Q2 2019
Financial Results

22 August 2019

Sunrise

Agenda

Summary
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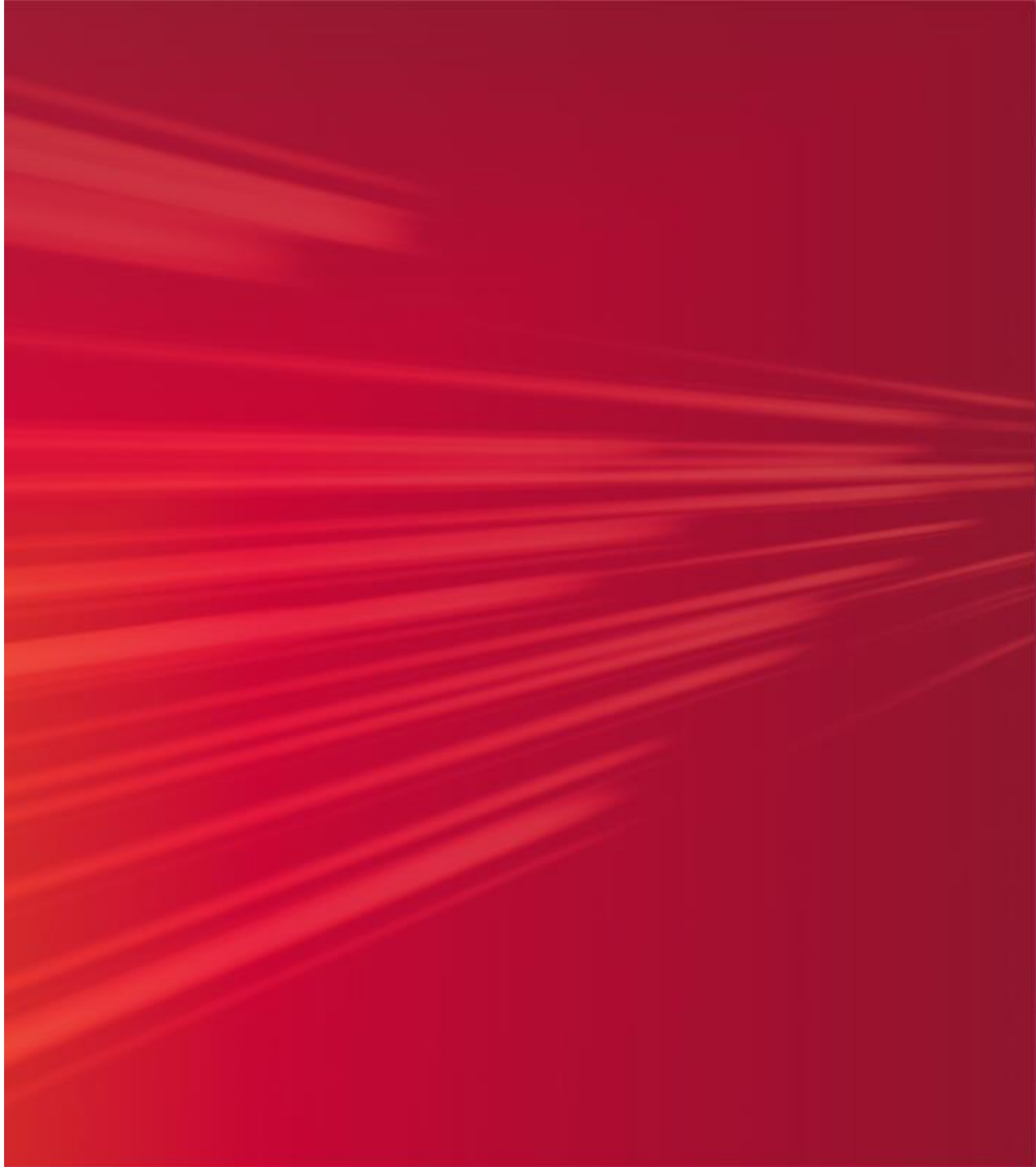
Financials
Conclusion
Q&A



Summary

+3.4% adj EBITDA growth with cont'd strong commercial momentum

Olaf Swantee
CEO

Sunrise

Summary

- **Customer** growth in key focus areas continued
  - Mobile postpaid (+10% YoY), internet (+9%), TV (+15%)
  - Supported by B2B, with commercial momentum coming from enterprise (won TCS in Q2) and recently also from SME
- **Service revenue** up +3.1% with customer growth more than offsetting lower ARPUs; total revenue down -1.7% YoY due to low-margin mobile hardware and hubbing
- **Gross profit** growth of +2.6% YoY
- **Adj. EBITDA** up +3.4%; B2B transition on-track with GP and EBITDA in growth territory
- 2019 guidance range tightened at high end
- Financials in this presentation include effects of IFRS 15 and exclude IFRS 16

Operational Update

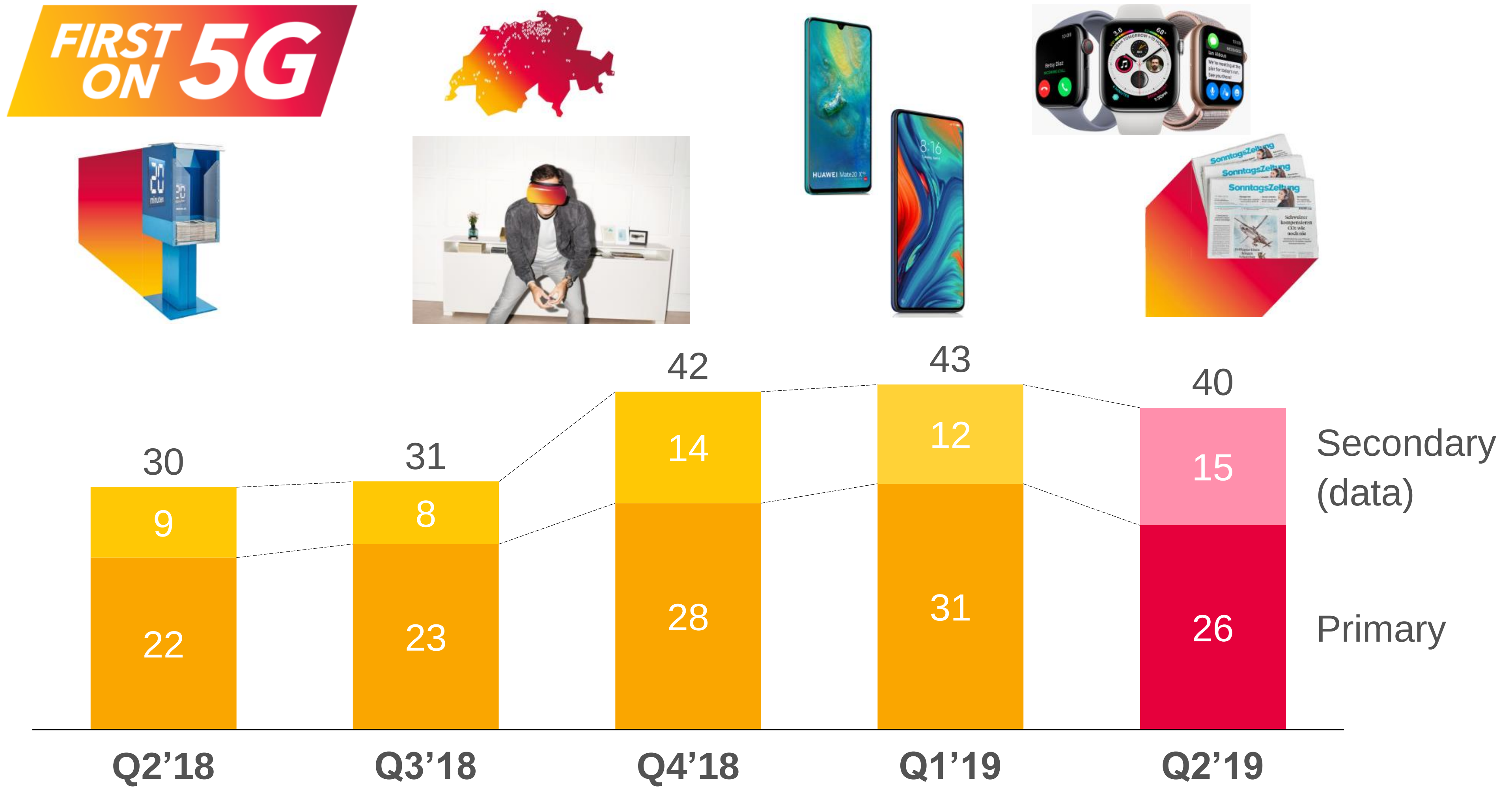
10% postpaid customer growth YoY; double digit internet and TV net adds

Olaf Swantee
CEO

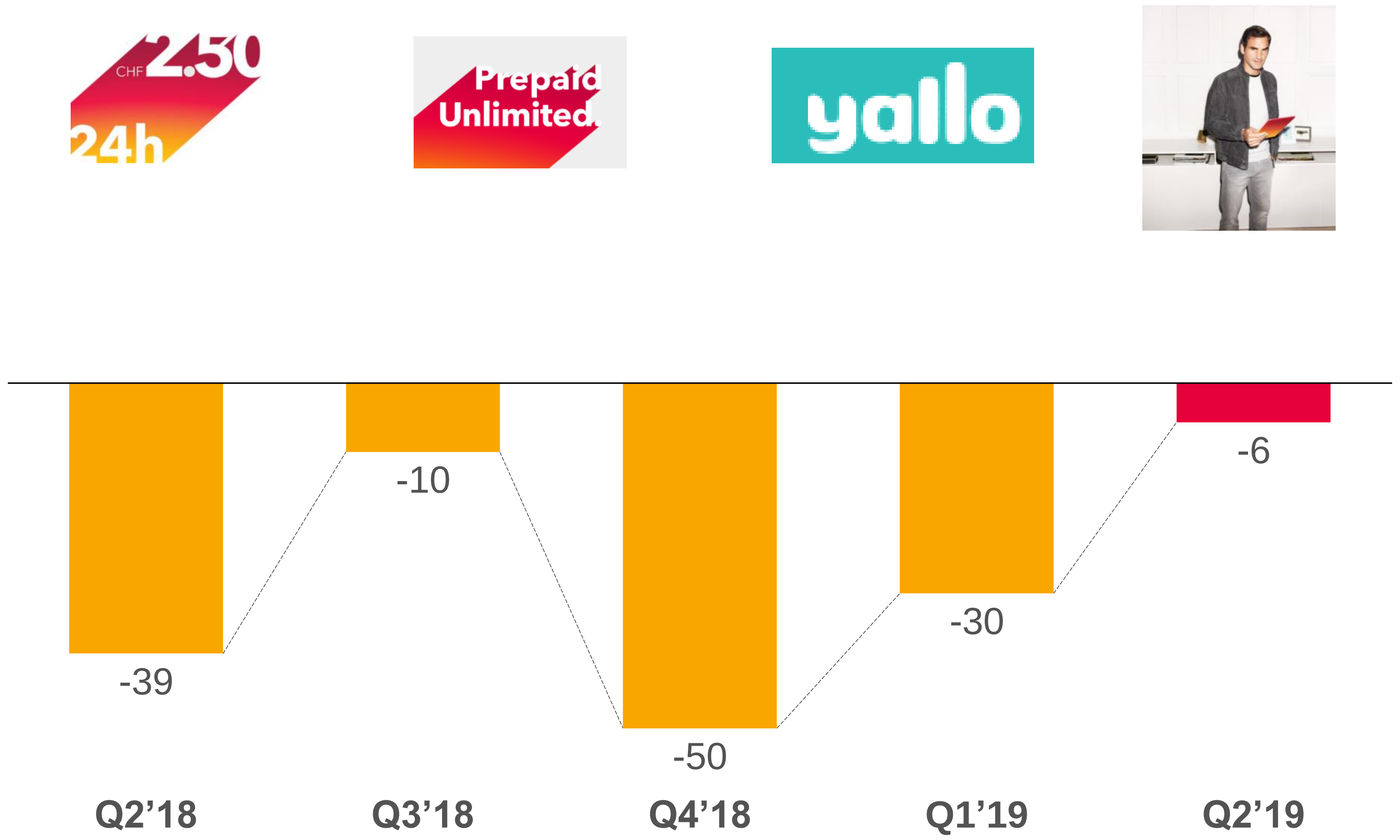
Sunrise

Postpaid customer base up 10% YoY

Postpaid mobile net adds ('000)



