

Sunrise

2019 Financial Results

27 February 2020



Sunrise

Agenda



Summary



2019 Review



Q4 Financials



Outlook



Q&A



Sunrise

Summary

Sunrise defined market pace and accelerated adj. EBITDA growth - 5% higher dividend proposed

André Krause
CEO



Sunrise

Summary

Sunrise defined market pace in 2019

2020 Outlook



Financial growth

+3.3%

Service revenue

+2.7%

Gross profit

+3.9%

Adj. EBITDA

210m

Adj. eFCF

+5%

Dividend CHF 4.40

Elevate quality challenger strategy to next level



Customer growth

+163k

Postpaid

-65k

Prepaid

+39k

Internet

+36k

TV

Deliver top and bottom line growth



Strategic priorities

Network quality

- 1 of the world's best mobile networks
- Demonstrated 5G leadership

Service

- Won connect shop test, cont. digital transformation
- Leading NPS

Innovation

- 1st to market with 5G FWA, TV OTT pioneer
- Successful B2B transition

Enable progressive dividend

Sunrise

2019 Review

2019 with accelerated growth as
Sunrise continued to execute on its
quality strategy

André Krause
CEO



Sunrise

2019 with growth investments in 3 areas ...



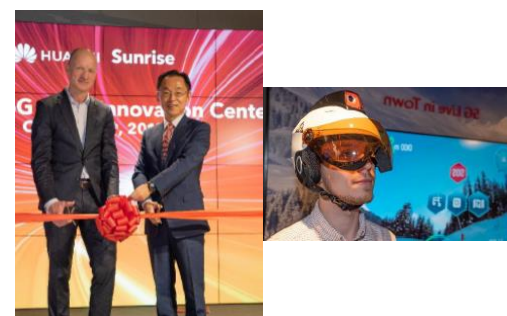
Network quality

- **Fastest & largest 5G** in CH (connect and RootMetrics); 5G in 426 cities/ towns; strong **spectrum** at favorable price
- First European 5G innovation center; 5G in smart manufacturing and farming; 4K game cloud app; security ops center
- Landline access via FTTH, xDSL and FWA

1. in 5G test



1. 5G innovation center



**European
5G leadership**



Customer interface

- **Leading NPS** and 'time to close' open feedbacks
- Ongoing shop refurbishment and openings, supporting highest score in DACH region in 'connect' shop test
- Awarded with 'Great Place to Work'; digital transformation on-track with increasing **online** channel share

NPS

Customer service	69
Shops	82

Connect shop test 2019

Sunrise	430
Swisscom	398
Salt	391

**Leading
customer interface**



Innovative converged products

- Launched **5G FWA** and handsets, among 1. operators in the world; Q4: extended availability of **TV OTT** to Samsung TV
- **B2B** launched unlimited mobile workplace; Q4: large 'Microsoft Teams' campaign, 5G indoor coverage as a service, won 'SRG SSR' and 'On' as new customers



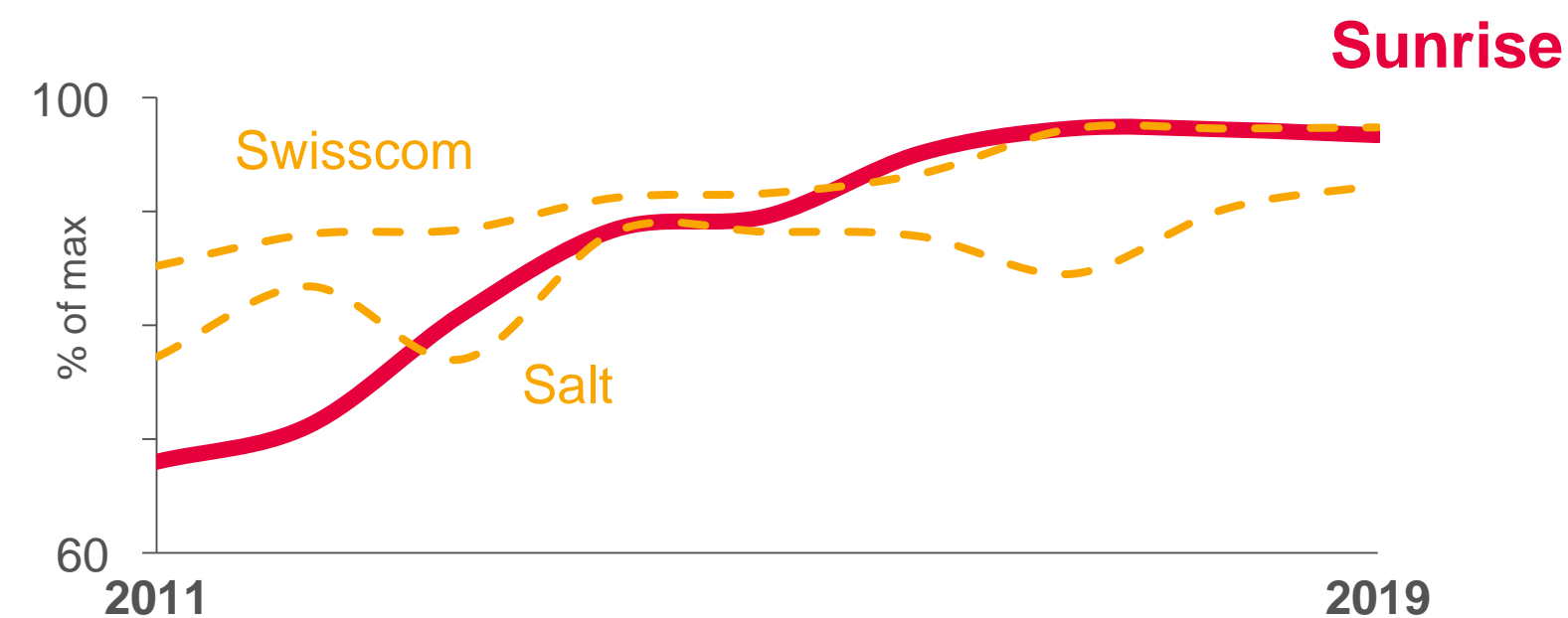
**Drive
convergence**

Sunrise

... making Sunrise an industry reference ...

Outstanding connect test

Network quality up 42% since 2011 ¹⁾

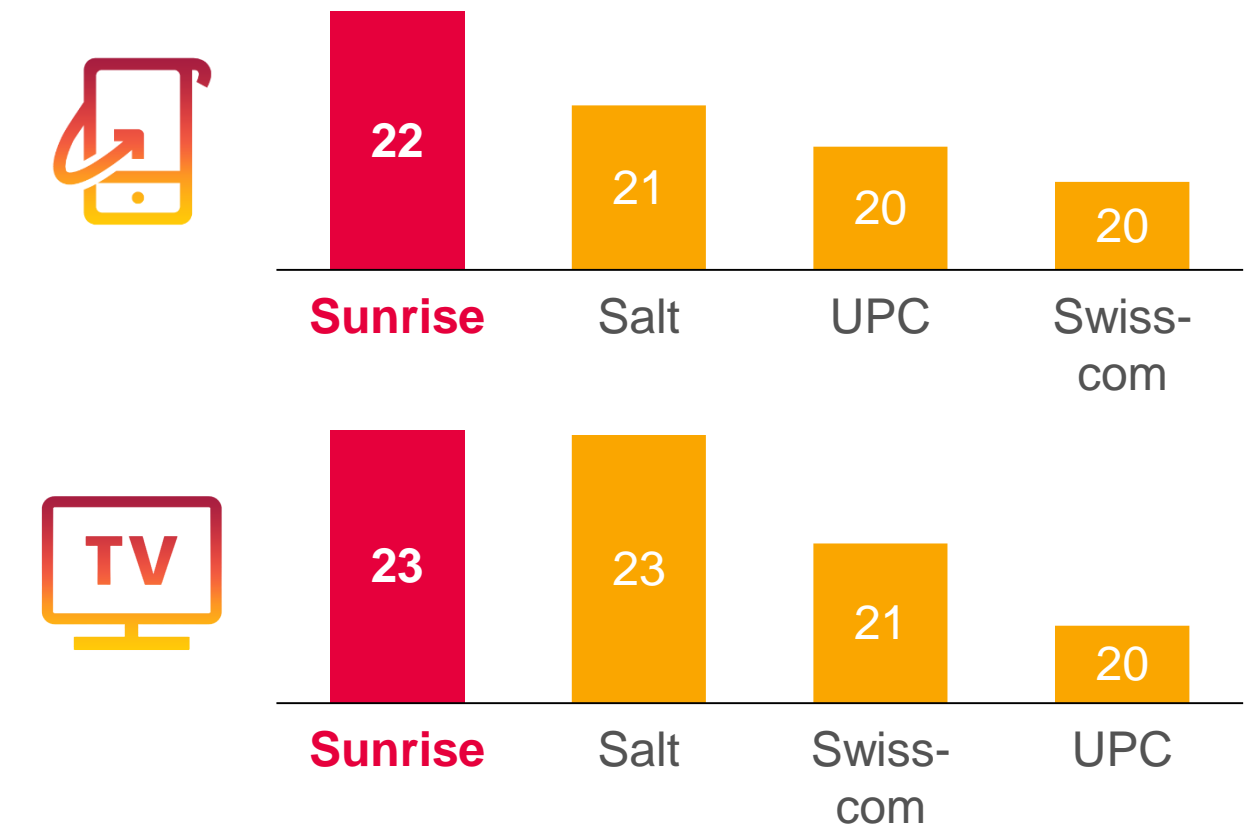


One of the world's best mobile networks ¹⁾



Strong in 2019 BILANZ telecom ranking

Best universal provider in B2B
Ahead of large competitors in residential mobile and TV ²⁾



B2B campaign with references

Strong **experience** leading to B2B customer references in marketing



¹⁾ Source: connect 1/2020; www.connect.de; Scores: Swisscom 974, Sunrise 967, Salt 923; Sunrise score vs. international peers see appendix

