

# **SWISS OPEN FIBER**

Strategic Partnership of Sunrise and Salt for FTTH Roll-Out in Switzerland

Media Presentation

19 May 2020



## TODAY'S PRESENTERS

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**ANDRÉ KRAUSE**  
CEO Sunrise



**PASCAL GRIEDER**  
CEO Salt



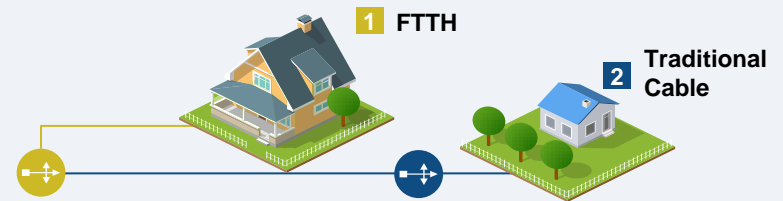
**MARC FURRER**  
Chairman Swiss Open Fiber

# BACKGROUND

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- Huge **untapped potential** for fiber to the home (FTTH) in Switzerland **despite strong demand** for high-speed connectivity
- **Lack of available infrastructure** across the country **limits Sunrise and Salt expansion** of their superior fixed products
- Recent **push announced** by incumbent **Swisscom** to result in **de-facto monopoly** with potential adverse consequences for the retail market

## FTTH – STATE-OF-THE-ART TECHNOLOGY





# SOLUTION: SWISS OPEN FIBER

- Today, Sunrise and Salt announced their **strategic partnership**
  - **Incorporation of Swiss Open Fiber**, a novel open access FTTH infrastructure platform across Switzerland
  - Swiss Open Fiber will be **highly beneficial to Switzerland** thanks to its accelerated high-speed internet deployment whilst ensuring **healthy competition** on the retail market

**Sunrise Salt.**

Press Release

Opfikon / Renens, May 19, 2020

**Salt and Sunrise to enter a strategic partnership to deliver fiber based broadband services to 1.5 million homes in Switzerland**

Today, Sunrise and Salt announced their plans to enter a strategic partnership to create a leading fiber to the home ("FTTH") platform for ultrafast broadband connectivity services on an open access basis across Switzerland. The roll-out will be realized through Swiss Open Fiber, a Joint Venture which will be established and co-owned by Salt and Sunrise with equal shareholding and a prospective equity partner. With this Swiss initiative, Sunrise and Salt want to make a significant contribution to the digitalization and improvement of energy efficiency and benefit customers and Switzerland as a business location.

Swiss Open Fiber targets to reach 1.5 million of homes passed in the coming 5-7 years, for a total investment of up to CHF 3 billion, and will significantly support areas in Switzerland that are undersupplied with state-of-the-art broadband services as well as further promote digitalization also in non-urban areas. While Salt and Sunrise will act as anchor tenants, the infrastructure network will be offered to all retail operators to enable them to provide their customers with ultrafast broadband connectivity services. Sunrise and Salt have already initiated discussions with potential equity partners and financing banks and foresee to sign respective agreements in the coming months. The new infrastructure will bring substantial environmental benefits through energy efficient network sharing and transition to fiber. This project follows a proven concept that is being successfully implemented in several European countries, including Germany, France and Italy. Network roll-out operations are expected to be initiated in the 4<sup>th</sup> quarter of 2020.

André Krause, CEO of Sunrise, says "We are excited to embark on this Joint Venture which will accelerate ultrafast broadband connectivity and significantly improve fiber penetration in Switzerland relative to other European countries. This platform is open and transparent to the market and we are extremely happy to have secured Marc Furrer, the most distinguished expert in the domestic market, to chair Swiss Open Fiber."

Pascal Grieder, CEO of Salt, explained "This project is unique of its kind, leveraging the capabilities and reach of two strong Swiss operators to create a nationwide infrastructure. Growing importance of flexible and virtual working and learning models will continue to drive the need for high-performance broadband services across Swiss households, and our initiative will facilitate such services at attractive prices. We have an ambitious roll-out plan and encourage municipalities and utilities looking into FTTH deployment to reach out to us. We are open for business."

