

Press release

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Sunrise with a robust start to the year: Q1 adj. EBITDA up +5.9%

- Strong customer momentum in mobile postpaid (+9% YoY), internet (+7%) and TV (+15%)
- Service revenue increased +3.6% driven by customer momentum and B2B, while total revenue was up +2.8%
- Gross profit growth of +3.4%; adj. EBITDA up +5.9% supported by continued growth investments and efficiency program
- Reiterate 2020 adj. EBITDA guidance supported by strong Q1 and cost containment

Revenue (CHF m)	Q1'19	Q1'20	YoY
Mobile services	302	306	1.4%
Landline services	71	71	0.5%
Landline internet	74	82	10.6%
Total revenue	447	459	2.8%
Service revenue (total excl. hubbing & hardware)	371	384	3.6%
Gross profit	305	316	3.4%
EBITDA	175	162	(7.0%)
Adjusted EBITDA	158	168	5.9%
Net income	35	22	(37.2%)
Equity free cash flow	33	73	123.7%
Customers (in k)			
Mobile Postpaid	1,772	1,925	8.7%
Mobile Prepaid	597	532	(10.9%)
Landline Voice	481	509	5.8%
Internet	472	507	7.4%
TV	252	291	15.2%

André Krause, CEO of Sunrise, comments: "Sunrise proved its reliability even in times of COVID-19 by maintaining unrestricted customer support, removing data/speed limits, extending SME payment terms, and offering an outstanding network handling higher data traffic and mass-scale home-working. Alongside solid Q1 results, this confirms our strategic focus on quality across our networks, services and products."

Continued customer growth in postpaid, internet and TV

Momentum in subscriber additions continued, with Sunrise achieving 33,900 postpaid net adds in Q1'20. This strong performance was supported by B2B customer wins (including 'Alcon Pharmaceuticals Ltd.' and 'CSL Behring' in Q1) and a focus on going the extra mile for customers. YoY, Sunrise grew its mobile postpaid customer base +8.7%. The mobile prepaid customer base decreased YoY as customers continue to migrate to postpaid tariffs. Internet and TV subscribers rose by +7.4% YoY and +15.2% 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, a new OTT TV product and dedicated promotions.

Service revenue growth driven by customer momentum and B2B

Q1 service revenue increased by +3.6% YoY, as a result of mobile postpaid, internet / TV and B2B revenue growth. This represents a deceleration compared to Q4'19 growth (+4.3% YoY), primarily driven by less tailwind from project driven

'Integration' business. Total Q1 revenue increased by +2.8% YoY to CHF 459m supported by service revenue and stable hardware and hubbing sales.

First impacts of the global COVID-19 pandemic were visible in March. Roaming revenues in the second half of March deteriorated and were compensated by an initial high international and national call volume. In April, roaming continued to be on very low levels, whilst national and international call volumes were still elevated but at lower levels than in March.

Higher adj. EBITDA supported by service revenue and efficiency program

Q1 gross profit rose by +3.4% YoY to CHF 316m. Growth was driven by service revenue, while service gross margin was roughly stable. Q1 adjusted EBITDA increased +5.9% and exceeded gross profit growth, supported by the efficiency program. Net income decreased from CHF 35m in 2019 to CHF 22m, as last year benefited from a tower disposal gain.

Increasing eFCF and leverage as expected

Q1 equity free cash flow (eFCF) more than doubled from CHF 33m to CHF 73m YoY. This is primarily related to last year's upfront payments for landline access and a different seasonality in terms of tax payments. Net debt to adjusted EBITDA ratio stood at 2.3x at the end of Q1. This represents an increase compared to 2.2x in Q1 last year, primarily driven by 5G spectrum and the cancellation of the acquisition of UPC Switzerland.

Network rollout on-track

Sunrise's 5G rollout continued in 2020, with 535 cities and towns being covered with 5G in the 3.5 GHz bands by beginning of May and a targeted population coverage of 90% with 5G in the lower bands (700 MHz) until Q3. André Krause, CEO of Sunrise, comments: "Our accelerated rollout positions Switzerland as a European leader in terms of 5G coverage. However, with its latest decision of not changing the limit values for non-ionising radiation and the delay of the execution guidelines for handling adaptive antennas, the Federal Council continues to make the 5G rollout challenging. This will worsen the quality of Switzerland's networks and endanger digitization. Switzerland has already been left behind in terms of fiber optic connections."

FY'20 adj. EBITDA guidance confirmed, while revenue guidance slightly lowered

The revenue guidance has been modified due to uncertainty related to the global COVID-19 pandemic: FY'20 revenue is expected between CHF 1,840-1,880m (previously CHF 1,875-1,915m). Adjusted EBITDA guidance is reiterated at CHF 675-690m, supported by a strong Q1 and cost containment. Guidance is based on an expected gradual recovery of the COVID-19 impacts, on the back of the announced easing of the lockdown, including an easing on international travel restrictions. Opex containment is expected to largely compensate for the gross profit shortfall from lower roaming and hardware revenues. In case assumptions on a gradual recovery were too optimistic, Sunrise would expect an incremental roaming risk of CHF 5-10m to the adjusted EBITDA guidance. FY'20 Capex is reiterated in the range of CHF 410-450m. 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.

Please see www.sunrise.ch/reports for the IFRS report, the investor presentation, and further information.

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