

Sunrise

Q1 2020 Financial Results

14 May 2020

Sunrise

Agenda

- > Summary
- > Operational Update
- > Q1 Financials
- > Outlook
- > Q&A



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Summary

Sunrise continues to define the market pace
and grows adj. EBITDA by +5.9% in Q1

André Krause
CEO



Summary

Strong start to the year with continued growth

Expect slowdown



Financial growth YoY

+3.6%
Service revenue

+3.4%
Gross profit

+5.9%
Adj. EBITDA

207m
Adj. eFCF LTM



Customer growth Q1

+34k
Postpaid

-31k
Prepaid

+11k
Internet

+11k
TV



Strategic priorities

Network

Service

Innovation

Accelerated adj. EBITDA growth in Q1

COVID-19 to slow down growth temporarily

Reiterate adj. EBITDA guidance

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Operational Update

Commercial momentum and 5G leadership
in Q1; COVID-19 to slow down growth
temporarily

André Krause
CEO



Operational update on COVID-19

Successfully implemented continuity measures



Employee health & safety

- Managed smooth transition with >95% of Sunrise work force in **home office** as per March 17th
- Ensured home office also at partners abroad; implemented safe shop concept



Network stability

- **Outstanding** network handled higher data traffic and mass-scale home-working without service disruption
- Customers rated network performance with best NPS values ever; voice performance with lowest call cut ratio in history and no data congestion seen on any mobile antenna



Customer proximity

- Unrestricted customer support via 25 **open shops**, online and tele sales with increased activity
- **Removed limits** for mobile data and internet speed; increased marketing efforts for FWA in non fiber areas
- Extended payment period to 3 months for SME



High level of employee engagement



Disruption free operations



Record level of customer satisfaction

Financial update on COVID-19



Trading

Lockdown

- Shop closures leading to **lower gross adds** and **lower churn**
- **B2B intake delayed** as cust. delay purchase decisions
- Softer net adds
- **Less** demand for **hardware**

Gradual recovery

- 95 of total 95 own shops again **open** (dir./ind. shops generating >2/3 of intake ¹⁾)
- Focus on marketing home entertainment and home office, including dual B2B connectivity



Roaming

- **ARPU impacted** by reduced travel; roaming-in rev. and roaming-off costs to large extent fixed as contracted

- ~2/3 of all roamers usually active in neighbor countries; CHF5-10m adj. EBITDA downside if slower recovery ²⁾



Costs

- **Opex reduction** from commerc. and operational savings, partly offset by bad debt provisions

- Speed up of **efficiency** program



Capex

- **No impact** on network rollout at current point in time

- **Flexibility** to slow down in H2 if needed



**Guided 2020
adj. EBITDA
unchanged**

Revenue New 1,840-1,880m
Prev. 1,875-1,915m

Adj. EBITDA Unch. 675-690m

Capex Unch. 410-450m

Dividend guidance of CHF 4.55-4.65 confirmed

1) Q3'19 channel mix in residential postpaid, 2) In case assumptions on an easing of international travel and subsequent recovery of roaming revenues were too optimistic, Sunrise foresees a full year risk of CHF 5-10m on adj. EBITDA guidance

Continued focus on strategic priorities



**Network
quality**

Accelerated 5G rollout on-track

Leading in 3.5 Ghz,
available in 535 cities/
towns by May

90% pop coverage in
lower bands targeted
by Q3

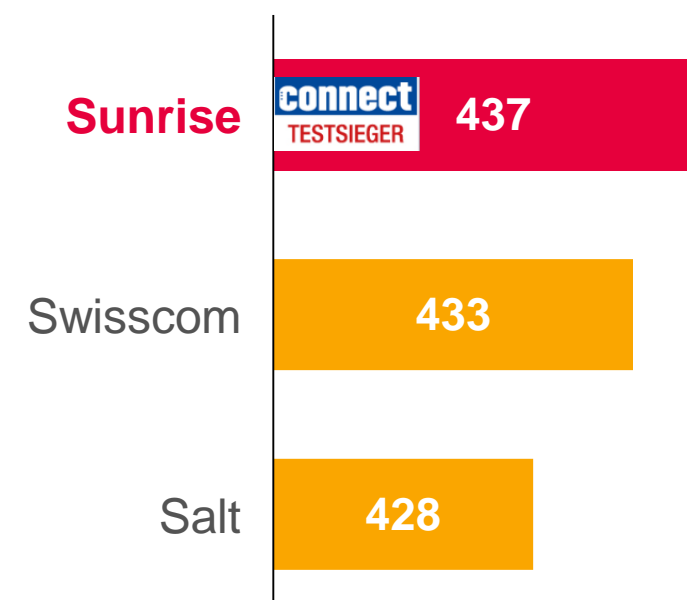


**European
5G leadership**



**Customer
interface**

#1 in connect mobile hotline test in Q1



**Ongoing shop
refresh**



**Leading
customer interface**



**Innovative converged
products**

Launched 'Family Benefit' in Q1

**Cross selling
mobile2mobile**



**Launched Business
Connectivity**



Strengthened frontline FTEs

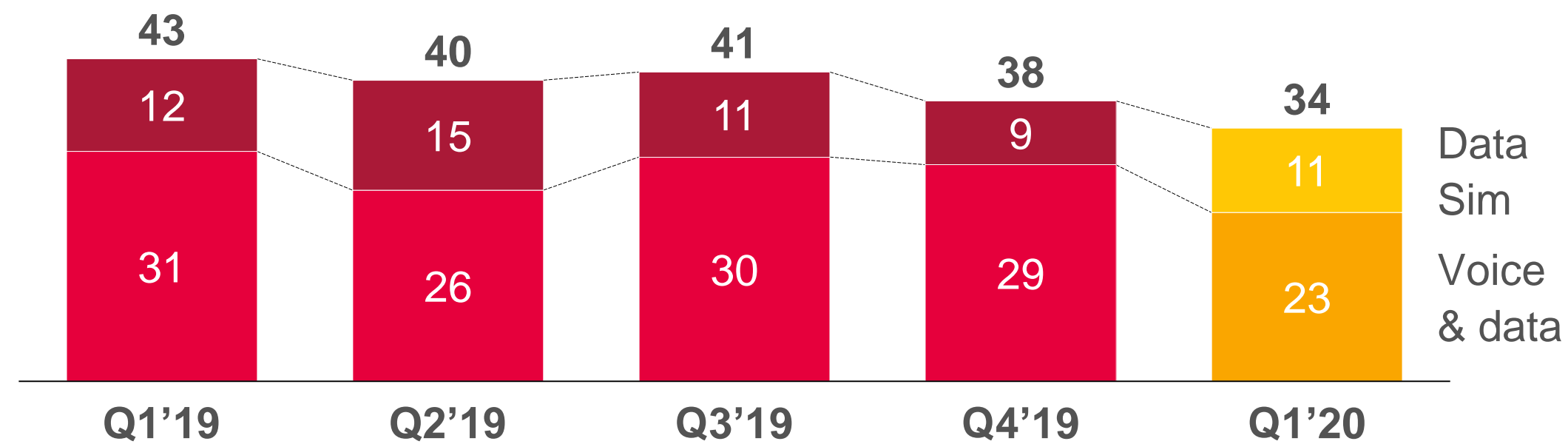
**Drive
convergence**

Sunrise

Gaining market share in postpaid



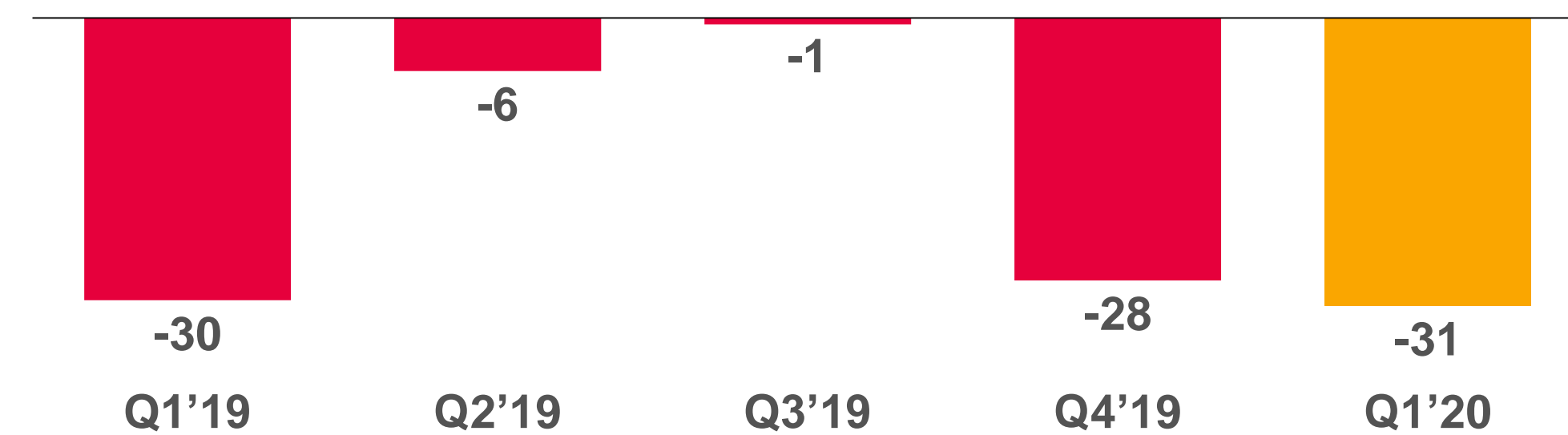
Postpaid mobile net adds
(‘000)



- Postpaid with **+9% subscription growth** YoY, leading to 1.93m total subscriptions; driven by B2B and yallo, strong network quality, broad product offering with attractive price performance ratio, and diversified distribution channels
- Net adds in first 3 weeks of April roughly 1/3 below first 3 weeks of March



Prepaid mobile net adds
(‘000)