Marc Furrer, former president of the Federal Communications Commission ComCom, says "In 2008 we initiated the round-table, with which we achieved FTTH-deployment to around one third of the Swiss population. Now we want that the rest of Switzerland can benefit from high-quality FTTH-products, which are essential for home-office, home-schooling and home entertainment. The planned Joint Venture will bring this high-speed connectivity to most of the remaining market while ensuring infrastructure competition. The investments of up to CHF 3 billion will also give an impulse to the Swiss economy."

The platform will be open for all players in the market. Swiss Open Fiber will collaborate with Swiss Fibre Net ("SFN"), who will support the set-up and operating activities in a strategic partnership. The accelerated FTTH roll-out will benefit all SFN partners and customers. Andreas Weber, CEO of SFN says "We are very pleased to be the strategic partner of the Swiss Open Fiber platform. Our already successful relationship with both operators will become even stronger and we look forward to promoting an open fiber infrastructure in Switzerland."

Salt and Sunrise have engaged Lazard and Morgan Stanley as financial advisors, respectively.

# HIGHLIGHTS

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## **DOUBLING FIBER ACCESS**

State-of-the-art broadband products brought to 1.5 million Swiss households over the next 5-7 years

## **OPEN PLATFORM**

Infrastructure competition with a network open to any retail operator

## **STRONG BACKING FROM SUNRISE & SALT**

First time two challengers team up to create a novel infrastructure platform

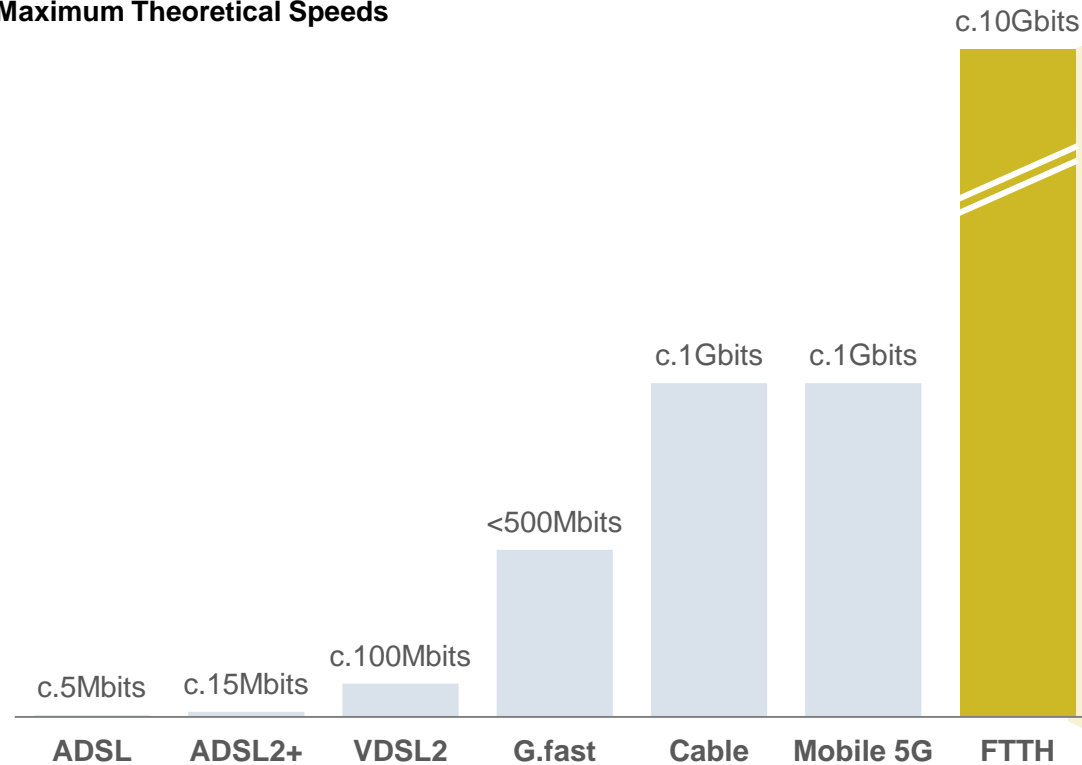
## **GREEN DIGITALISATION**

Swiss initiative providing fastest internet at attractive prices, extending today's sustainable fiber footprint







