Sunrise Communications Group AG

Q1'17 financial results – 11 May 2017

Agenda

1	Summary & operational update	O. Swantee (CEO)
2	Financials	A. Krause (CFO)
3	Conclusion	O. Swantee (CEO)
4	Q&A	

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Q1 summary

- Continued **subscriber** growth momentum in key focus areas
  - Uptake of Sunrise ONE good so far, limited ARPU dilution as expected
  - Accelerated mobile postpaid (6.5% YoY) growth
  - Accelerated internet (10.7% YoY) and TV (25.2%) growth
- **Revenue** trend further stabilized to -1.0% YoY (MTR adjusted) compared to -2.3% in Q4'16
  - Service Revenue[1] decline softened to -1.4% YoY (MTR adjusted) compared to -4.0% in Q4'16
  - Subscriber momentum not yet enough to compensate for headwinds in prepaid and landline voice; challenging B2B financial performance, but refocus of B2B will provide mid-term opportunities
- Gross Profit trend moderated to –1.6% (Q4'16: -2.3%)
- Adj. **EBITDA** up 2.1% YoY supported by continued cost focus
- Improved **eFCF**, in-line with company expectation
- **Guidance** 2017 reiterated

[1] Total Revenue excluding low-margin hubbing and mobile hardware Revenue

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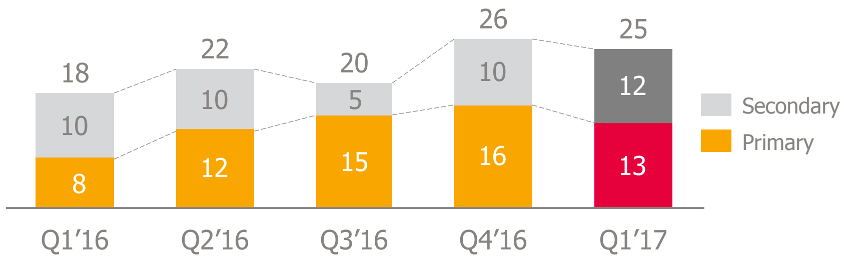
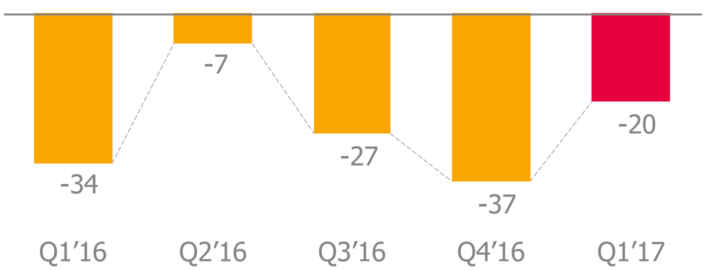
Continued momentum in mobile postpaid subscriptions

Postpaid mobile net adds ('000)



Prepaid mobile net adds ('000)



- **Postpaid** with solid customer in-take despite lower seasonality during Q1, leading to 1.51m total subscribers (+6.5% YoY)
- Primary SIMs driven by multi brand approach, improved network quality, broad product offering with attractive price performance ratio, and diversified distribution channels which underwent layout refresh in Q1
- Secondary SIMs supported by increased customer focus on data attachments and by campaigns

- **Prepaid** with ongoing pre- to postpaid migration, leading to 0.89m total subscribers
- Q1 continued to be challenging, partly due to seasonality
- Focus on valuable customer in-take maintained

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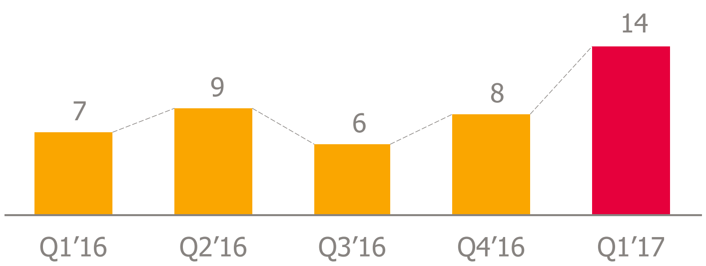
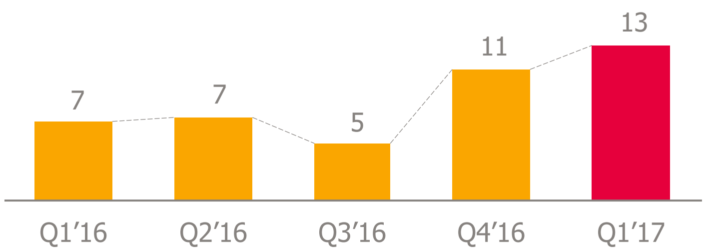
TV subscriptions with strongest momentum since 2013