- Prepaid with ongoing **pre- to postpaid migration** and negative seasonality, leading to 532k total subscriptions; prepaid accounts for ~4% of total revenue
- Focus on valuable customer in-take maintained

connect
OUTSTANDING



Sunrise
GAME CLOUD

Most Time on 5G
in Switzerland

24h
CHF 2.50

Prepaid Unlimited 7 days 5G

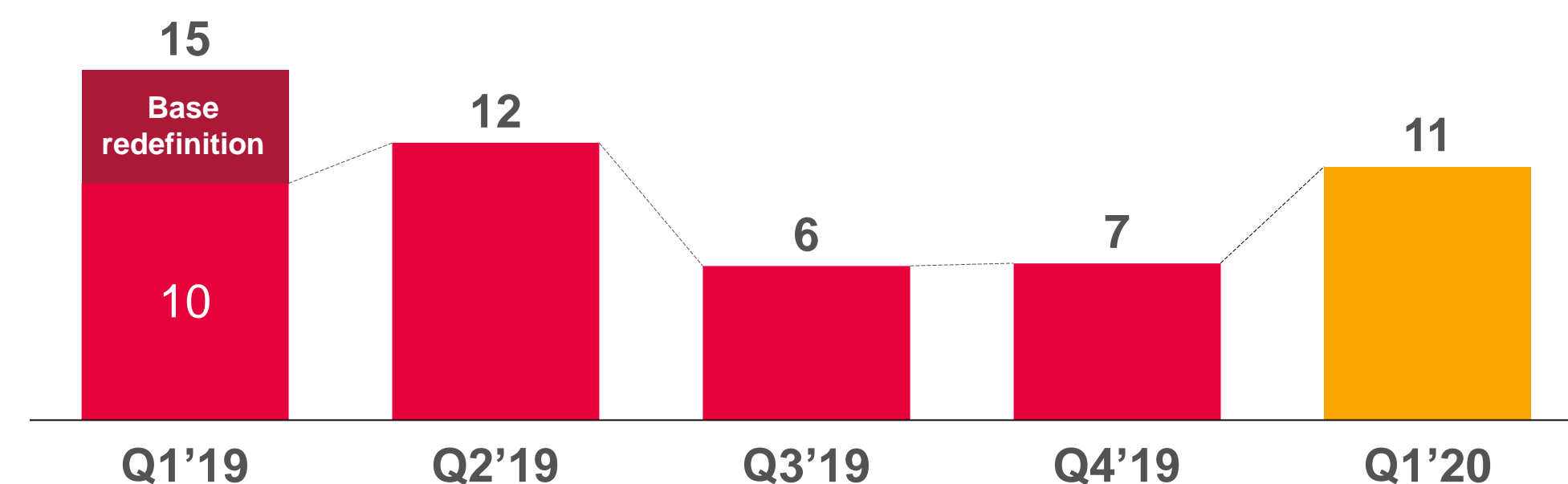
yallo

Prepaid Unlimited

Double digit internet and TV net adds



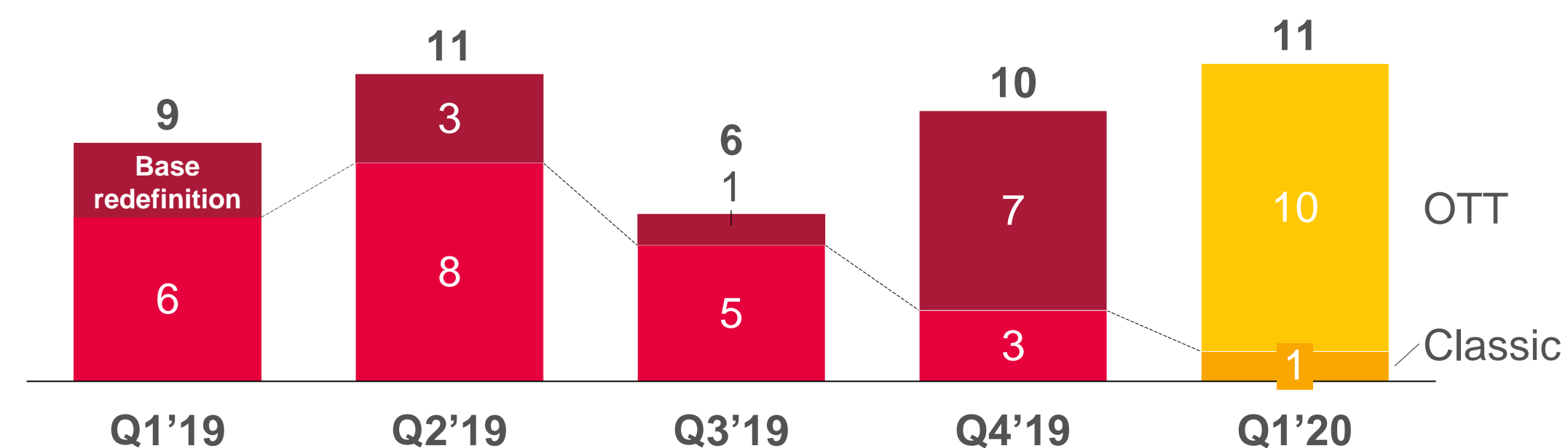
Internet net adds
(‘000)



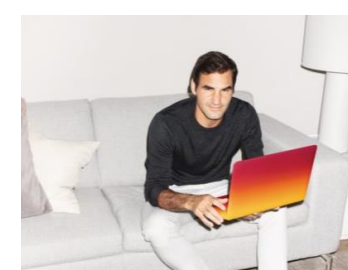
- **Internet continues to grow** customer base: Sunrise now has 507k internet subscriptions
- Driven by 2-4P bundled offers, supporting 8% YoY increase in converged billed customer base
- ~28% of internet customers on fiber, growing ~20% YoY



TV net adds
(‘000)



- **TV with solid growth:** Sunrise now has 291k TV subscriptions; supported by strong Sunrise TV offering including attractive content
- Commercial activities increasingly focused on TV OTT
- Launch of landline devices installment plan (e.g. for TV) to strengthen customer relationship and drive TV OTT



