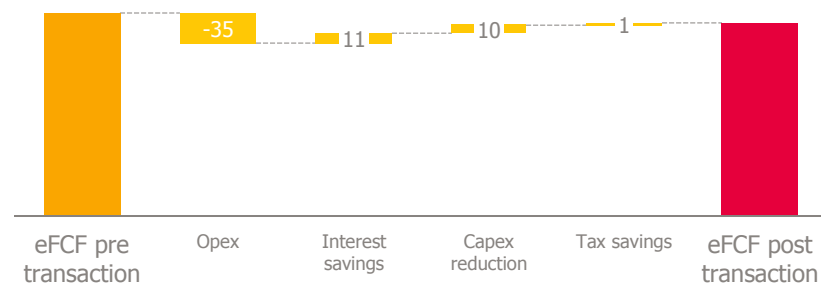


# Tower transaction successfully closed

## Closing and deleveraging in August

- Transaction closed on 3 August 2017; deconsolidation of passive infrastructure as of closing
- IFRS book gain of around CHF430m, strengthening shareholders' equity
- Reduction of 2016 reported ND/adj. EBITDA from 2.7x to 2.1x<sup>1)</sup>; no new lease obligations as contract is treated as service under IFRS
- Primary use of gross proceeds
  - CHF450m term loan repayment executed on 4 August 2017
  - CHF30m one-off Capex to underpin customer growth momentum in 2017
  - Transaction related costs and deconsolidation of cash on balance sheet of sold entity

## Normalised annual eFCF impact (CHFm) <sup>2)</sup>



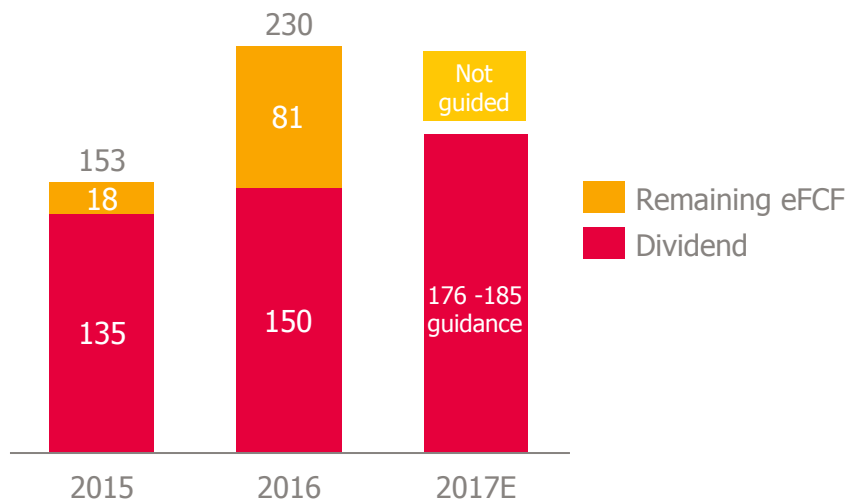
- **Minimal impact on eFCF**
- **Significant deleveraging**
- **Stronger balance sheet**

<sup>1)</sup> Adjusting the 2016 net debt by gross debt deleveraging of CHF450 million and 2016 EBITDA by CHF35 million

<sup>2)</sup> Assuming 12 month of deconsolidation

# Strong eFCF supporting attractive dividends

## Equity Free Cash Flow (CHFm)



- Revised dividend policy following tower transaction with increased pay-out ratio: Guiding for CHF 3.90-4.10 dividend per share for FY'17
- 2016 eFCF improvement YoY driven by Capex normalization after 2012-15 network renewal and reduced interest expenses following 2015 debt refinancing

<b>59</b>	<b>63</b>	<b>81</b>	<b>Stock price <sup>1)</sup></b>
<b>5.1%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>Dividend yield <sup>1)</sup></b>

<sup>1)</sup> 2015 and 2016 based on year end stock price; 2017 based on closing of 29 August 2017 (CHF80.55) and on mid-range of 3.90-4.10 dividend guidance