Internet net adds ('000)



TV net adds ('000)



- **Internet** with accelerated net adds, leading to 386k total subscribers; acceleration supported by promos and liquidity in Q1'17 and Q4'16
- Demand supported by attractive 'Home' tariffs introduced in Q3'14, convergence benefit, and competitive Sunrise TV offering
- Sunrise ONE tariff launched successfully on March 6, offering mobile and landline in ONE package at unlimited and maximum speed – objective to drive cross selling from Mobile (26% market share) into internet (10%) and TV (4%); low ARPU dilution to date, as expected

- **TV** with highest net adds since 2013, leading to 176k total subscribers
- Supported by dedicated promos and enhanced Sunrise TV offering launched in Q1'17
- 21% YoY increase in 4P billed customer base

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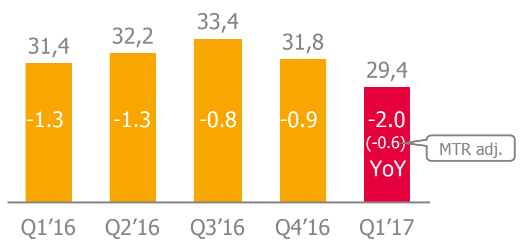
ARPU trends continuing

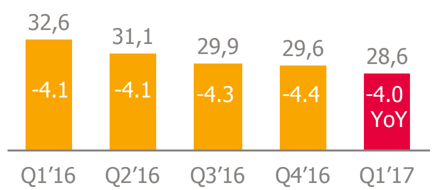
Blended mobile service ARPU (CHF)

- **Blended mobile** ARPU down CHF -0.6 YoY (MTR adj.[1)])
- **Postpaid** down CHF -1.7 YoY (MTR adj.[1)]) mainly due to 2nd SIM dilution, Freedom HW unwind and value mix; eased pressure compared to Q4 (CHF -2.5) supported by less HW unwind and low base from last year's promos
- **Prepaid** down CHF -1.7 (MTR adj.[1)]), roughly in-line with Q4, due to high value prepaid customers migrating to postpaid, competitive pressure, and less international prepaid calls related to attractive postpaid offers and OTT



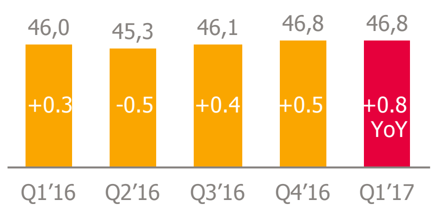
Landline voice ARPU (CHF)

- **Landline voice** down CHF -4.0 YoY due to fixed to mobile/OTT migration resulting in reduced voice usage and migration to flat rate packages



Blended internet & IPTV ARPU (CHF)

- **Blended internet & IPTV** up CHF 0.8 YoY driven by TV customer growth
- Sequential trends are also impacted by promotions and tariff changes
- Share of 'Home' tariffs already at 83% of landline customer base



1) Mobile ARPU YoY decreases not adjusted for MTR are: Blended mobile CHF-2.0, Postpaid CHF-3.6, Prepaid CHF-2.6

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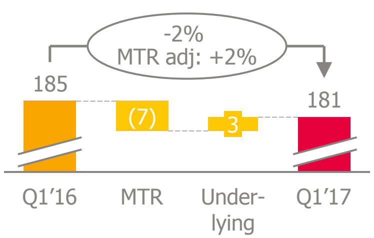
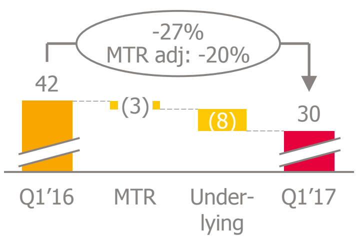
MTR change impacts Revenue, but is largely neutral on Gross Profit

- **Mobile Termination Rates** [1] change as per 1 January 2017 negatively impacts Revenue, but is largely neutral on Gross Profit level – as announced on 20 Oct 2016; effect incorporated in FY'17 guidance
- Positive development in landline revenue[3]; underlying service revenue decrease driven by prepaid