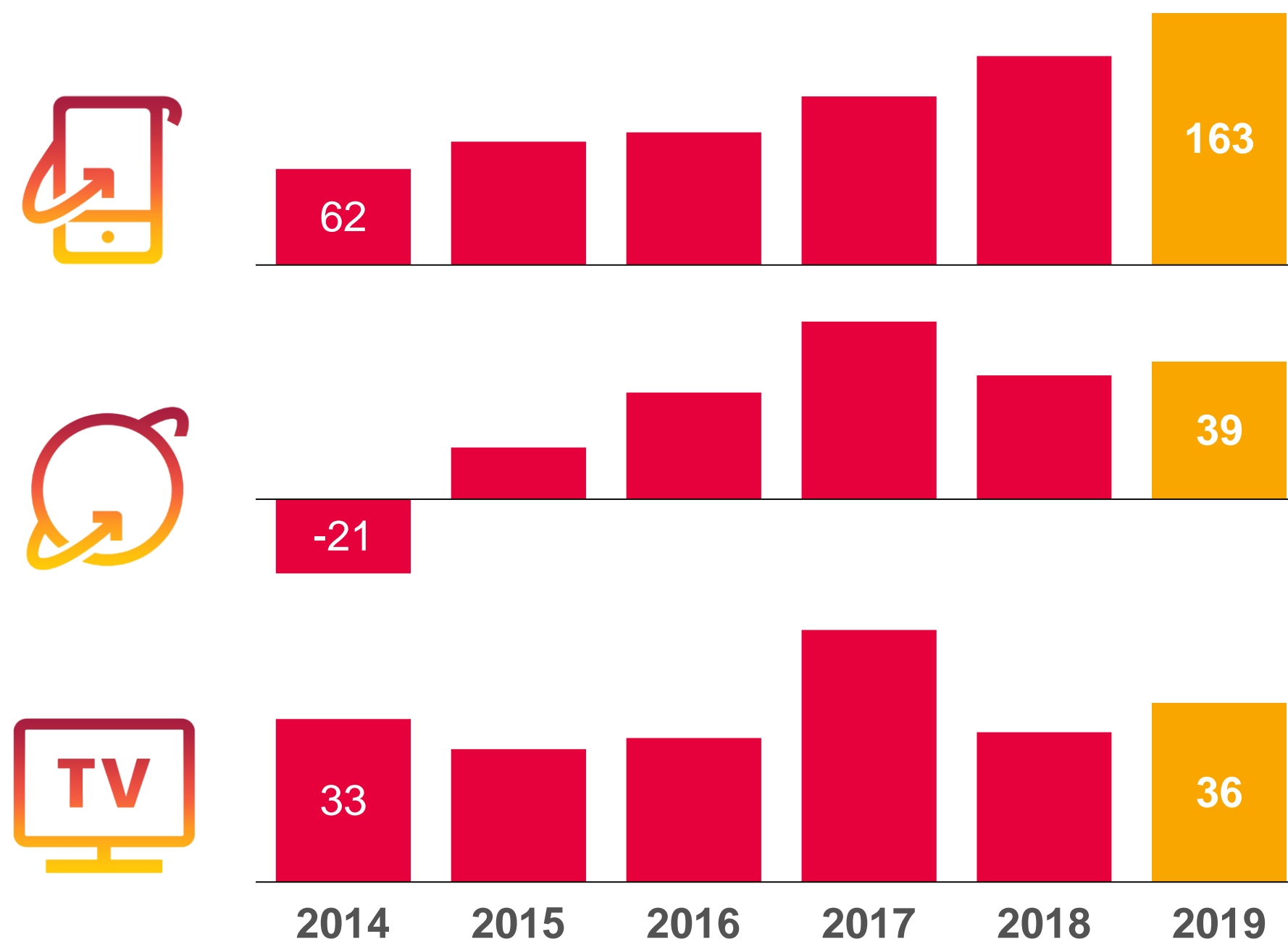
²⁾ Source: BILANZ 09 2019; Residential results for Sunrise / Salt / UPC / Swisscom in mobile 22.4 / 20.8 / 20.1 / 19.5 and in TV 23.3 / 23.2 / 19.5 / 21.1; customer survey based test with 13k participants

... resulting in customer and GP momentum



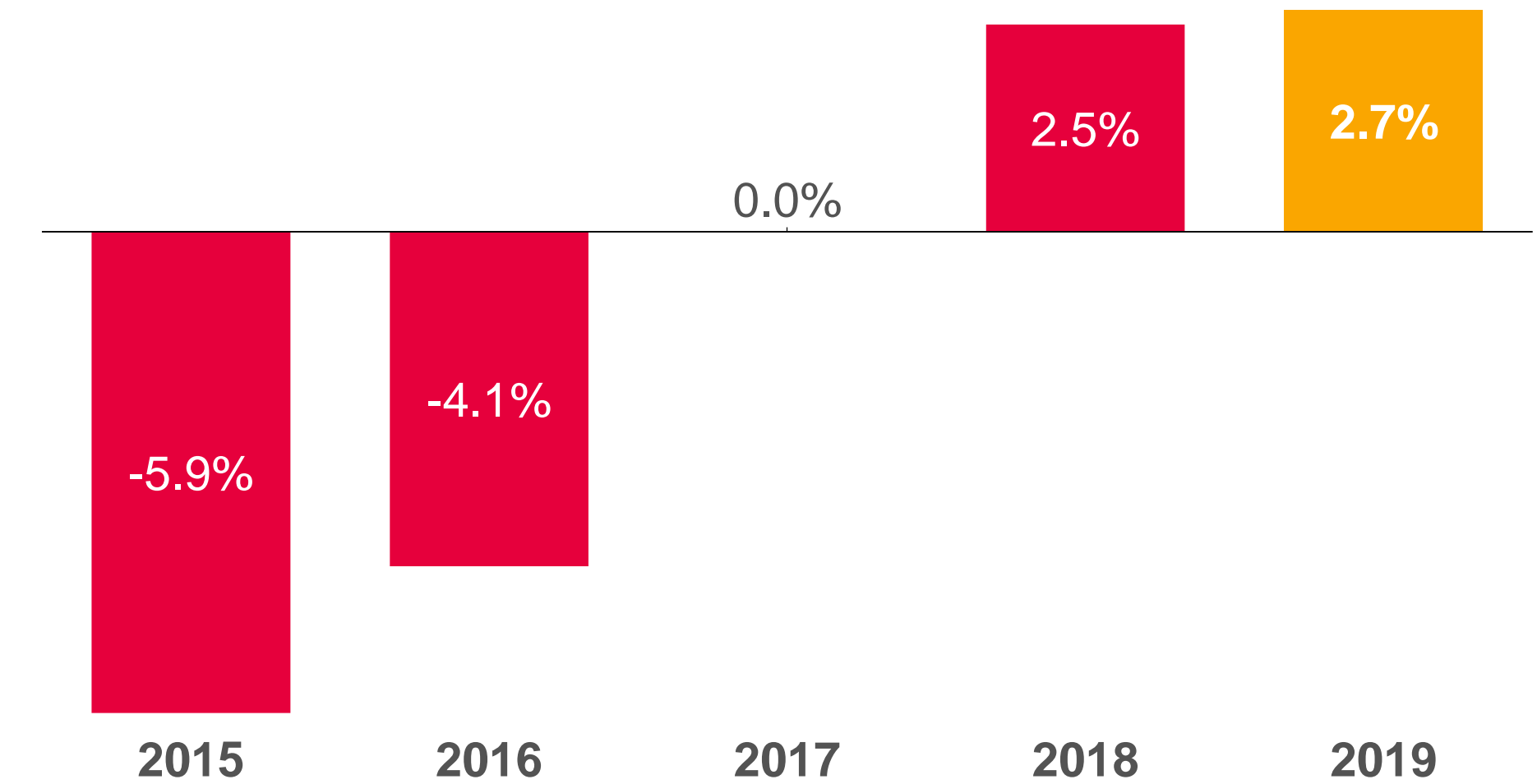
Accelerated
customer growth

Net adds in k



Turned gross profit into
growth mode

GP growth YoY ¹⁾



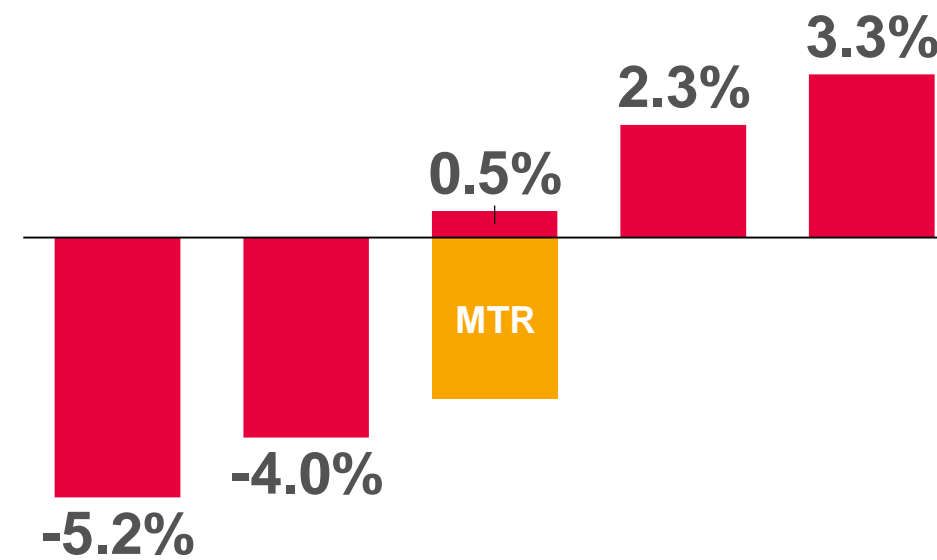
- Gross profit improved to CHF 1,252m in FY'19
- Driven by customer growth and B2B momentum, partly offset by lower ARPUs