# 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, providing flexibility to support operational momentum and further quality improvements
- H2 Opex impacted by tower deconsolidation

## Continued strong eFCF

- Term loan repricing from end of 2016 lowered weighted average cost of debt from 2.4% to 2.0%; positive impacts from lower leverage after tower transaction
- $\Delta$ NWC trends to improve YoY; Capex reflecting internet/TV growth and one-off investment with tower proceeds

## Guidance 2017

		CHFm
Revenue <sup>1)</sup>		1'820 – 1'860
Adj. EBITDA		592 – 602
Capex	Normalised <sup>2)</sup>	225 – 265
	Reported	255 – 295

**Dividend** policy of at least 65% eFCF, and targeting 85% once reported ND/adj. EBITDA is below 2.0x

- Upon meeting guidance a dividend of CHF 3.90 to CHF 4.10 per share is expected to be proposed to the AGM <sup>3)</sup>

<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> Excludes CHF30 million additional one-off Capex with tower proceeds in 2017

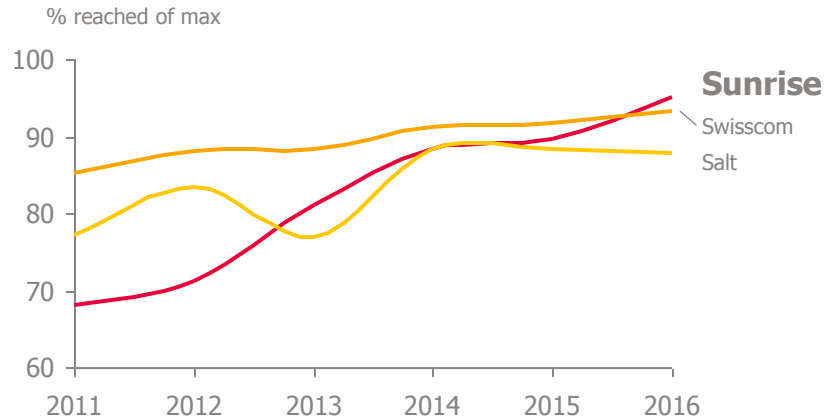
<sup>3)</sup> Based on underlying eFCF adjusted for book gain on asset sale, transaction costs /one-offs, and one-off Capex



# Appendix

# Connect network test 2016

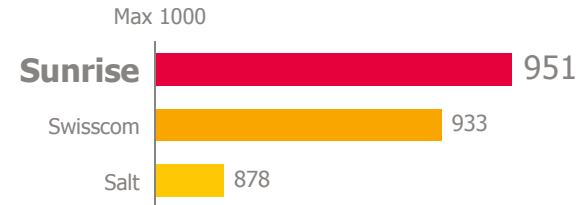
## Strongest improvement since 2011



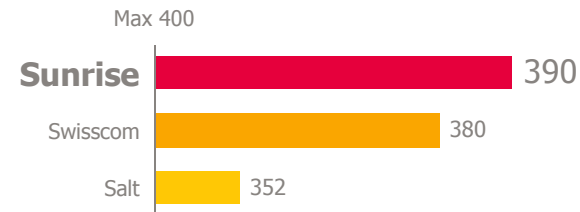
- **Sunrise** new **Nr. 1** in terms of mobile network quality in Switzerland and DACH region
- 40% **improvement** since 2011 supported by investment ramp-up
- Connect <sup>1)</sup> represents independent mobile network tester