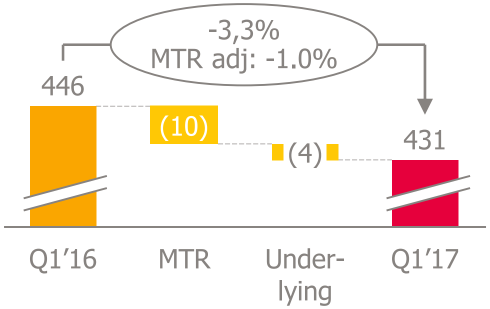
Postpaid Revenue:



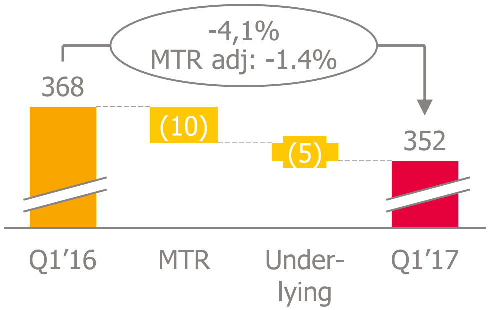
Prepaid Revenue:



Total Revenue (CHFm)



Service Revenue (CHFm) [2]



[1] Mobile termination rates are transmission fees collected by a mobile communications provider when it accepts calls from another provider's landline or mobile network and passes them on to customers on its own network

[2] Total Revenue excluding hubbing and mobile hardware Revenues

[3] Internet, TV, landline voice

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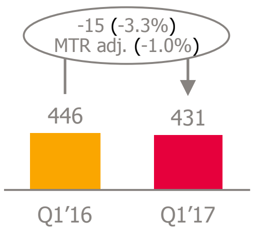
Overview: Higher adj. EBITDA and GP further stabilizing

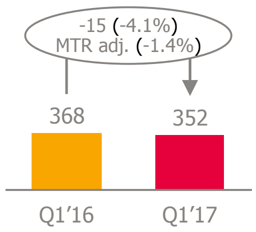
Revenue (CHFm)

- **Revenue down** -1.0% (MTR[1] adj.) softening from -2.3% (Q4)
- Service Revenue [2] down -1.4% (MTR adj.) with subscriber momentum offset by lower ARPUs and less Revenue in a low-margin B2B area (product transition)
- Service Revenue decline eased compared to Q4 (-4.0%) due to eased pressure in low-margin B2B area, less freedom HW unwind, and low YoY base from last year's mobile promos

Revenue:



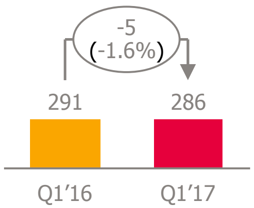
Service revenue [2]:



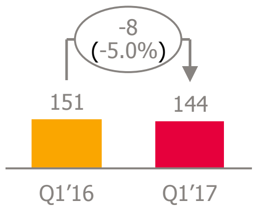
Gross Profit & adj. Opex (CHFm)

- **GP trend stabilizing** to -1.6% in Q1 from -2.3% (Q4)
- Adj. **Opex down** YoY due to ongoing efficiencies

Gross Profit:

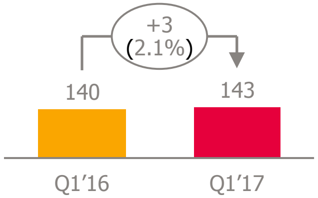


Adj. Opex:



Adj. EBITDA (CHFm)