¹⁾ 'FY15 YoY comparison impacted by introduction of Freedom' tariffs in Q2 2014 (no hardware subsidy any longer), which increased COGS and reduced OPEX; FY18 is excluding IFRS 15

Delivering adj. EBITDA and dividend growth

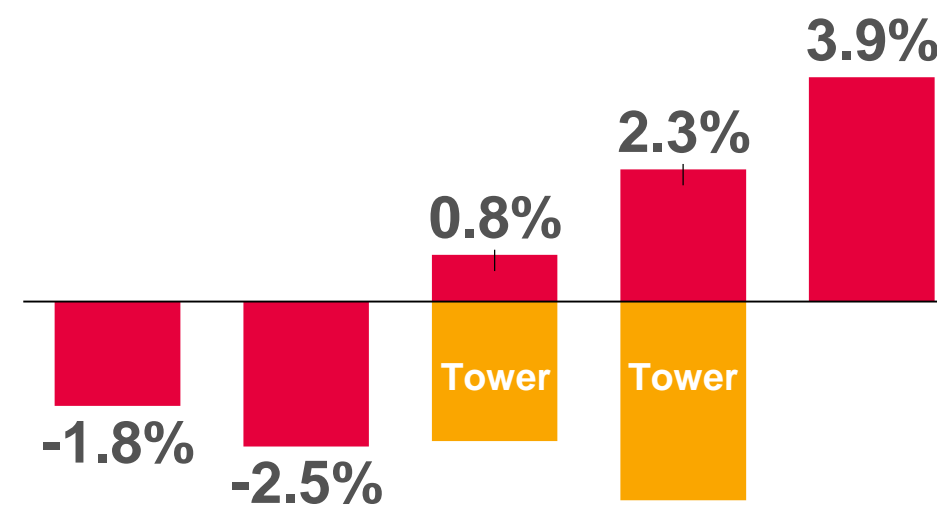
1 Service revenue growth

Strong **customer growth** offsetting lower ARPUs



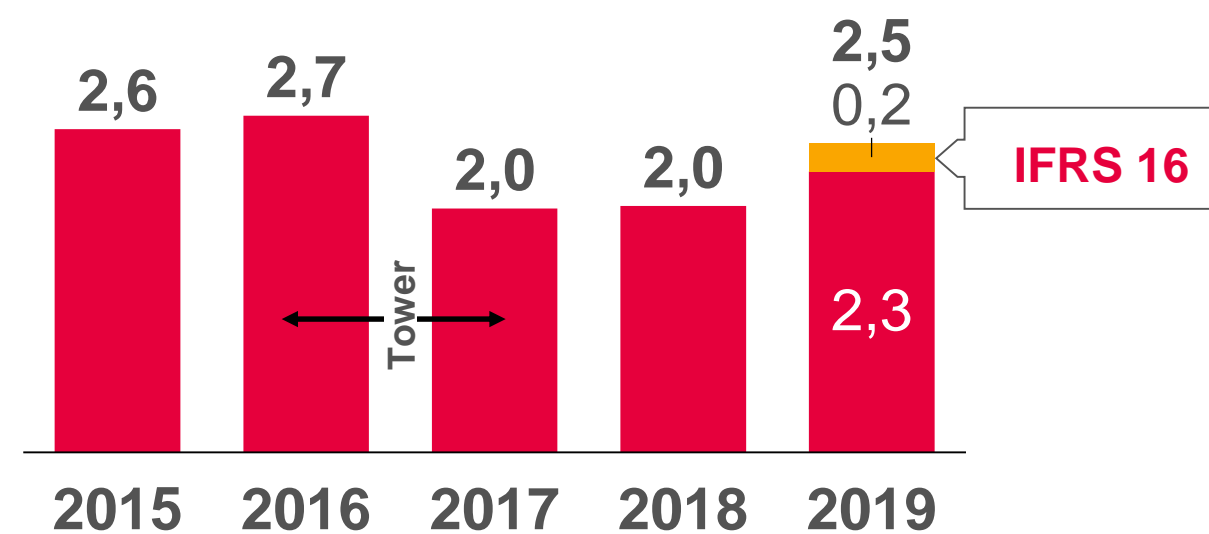
2 Adj. EBITDA growth

Gross profit growth partly **reinvested** into key priorities

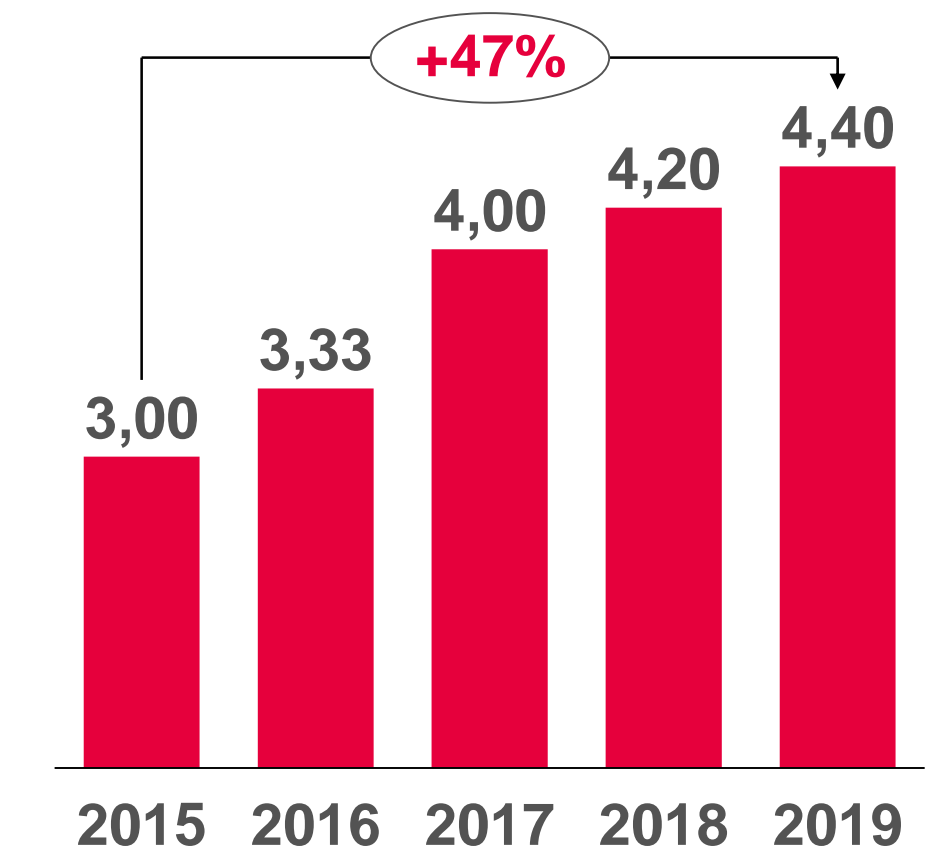


3 Leverage ratio up

Up due to spectrum, landline payments, and M&A one-off



4 Progressive dividends



Sunrise

Q4 Financials

Delivered cont. commercial
momentum and accelerated adj.
EBITDA growth

Uwe Schiller
CFO

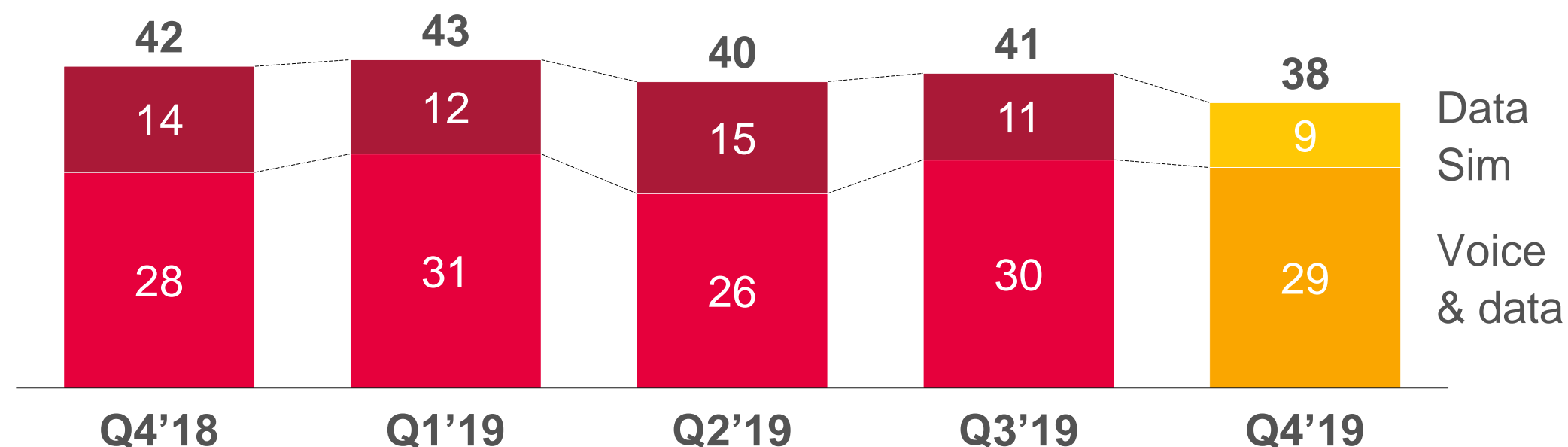


Sunrise

Gaining market share in postpaid



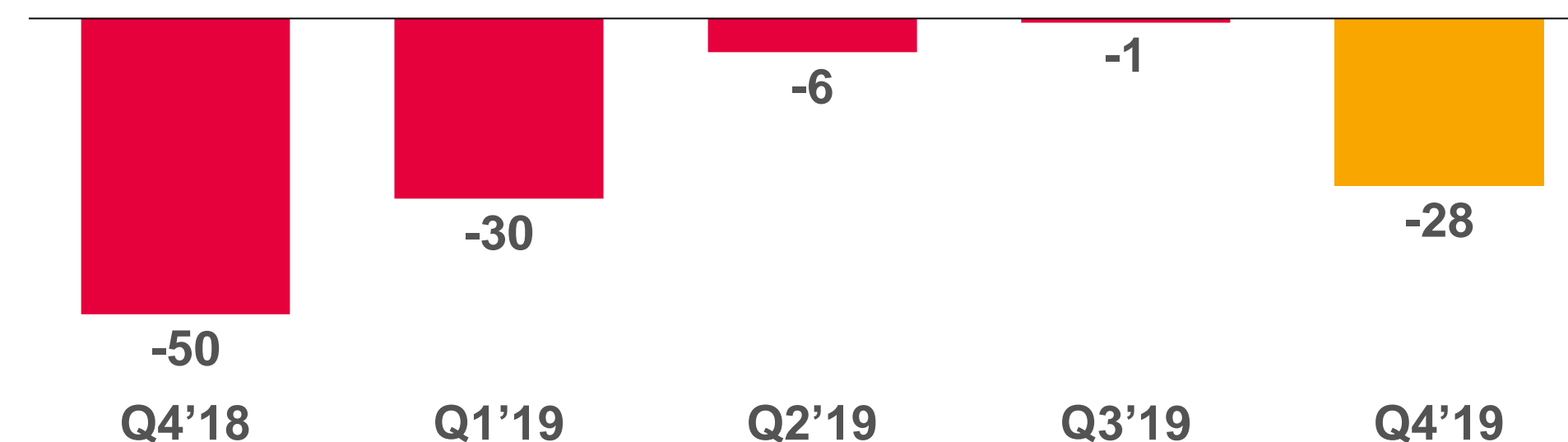
Postpaid mobile net adds
(‘000)



- Postpaid with **+9% subscription growth** YoY, leading to 1.89m total subscriptions
- Driven by B2B and yallo, strong network quality, broad product offering with attractive price performance ratio, and diversified distribution channels