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

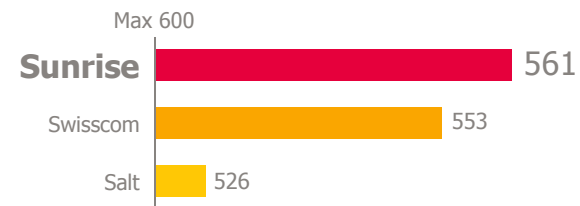
## Total Connect score 2016



## Mobile Voice sub category



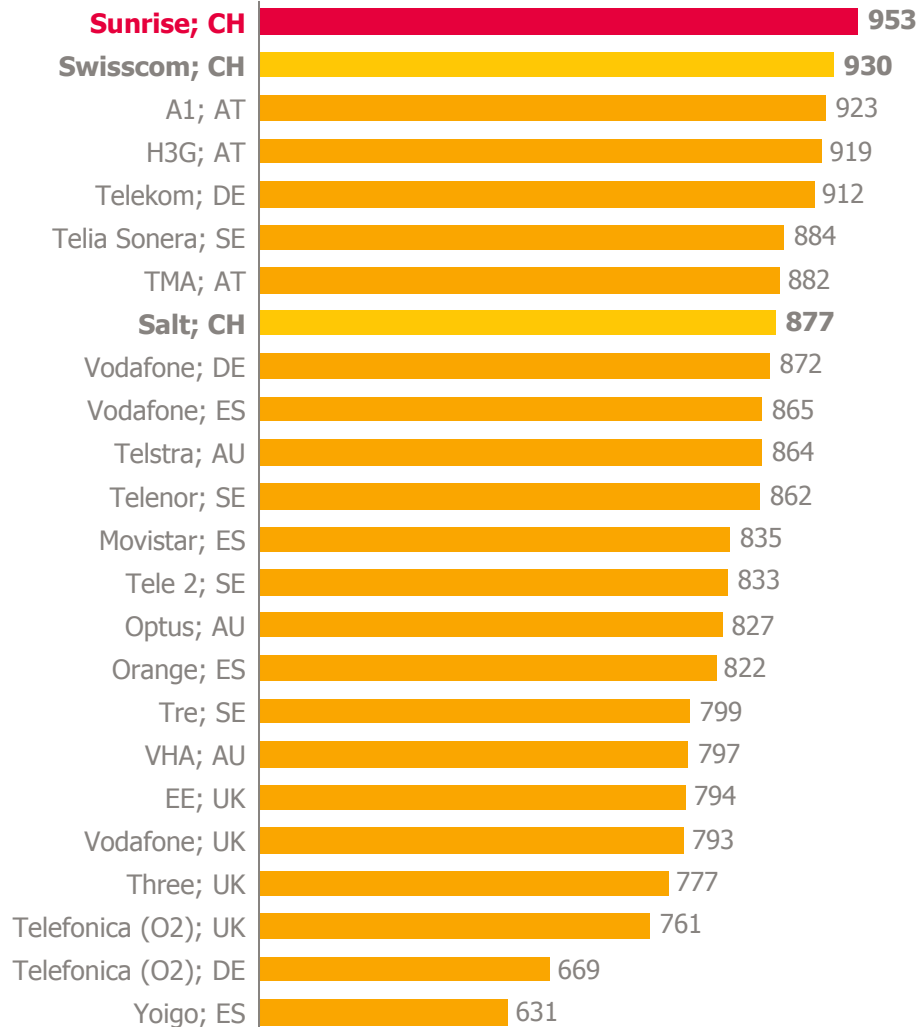
## Mobile Data sub category



# Sunrise with leading mobile network quality in Europe

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

Max 1000 Pt.



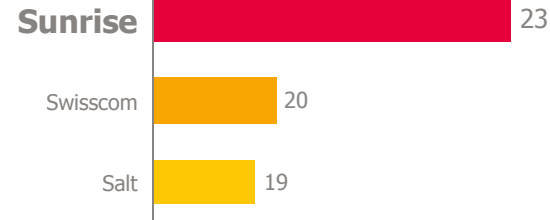
# Leading BILANZ telecom ranking 2017 (1/2)



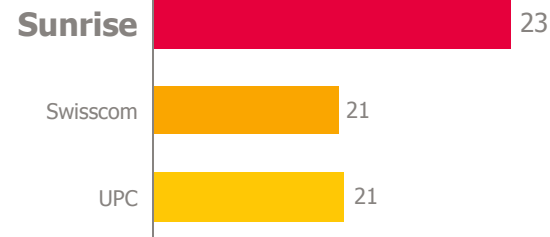
- Sunrise again with **best results** of «big providers» in residential market
- **9k telecom users participated** in independent annual survey published by magazine BILANZ
- Result **confirms strategic priorities** of Sunrise: network quality, customer interaction, innovative converged products