- **Slightly higher adj. EBITDA** supported by Opex containment

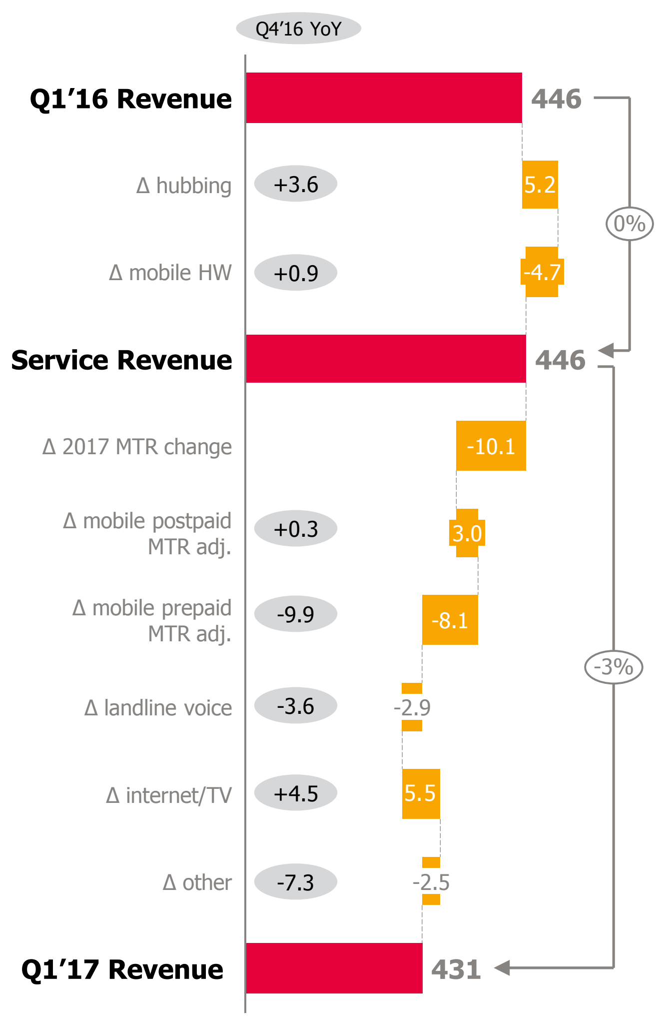


1) MTR changes as per 1 January 2017 negatively impact Revenue, but are largely neutral on Gross Profit level; see press release from 20 Oct 2016

2) Total Revenue excluding hubbing and mobile hardware Revenues, which are low margin

Focus on Q1 Revenue

Q1'17 Revenue bridge (CHFm)



- **Hubbing**: international trading business which is volatile by nature
- **Mobile HW**: Revenue depends on handset innovations / launches, which vary across quarters leading to revenue volatility

- **Postpaid** (MTR adj.): positive subscriber momentum driven by investments in network, customer interface, and innovative converged products; offsetting ARPU pressure
- **Prepaid** (MTR adj.): down due to pre- to postpaid migration, competitive pressure, and less international prepaid calls related to more attractive postpaid offers and OTT
- **Landline voice**: decline caused by fixed to mobile substitution, migration to flat rates as part of fixed bundles, and OTT
- **Internet/TV**: continued subscriber growth in internet and TV
- **Other:** Decrease stabilized compared to Q4 due to eased pressure in a low-margin B2B area (product transition)
- **B2B:** was down across Service Revenue components mentioned on the left, primarily related to transformation phase refocusing B2B on more profitable business: management changes are putting more focus on product line-up and SME going forward, in order to capture B2B opportunities in mid-term

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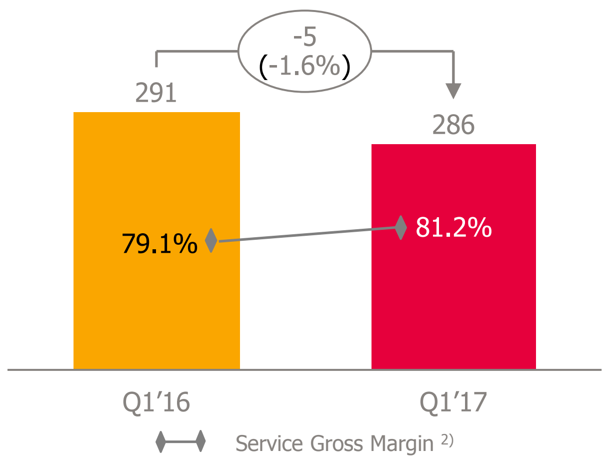
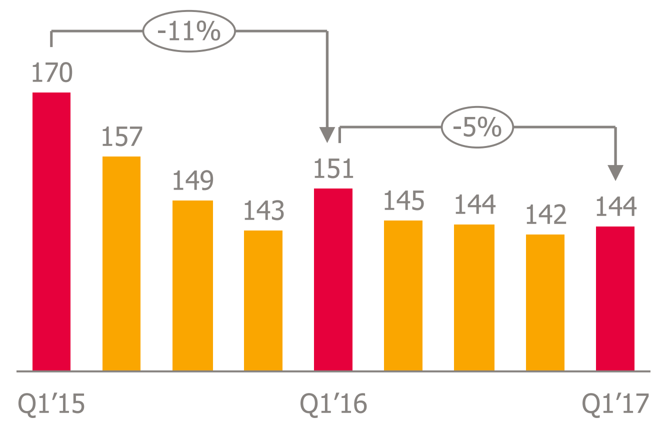
GP further stabilized - continued cost containment