Prepaid mobile net adds ('000)



- **Postpaid** with +10% subscription growth YoY, leading to 1.81m total subscriptions
- Driven by B2B (+21% YoY) and Yallo, strong network quality (5G in 262 cities/villages by mid Aug), broad product offering with attractive price performance ratio, and diversified distribution channels
- Among first operators in the world having launched 5G handsets of Samsung, Huawei and Xiaomi in Q2

- **Prepaid** with ongoing pre- to postpaid migration, leading to 592k total subscriptions; prepaid accounts for ~4% of total revenue
- Q2 positively impacted by seasonality; last year's Q2 impacted by ethnic segment where strengthened focus on value management was applied
- Focus on valuable customer in-take maintained

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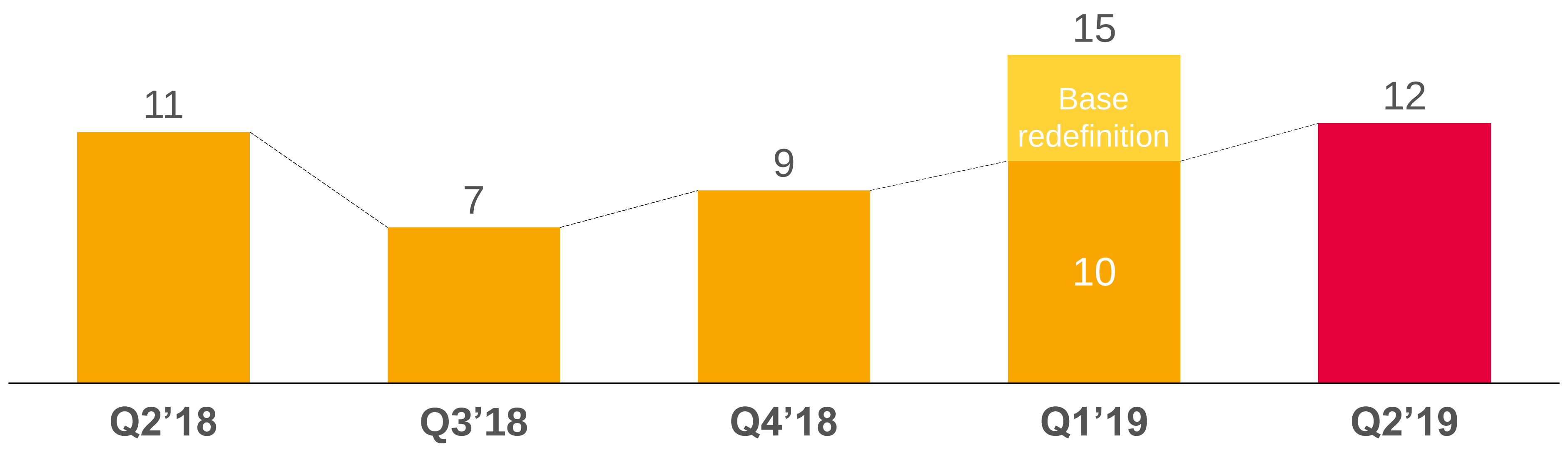
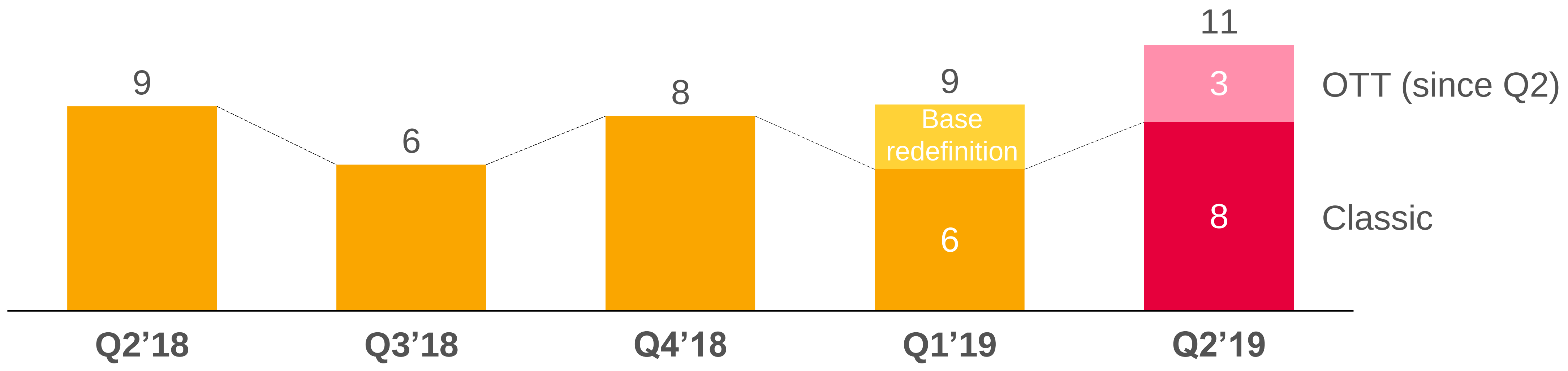
Double digit internet and TV net adds

Internet net adds ('000)



TV net adds ('000)



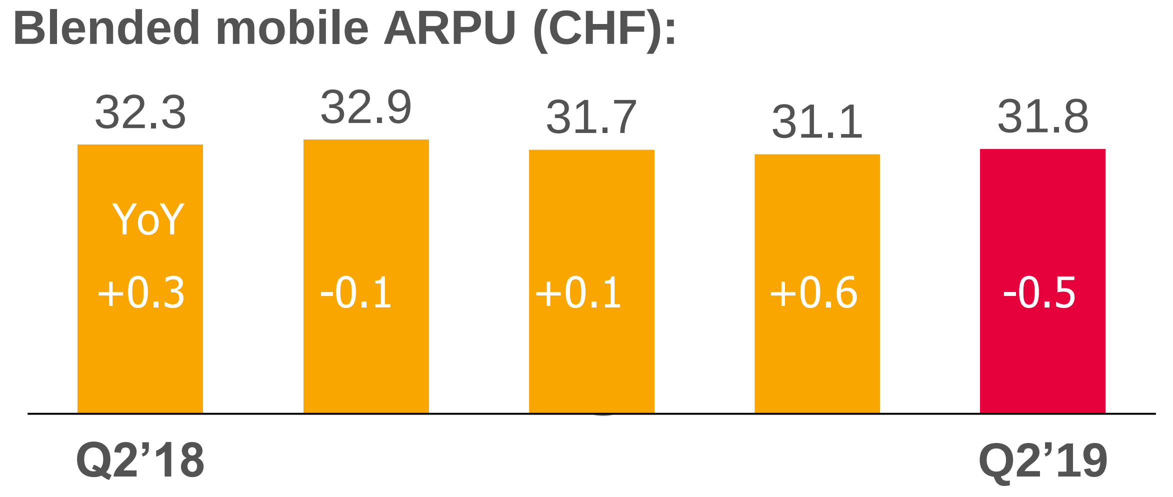
- **Internet continues to grow customer base:** Sunrise now has 483k internet subscriptions
- Driven by 2-4P bundle offers, supporting 15% YoY increase in 4P billed customer base
- ~46% of Q2 internet net adds on fiber
- Proactive internet onboarding support confirmed by strong NPS and improving PTC

- **TV with solid growth:** Sunrise now has 263k TV subscriptions
- Supported by strong Sunrise TV offering including attractive content
- Launch of Sunrise TV neo in May: only Swiss OTT TV app supporting UHD/4K

ARPU trends continuing

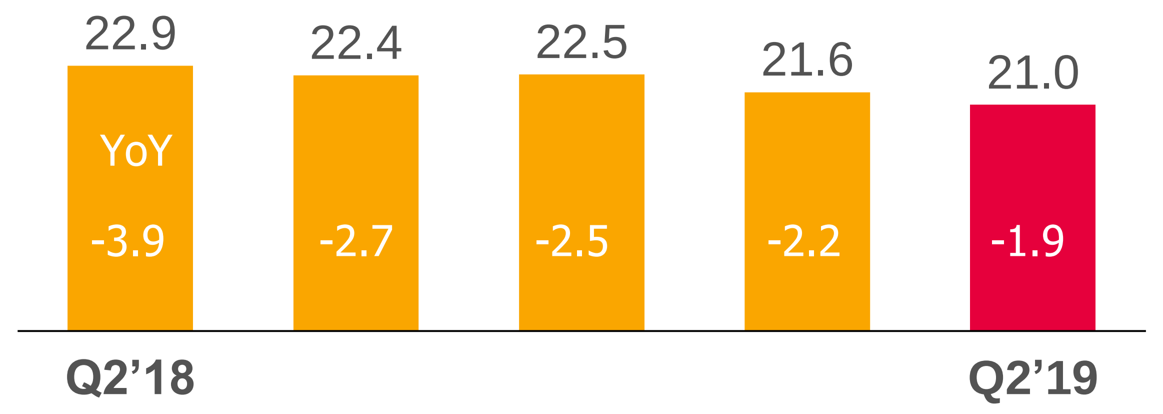
Blended mobile ARPU

- **Blended mobile** ARPU relatively stable YoY, as increasing postpaid subscriptions have higher ARPU than decreasing prepaid subscriptions
- **Postpaid** decreased CHF -2.5 YoY due to 2nd SIM dilution, roaming, value mix and MTR [1)] ; acceleration (Q1: -1.0 YoY) driven by value mix: price increase annualization alongside increased promotional intensity and share of B2B
- **Prepaid** down CHF -0.7 YoY as a result of MTR, high value prepaid customers migrating to postpaid and shift to OTT [1)]