Prepaid mobile net adds
(‘000)



- Prepaid with ongoing **pre- to postpaid migration** and negative seasonality, leading to 563k total subscriptions; prepaid accounts for ~3% of total revenue
- Launched 7 days unlimited prepaid tariff for 5G in Q4; focus on valuable customer in-take maintained

connect
OUTSTANDING

Apple Music



Sunrise
GAME CLOUD

Most Time on 5G
in Switzerland

24h
CHF 2.50

Prepaid Unlimited 7 days 5G

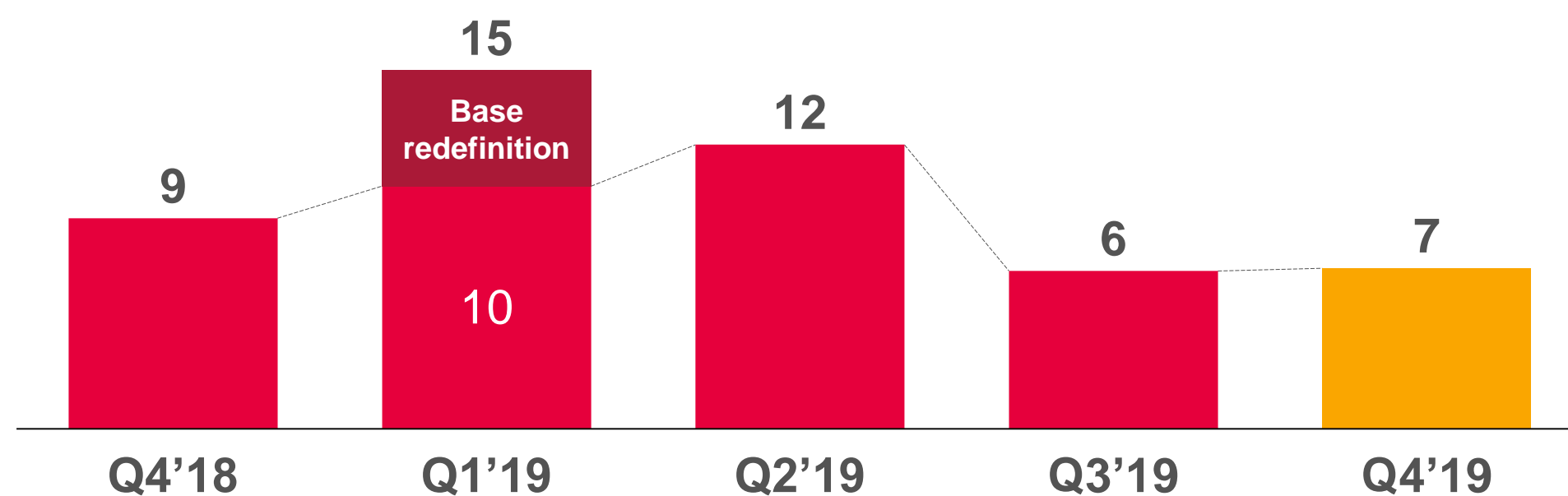
yallo

Prepaid Unlimited

Continued internet and TV customer growth



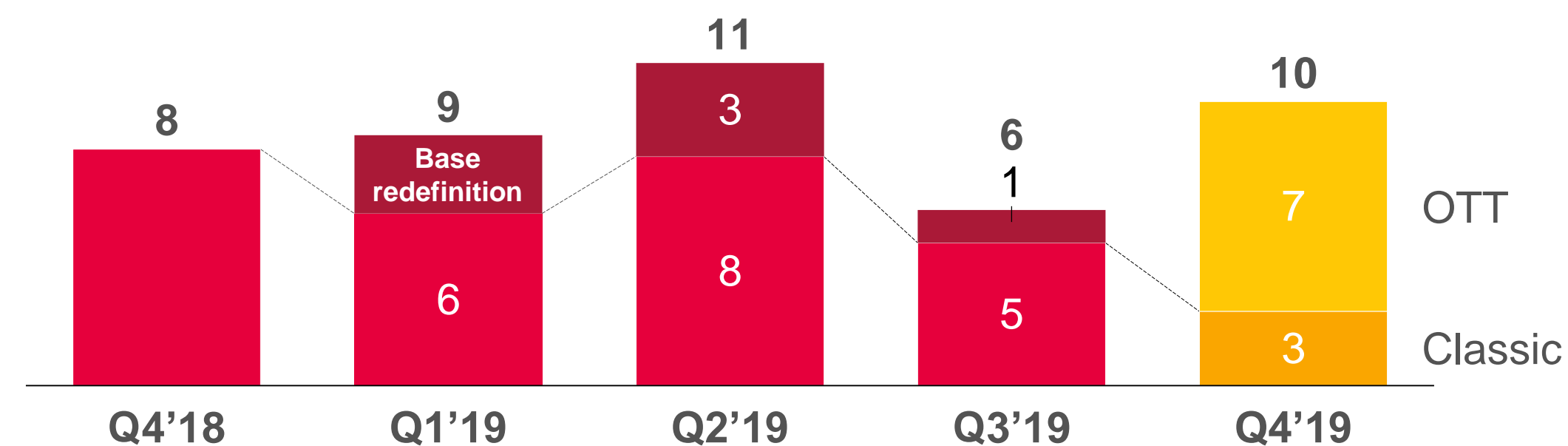
Internet net adds
(‘000)



- **Internet continues to grow** customer base: Sunrise now has 496k internet subscriptions
- Driven by 2-4P bundled offers, supporting 11% YoY increase in 4P billed customer base; good end-to-end services support NPS and improving PTC



TV net adds
(‘000)



- **TV with solid growth:** Sunrise now has 279k TV subscriptions; supported by strong Sunrise TV offering including attractive content
- TV Neo (OTT), preinstalled in Samsung TVs, supported Q4 growth; ~56% of Q4 internet net adds on fiber