Gross Profit (CHFm)



- **Gross Profit decline moderated** to -1.6% in Q1 from -2.3% (Q4)
- Service Gross Margin[2)] up primarily driven by MTR change which lowers Revenue significantly but not GP; furthermore support from mix effects and less strong mobile promos than last year

Adjusted Opex[1)] (CHFm)



- Adj. **Opex down 5%** YoY due to ongoing efficiencies including management streamlining announced in Q3'16
- Furthermore large marketing campaign last year while reduced marketing spend this year ahead of Sunrise ONE launch (6th March)
- Future cost savings identified based on sourcing optimization as well as simplifying and digitizing processes and customer interactions

[1)] 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

[2)] Service Gross Margin is simplified calculated: total Gross Profit divided by Service Revenue (i.e. Revenue excluding low-margin hardware and hubbing Revenue)

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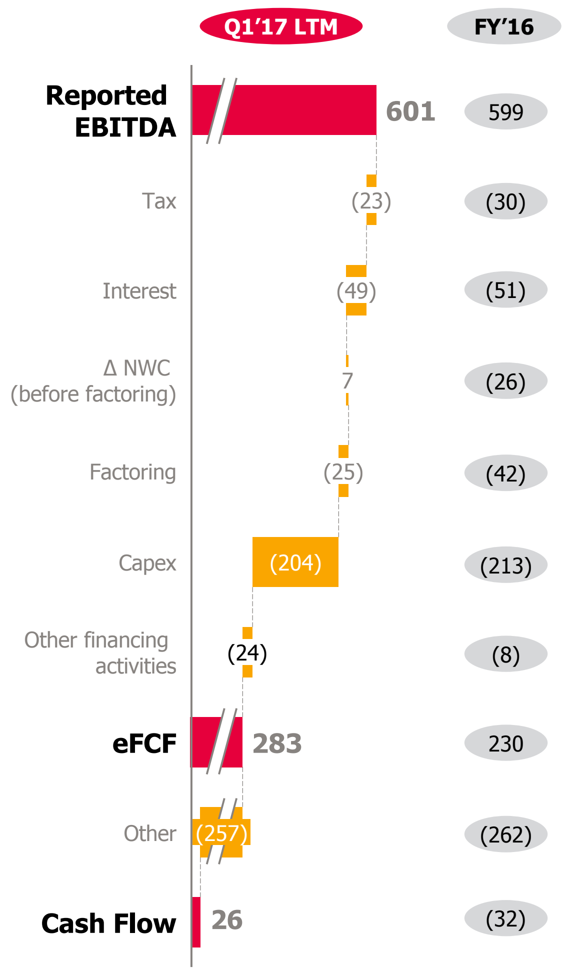
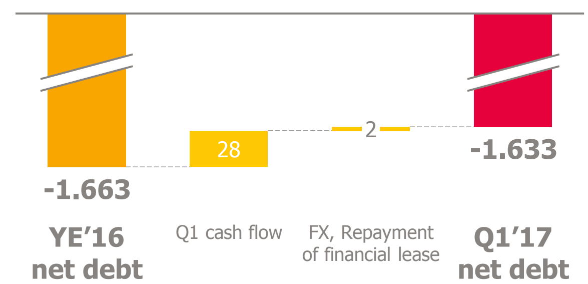
Improved eFCF, in-line with company expectation

Cash flow 'Last Twelve Months' (CHFm)



- **Improved eFCF** supported by different NWC seasonality than last year; FY'17 eFCF expectation remains unchanged
- **'Other financing activities'** include CHF 15m installment payment for 2014 landline access deal co-investment as expected
- **'Other'** impacted by CHF 135m dividend (Q2'16) and CHF 108m payment of final installment of mobile license (Q3'16)

Net debt reduction QoQ (CHFm)