# FTTH – THE FASTEST & ULTIMATE FIXED BROADBAND TECHNOLOGY

## BROADBAND TECHNOLOGY SPEED BENCHMARK

### Maximum Theoretical Speeds



## BEST SERVICE FOR END-USERS

-  Highest Bandwidth Infrastructure
-  Symmetric Bandwidths in Upload and Download
-  Low Latency Supporting Real-time Applications
-  Security
-  No Distance Dependency
-  Lower Maintenance Requirements and Energy Consumption

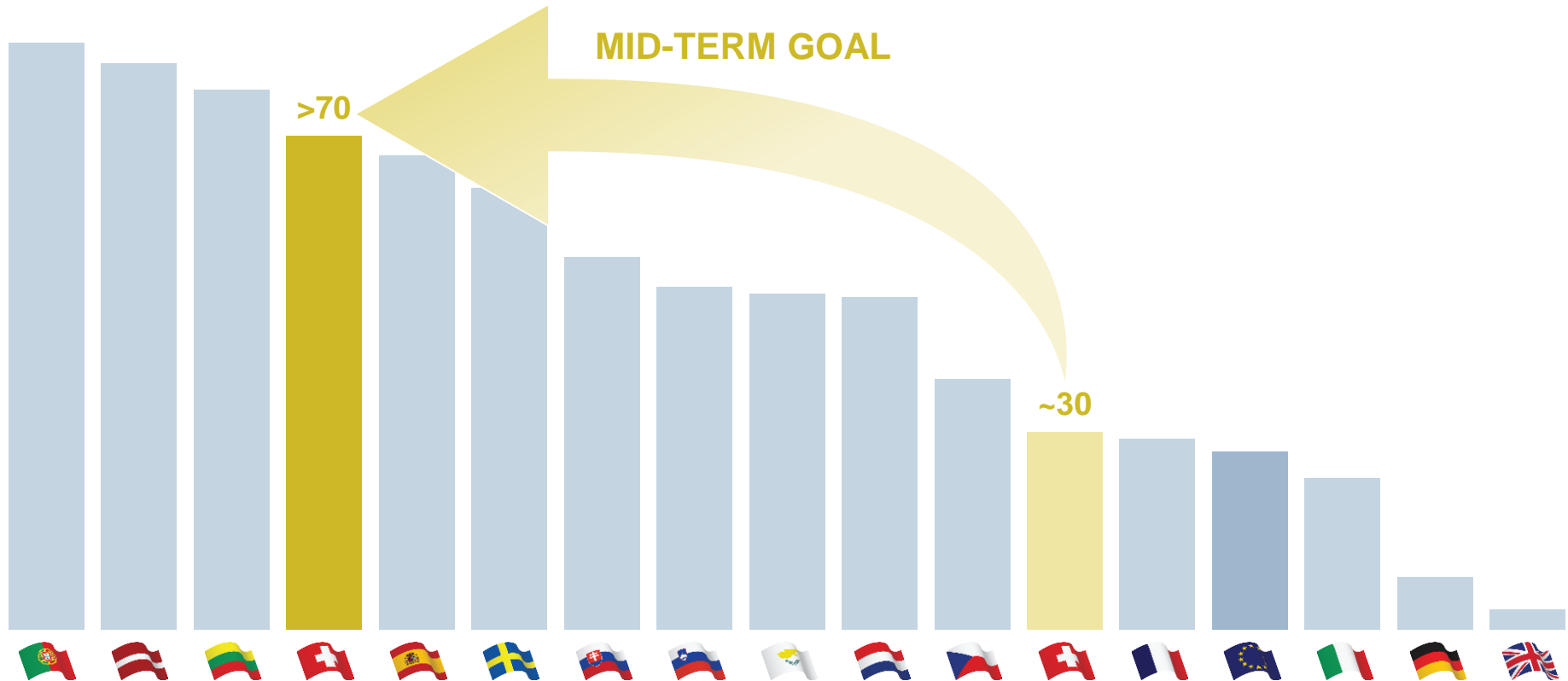
Rapid loss of performance with increasing distance from local loop