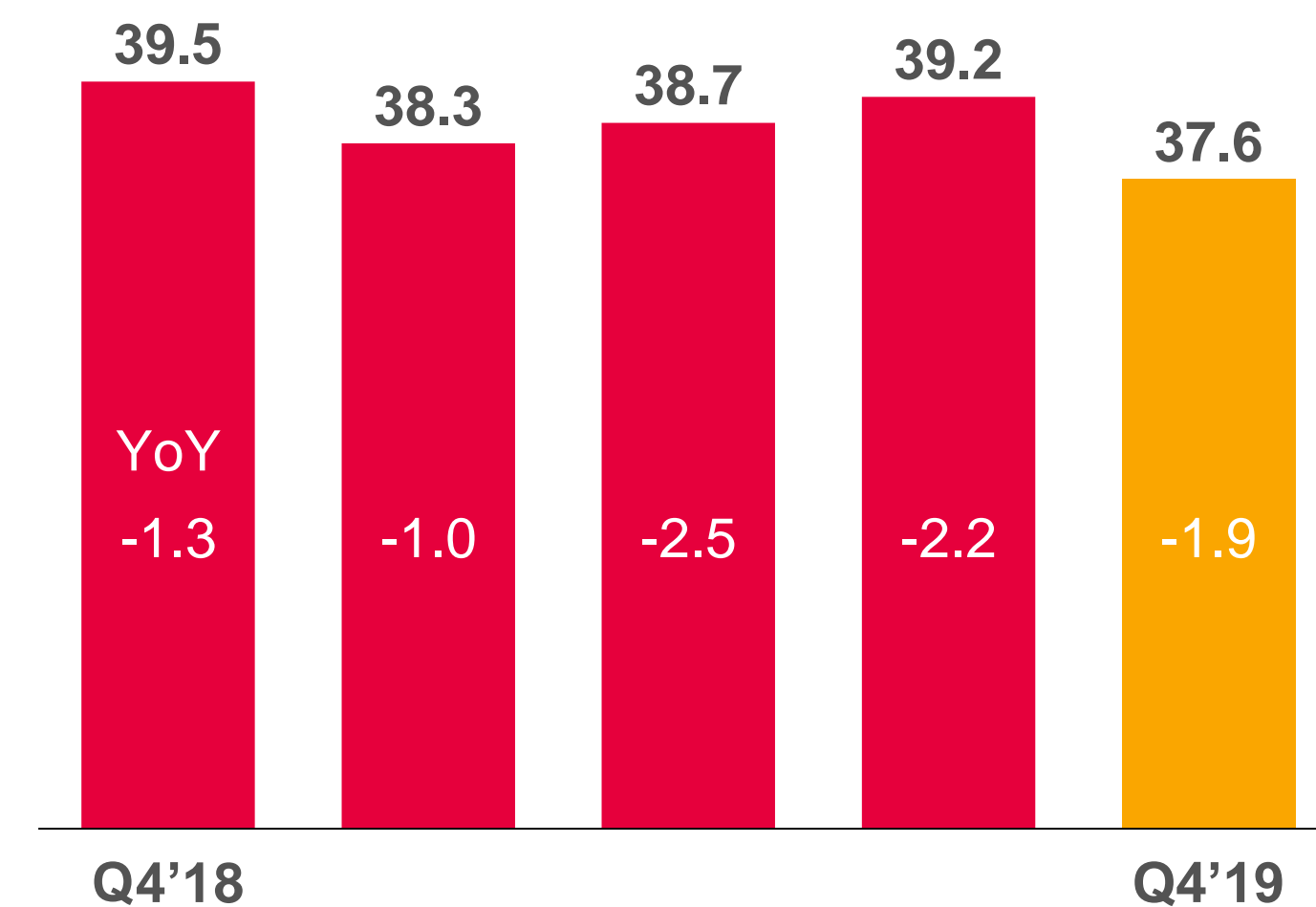


Postpaid ARPU decrease softening



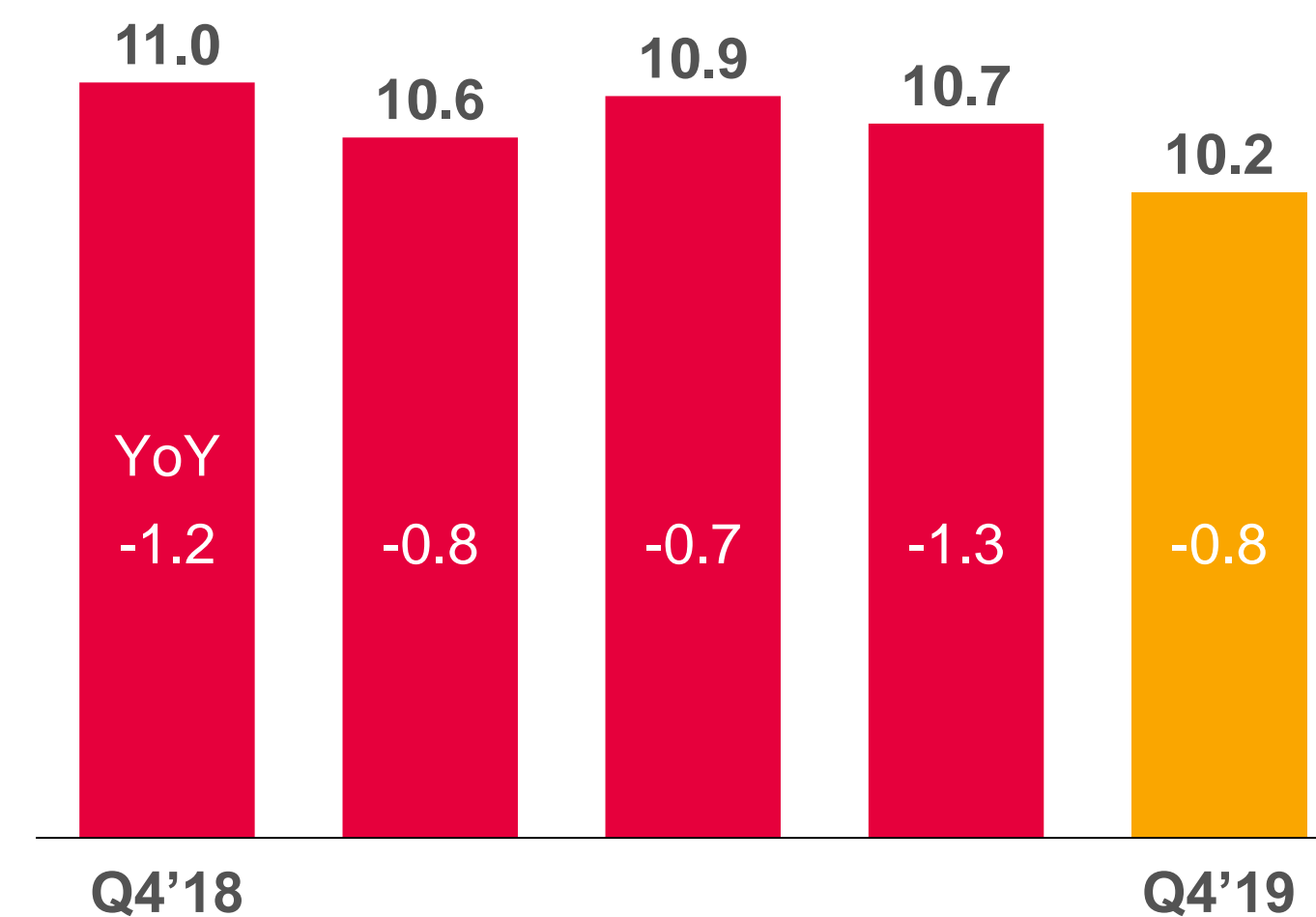
Mobile postpaid ARPU

Postpaid down CHF -1.9 YoY (Q3: CHF -2.2)
Value measures have been put in place in Q3 and will be monitored



Mobile prepaid ARPU

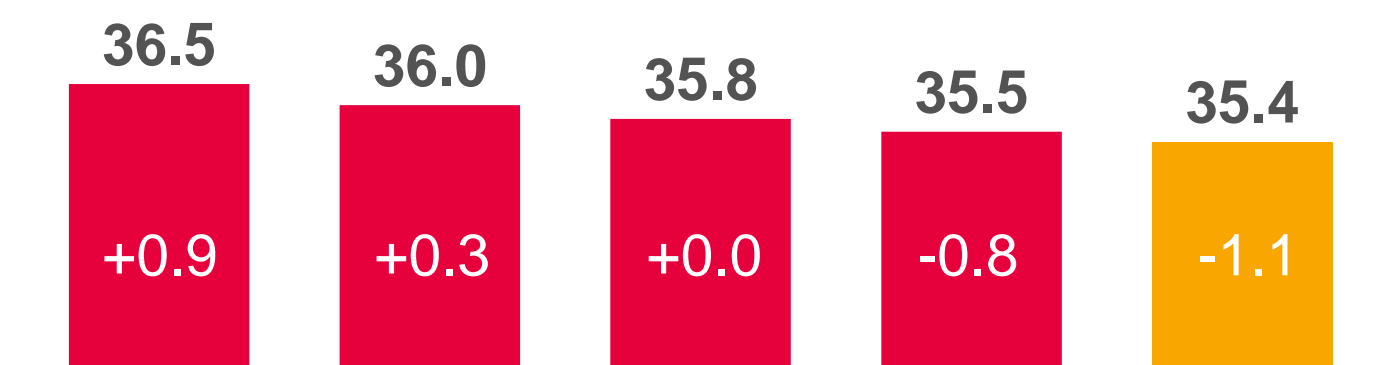
Prepaid down CHF -0.8 YoY (Q3: CHF -1.3)



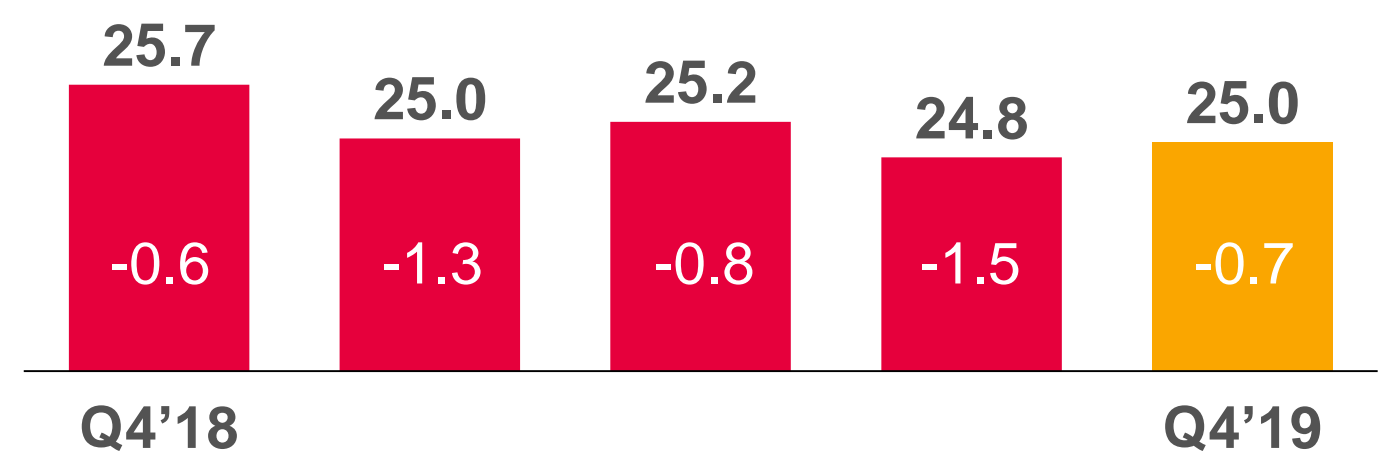
Internet & TV ARPU



Internet down CHF -1.1 (Q3: -0.8)



TV down CHF -0.7 (Q3: -1.5)