- Net debt reduction leading to net debt / adj. EBITDA ratio of 2.7x

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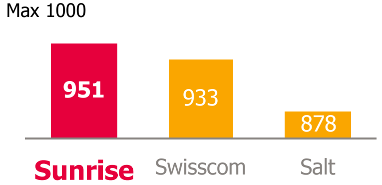
On-track with key priorities

connect
OUTSTANDING

Network quality

Connect score 2016



- **Outstanding** mobile network; on-track to reach **92% geographic 4G** coverage by year-end and to reach speeds of up to **900 Mbit/s** in five largest cities; launched VoLTE & WiFi calling
- Fastest mobile surfing speed in Switzerland according to ookla and OpenSignal's crowd-sourced evaluation
- Capex-light landline wholesale strategy; recently intensified collaboration for fibre with Zurich utility 'EWZ' [1)]

Customer interface

Refresh

- **Refresh** of advertising, shops, website, and company mission and values in Q1
- **Net Promoter Score** strongly up since introduction in 2013
- **No. 1** of 'big providers' in BILANZ category '**Support**' [2)]

Innovative converged products

Sunrise ONE launch

- Converged tariff **Sunrise ONE** launched on March 6, offering mobile and landline in ONE package at unlimited and maximum speed
- **TV box upgrade** launched in Q1 including UHD, WiFi data transmission, and Bluetooth remote control
- **No. 1** of 'big providers' in the BILANZ category '**Innovation**' [2)]

[1)] See press release of 10 April 2017
[2)] 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

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Q1 conclusion

Q1 recap	Outlook
• Continued **subscriber** momentum in focus areas • Service **Revenue** (MTR adj.) and Gross Profit trends further stabilized • Continued Opex improvement YoY as expected, leading to slight adj. **EBITDA** increase • Equity free **cash flow** in-line with expectation	• FY’17 **guidance** reiterated

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Appendix

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Income Statement

P&L (CHFm)	Q1 2017	Q1 2016
Mobile services	**279**	**297**
thereof mobile postpaid	*181*	*185*
thereof mobile prepaid	*30*	*42*
thereof hardware	*48*	*52*
Landline services	**95**	**97**
thereof landline voice	*37*	*39*
thereof hubbing	*31*	*26*
Landline internet & TV	**57**	**52**
Total revenue	**431**	**446**
% YoY growth	*(3.3%)*	
Service revenue (total excl. hubbing & hardware)	352	368
% YoY growth	*(4.1%)*	
COGS	(145)	(155)
Gross profit	**286**	**291**
% YoY growth	*(1.6%)*	
% margin	*66.4%*	*65.3%*
Opex	(145)	(152)
EBITDA	**141**	**139**
% YoY growth	*1.4%*	
Adjusted EBITDA	**143**	**140**
% YoY growth	*2.1%*	
% margin	*33.1%*	*31.4%*
% margin (excluding hubbing revenues)	*35.7%*	*33.3%*
Depreciation and amortization	(110)	(114)
% YoY growth	*3.0%*	
Operating income	**31**	**25**
Net financial items	(12)	(15)
Income taxes	(6)	(4)
Net income	**13**	**7**
Thereof (before tax impact):		
PPA effect	(32)	(32)

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Cash Flow Statement

Cash Flow (CHFm)	Q1 2017	Q1 2016
EBITDA	**141**	**139**
Change in net working capital	(14)	(64)
thereof handset receivable factoring impact	*-*	*(17)*
Movement in pension and provisions	1	(3)
Interest paid	(14)	(15)
Corporate income and withholding tax paid	(7)	(13)
Cash flow from operating activities	**107**	**43**
Capex	(60)	(69)
% Capex-to-revenue	*14.0%*	*15.6%*
Cash flow after investing activities	**47**	**(26)**
Repayment other financing items	(17)	(1)
Proceeds/(repayments) from debt, net	(2)	(3)
Total cash flow	**28**	**(30)**
Cash and cash equivalents as of BoP	214	244
Foreign currency impact on cash	0	0
Cash and cash equivalents as of March 31,	**242**	**215**

Equity Free Cash Flow CHF million	Q1 2017	Q1 2016
EBITDA	**141**	**139**
Change in net working capital	(14)	(64)
Interest paid	(14)	(15)
Corporate income and withholding tax paid	(7)	(13)
Capex	(60)	(69)
Other financing activities	(17)	(1)
Equity free cash flow	**29**	**(24)**