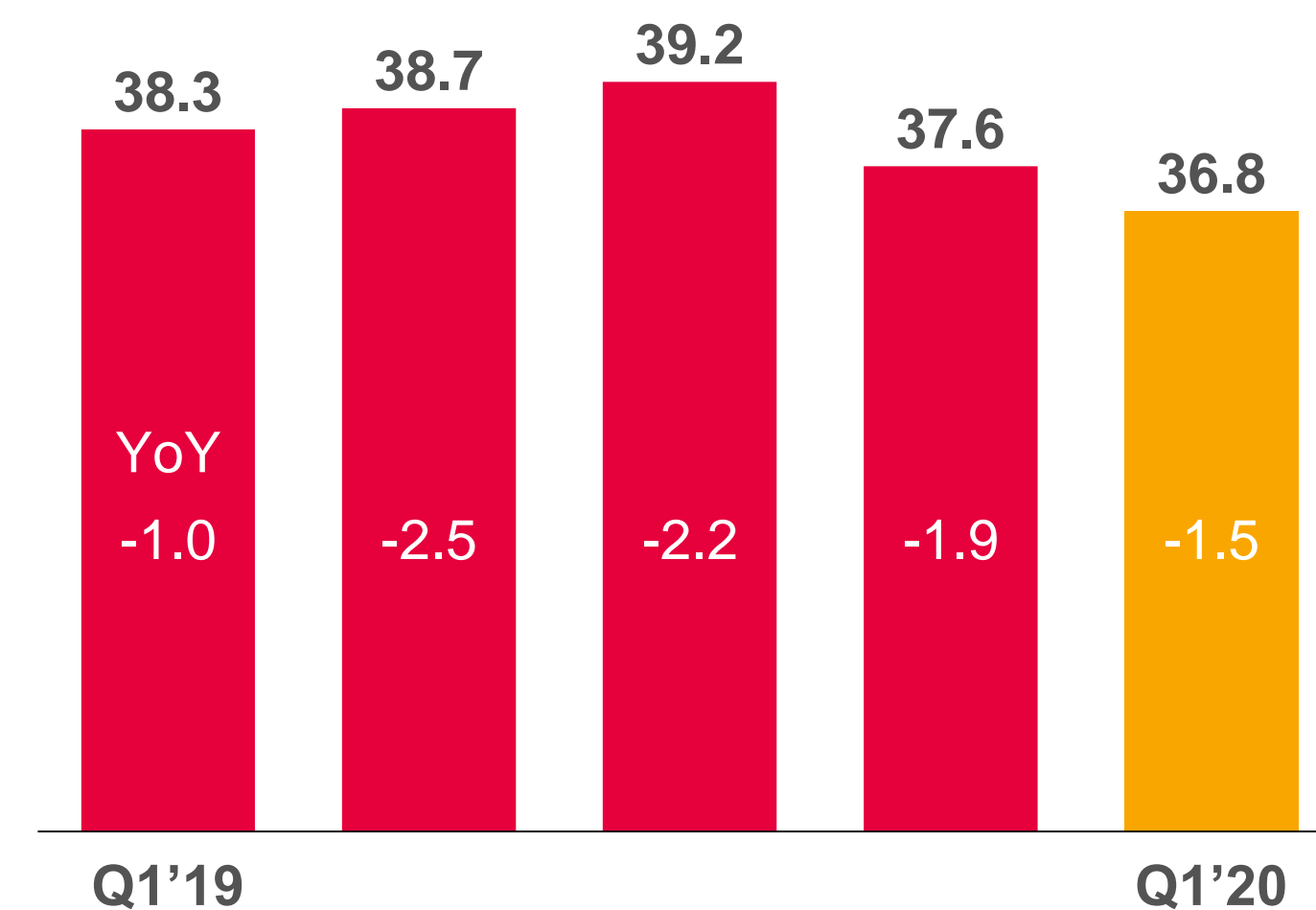
Postpaid ARPU decrease softening



Mobile postpaid ARPU

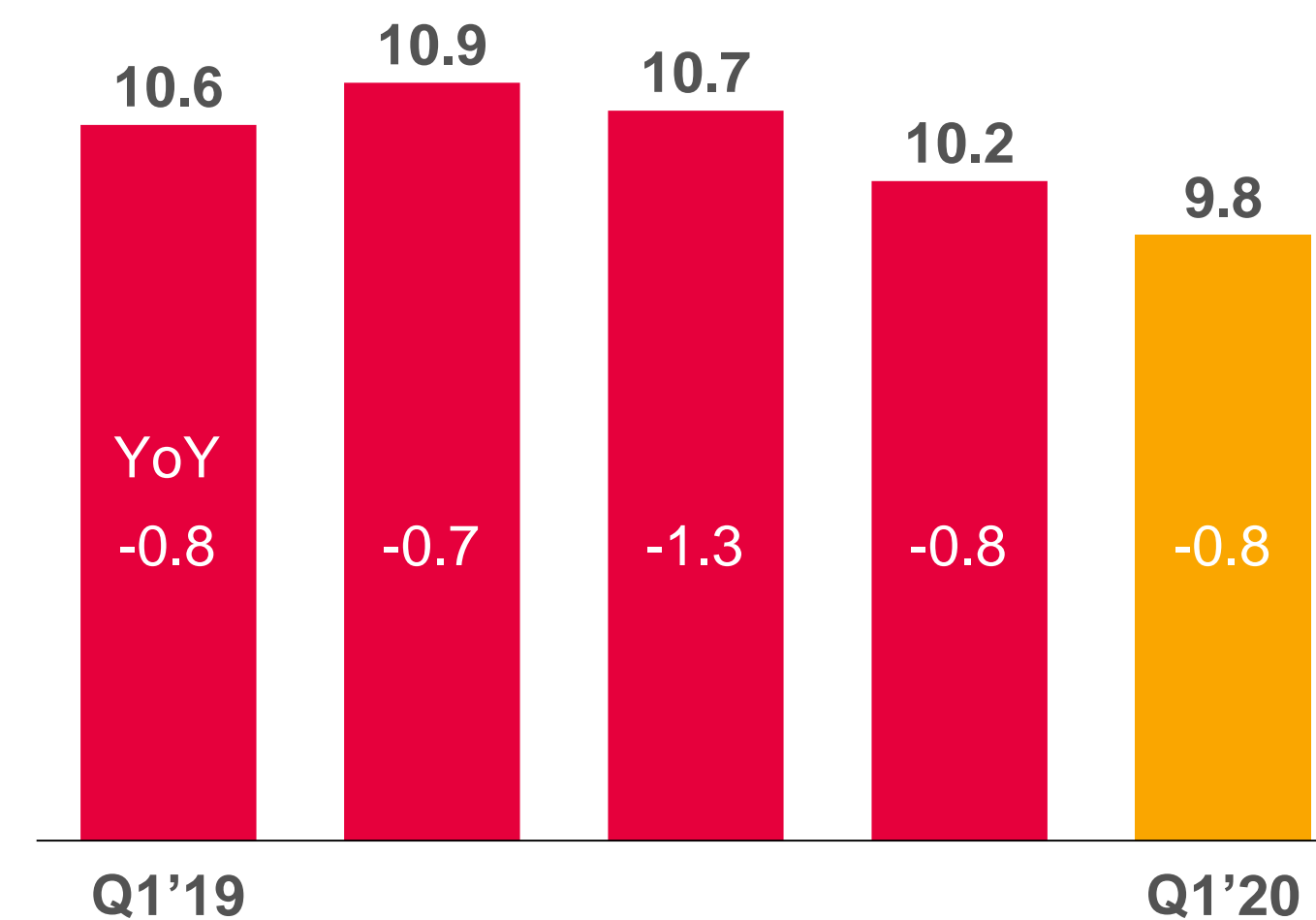
Postpaid down CHF -1.5 YoY (Q4: CHF -1.9), supported by MTR (COVID-19) and mix

Value measures have been put in place in Q3 and will be monitored



Mobile prepaid ARPU

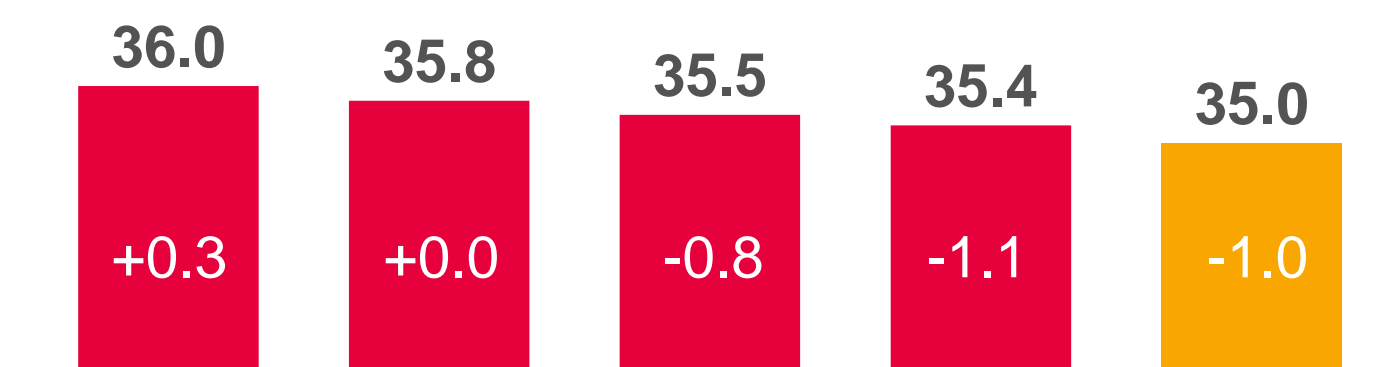
Prepaid down CHF -0.8 YoY (Q4: CHF -0.8)



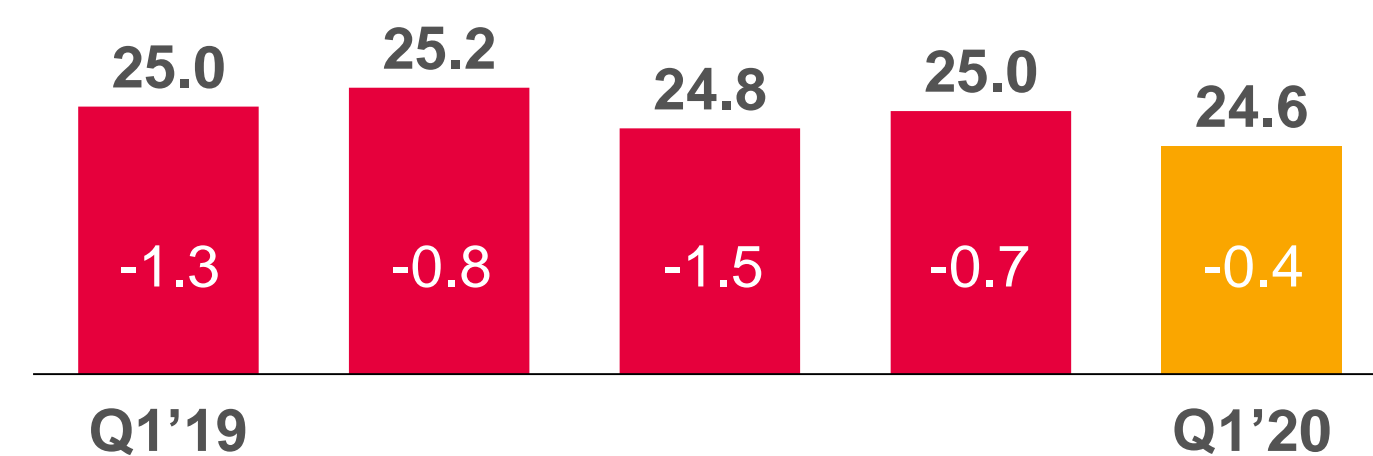
Internet & TV ARPU



Internet down CHF -1.0 (Q4: -1.1)



TV down CHF -0.4 (Q4: -0.7)



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Q1 Financials

Customer momentum translating into service revenue and adj. EBITDA growth

Uwe Schiller
CFO



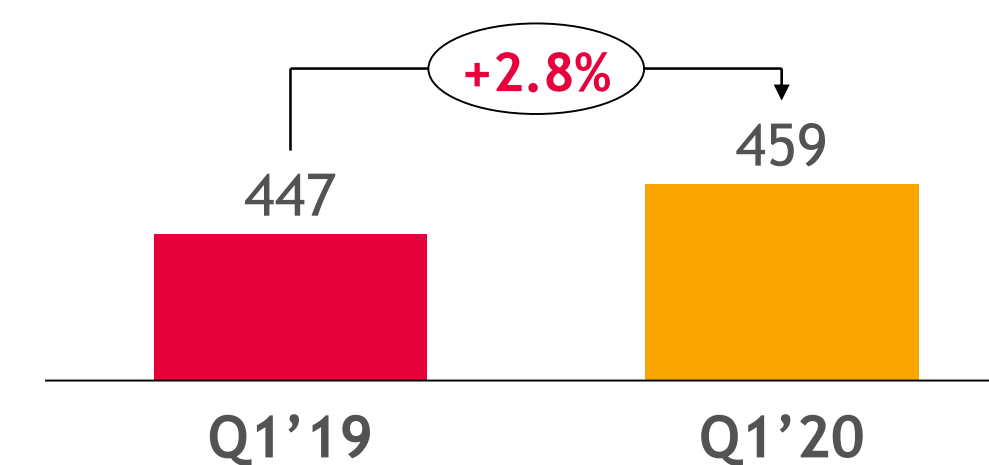
Financial Overview Q1



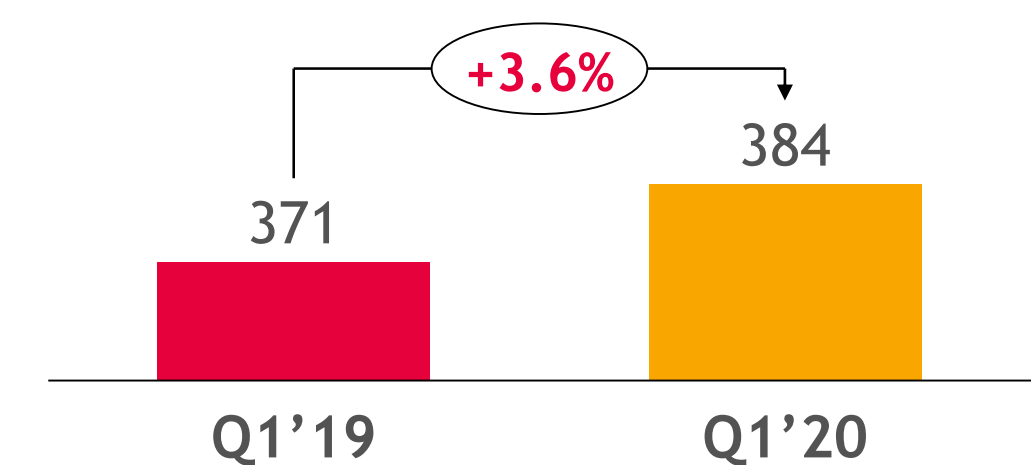
Revenue

- **Revenue up 2.8%** driven by increased service revenue, while revenues from hardware and hubbing (both low margin) roughly stable
- Service revenue up +3.6%, lower roaming partially compensated by higher voice traffic (internat. and nat.)