No distance related performance

# SWISS MARKET OFFERS A LARGE UNTAPPED POTENTIAL...

- Out of ~5 million homes passed<sup>(1)</sup> in Switzerland, less than half have access to FTTH
- Presence of independent infrastructure providers for FTTH in a competitive market are main drivers for higher penetration
- The penetration rate has remained fairly constant over the last decade

FTTH Coverage Across Europe (%)



Source: External Research

(1) Homes passed include households, second homes and business locations



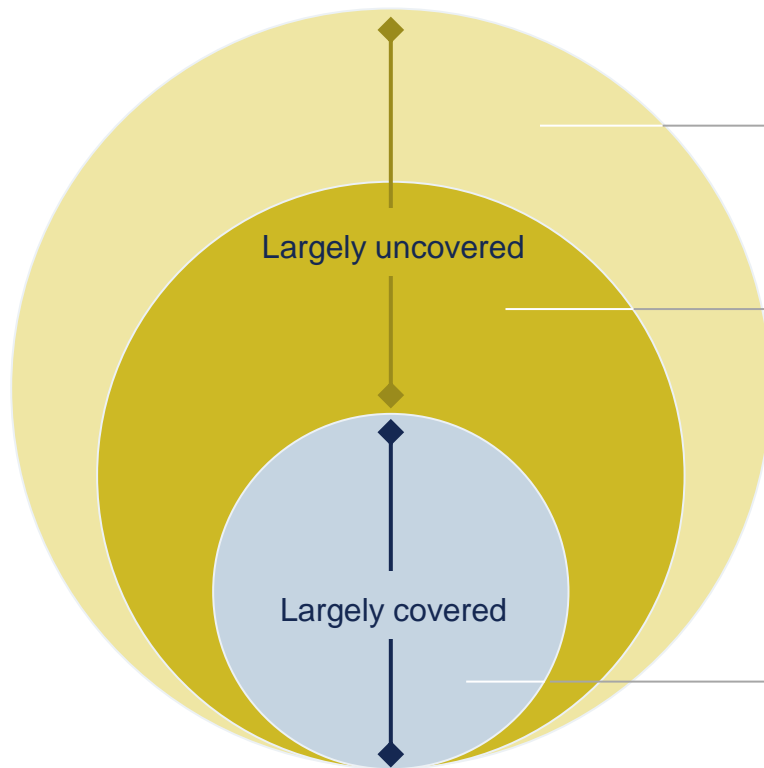


# SWISS OPEN FIBER WILL FOCUS ON UNDERSUPPLIED AREAS...

- Planned footprint of Swiss Open Fiber in low to medium density areas, typically in sub-urban territory
- Opportunistic approach for urban areas which are densely covered

## FTTH Coverage by Area

## Swiss Open Fiber Strategy



### RURAL, LOW-DENSITY (~30-40% of Swiss Households)

5G will offer further upsides through fiber backhauling

### SUB-URBAN, MEDIUM-DENSITY (~30-35% of Swiss Households)

assess areas and focus on undersupplied regions for roll-out

- ✓ De-facto exclusivity
- ✓ Secure highest utilization and returns
- ✓ First mover advantage for neutral platform