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

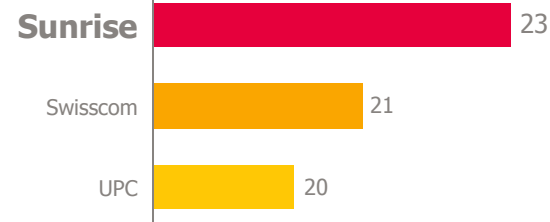
Points reached (max 30)



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



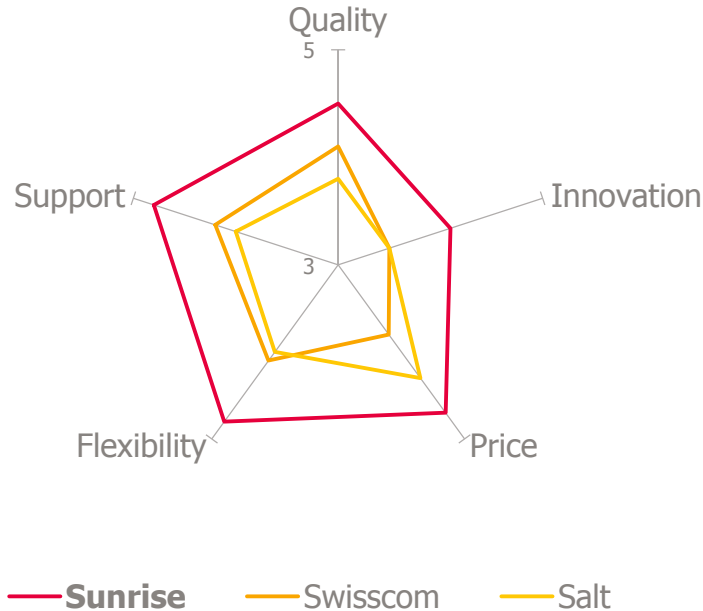
## TV <sup>1)</sup>



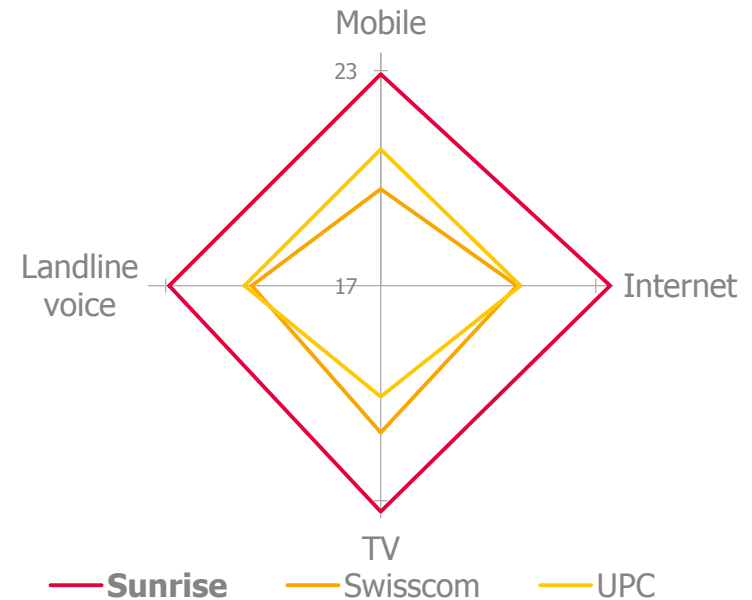
<sup>1)</sup> Residential results; Source: BILANZ 09 2017

# Leading BILANZ telecom ranking 2017 (2/2)

Mobile experience



Full service experience (4P)



- Rated were **quality, innovation, price, flexibility** and **support** on a scale from 1-lowest and 6-highest
- Sunrise leading both the mobile and 4P experience <sup>1)</sup>

<sup>1)</sup> Source: BILANZ 09 2017



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