Total revenue CHF m



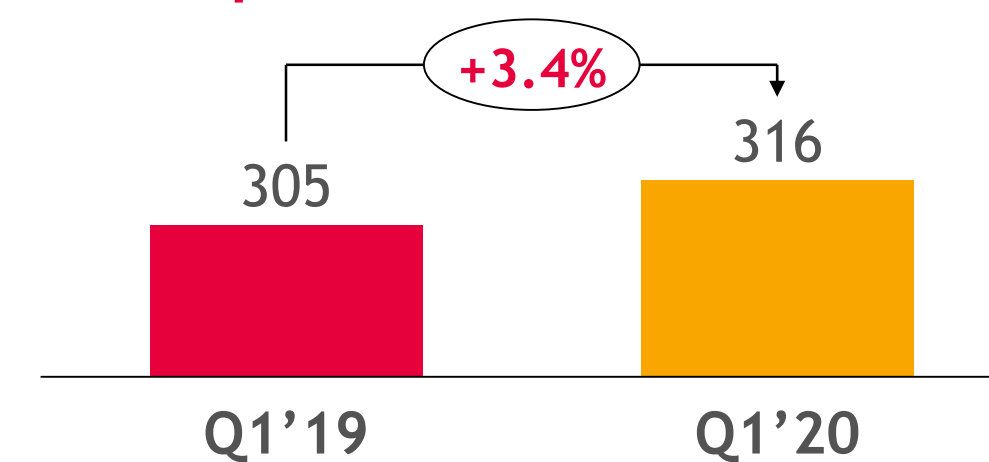
Service revenue



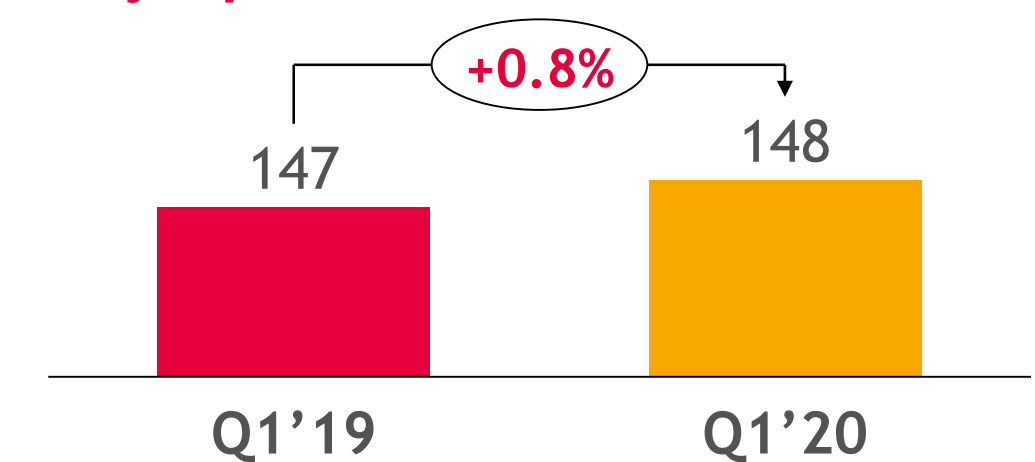
GP & Opex

- **Gross profit growth** of +3.4% driven by service revenue at roughly stable service gross margin
- Adj. Opex up +0.8%

Gross profit



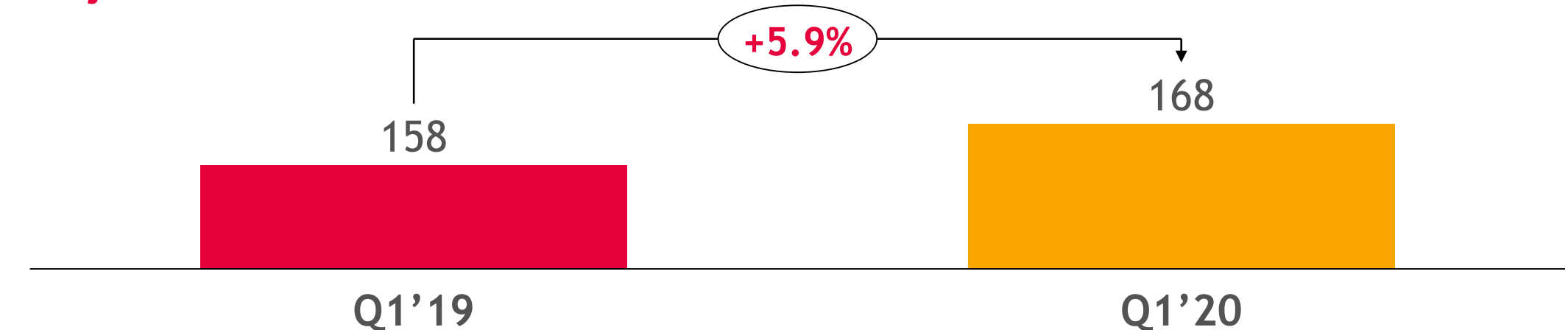
Adj. Opex



Adj. EBITDA

- **Adj. EBITDA up +5.9%** driven by gross profit
- On-track with efficiency plan, additional temporary savings addressed due to COVID-19

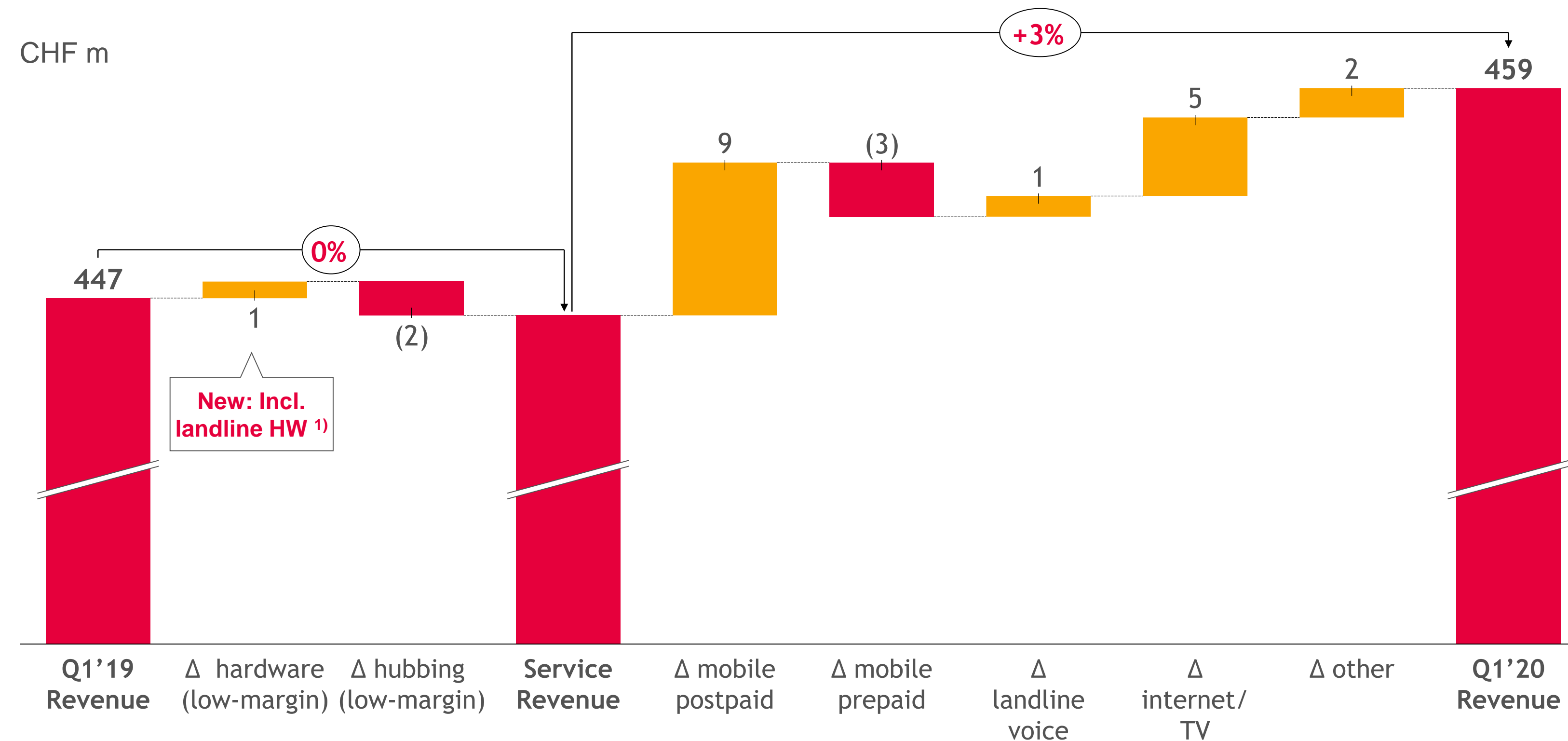
Adj. EBITDA



Service revenue growth ...



Service revenue driven
by postpaid and internet/TV



- **Hardware:** Volatile as it depends on innovation, launches, pricing and attachment rate
- **Hubbing:** International trading business which is volatile by nature
- **Postpaid:** Strong customer growth driven by investments into quality, offsetting lower ARPU; MTR initially benefited from COVID-19, volumes partly shifted to OTT in meantime
- **Prepaid:** Pre- to postpaid migration and shift to OTT; prepaid accounting for ~4% of total revenue
- **Landline voice:** COVID-19 led initially to more landline voice usage, partly shifted to OTT in meantime
- **Internet/TV:** Strong customer growth
- **Other:** Includes MVNO, fees and volatile lower-margin areas such as project driven 'Integration' business

1) 2019 service revenue was restated (factsheet) in order to exclude landline hardware (not material before 2019)

... driving gross profit growth

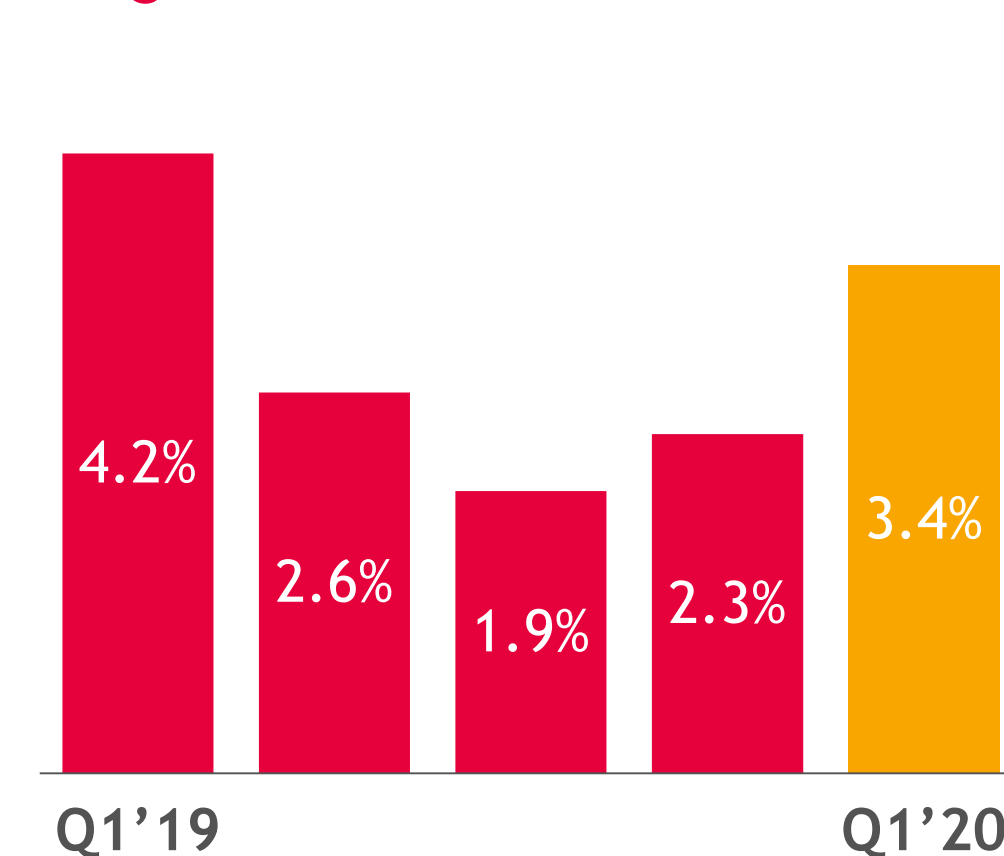


Gross profit growth...