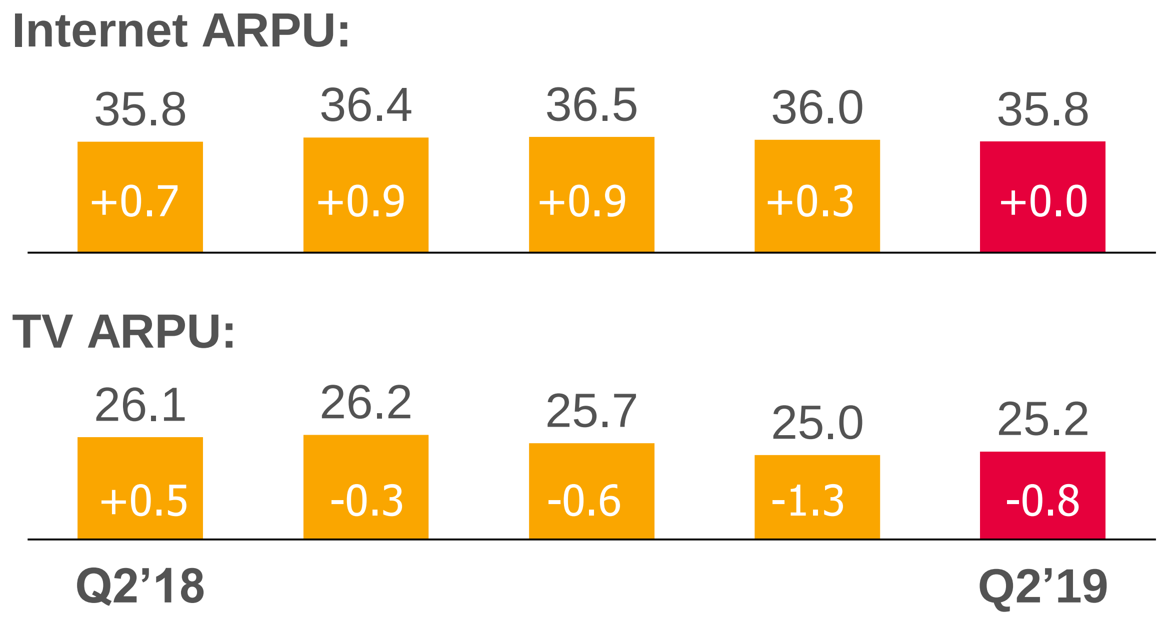
Landline voice ARPU

- **Landline voice** down CHF -1.9 YoY due to migration to flat rate packages and fixed to mobile/OTT migration resulting in reduced voice usage



Internet & TV ARPU

- **Internet & TV:** impacted by ‘more for more’ move in Q3’18, mix effects (e.g. TV OTT dilution), promotions, and Q1’19 redefinition of customer base [2)]



[1)] MTR: Mobile termination rates; OTT: Over-the-top content; [2)] Q1 internet / TV / landline voice net adds impacted by +4.7k/+2.7k/+4.7k from redefinition of customer base, with no effect on revenue

Update on acquisition of UPC Switzerland (1/5)

Update on key milestones to creating a stronger and more valuable Sunrise

1. UPC Switzerland Q2 results ahead of Sunrise expectations (leading to CHF 10-15m higher FY'19 opFCF expectation) and in-line with Liberty Global's budget
2. Integration planning under way; value creation and synergy analysis updated to reflect more granular information
3. Further tangible upside on synergies identified: an increase of ~CHF 45m resulting in run-rate of ~CHF 280m (from ~CHF 235m) by 2023 and a total synergy NPV of ~CHF 3.1bn (from ~CHF 2.8bn)
4. Sunrise Board concludes that the concerns raised by Freenet are not justified and not in the best interests of shareholders
5. Expected closing by end November, subject to regulatory clearance and EGM approval

Update on acquisition of UPC Switzerland (2/5)

UPC Q2 in-line with Liberty's turnaround plan - ahead of Sunrise expectations

Turnaround plan on track

- **RGU net adds, revenue, OCF targets achieved**
- Success in major investments in UPC TV, 1 Gbps and digitisation
- RGU losses continue to slow down while customer ARPU continues to grow
- Continued strong momentum in mobile base

Successful TV transformation

- **Roll out of UPC TV progressing well, in line with Liberty's expectation for >50% of video base by FY'19** [1)]
- 190k TV boxes deployed by July 2019 [1)]
- Best-in-class TV experience with clear signs of improvements: **NPS significantly higher than legacy TV platform**

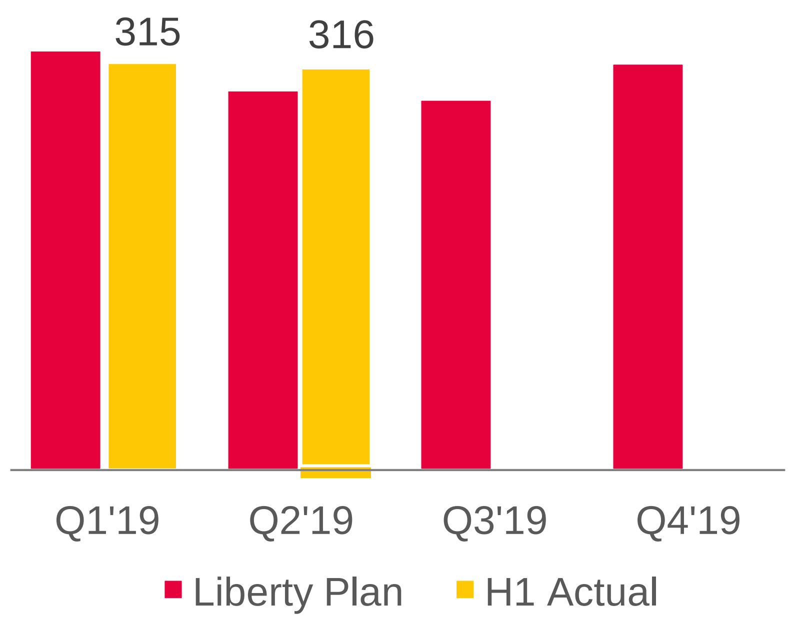
Increasing fixed-mobile convergence

- **Increase in convergent customers: 16% customers subscribe to convergent offerings (4pp increase YoY)** [1)]
- Convergence driving churn benefits supporting slow down in fixed RGU losses (-28k in Q2'19 vs. -43k in Q1'19)
- Mobile subs net adds of +14k in Q2'19 (Q1: +13k), resulting in ~170k mobile customer base [1)]

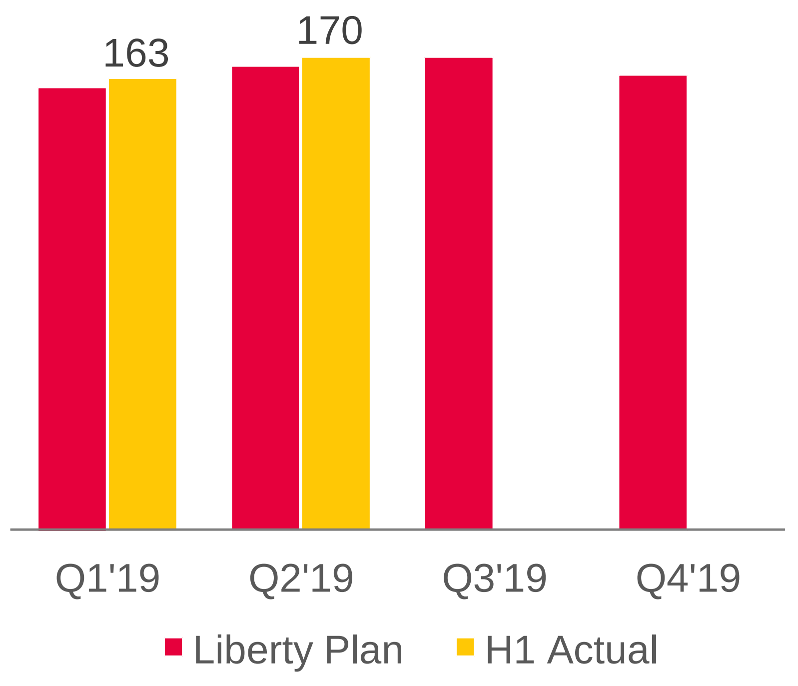
Improved network quality

- **Plan to roll-out 1 Gbps internet product with DOCSIS 3.1 on track, expected to launch in Q4'19**
- Maximum internet speed reached of 600 Mbps, with UPC customers already experiencing average of >250 Mbps [1)]
- Investment expected to contribute to EBITDA stabilisation

UPC Switzerland revenue (CHFm) [2)]



UPC Switzerland OCF (CHFm) [2)]



1) As per Liberty Global Q2'19 results presentation, p. 8 & 9
2) Content costs and partner wholesale revenues from MySports channel are higher in Q1 and Q4, due to the relative weighting of Winter sports such as Ice Hockey

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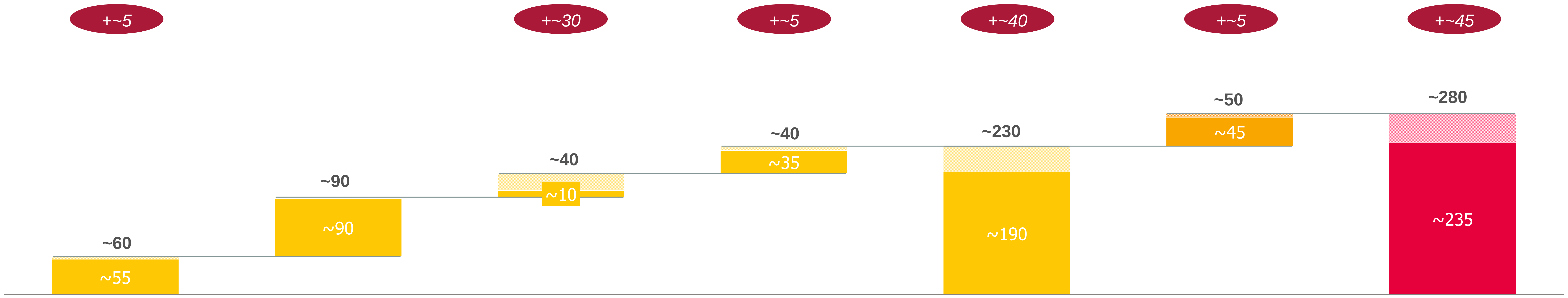
Update on acquisition of UPC Switzerland (3/5)

Revised cost and revenue synergies estimated at ~CHF 280m run-rate in year 4, synergies NPV at ~CHF 3.1bn

Run-rate synergy estimates (CHFm)