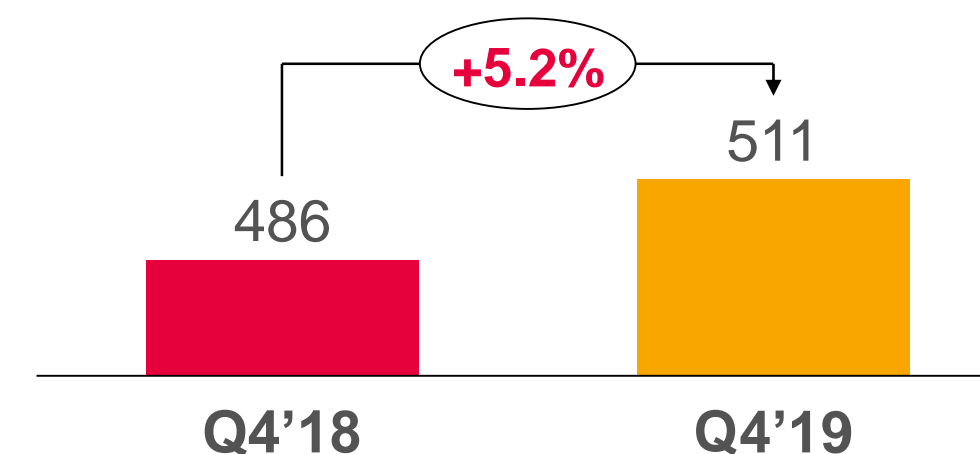
Financial Overview Q4 excl. IFRS 16



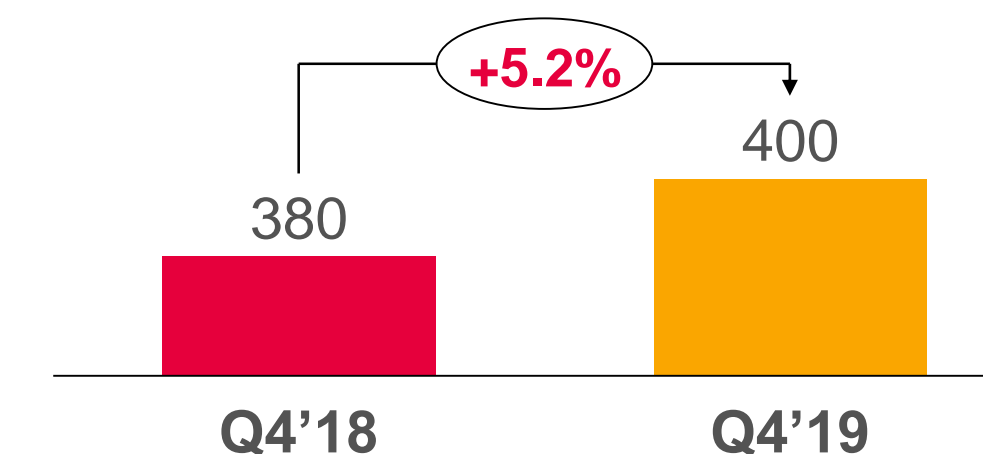
Revenue

- **Revenue up 5.2%** driven by service revenue, furthermore higher revenues from mobile hardware and hubbing (both low margin)
- Service revenue up +5.2% (Q3: +2.0%)

Total revenue CHF m



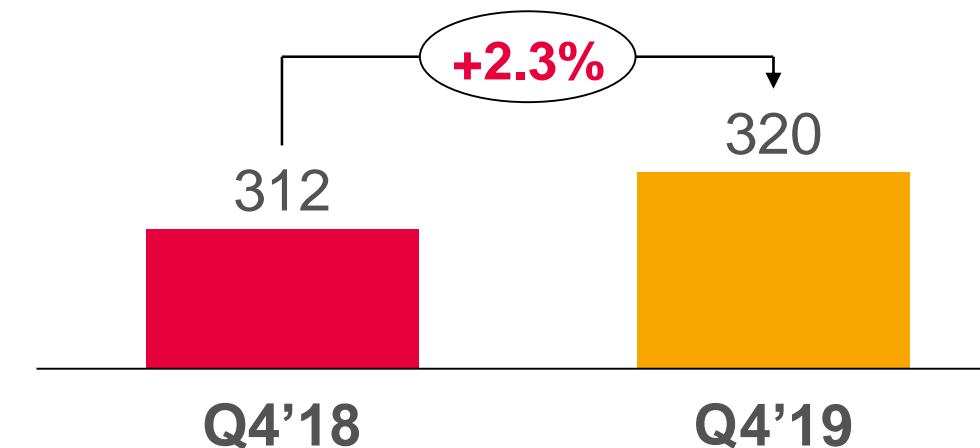
Service revenue



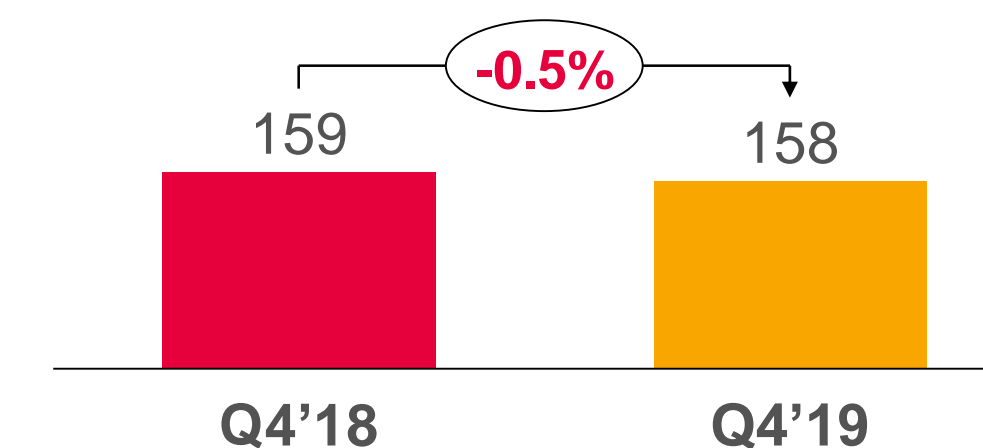
GP & Opex

- **Gross profit growth** of +2.3% driven by service revenue, while service gross margin down
- Adj. Opex down -0.5%

Gross profit



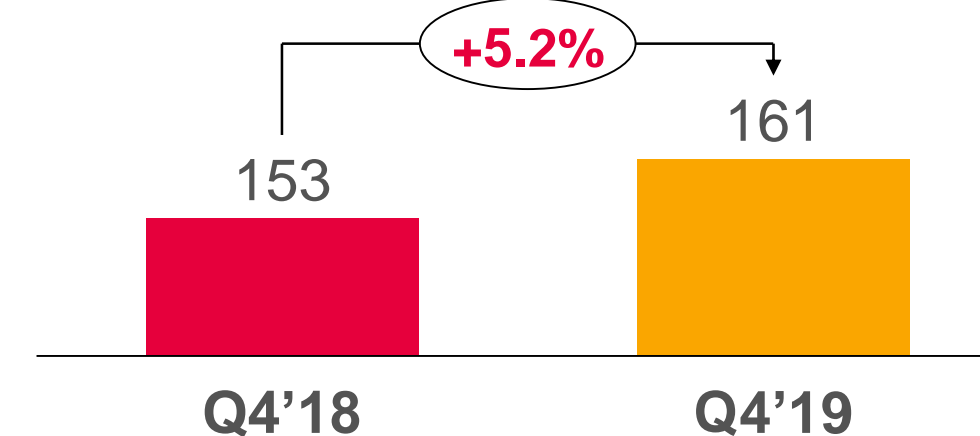
Adj. Opex



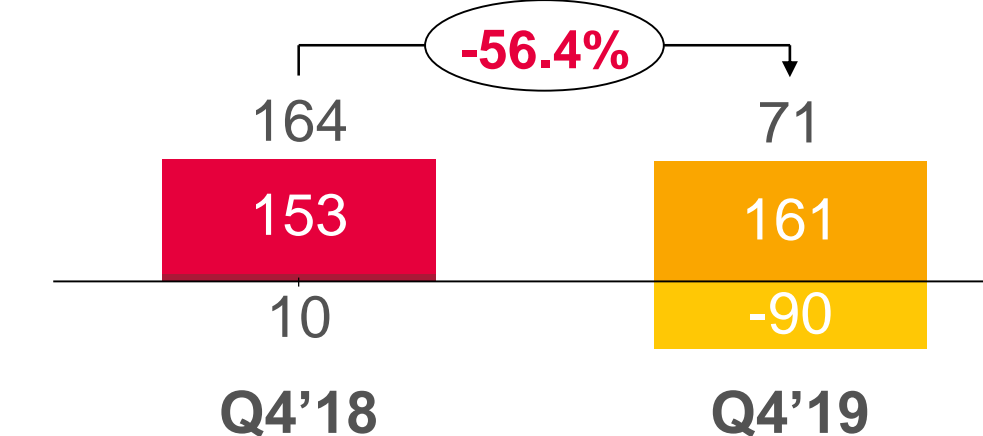
Adj. EBITDA

- **Adj. EBITDA up +5.2%** driven by gross profit
- Reported EBITDA down -56.4% mainly due to M&A one-off costs as indicated last Nov