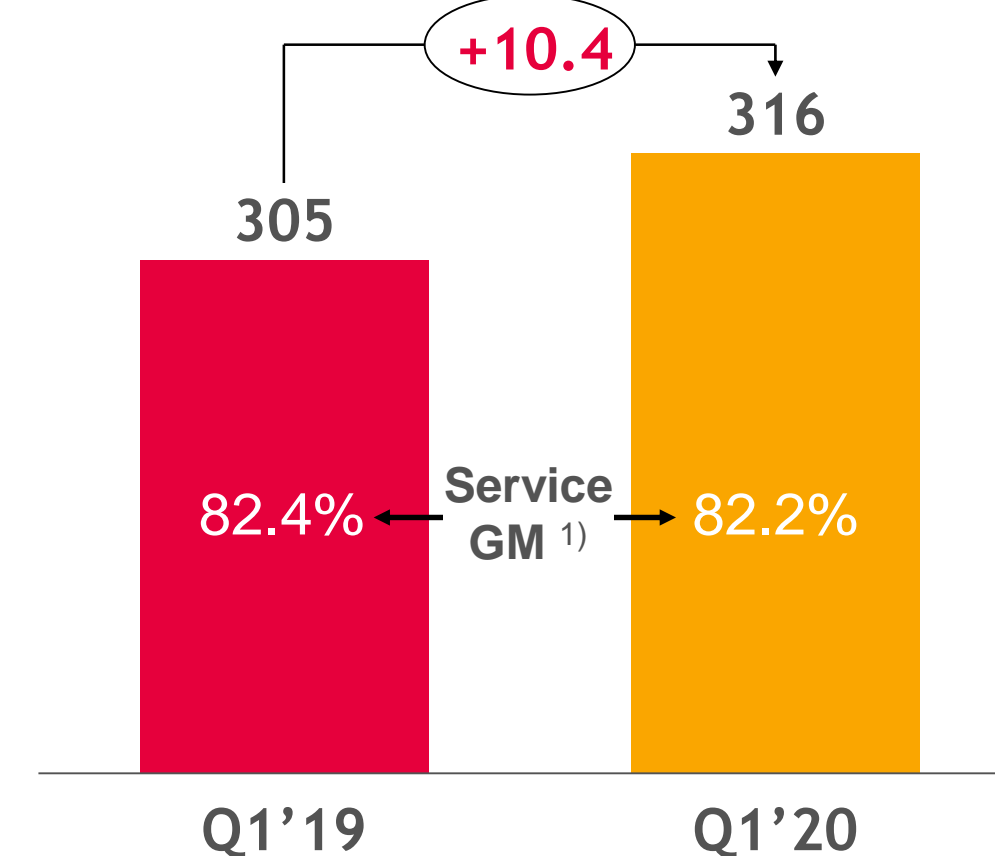


...partly reinvested into operational momentum

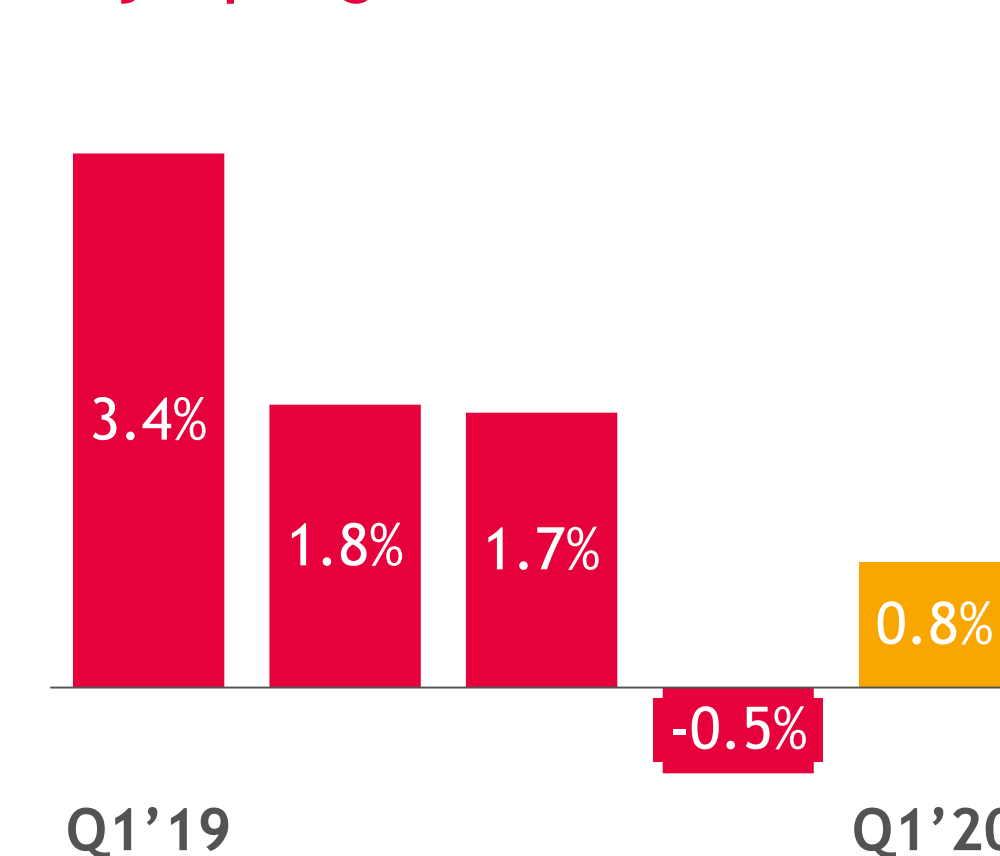
GP growth YoY



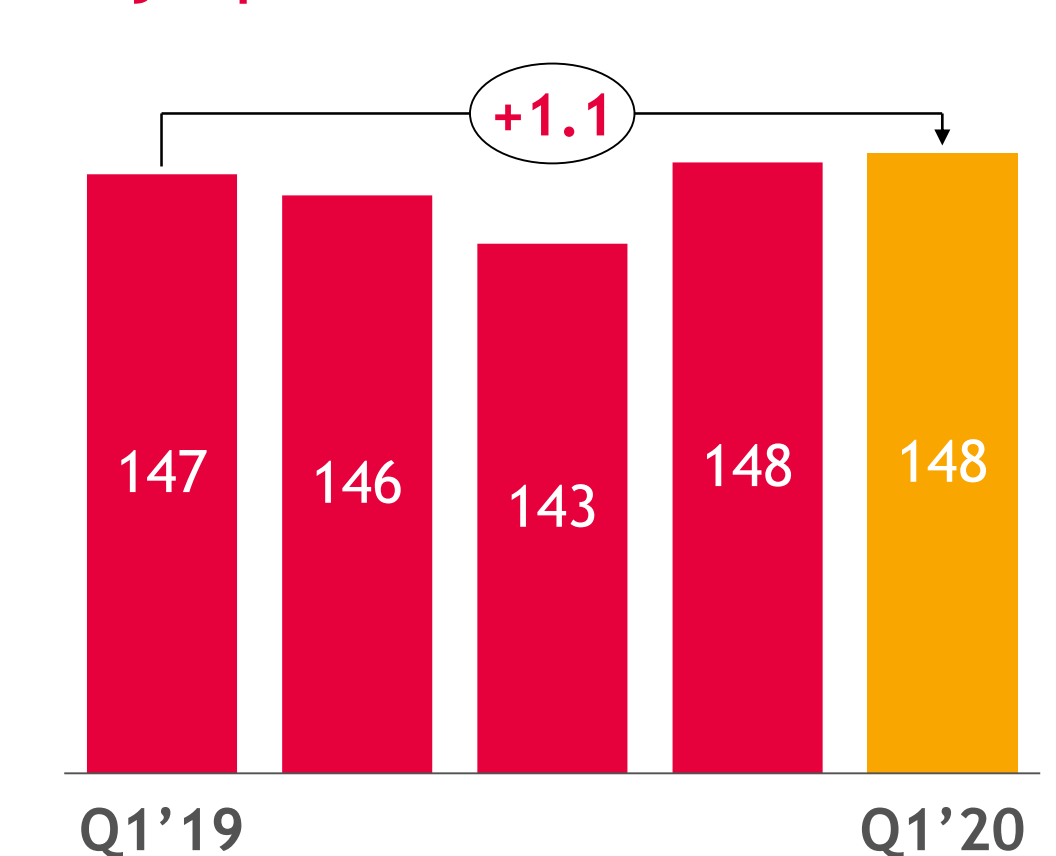
GP CHF m



Adj. Opex growth YoY 2)



Adj. Opex CHF m



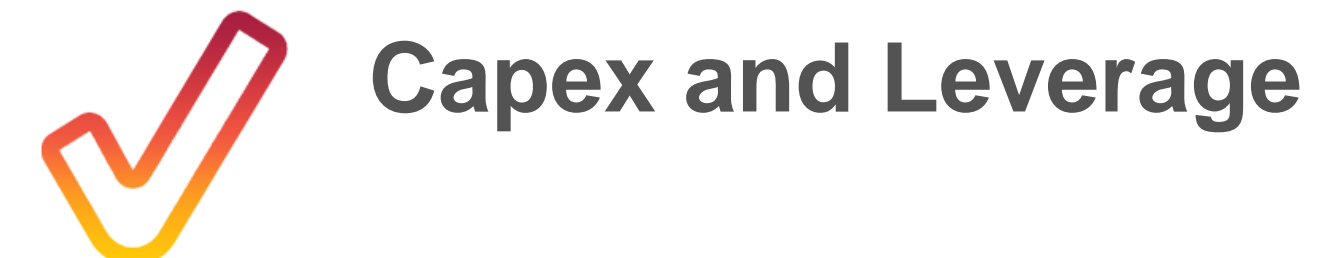
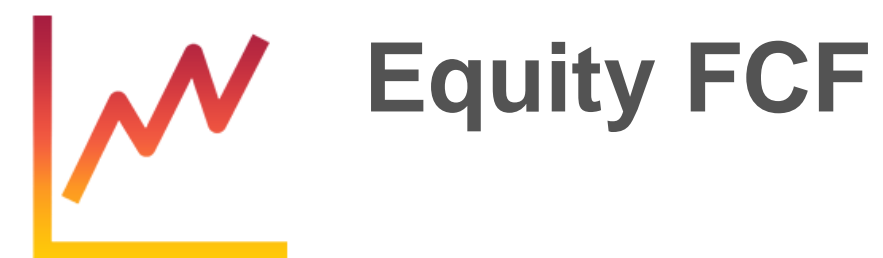
- **Gross profit +3.4%** driven by service revenue growth
- Service gross margin roughly stable