	COGS	SG&A	Other Opex	Capex	Cost & Capex	Revenue	Total
Initial estimate	• Fixed network access cost savings • MVNO savings • Savings on content, interconnect and roaming costs	• Removing duplicated functions • Marketing • Integrate IT systems • Customer care and relation costs • Sales & distribution rationalization	• Central allocations saving (TSA): mobile central cost, product and development	• IT & network rationalization • Procurement optimization • Fixed access network investments		• B2C cross-sell • Leverage other B2C opportunity	
Additional Identified	• Further fixed access network cost savings • Savings on UPC roaming charges based on Sunrise rates		• Further savings on TSA costs: migration of UPC IT systems and platforms to Sunrise	• Savings on IT systems and further rationalizations		• Additional B2B opportunities, especially in Enterprise segment	

Prior synergies   Revised synergies   Delta vs original case (CHFm)

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Update on acquisition of UPC Switzerland (4/5)

Revised total run-rate synergies resulting in a ~CHF 0.3bn increase in synergies NPV to ~CHF 3.1bn

	Announcement Feb 2019		Upward revision Aug 19
Cost & Capex synergy NPV	~CHF2.4bn	+0.3bn	~CHF2.7bn
Total synergy NPV	~CHF2.8bn	+0.3bn	~CHF3.1bn
Integration cost	~CHF140-150m		~CHF230-250m (Includes incremental ~CHF30m one-off costs to integrate headquarters and ~CHF30m related to TSA)
Run-rate timing	• Cost & Capex by FY’22 • Revenue by FY’23		• Higher Cost, Capex and Revenue synergies by FY’22 • Additional upside achieved by FY’23

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Update on acquisition of UPC Switzerland (5/5)

Sunrise Board concludes that Freenet’s concerns are not justified and not in the best interests of shareholders

Freenet proposal	Sunrise considerations
Higher leverage	• Committed to maintaining a prudent capital structure and progressive dividend policy • Open to considering a reasonably higher starting leverage in context of higher synergies and better than expected UPC performance • Sunrise Board supported a reduction of rights issue size by CHF1bn with the introduction of an equity linked instrument – rejected by Freenet • Continue existing dialogue with shareholders on leverage
Lower purchase price	• Not realistic, particularly in light of better than expected UPC results and higher synergies • Lowest cable M&A multiples paid in recent years when adjusting for synergies and Swiss tax and interest: ~6x adj. EBITDA, ~7x adj. OpFCF for 2018 and ~6.5x adj. EBITDA, ~9.5x adj. OpFCF for 2019E • Independent fairness opinion and unanimous Board approval on purchase price when offer made • Equity FCF / share accretive by year 1 (before integration costs and including full amount of synergies) • ROIC > WACC by year 3
Lower synergy allocation	• >60% of upgraded synergies retained by Sunrise shareholders – compares very favourably to other cable deals
Change transaction structure	• Share consideration explored in detail during negotiations – was not possible to agree on value, governance, leverage and distribution policy • Freenet approved CHF 6.3bn all-cash offer and CHF 4.1bn rights issue when made to Liberty Global
Liberty Global to retain debt	• Existing UPC debt is cost-effective and flexible • Sunrise decided at announcement to take over the debt and avoid taking market risk and paying significant financing fees • Debt market conditions have improved since announcement, but the opportunity to Sunrise remains marginal

Q2 Financials

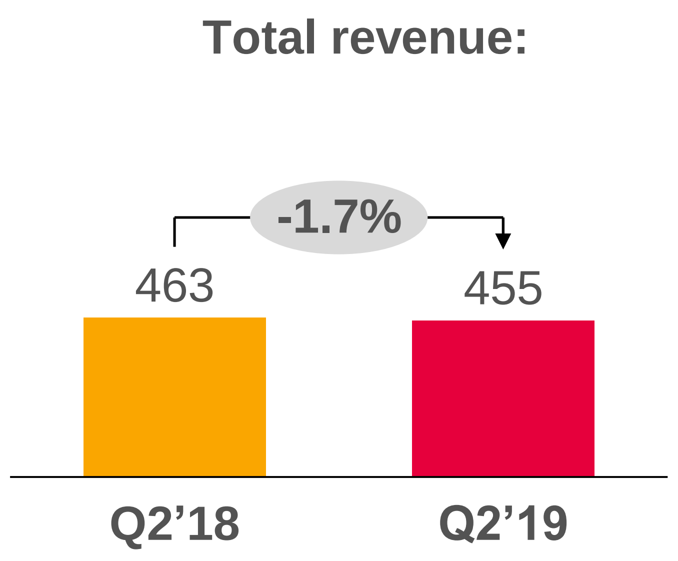
Higher service revenue, GP and adj. EBITDA

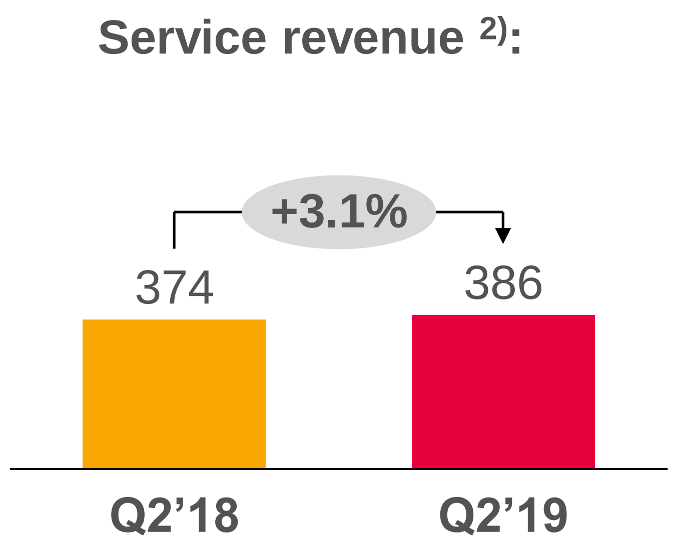
André Krause
CFO

Financial Overview Q2 *excl. IFRS 16* [1)]

Revenue
(CHFm)

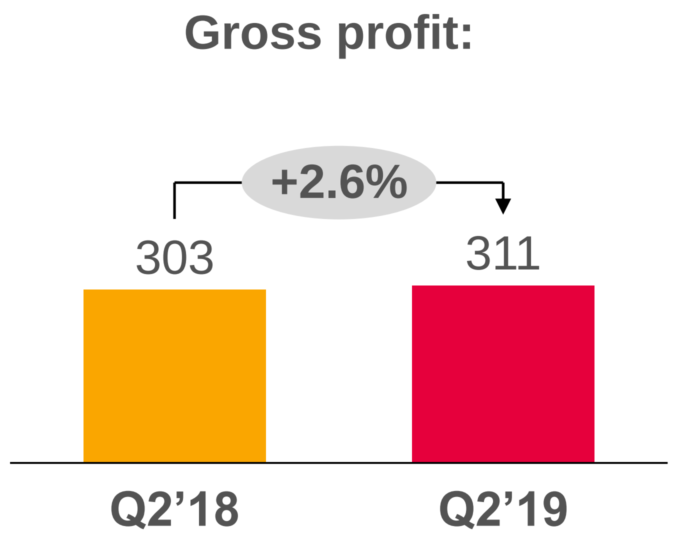
- **Revenue down** -1.7% due to lower revenues from mobile hardware and hubbing (both low margin)
- **Service revenue up** +3.1% driven by customer growth, offsetting lower ARPUs; sequential acceleration (Q1: +2.7% YoY) driven by lower-margin areas such as volatile B2B equipment sales

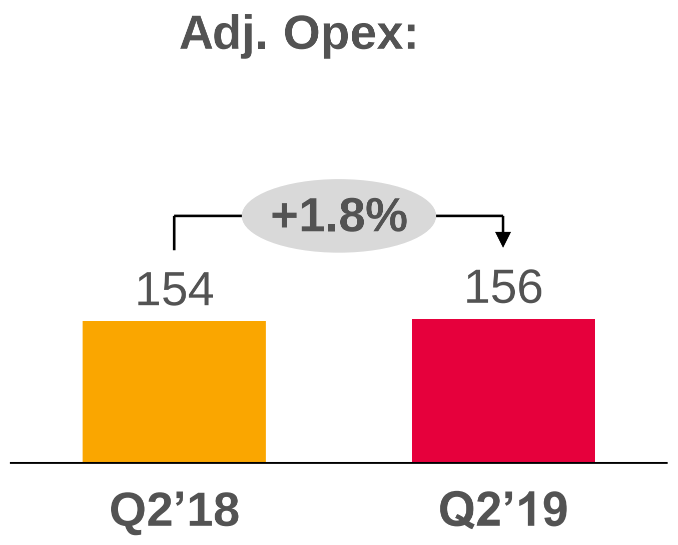




GP & adj. Opex

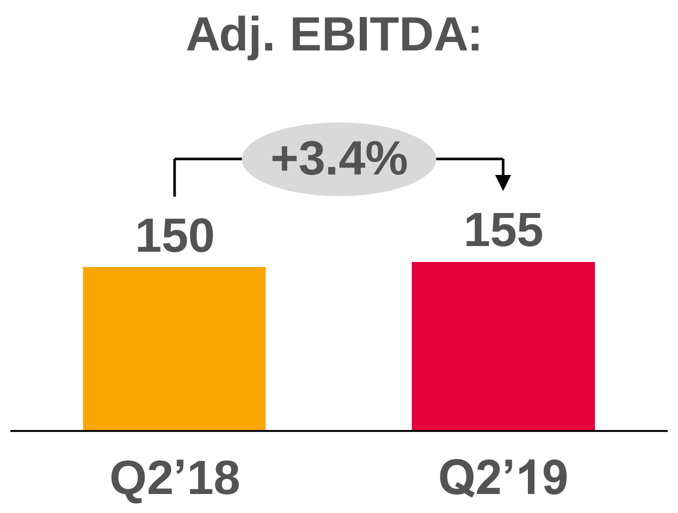
- **Gross profit growth** of +2.6% driven by service revenue, with service GM impacted by mix
- Adj. Opex up +1.8% mainly due to variable growth expenses supporting momentum