Adj. EBITDA



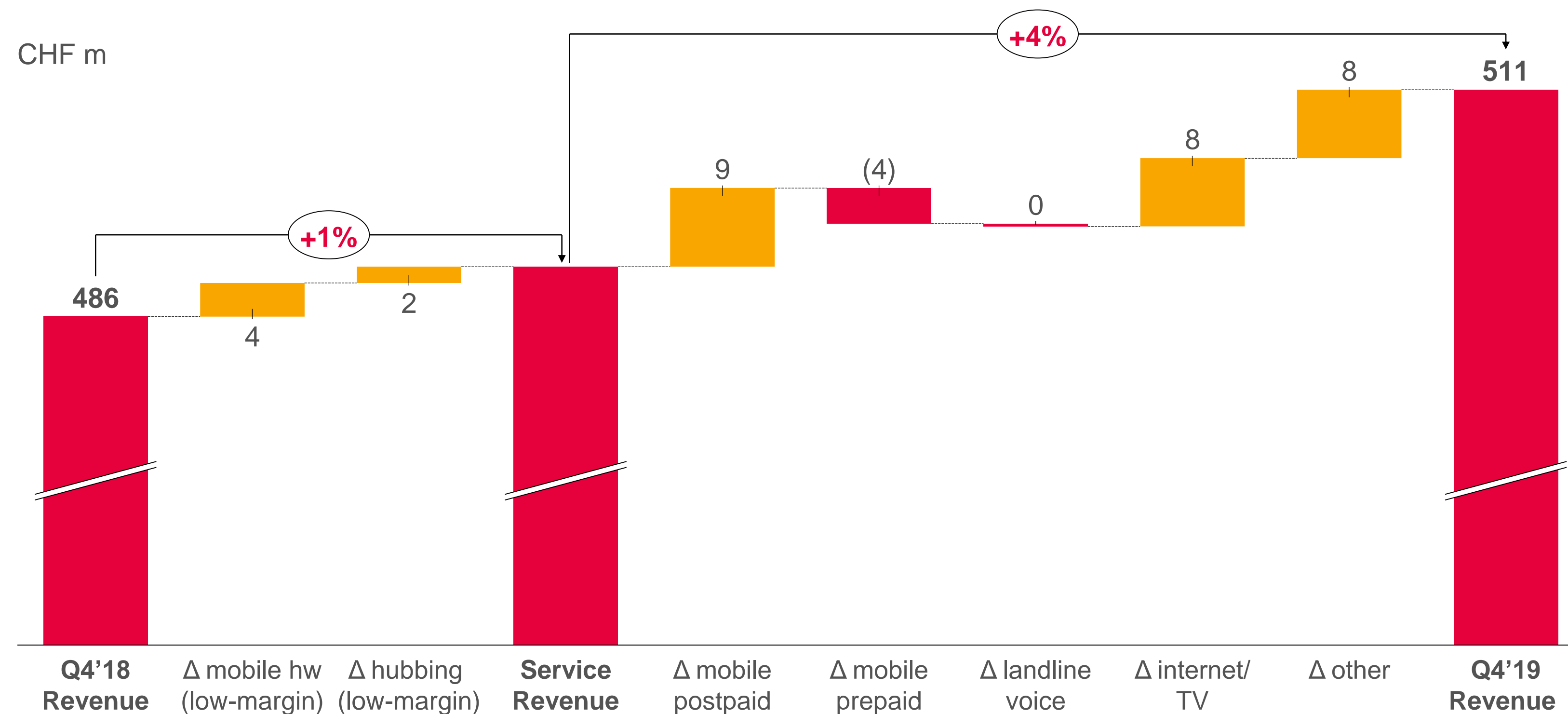
Rep. EBITDA



Service revenue growth ...



Service revenue driven
by postpaid and internet/TV



- **Mobile 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
- **Prepaid:** Pre- to postpaid migration and shift to OTT; prepaid accounting for ~3% of total revenue
- **Landline voice:** Fixed to mobile substitution, migration to flat rates, and OTT; landline voice accounting for ~6% of total revenue
- **Internet/TV:** Strong customer growth
- **Other:** Includes volatile lower-margin areas such as project driven 'Integration' business

... driving gross profit growth

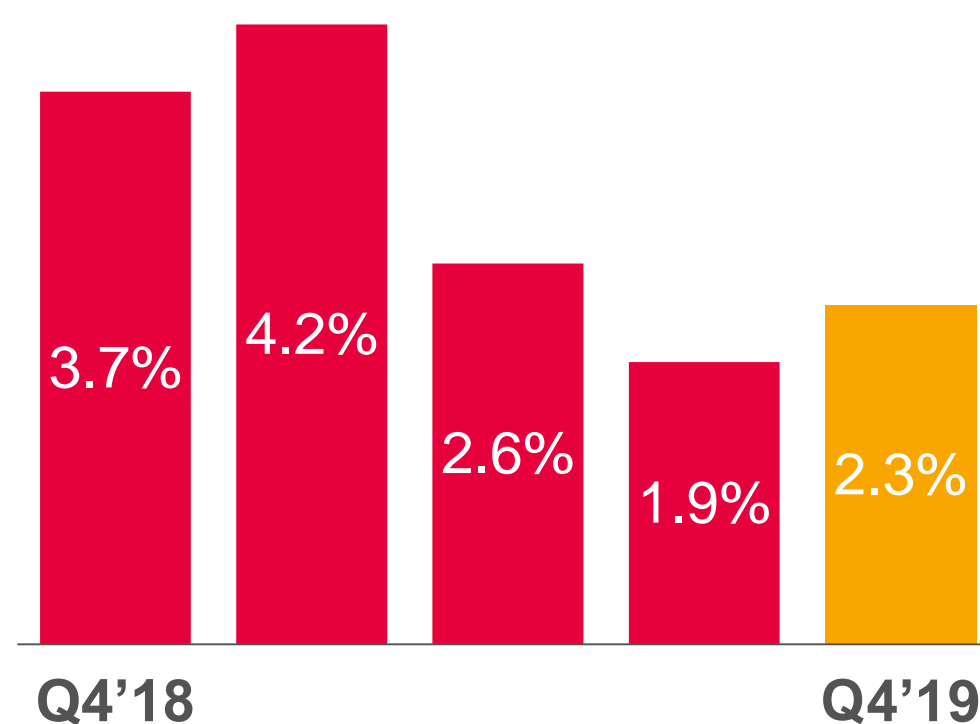


Gross profit growth...