- **Adj. Opex slightly up** driven by continued onboarding and frontline investments (e.g. B2B staff and shops) as well as bad debt provisions
- Largely offset by efficiency program and reduced commercial expenses in March related to COVID-19

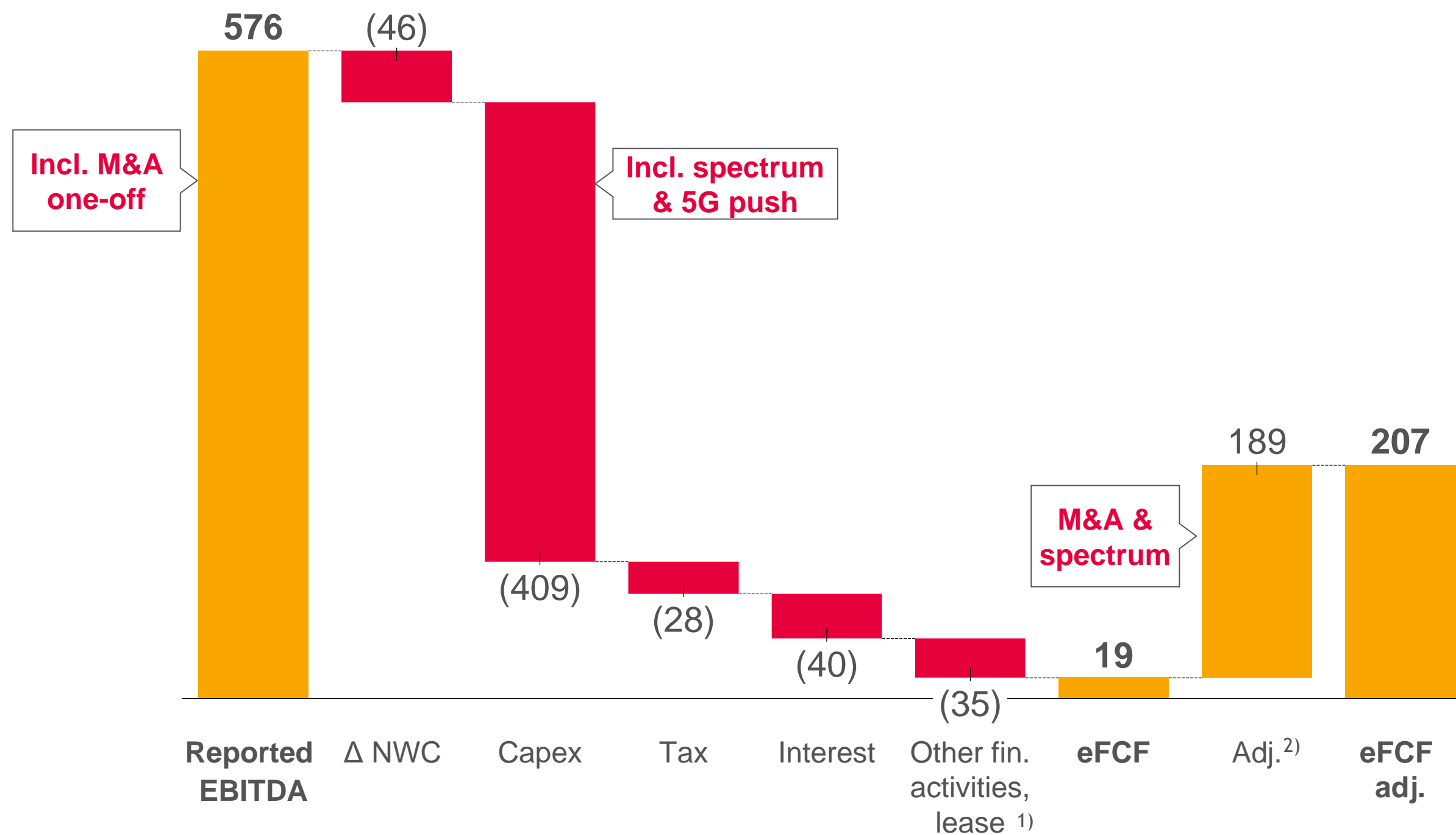
1) Service gross margin is calculated as total gross profit divided by service revenue (i.e. revenue excluding low-margin hardware and hubbing revenue)

2) Excludes IFRS 16 for 2019 YoY as 2018 was not restated for IFRS 16

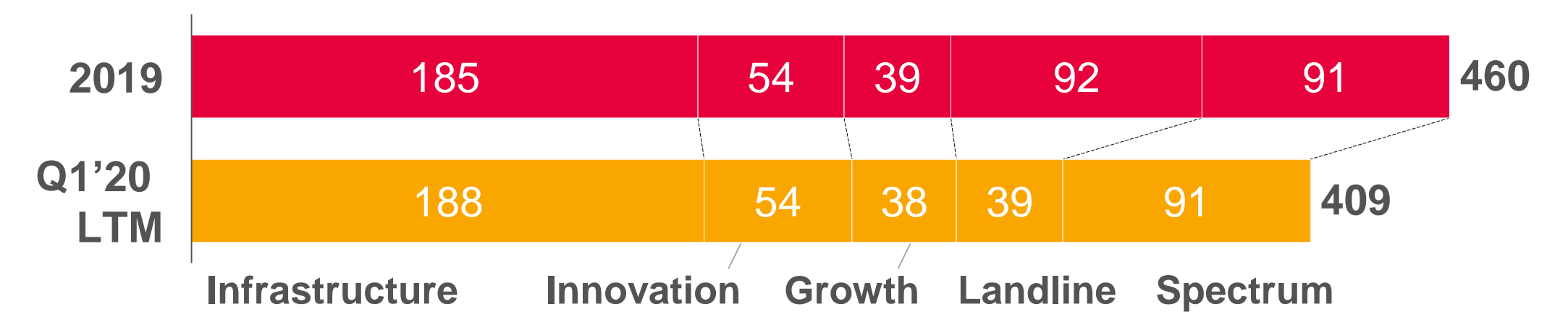
Focus on eFCF and leverage



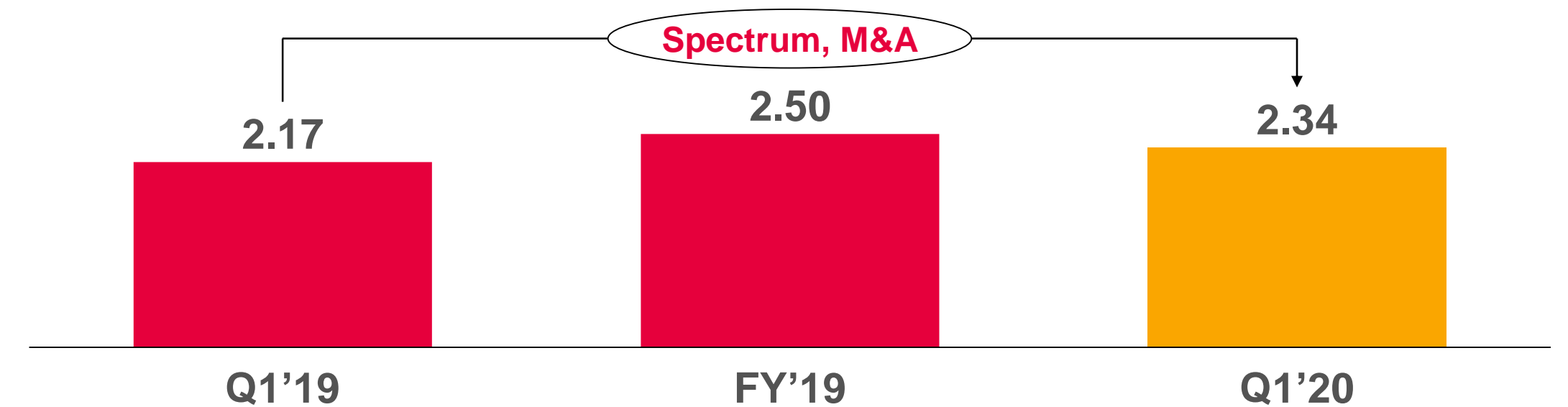
Q1 LTM CHF m



Capex CHF m



Net debt / adj. EBITDA



1) Landline access installments and IRUs are counted within "other financing activities" in IFRS report; lease includes repayments of lease liability