### FOCUS

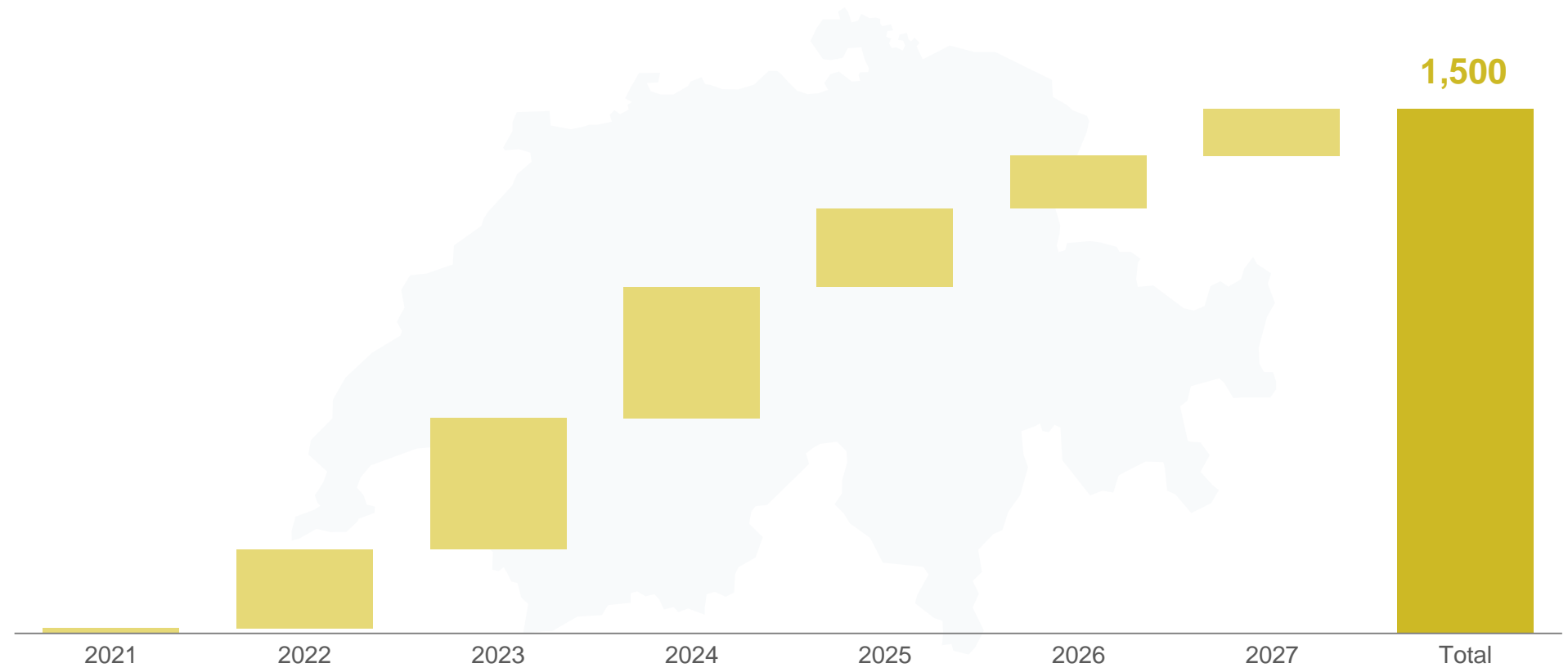
### URBAN, HIGH-DENSITY (~30-35% of Swiss Households)

leverage existing infrastructure from Swisscom and local utilities via wholesale agreements