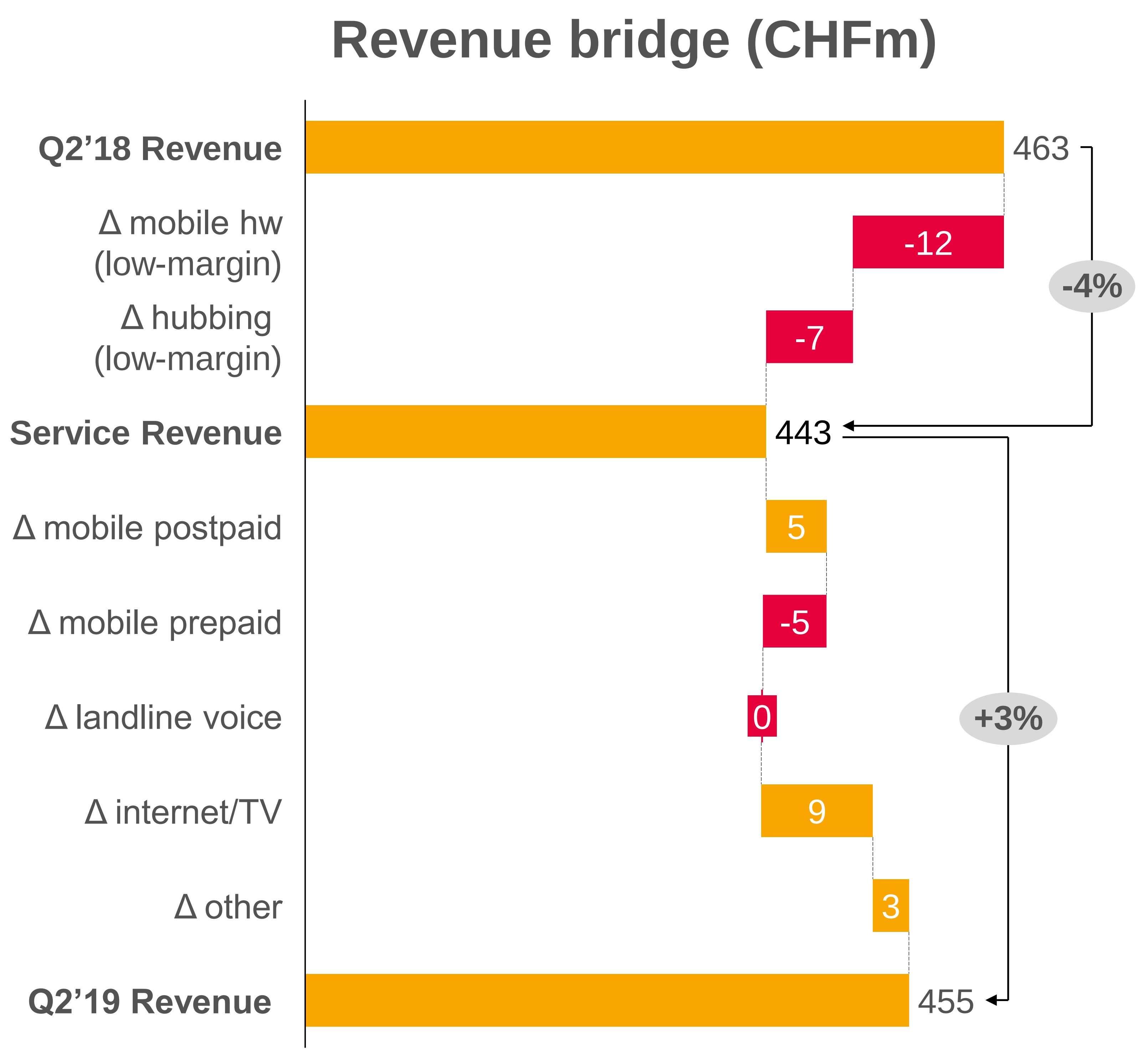
Adj. EBITDA

- **Adj. EBITDA up** +3.4% driven by gross profit



[1)] Incl. IFRS 16: Q2 GP +2.6%, adj EBITDA +10.3%; [2)] Service revenue is total revenue excluding hubbing and mobile hardware revenue, which are low-margin

Service revenue growth driven by internet/TV and postpaid



- **Mobile hardware:** depends on handset innovation, launches, pricing and attachment rate; variations across quarters lead to revenue volatility
- **Hubbing:** increased focus on profitability led to lower revenue while GP remained roughly stable in Q2
- **Postpaid:** strong customer growth driven by investments into quality, offsetting lower ARPU; lower growth than in Q1 due to price increase annualization and increased promotional intensity
- **Prepaid:** pre- to postpaid migration and shift to OTT; prepaid accounting for ~4% of total revenue
- **Landline voice:** fixed to mobile substitution, migration to flat rates, and OTT; landline voice accounting for~7% of total revenue
- **Internet/TV:** strong customer growth
- **Other:** includes lower-margin areas such as volatile B2B equipment sales and wholesale

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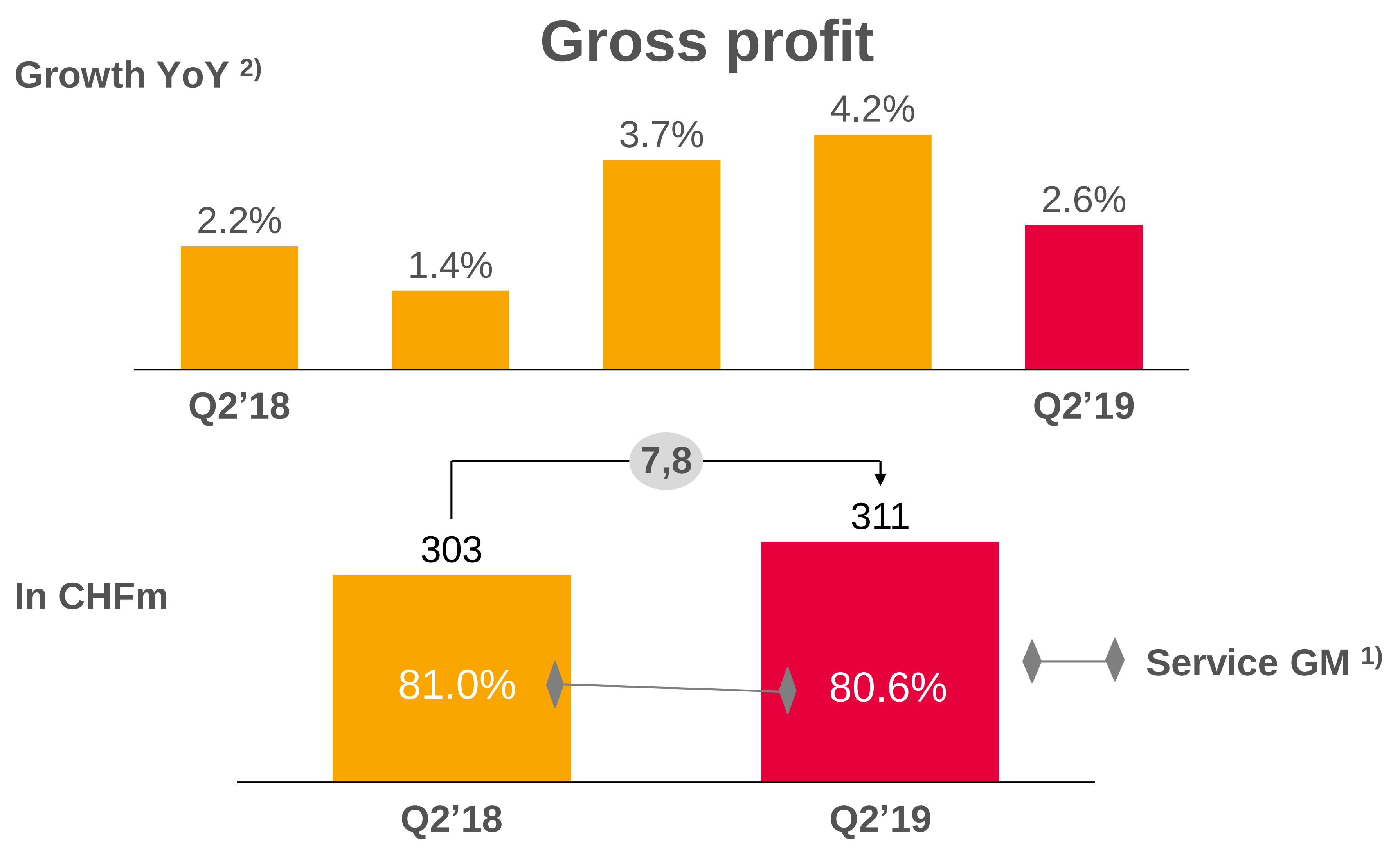
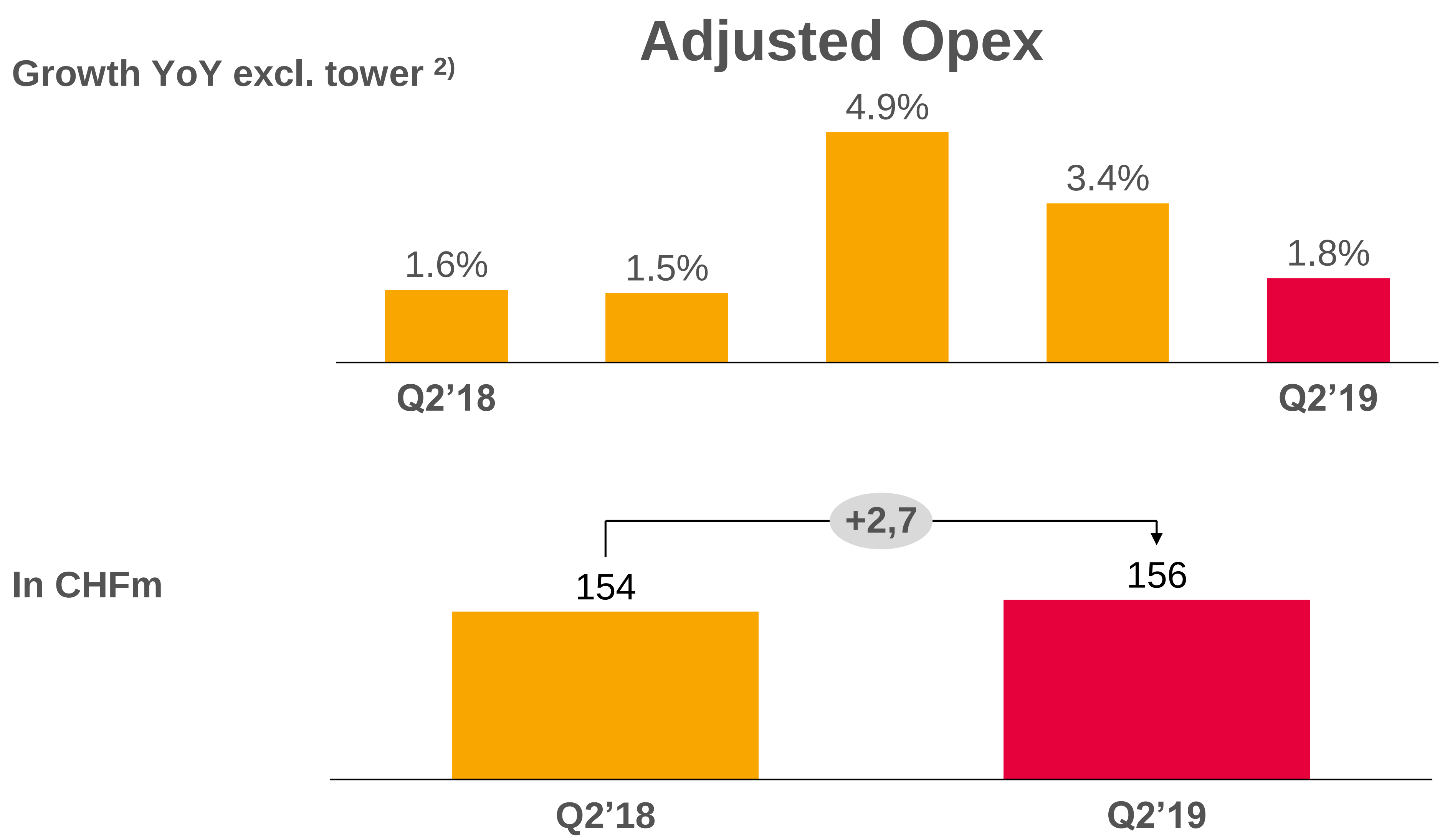
GP growth partly reinvested into operational momentum