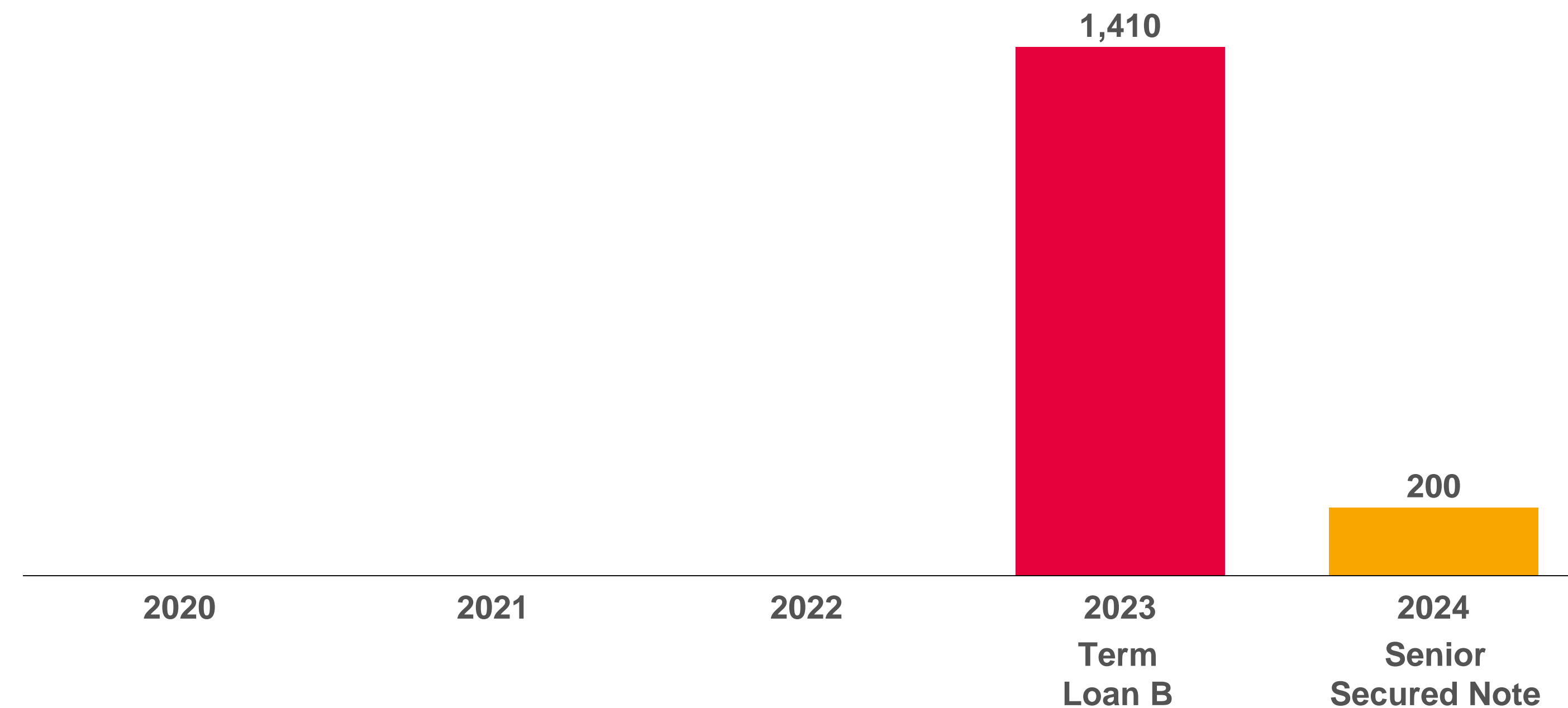
2) Adjustments include UPC M&A one-off, 5G spectrum, and IAS 19 pension plan adjustment in Q3'19

Solid financing with no near-term maturity



Debt maturity profile
as per Q1'20

CHF m



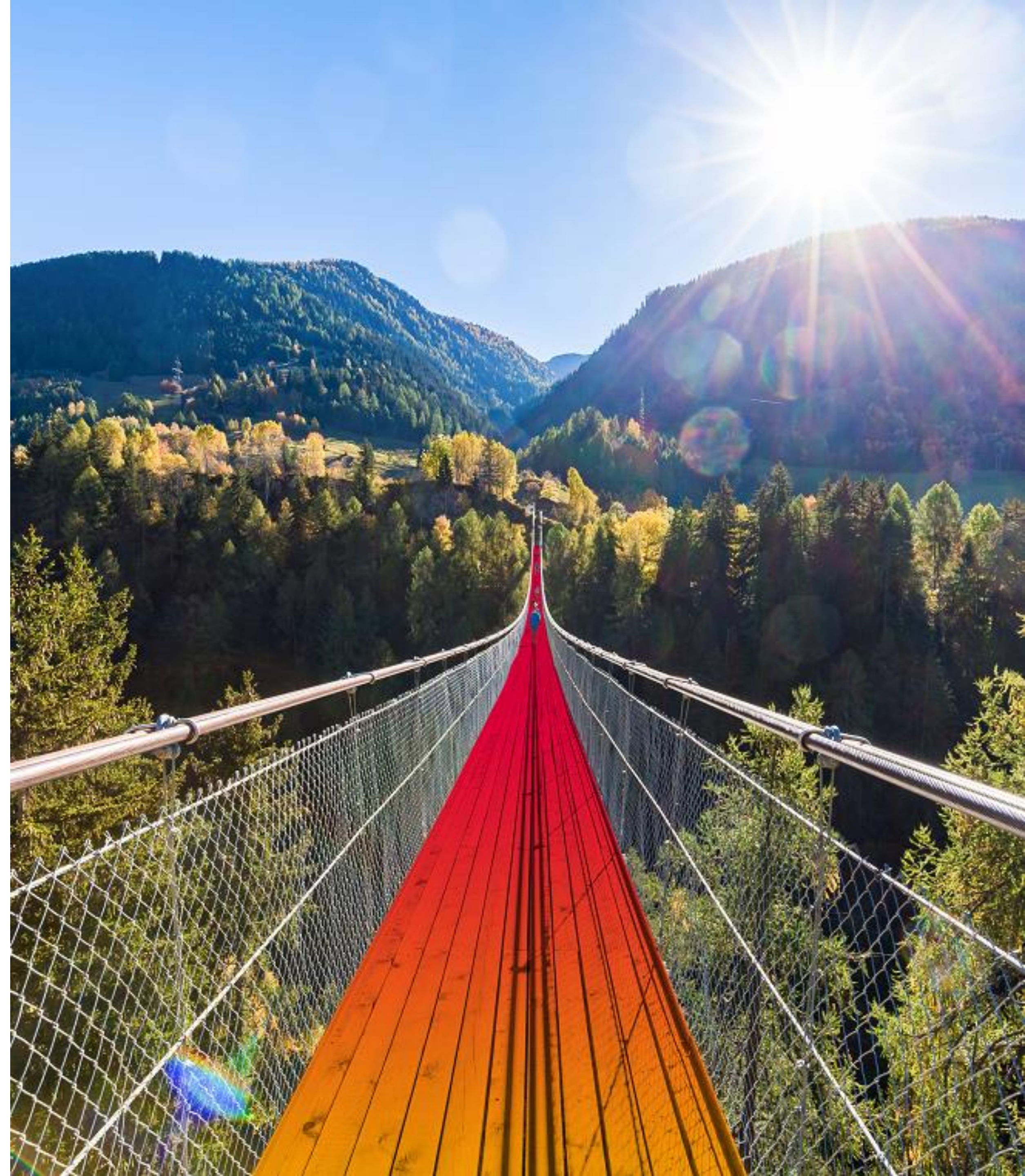
- **No refinancing need** before June 2023
- Drew CHF 100m **RCF** in Q2 (another CHF 100m available) to de-risk and secure funds, but not for liquidity needs
- Fitch **upgraded** the corporate family rating to 'BBB-' with outlook stable (unchanged) on 4 May 2020
- S&P corporate family rating 'BBB-' with outlook stable

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Outlook

Strong start to the year – COVID-19 to slow down growth temporarily

André Krause
CEO



Strong Q1, temporary slowdown from COVID-19



Customers

- Strong subscriber **growth** in postpaid, internet and TV, supported by investments into quality
- 5G coverage in 535 cities /villages by beginning of May



Revenue

- Service revenue **growth** driven by B2B and continued customer momentum in Q1



Profitability

- Adj. EBITDA **up +5.9%** with GP growth partly reinvested into operational momentum; profitable growth with adj. EBITDA up stronger than GP



Outlook

- Q1 performance better-than-expected
- Expect adj. EBITDA slightly down YoY in Q2: COVID-19 GP effects partly compensated by reduced Opex
- Gradual recovery assumed supported by lockdown easing, leading to an adj. EBITDA at the lower end of FY guidance