## ...AND ROLL OUT UP TO 1.5 MILLION FTTH LINES BY 2027

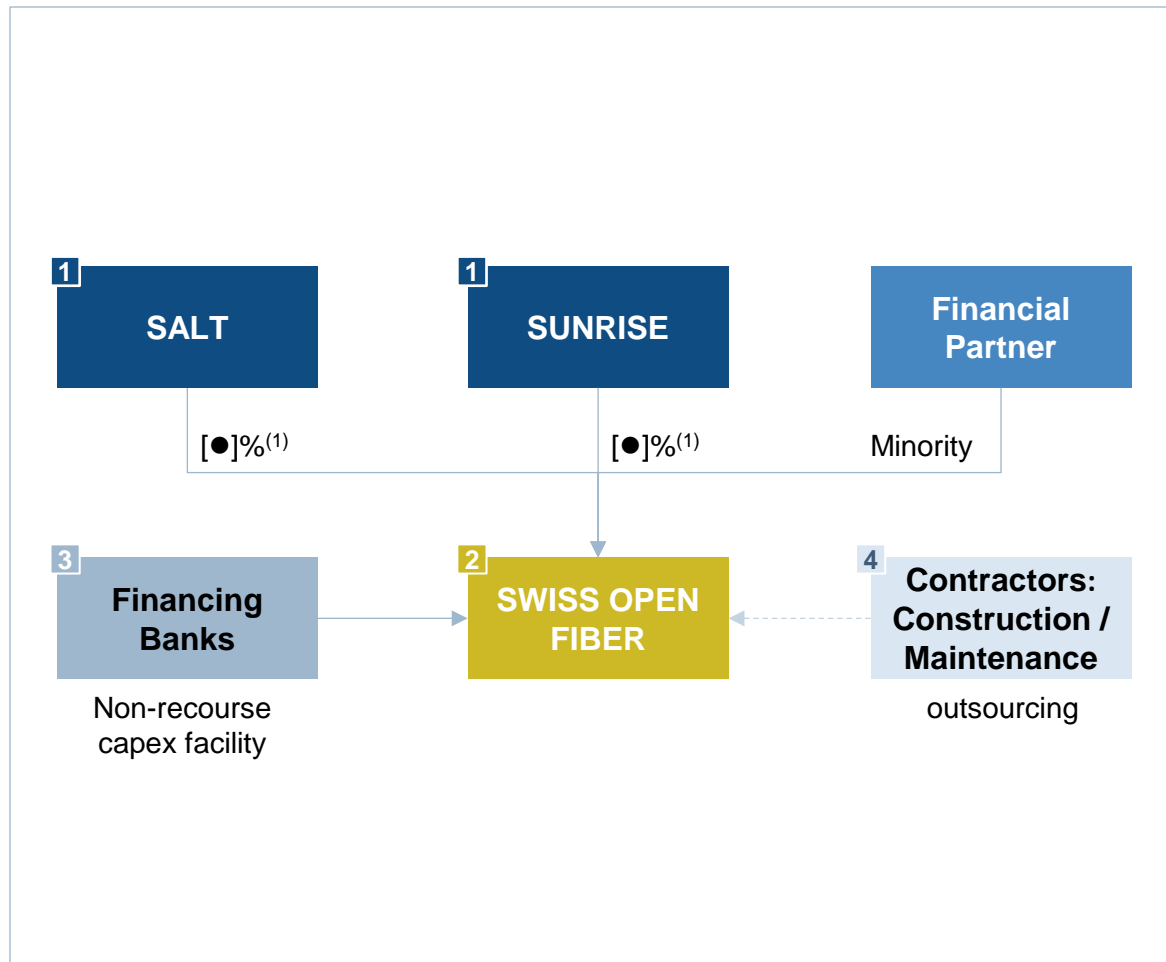
- Swiss Open Fiber aims at rolling out 1.5 million FTTH lines over the next 5 to 7 years
- Up to CHF 3 billion capex spend over the respective time frame, primarily funded through debt and equity from financial partner and wholesale revenues from tenants
- Advanced discussions with experienced construction partners