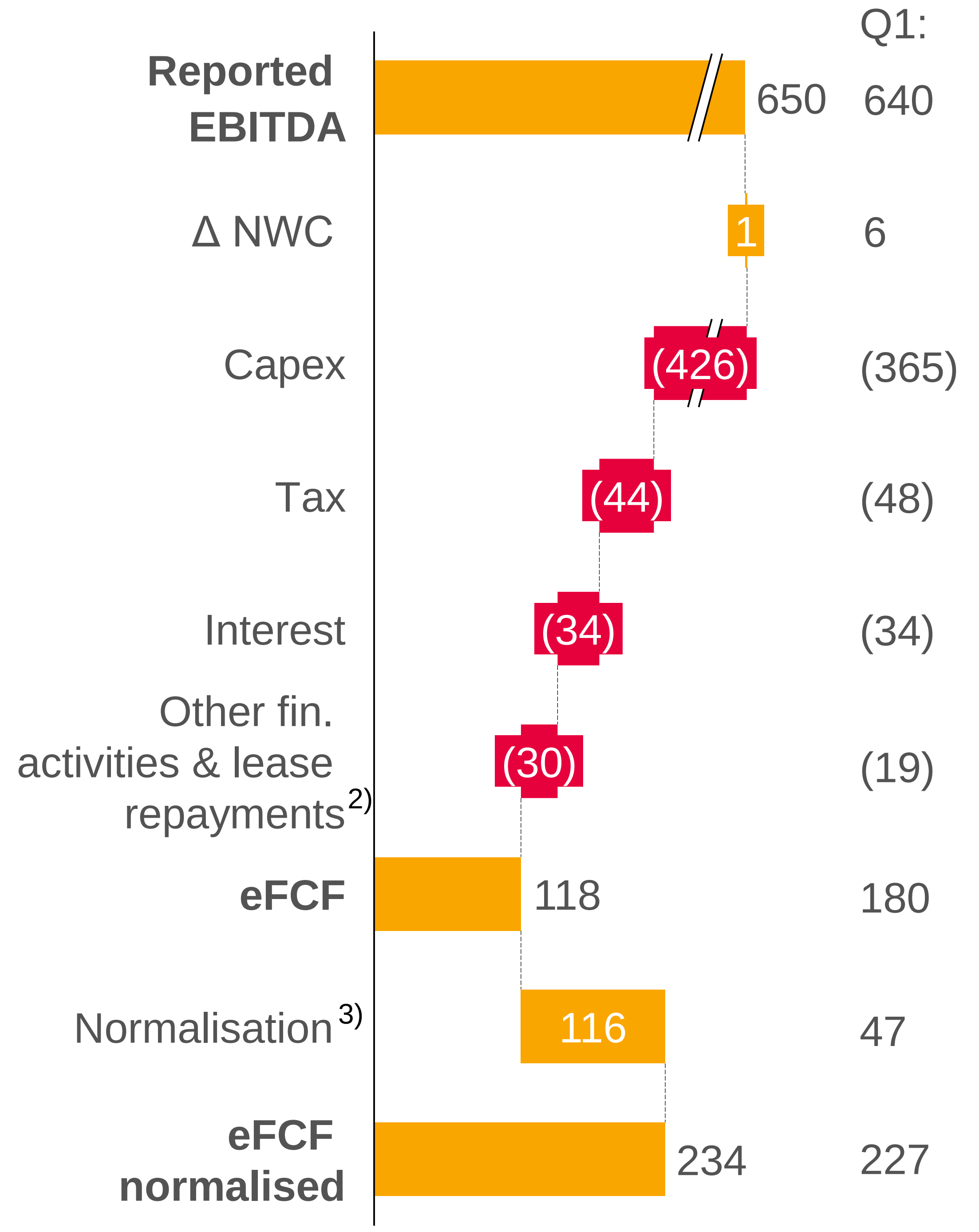
- **Gross profit** +2.6% in Q2, driven by service revenue growth
- Service gross margin down due to revenue mix effects (e.g. more low-margin B2B equipment sales) and promotions, partly compensated by positive impacts of MTR and landline access deals

- Adj. **Opex up** to CHF 156m, mainly driven by variable expenses into operational momentum and onboarding; continued investments into frontline (e.g. shops, B2B staff and support center)
- Q3 Opex increase expected to be stronger YoY due to commercial push and growth investments (reflected in guidance)

[1] Service gross margin is calculated as total gross profit divided by service revenue (i.e. revenue excluding low-margin hardware and hubbing revenue); [2] 2018 YoY growth rates exclude IFRS 15 effects as IFRS 15 not available for 2017 base

eFCF impacted by spectrum and landline access

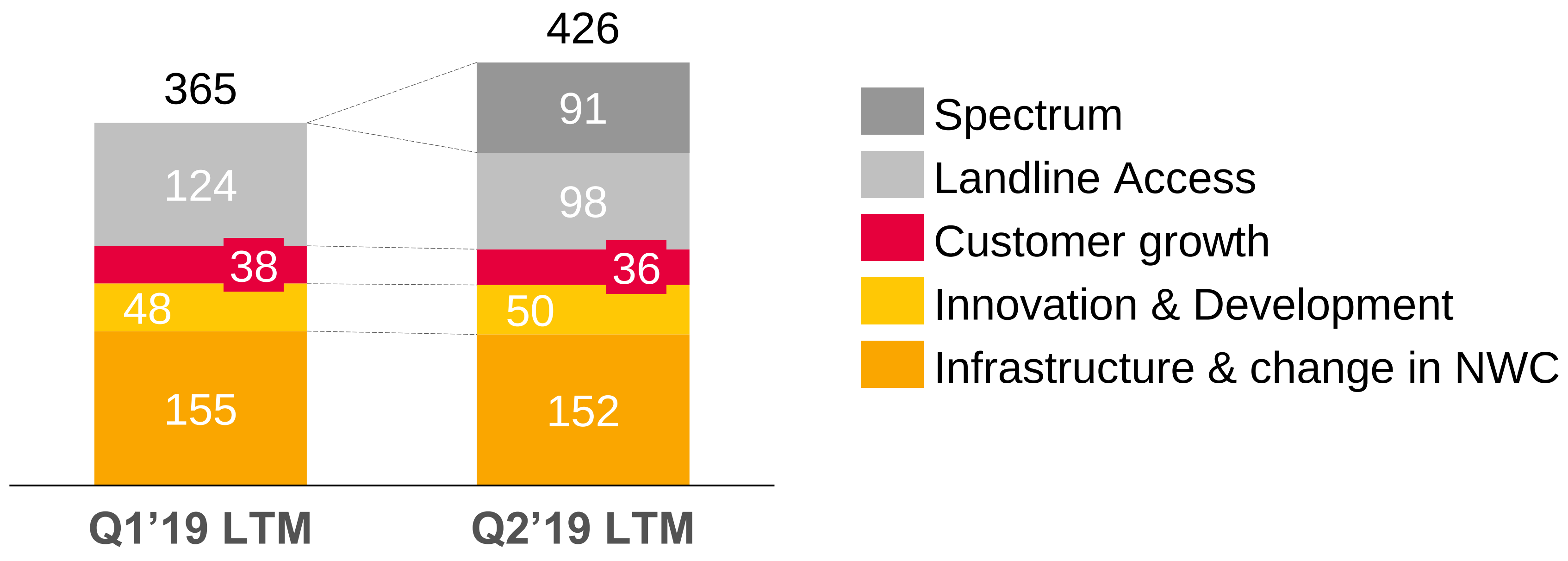
Q2 LTM equity FCF (CHFm) [1]



- **EBITDA** supported by underlying growth in Q2
- **Capex** impacted by spectrum (CHF 91m [5] in Q2'19), landline access payments to Swisscom (CHF 61m in Q1'19) and to utilities (mainly H2'18)
- **IFRS 16** neutral on LTM eFCF, as positive effects on EBITDA and NWC were compensated by interest impact and lease repayments

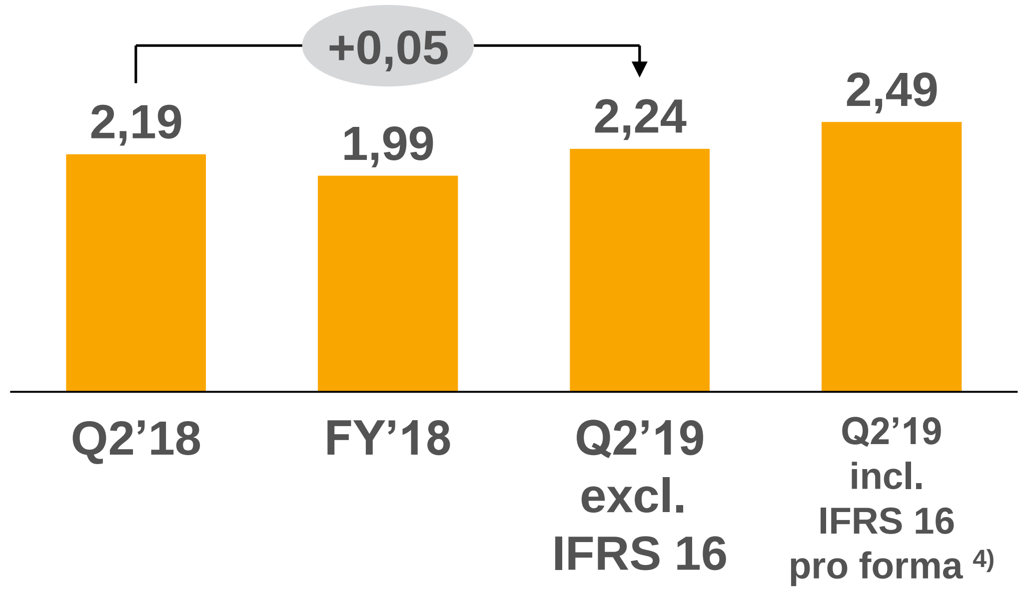
- **Dividend** paid in 2019: CHF 189m

Capex (CHFm)



Leverage ratio

Net debt / adj. EBITDA



- YoY +0.05 due to spectrum
- Up since YE due to spectrum, dividend, and Swisscom landline access payment