**Guided 2020
adj. EBITDA
unchanged**

Revenue New 1,840-1,880m
Prev. 1,875-1,915m

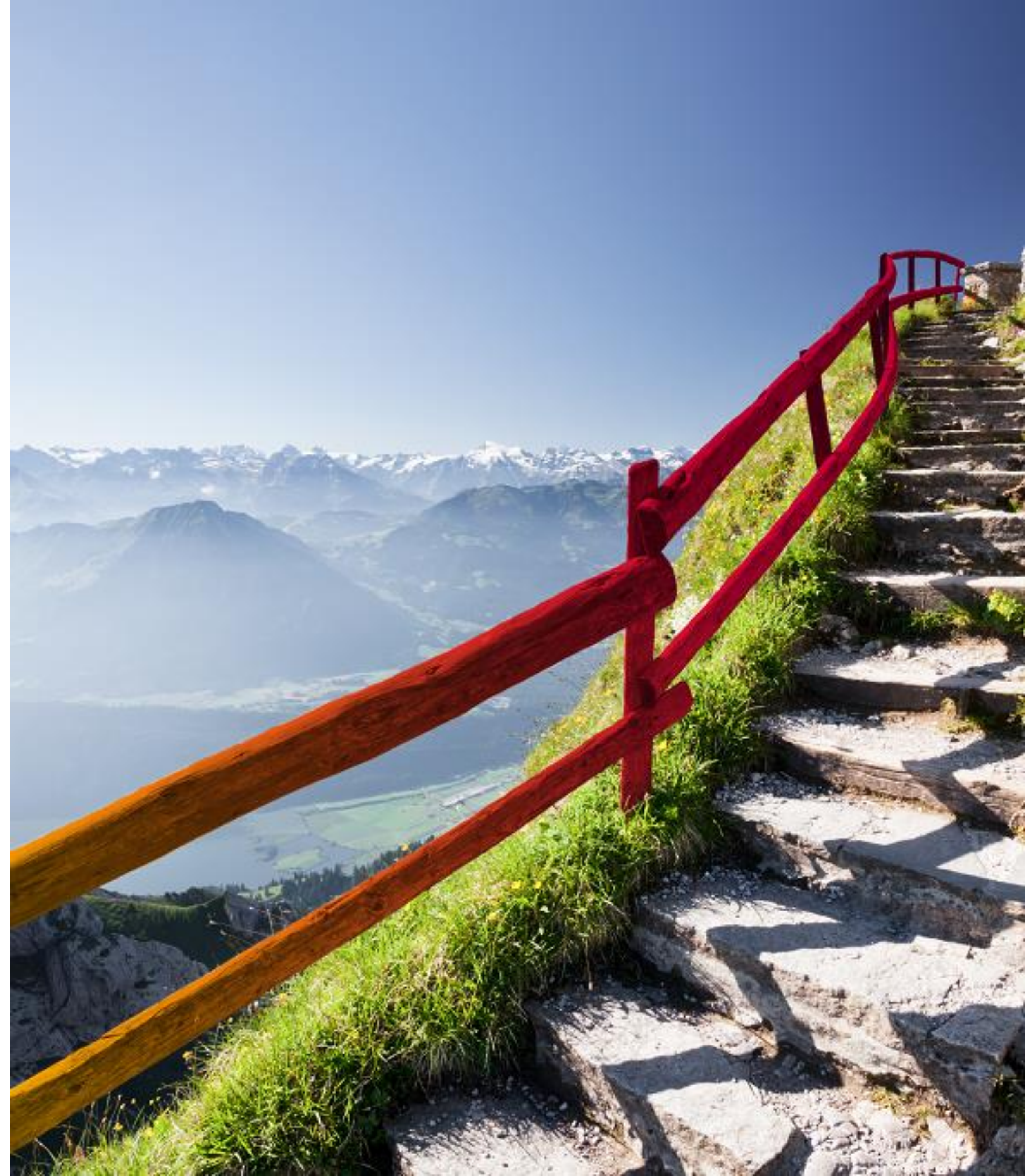
Adj. EBITDA Unch. 675-690m

Capex Unch. 410-450m

Dividend guidance of CHF 4.55-4.65 confirmed

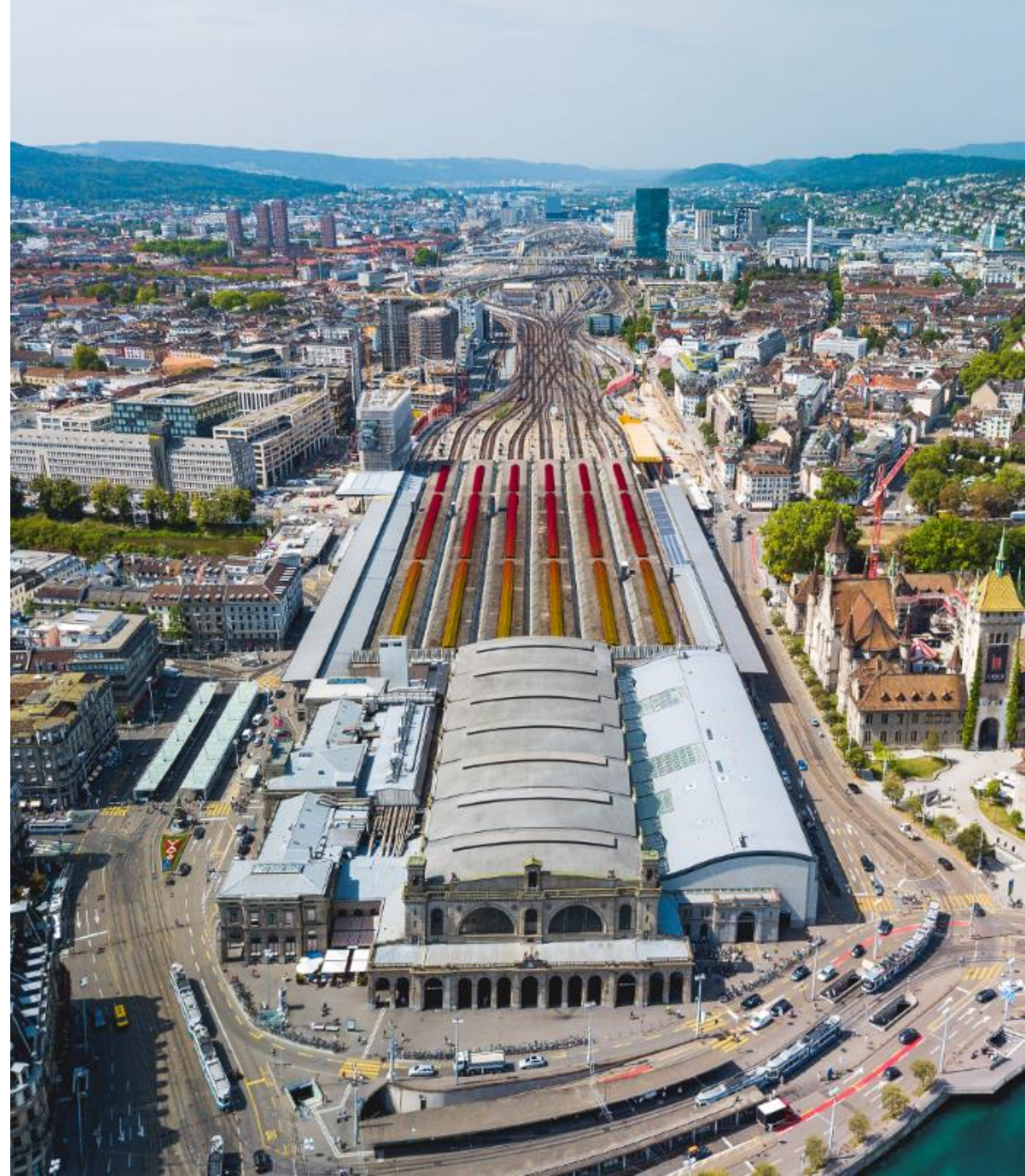
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Q&A



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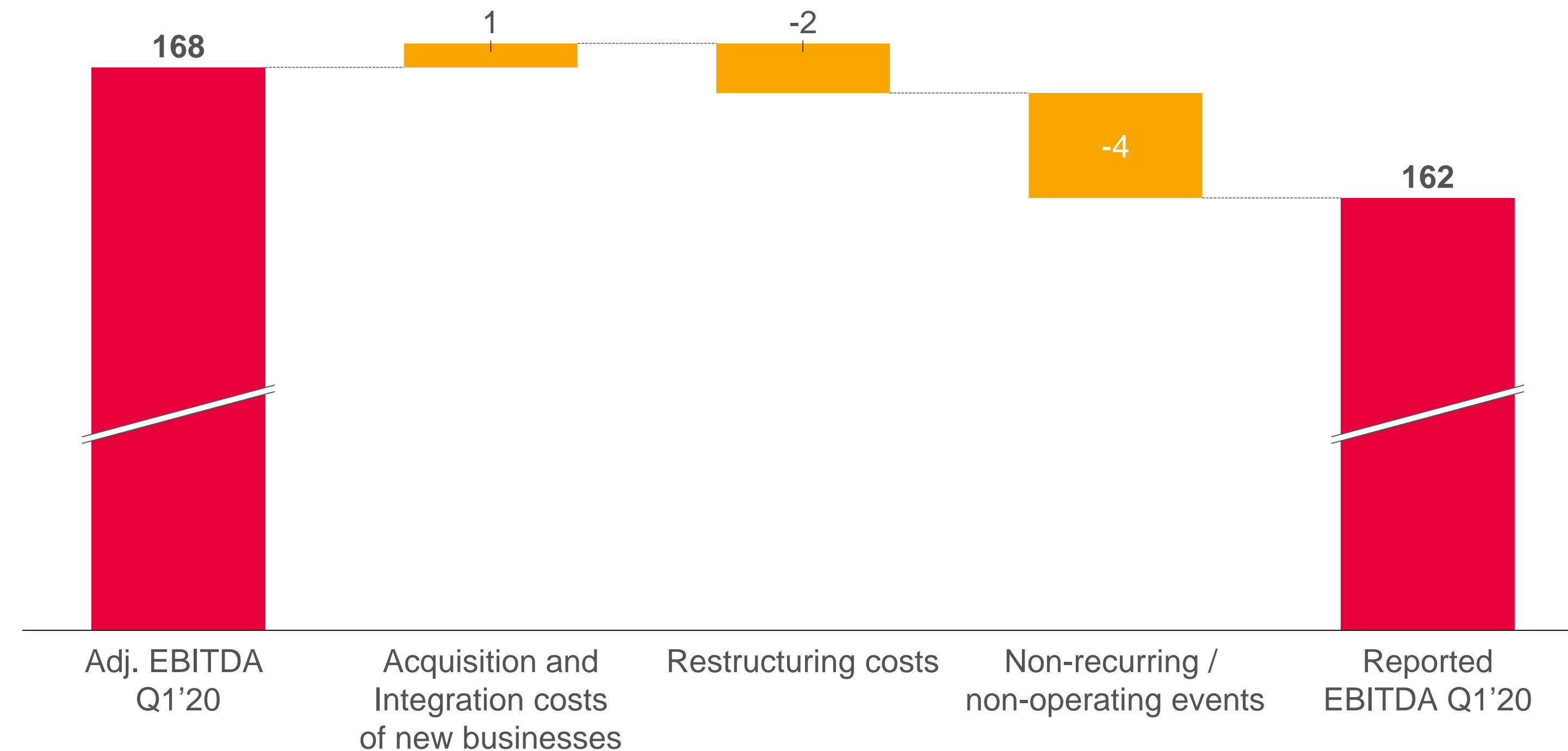
Appendix



Adjusted to reported EBITDA bridge

Q1 EBITDA bridge

CHF m



- **Acquisition and Integration** costs of new businesses with a gain caused by the release of an accrual
- **Restructuring** costs have occurred as a one-time adjustment
- **Non-recurring / non-operating events** driven by CHF -4.3m effect of new employee share participation program (ESPP); remaining ESPP effect of CHF -4.3m expected in Q2'20

Income Statement

CHF million January 1- March 31	2020	2019	Change CHF million	Change %
Revenue				
Mobile services	306	302	4	1.4
- <i>Thereof mobile postpaid</i>	210	201	9	4.5
- <i>Thereof mobile prepaid</i>	16	19	(3)	(16.6)
- <i>Thereof mobile hardware</i>	56	58	(2)	(3.7)
- <i>Thereof other</i>	23	23	1	2.7
Landline services	71	71	0	0.5
- <i>Thereof landline voice</i>	32	31	1	4.0
- <i>Thereof hubbing</i>	15	17	(2)	(12.0)
- <i>Thereof other</i>	24	23	1	4.9
Landline Internet and TV	82	74	8	10.6
- <i>Thereof landline hardware</i>	4	1	3	303.0
Total revenue	459	447	13	2.8
Revenue excl. hardware and hubbing	384	371	14	3.6
Gross profit	316	305	10	3.4
% margin	68.8%	68.4%		
% margin (excl. hubbing & hardware revenue)	82.2%	82.4%		
EBITDA	162	175	(12)	(7.0)
EBITDA adjusted	168	158	9	5.9
% margin	36.5%	35.5%		
% margin (excl. hubbing & hardware revenue)	43.7%	42.7%		
Net income	22	35	(13)	(37.2)

Cash Flow Statement

CHF million

January 1- March 31

Cash flow

Reported EBITDA

Change in NWC

Net interest

Tax

CAPEX

Repayments of lease liabilities

Other financing activities

Equity free cash flow

Other

Total cash flow**2020**

162

21

(10)

(4)

(83)

(13)

(0)

73

3

76**2019****Change
CHF million****Change
%**

175

(12)

(7.0)

40

(19)

(47.8)

(9)

(0)

2.2

(21)

17

(82.2)

(134)

51

(38.1)

(16)

3

(19.6)

(0)

0

(31.8)

33**40****123.7**

5

(2)

(37.6)

38**39****103.1**

Leverage ratio

Leverage	March 31, 2020	December 31, 2019	March 31, 2019
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	253	263	269
Total debt	1'863	1'873	1'879
Cash & Cash Equivalents	(279)	(201)	(459)
Net debt	1'584	1'673	1'420
Net debt / adj. EBITDA	2.3x	2.5x	2.2x

Sunrise

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