**Swiss Open Fiber Roll-out Plan (#k)**



# TRANSACTION STRUCTURE

## SIMPLIFIED DIAGRAM

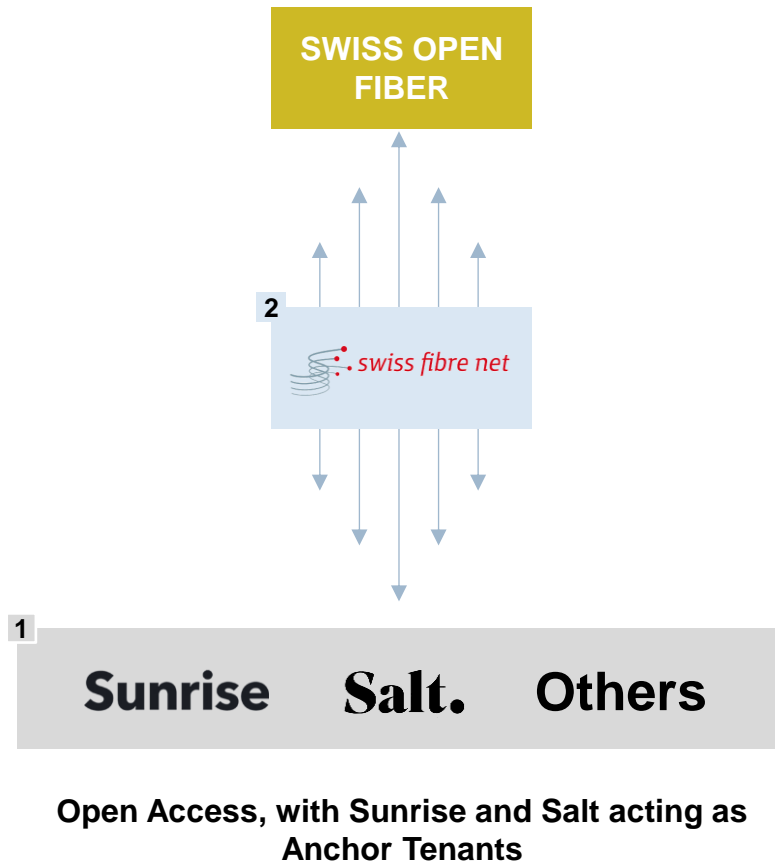


- 1** Sunrise and Salt will each hold 50% of the capital in Swiss Open Fiber, before opening up to a financial sponsor. Following investment of Financial Partner, Sunrise and Salt will each hold an equal minority position
- 2** Swiss Open Fiber business model consists in rolling-out and maintaining FTTH lines and offering related services to retail operators
- 3** The roll-out will be funded mainly through a dedicated capex facility for which terms will be negotiated with financing banks
- 4** Dedicated roll-out and maintenance agreements with engineering partners, including turnkey for local subcontractors

(1) Equal minority position

# COMMERCIAL RELATIONS

## SIMPLIFIED DIAGRAM



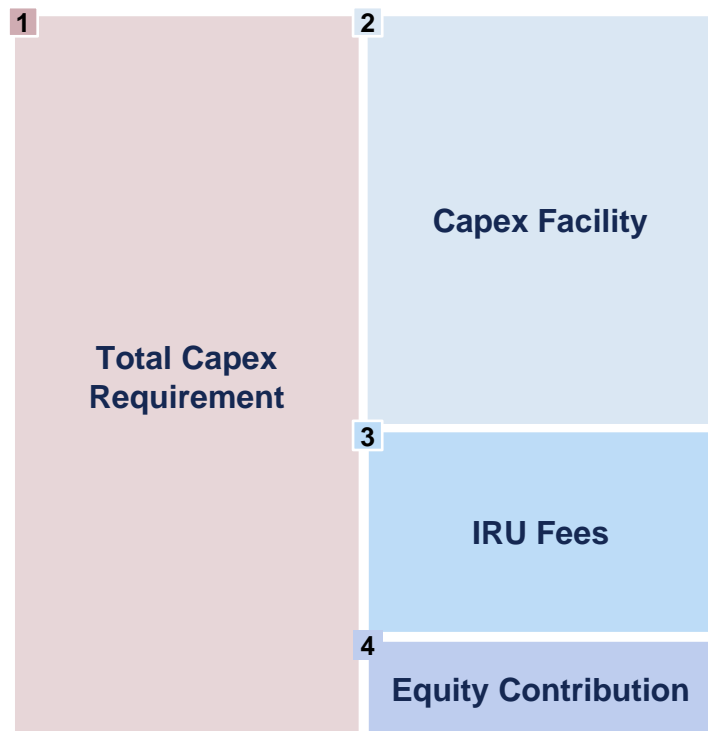
### 1 Legal framework and key contracts

- Sunrise and Salt enter into long-term wholesale commercial agreement with Swiss Open Fiber for FTTH lines within its perimeter
- Product price governed by a master service agreement providing long-term visibility to the prospective financial partner
- Swiss Open Fiber will benefit from an exclusivity from Sunrise and Salt on its fiber footprint

