

## Press release

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### Sunrise defined market pace in 2019 and delivers 5% dividend increase

- **Strong customer momentum in mobile postpaid (+9% YoY), internet (+9%) and TV (+15%)**
- **Revenue and service revenue both increased +5.2% in Q4 driven by customer momentum and B2B; FY'19 service revenue improved +3.3%**
- **Gross profit growth of +2.3% in Q4 and +2.7% in FY'19, with improvement partly reinvested into growth momentum**
- **Adj. EBITDA regained momentum to +5.2% (incl. IFRS 16: +12.1%) in Q4, leading to +3.9% growth in FY'19**
- **Proposed dividend per share up +5% YoY to CHF 4.40**
- **Outlook: another year of growth is expected in FY'20, delivering CHF 675-690m adj. EBITDA (incl. IFRS 16) as Sunrise continues to invest in network quality to support future growth**

| Revenue (CHF m)                                  | Q4'18<br>excl. IFRS 16 | Q4'19<br>incl. IFRS 16 | Q4'19<br>excl. IFRS 16* | YoY<br>incl. IFRS 16 | YoY<br>excl. IFRS 16 |
|--|------------------------|------------------------|-------------------------|----------------------|----------------------|
| Mobile services                                  | 333                    | 342                    |                         | 2.7%                 |                      |
| Landline services                                | 81                     | 89                     |                         | 10.7%                |                      |
| Landline internet                                | 73                     | 80                     |                         | 10.4%                |                      |
| <b>Total revenue</b>                             | <b>486</b>             | <b>511</b>             |                         | <b>5.2%</b>          |                      |
| Service revenue (total excl. hubbing & hardware) | 380                    | 400                    |                         | 5.2%                 |                      |
| <b>Gross profit</b>                              | <b>312</b>             | <b>320</b>             | <b>320</b>              | <b>2.3%</b>          | <b>2.3%</b>          |
| EBITDA   | 164                    | 82                     | 71                      | (49.9%)              | (56.4%)              |
| Adjusted EBITDA                                  | 153                    | 172                    | 161                     | 12.1%                | 5.2%                 |
| Net income                                       | 35                     | (53)                   | (52)                    | (253.6%)             | (251.3%)             |
| Equity free cash flow                            | 57                     | (113)                  |                         | (300.2%)             |                      |
| <b>Customers (in k)</b>                          |                        |                        |                         |                      |                      |
| Mobile Postpaid                                  | 1,729                  | 1,891                  |                         | 9.4%                 |                      |
| Mobile Prepaid                                   | 628                    | 563                    |                         | (10.3%)              |                      |
| Landline Voice                                   | 468                    | 502                    |                         | 7.3%                 |                      |
| Internet   | 457                    | 496                    |                         | 8.5%                 |                      |
| TV   | 244                    | 279                    |                         | 14.6%                |                      |

\*IFRS 16 has no impact on revenue

André Krause, CEO of Sunrise, comments: "Our solid FY'19 performance confirms our quality challenger strategy: Sunrise defined the market pace, won market share and quality awards, and assumed 5G network leadership, currently covering 426 cities and towns. We continued to perform despite a competitive environment and we will deliver further growth in FY'20".

#### Strong customer growth in postpaid, internet and TV

Momentum in subscriber additions continued, with Sunrise achieving 37,700 postpaid net adds in Q4'19. This strong performance was supported by B2B customer wins (including 'SRG SSR' and 'On' in Q4) and a focus on going the extra mile for customers. In FY'19, Sunrise grew its mobile postpaid customer base +9.4%, up from +8.5% in the previous year. The mobile prepaid customer base decreased YoY as customers continue to migrate to postpaid tariffs. Internet and TV subscribers rose by +8.5% YoY and +14.6% YoY

respectively. These substantial increases were supported by 2-4P bundled offers, attractive TV content (including Netflix, Sky Sports and Sky Show), a focus on service excellence, and dedicated promotions.

## **Service revenue growth driven by customer momentum and B2B**

Q4 service revenue increased by +5.2% YoY, as a result of mobile postpaid, internet / TV and B2B revenue growth. This represents an acceleration compared to Q3'19 growth (+2.0% YoY). Total Q4 revenue increased by +5.2% YoY to CHF 511m supported by service revenue, and higher hardware and hubbing sales.

FY'19 total revenue improved +0.5% YoY. Service revenue growth, driven by customer and B2B momentum, was partly offset by lower hubbing and mobile hardware sales over the full year.