[1] LTM numbers are based on IFRS 16 for 2019 and are without IFRS 16 for 2018; [2] 'Other financing activities' generally include access deal installments and IRUs; lease repayments include 2019 repayments of lease liability related to IFRS 16; [3] Includes normalization for NWC, Capex (assuming linearized spectrum and linearized landline access fee payments to Swisscom and utilities), and EBITDA (reduction of asset retirement obligation (ARO; Q4'18); gain on sale of 133 towers in Q1'19; UPC advisory fees); [4] Based on IFRS 16 net debt and pro forma adj. EBITDA annualizing the H1'19 IFRS 16 effect 5) whereof CHF 89m spectrum price and CHF 2m consultancy fees

Conclusion

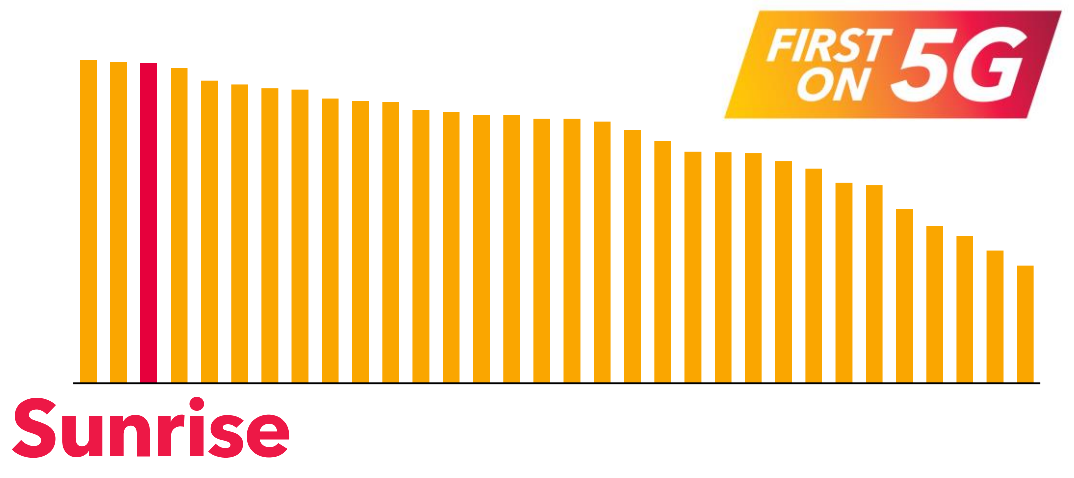
Q2 growth confirms strategic focus on quality

Olaf Swantee
CEO

Investing into 3 strategic priorities

Network quality

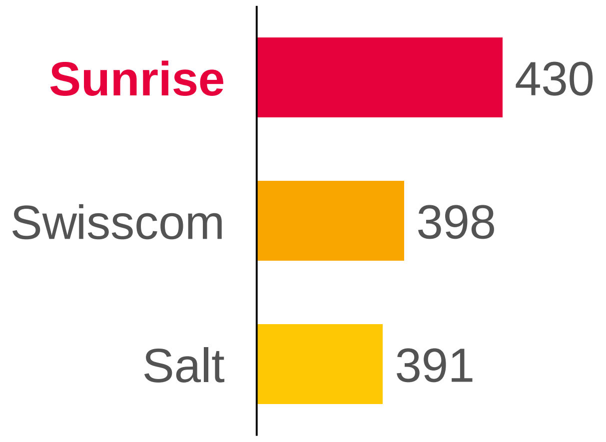
- **5G** in 262 cities /villages by mid Aug; strong 5G spectrum position
- Outstanding mobile network with leading **dropped call ratios**, 89 Mbit/s average experienced **download speed**, and 99.9%/96.0% LTE population/geographic coverage covering 57% YoY data growth
- Landline access via FTTH, xDSL, and MBB



1 of the world's best mobile networks [1)]

Customer interface

- Achieved **highest score** in DACH region in 'connect' shop test
- Improving NPS and propensity to call; proactive internet onboarding approach: Fiber with lower case rate than copper
- Ongoing **shop refurbishment** and opening of new shops; roll-out of digital pricing tool
- Digital transformation on-track with increasing **online** distribution channel share and strong focus on convergence



Won 'connect' shop test in Q2

Innovative converged products

- Launch of first commercial **5G MBB** rate plan; introduced **TV** OTT app in Q2 incl. UHD/4K
- Among first operators in the world having launched 5G handsets in Q2
- Apple collaborations: Apple Music, 'smartphone recycling', 'lifestyle packs', and Apple retail concept
- **B2B** 'Unlimited Mobile Workplace' product strategy complemented with 'Circuit' and 'G Suite' in Q2

Drive convergence

[1)] Source: P3 as per end of January 2019

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Q2 conclusion

Customers	• Strong subscriber **growth** in mobile postpaid, internet and TV • 5G coverage in 262 cities /villages by mid August
Revenue	• Continued service revenue **growth** driven by customer momentum • Ongoing service revenue diversification in terms of product category and customer segments
Profitability	• Adj. EBITDA **up +3.4%** with GP growth partly reinvested into operational momentum; B2B transition reconfirmed
Cash Flow	• Equity FCF **as expected**; reduced leverage after tower disposal gives flexibility for strategic investments

FY’19 guidance range tightened at high end

• Revenue	CHF 1,860 - 1,900m
• **New adj. EBITDA**	CHF 618 – 628m (prev. CHF 613 - 628m)
• Capex	CHF 420– 460m
Spectrum	CHF 91m
Landline access	CHF 77m
Base Capex	CHF 252-292m

Guidance is excl. IFRS 16 impact [1)]

[1)] IFRS 16 is expected to impact adj. EBITDA positively by CHF40-45m in FY’19

Q & A

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Appendix

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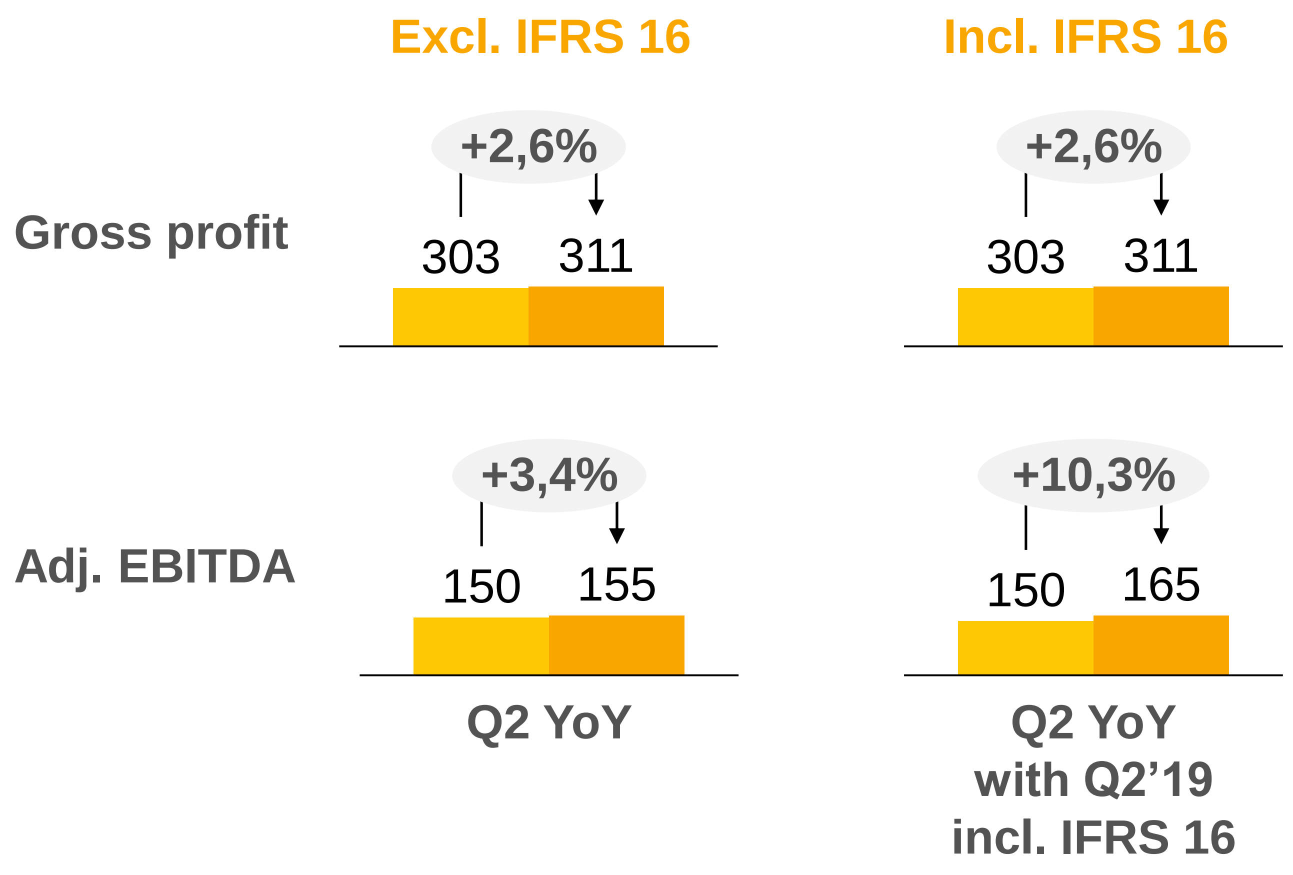
IFRS 16 update