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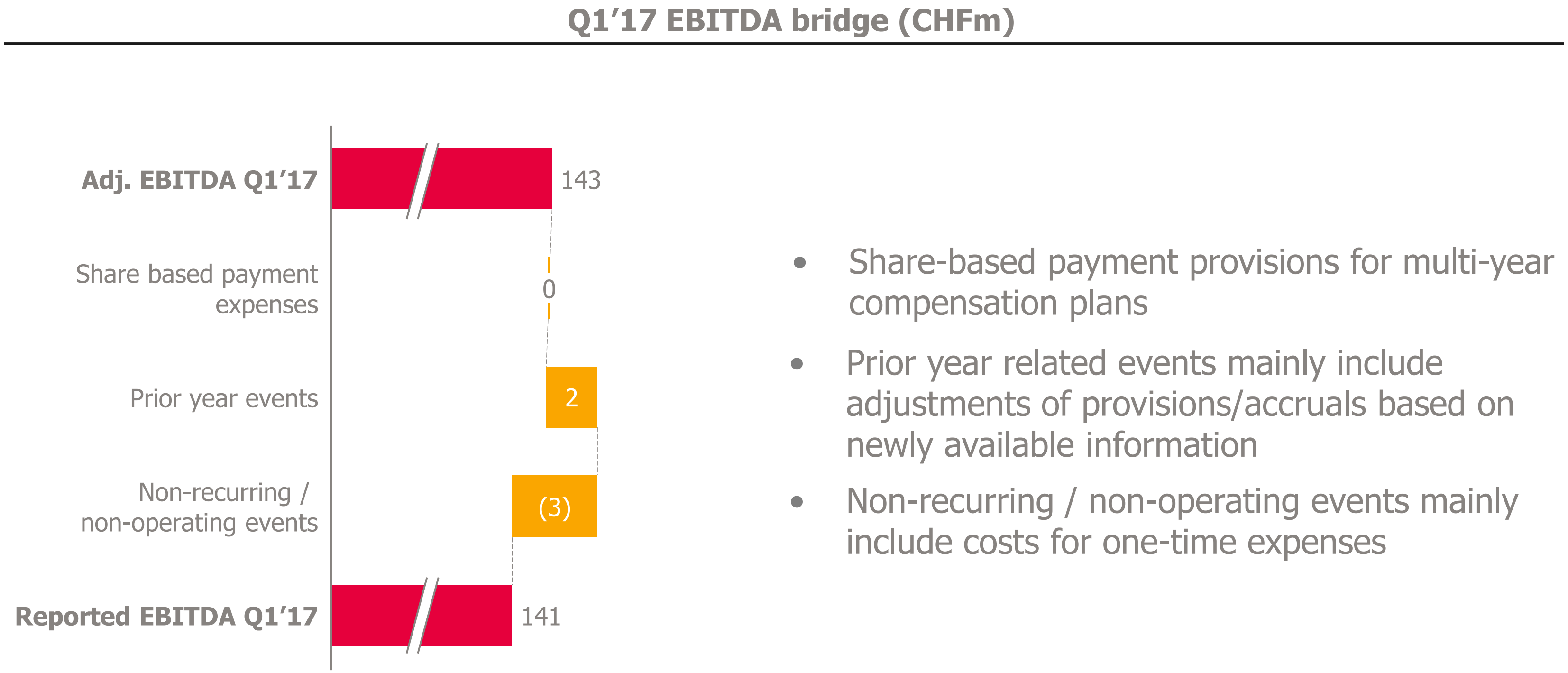
Reduction in net debt

Net debt (CHFm)	March 31, 2017	December 31, 2016	March 31, 2016
Senior Secured Notes issued February 2015	500	500	500
Term loan B	1'360	1'360	1'360
Total cash-pay borrowings	**1'860**	**1'860**	**1'860**
Financial lease	15	17	21
Total debt	**1'875**	**1'877**	**1'881**
Cash & Cash Equivalents	(242)	(214)	(215)
Net debt	**1'633**	**1'663**	**1'666**
Net debt / adj. EBITDA	**2.7x**	**2.7x**	**2.6x**

Bridge adjusted to reported EBITDA



- Share-based payment provisions for multi-year compensation plans
- Prior year related events mainly include adjustments of provisions/accruals based on newly available information
- Non-recurring / non-operating events mainly include costs for one-time expenses

Thank you for your interest in Sunrise

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