## **Higher gross profit and adj. EBITDA**

Q4 gross profit rose by +2.3% YoY to CHF 320m. Growth was driven by service revenue, while service gross margin decreased slightly. FY'19 gross profit came in at CHF 1,252m, an improvement of +2.7% YoY. Q4 adjusted EBITDA increased +5.2% (incl. IFRS 16 +12.1%) to CHF 161m, leading to +3.9% (incl. IFRS 16 +11.2%) adjusted EBITDA growth in FY'19. Q4 reported EBITDA dropped by 56.4%, as Sunrise booked CHF 83m one-off expenses related to the cancellation of the acquisition of UPC Switzerland ('UPC') - as indicated last November. FY'19 net income decreased from CHF 107m the previous year to CHF 59m, driven by the UPC acquisition cancellation, which was partly compensated by adjusted EBITDA growth and a deferred tax liability reduction.

## **eFCF impacted by spectrum, landline access and UPC acquisition cancellation**

FY'19 equity free cash flow (eFCF) was primarily impacted by CHF 91m payments related to the 5G spectrum acquisition and CHF 60m upfront payments for landline access at Swisscom. One-off payments related to the acquisition cancellation reduced eFCF by CHF 112m. As a result, eFCF decreased from CHF 149m as of FY'18 to CHF -22m. Net debt to adjusted EBITDA ratio stood at 2.50x at the end of FY'19. Excluding IFRS 16, this amounted to 2.27x, a slight YoY increase from 1.99x driven by spectrum, landline access, and acquisition cancellation. The Board of Directors proposes allocating approximating CHF 198m from the reserves from foreign capital contributions to the dividend reserve to pay a dividend of CHF 4.40 per share in FY'20. This represents a 5% YoY dividend increase.

## **FY'20 guidance with adj. EBITDA growth and continued growth investments**

FY'20 revenue and adjusted EBITDA are expected between CHF 1,875-1,915m and CHF 675-690m, respectively. This guidance includes the effects of IFRS 16, which are expected to be roughly stable YoY. FY'20 Capex is expected to be in the range of CHF 410-450m. This includes investments of CHF 130-150m in an accelerated rollout of 5G and 4G+, which will drive network excellence and customer momentum, and provide fixed wireless access in selected areas without fiber. The guidance also includes slightly elevated upfront payments for landline access due to higher than expected customer demand for fiber. Upon meeting its FY'20 guidance, Sunrise expects to propose a dividend in the range of CHF 4.55-4.65 per share for FY'20 to be paid out of foreign capital contribution reserves in FY'21.

## **Dividend policy confirmed**

Sunrise confirms its long-term dividend policy of paying out at least 65% of eFCF, and continues to target 85% if net debt / adjusted EBITDA leverage is below 2.3x (previously 2.0x, now adjusted for the IFRS 16 accounting change). For 2018-2020, Sunrise reiterates its annual 4-6% dividend progression guidance and is extending this for one year to 2021. The 2018-2020 guidance specification was introduced to protect investors from near term cash flow volatility due to landline access and spectrum payments. The guidance specification for 2021 is based on the expectation that Capex levels will normalize to CHF 250-290m (including utility- excluding Swisscom upfront payments for landline access) after reaching CHF 410-450m in 2020. This reduction will materially improve eFCF in 2021, which is expected to fully cover the dividend guidance specification, in line with the long-term dividend policy.

## Complementary FY'19 results table

| Revenue (CHF m)                                  | FY'18<br><i>excl. IFRS 16</i> | FY'19<br><i>incl. IFRS 16</i> | FY'19<br><i>excl. IFRS 16*</i> | YoY<br><i>incl. IFRS 16</i> | YoY<br><i>excl. IFRS 16</i> |
|--|-------------------------------|-------------------------------|--------------------------------|-----------------------------|-----------------------------|
| Mobile services                                  | 1,271                         | 1,271                         |                                | 0.0%                        |                             |
| Landline services                                | 325                           | 307                           |                                | (5.7%)                      |                             |
| Landline internet                                | 280                           | 309                           |                                | 10.2%                       |                             |
| <b>Total revenue</b>                             | <b>1,876</b>                  | <b>1,887</b>                  |                                | <b>0.5%</b>                 |                             |
| Service revenue (total excl. hubbing & hardware) | 1,501                         | 1,551                         |                                | 3.3%                        |                             |
| <b>Gross profit</b>                              | <b>1,219</b>                  | <b>1,252</b>                  | <b>1,252</b>                   | <b>2.7%</b>                 | <b>2.7%</b>                 |
| EBITDA   | 602                           | 588                           | 544                            | (2.4%)                      | (9.7%)                      |
| Adjusted EBITDA                                  | 601                           | 668                           | 624                            | 11.2%                       | 3.9%                        |
| Net income                                       | 107                           | 56                            | 59                             | (48.0%)                     | (44.9%)                     |
| Equity free cash flow                            | 149                           | (22)                          |                                | (114.8%)                    |                             |

\*IFRS 16 has no impact on revenue

Please see [www.sunrise.ch/reports](http://www.sunrise.ch/reports) for the IFRS report, the investor presentation, and further information.

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