### 2 Partnership with Swiss Fibre Net for provisioning platform used to deliver FTTH services and commercialization

# FINANCING CONSIDERATIONS

## ILLUSTRATIVE FUNDING BREAKDOWN



**1** Up to CHF 3 billion capex requirement, including construction, connection, activation and other

**2** Capex facility provided to finance part of the construction capex requirement

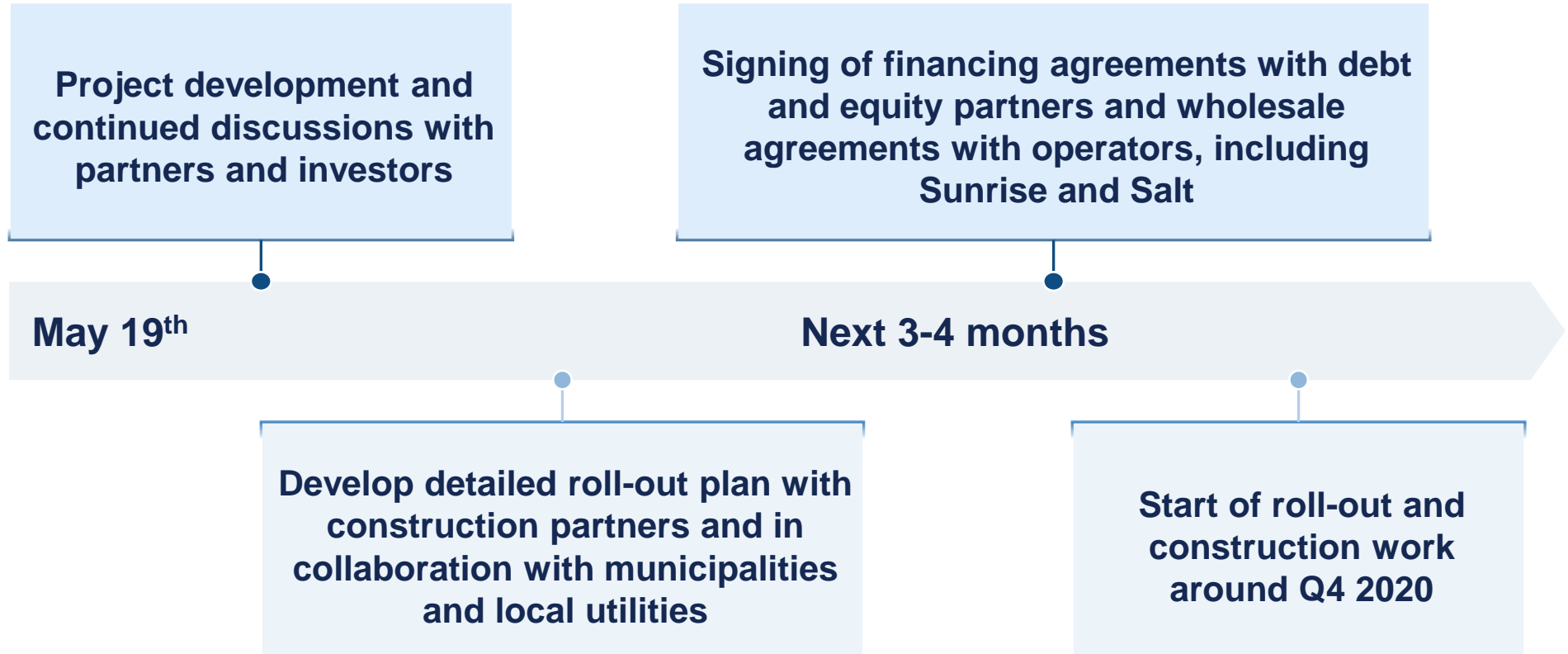
**3** Recurring IRU fees from Sunrise and Salt and other telecom operators for utilization of the network

**4** Equity contributions from the third party investor (upfront and over time), aiming to prevent equity contributions by Sunrise and Salt



# INDICATIVE ROADMAP

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# HIGHLIGHTS

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# **DO YOU HAVE QUESTIONS?**

**PLEASE CALL INVESTOR RELATIONS ON +41 (0)58 777 96 86**



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