IFRS 16 accounting standard

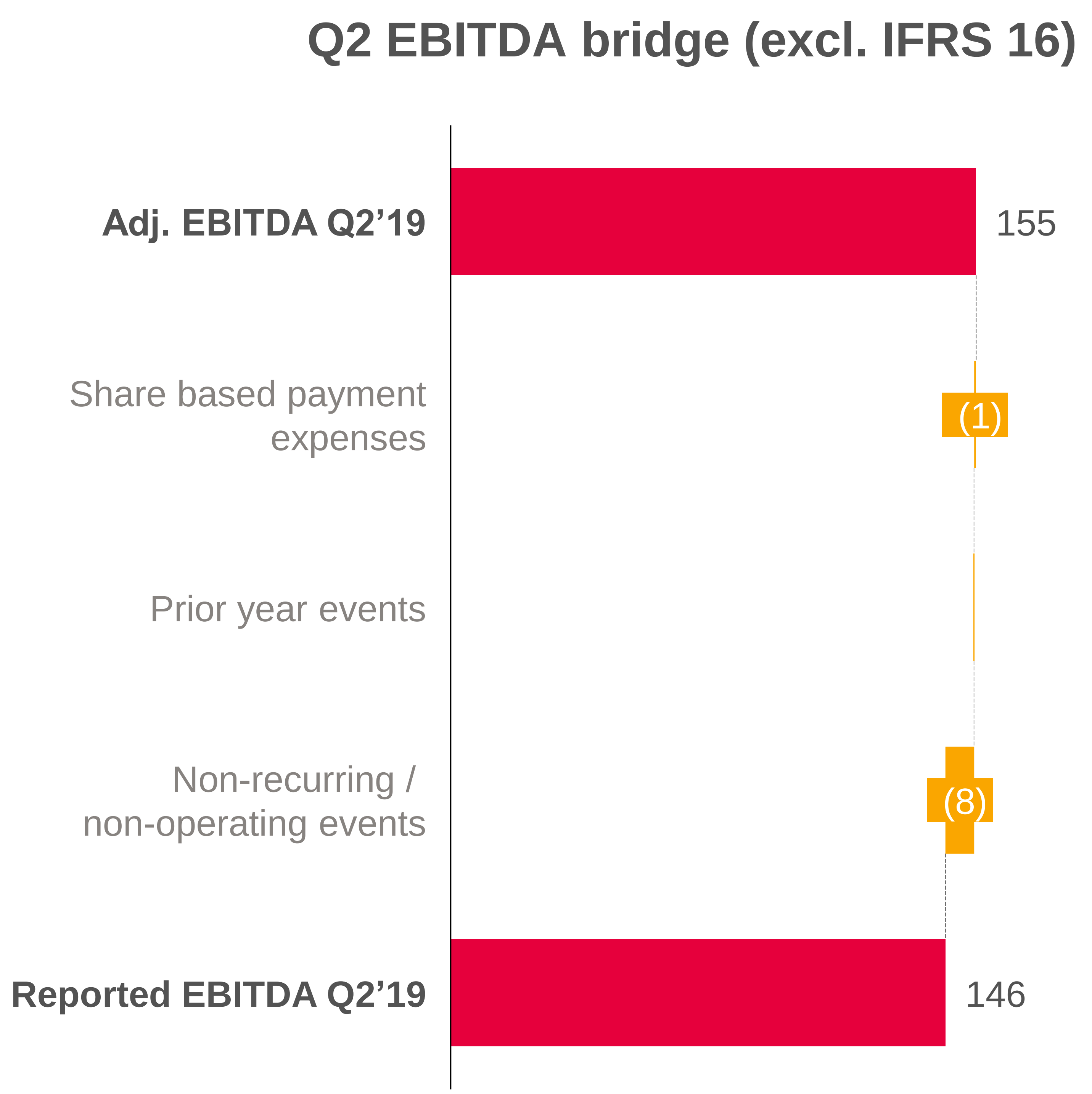
- Introduced as per Jan 2019, replacing previous standards (e.g. IAS 17); impact on:
- **P&L** lease recognition: reallocation from COGS (immaterial) and Opex to depreciation and interest expenses; results in increase of EBITDA
- **BS** lease recognition: increase of assets ('right of use assets') and liabilities ('lease liability'); results in increase of net debt
- **CFS:** No impact on total Cash Flow, but reallocations within Cash Flow Statement

Impact on Sunrise

- **EBITDA:** CHF +40m to CHF +45m positive impact is expected in FY'19
- **Net debt:** CHF 263m impact as per Jun 2019 (total lease liability incl. former finance lease: CHF 266m)
- **Leverage:** Net debt/adj. EBITDA ratio with +0.25 impact due to IFRS 16 in Q2'19
- Sunrise does not restate 2018; in order to provide YoY comparability, Sunrise is disclosing 2019 trends also under IAS 17
- Q2 EBITDA one-off of CHF -8.5m under IFRS 16 excludes onerous rent of CHF -0.5m, since rent is not reflected in EBITDA under IFRS 16 (EBITDA one off excl. IFRS 16: CHF -9.0m)



Bridge adjusted to reported EBITDA



- Share-based payment provisions for multi-year compensation plans
- Non-recurring / non-operating events mainly represent costs for one-time events, e.g. advisory fees related to the acquisition of **UPC** Switzerland (CHF -7m) and cost related to the relocation of the group's headquarter (CHF -1m)

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Income Statement

CHF million April 1 - June 30	Q2 2019 with IFRS 16	Q2 2019 without IFRS 16	Q2 2018 without IFRS 16	Change with IFRS 16 (%)
Revenue				
Mobile services	*302*	302	315	(3.9)
- Thereof mobile postpaid	*208*	*208*	203	*2.5*
- Thereof mobile prepaid	*20*	*20*	25	*(21.2)*
- Thereof mobile hardware	*53*	*53*	65	*(19.1)*
- Thereof other	*23*	*23*	*22*	*1.8*
Landline services	74	*74*	79	(6.0)
- Thereof landline voice	*31*	*31*	31	*(0.4)*
- Thereof hubbing	*16*	*16*	23	*(31.1)*
- Thereof other	*27*	*27*	*25*	*10.3*
Landline Internet and TV	78	78	69	13.3
Total revenue	**455**	**455**	**463**	**(1.7)**
Revenue excl. mobile hardware and hubbing	386	386	374	3.1
Gross profit	**311**	**311**	**303**	**2.6**
% margin	68.4%	68.4%	65.6%	
% margin (excl. hubbing & hardware revenue)	80.6%	80.6%	81.0%	
EBITDA	**157**	**146**	**147**	**6.6**
EBITDA adjusted	**165**	**155**	**150**	**10.3**
% margin	36.3%	34.1%	32.4%	
% margin (excl. hubbing & hardware revenue)	42.8%	40.1%	40.0%	
Net income	**26**	**27**	**24**	**6.7**

Q2 financials are unaudited

Sunrise

Cash Flow Statement

CHF million April 1 - June 30	Q2 2019 with IFRS 16	Q2 2019 without IFRS 16	Q2 2018 without IFRS 16	Change with IFRS 16 (%)
Cash flow				
Reported EBITDA	157	146	147	6.6
Change in NWC	(20)	(18)	(15)	29.8
Net interest	(12)	(8)	(12)	(2.7)
Tax	(1)	(1)	(5)	(86.3)
CAPEX	(143)	(143)	(82)	74.9
Repayments of lease liability	(6)	(1)	0	-
Other financing activities	(5)	(5)	(0)	1'748.0
Equity free cash flow	**(29)**	**(29)**	**33**	**(190.2)**
Other	(190)	(190)	6	(3'264.4)
Total cash flow	**(219)**	**(219)**	**39**	**(667.1)**

Q2 financials are unaudited

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Leverage ratio

Net debt (CHFm)	June 30, 2019	March 31, 2019	June 30, 2018
Senior Secured Notes issued February 2015	0	0	0
Term loan B	1'410	1'410	1'410
Senior Secured Notes issued June 2018	200	200	200
Total cash-pay borrowings	1'610	1'610	1'610
Operational lease	266	269	7
Total debt	1'876	1'879	1'617
Cash & Cash Equivalents	(240)	(459)	(320)
Net debt	**1'636**	**1'420**	**1'297**
Net debt / pro forma adj. EBITDA [1]	**2.49x**	**2.17x**	**2.19x**
excl. IFRS 16	2.24x	1.90x	

[1] Based on pro forma view for 2019 by annualizing the IFRS 16 adj. EBITDA effect; based on pro forma view for June 30 2018, taking into account annualized network service fees related to tower disposal

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Have a sunny day

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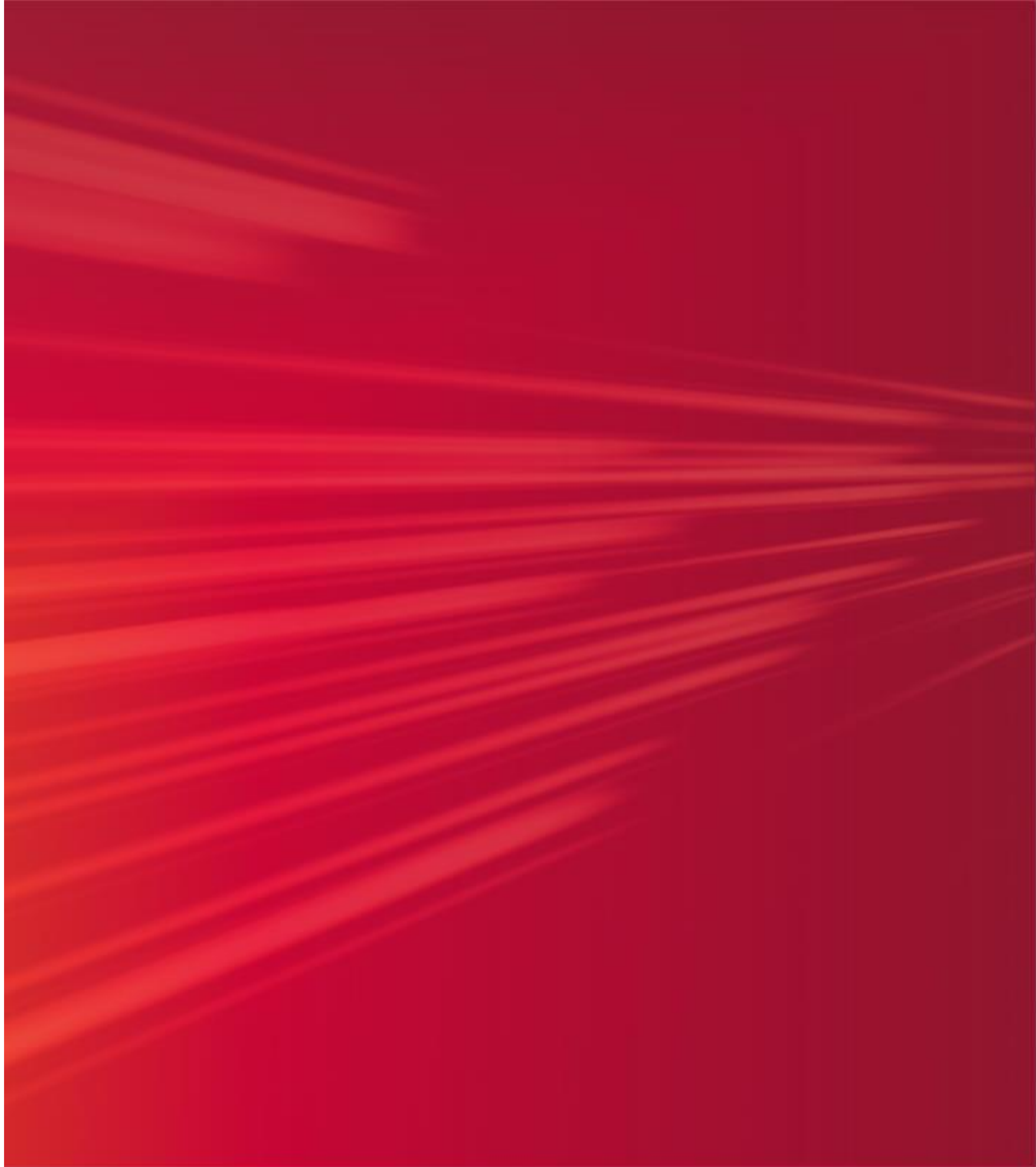

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