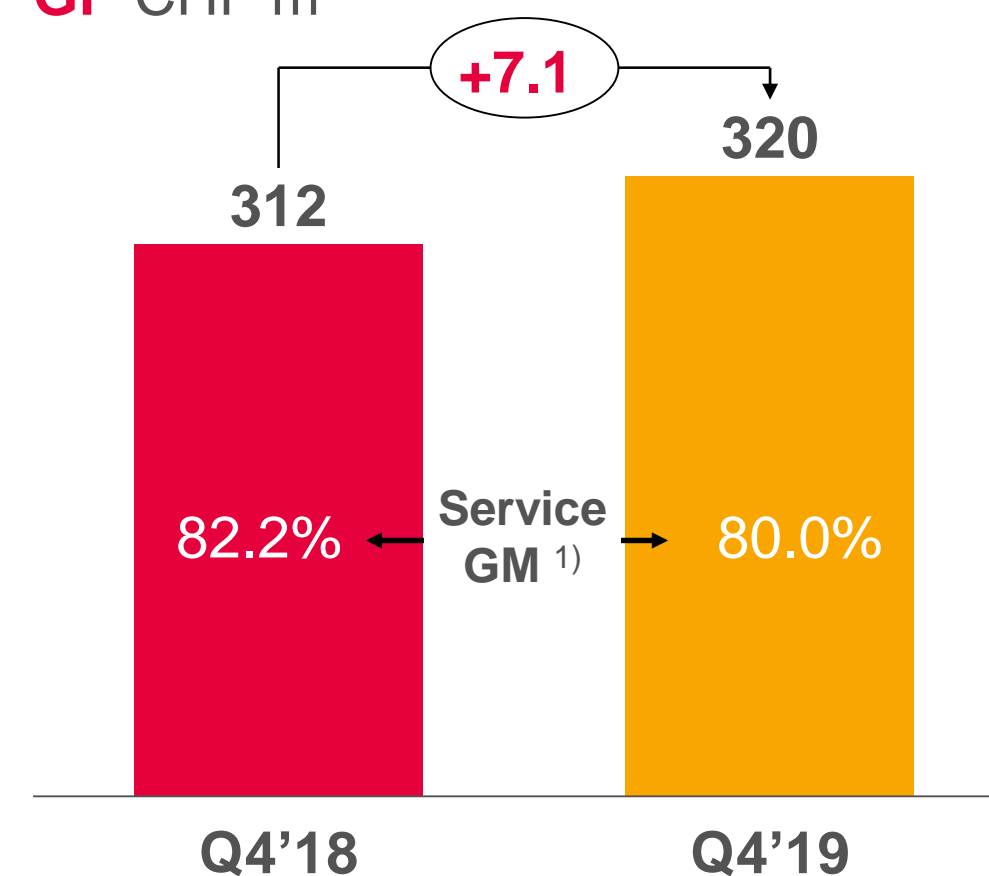


...partly reinvested into operational momentum

GP growth YoY ²⁾

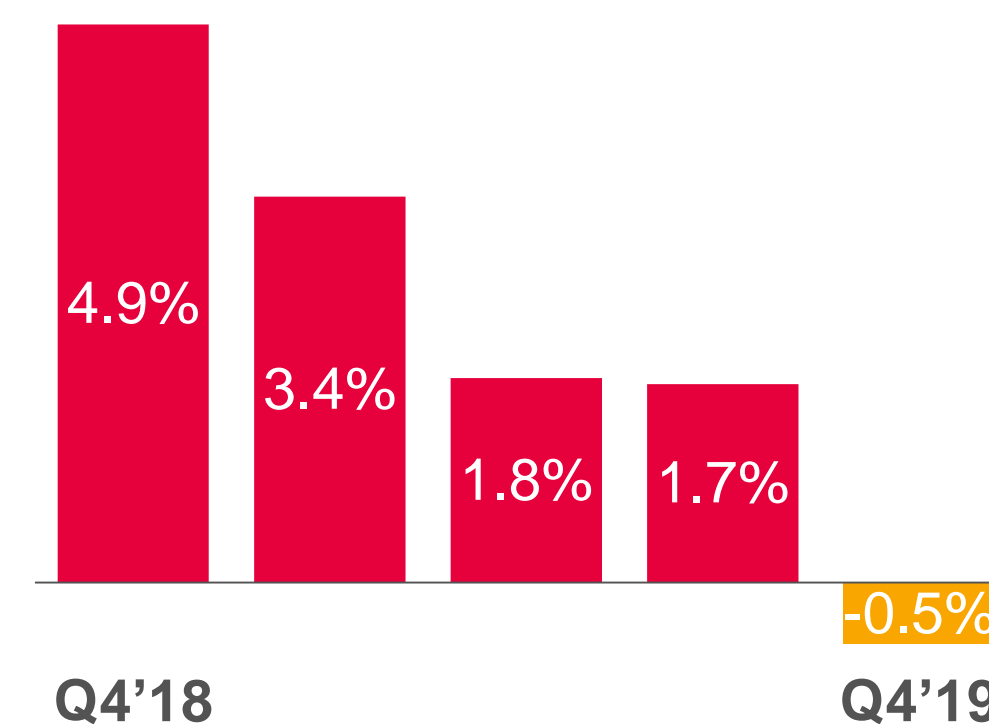


GP CHF m

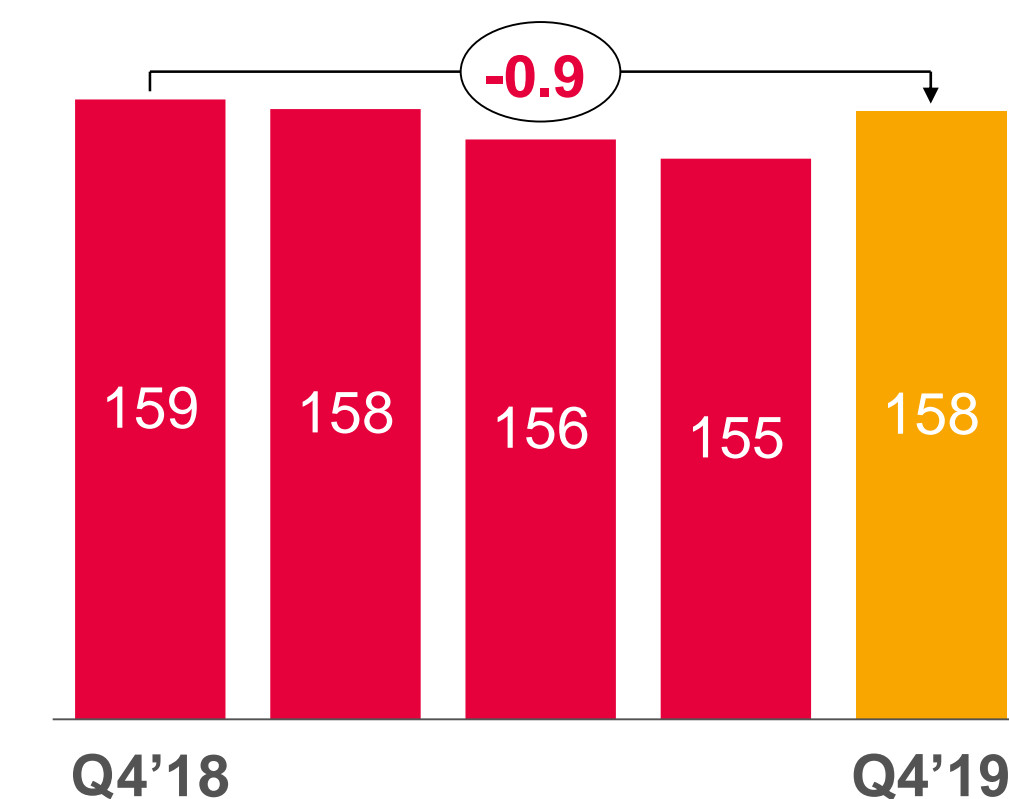


- **Gross profit +2.3%** driven by service revenue growth
- Service gross margin slightly down

Adj. Opex growth YoY ²⁾



Adj. Opex CHF m



- **Adj. Opex slightly down**; Q4 with seasonality as commercially intensive quarter; reported Q4 Opex includes CHF 83m one-off costs related to M&A (see appendix)

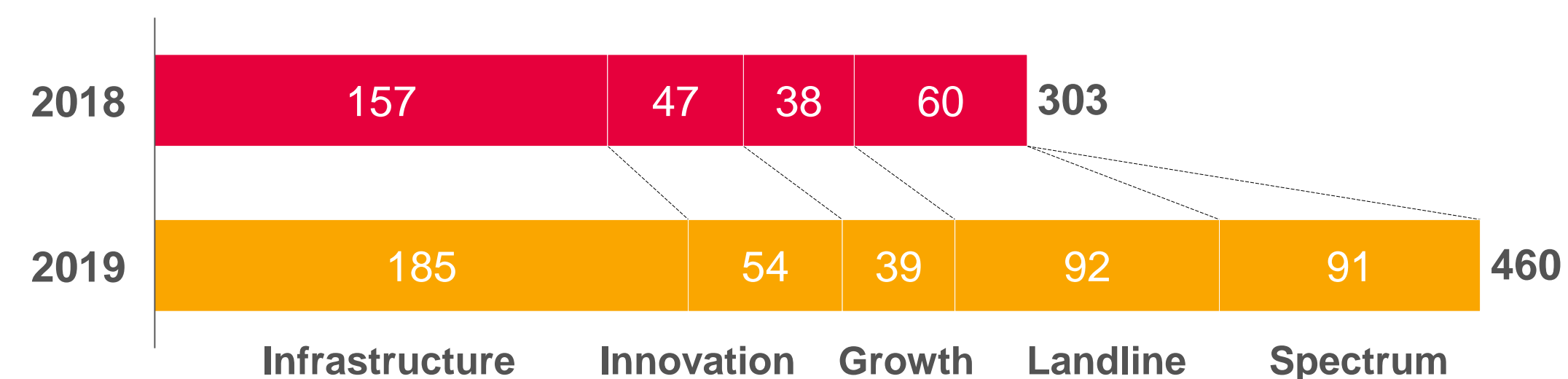
¹⁾ Service gross margin is calculated as total gross profit divided by service revenue (i.e. revenue excluding low-margin hardware and hubbing revenue);

²⁾ Q4'18 YoY growth rates exclude IFRS 15 effects as IFRS 15 not available for 2017 base; tower adjusted

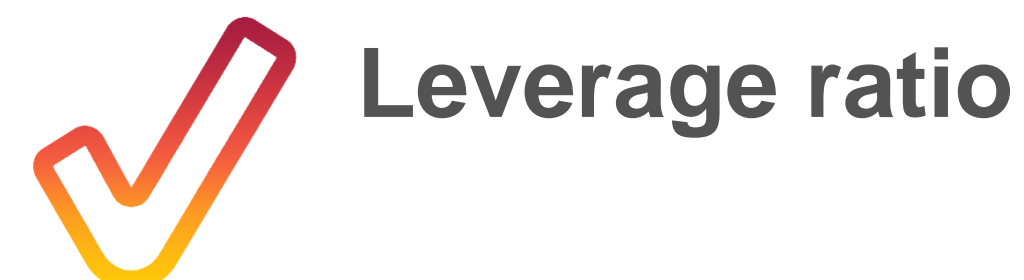
Focus on Capex and leverage



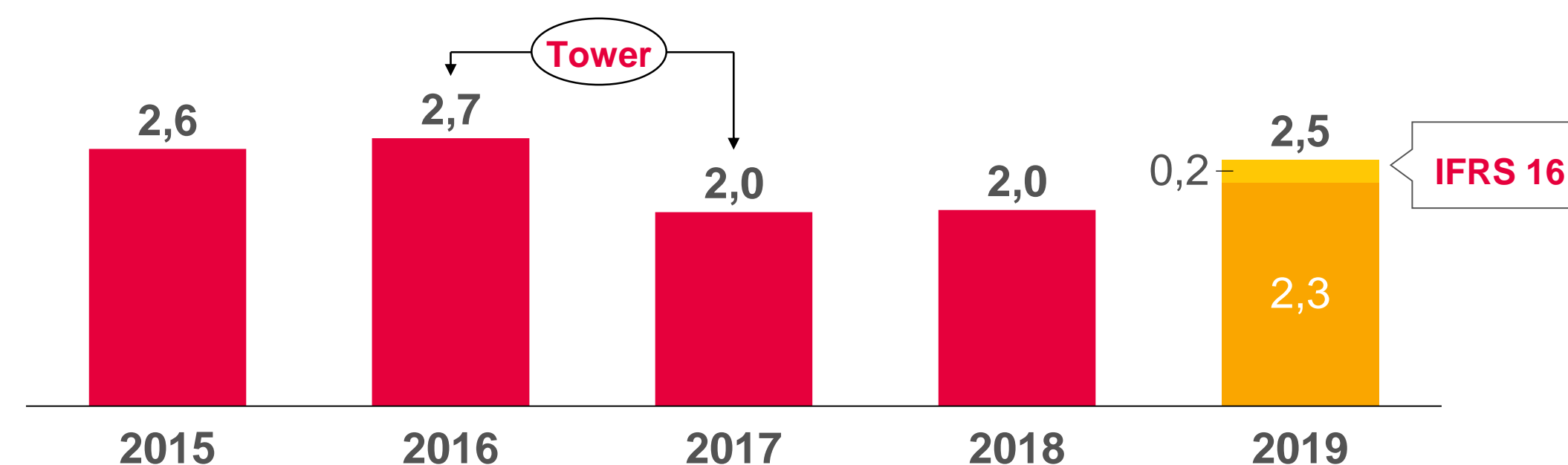
CHF m



- **Infrastructure:** 5G network, IT, shops and facility management; includes change in Capex payables
- **Innovation & Development:** Innovation, digitalization and process improvements
- **Customer growth:** B2B customer project investments and internet/TV growth
- **Landline access:** Upfront investment of CHF 60 (32)m primarily at utilities in 2018 (19) and of CHF 60m at Swisscom in 2019

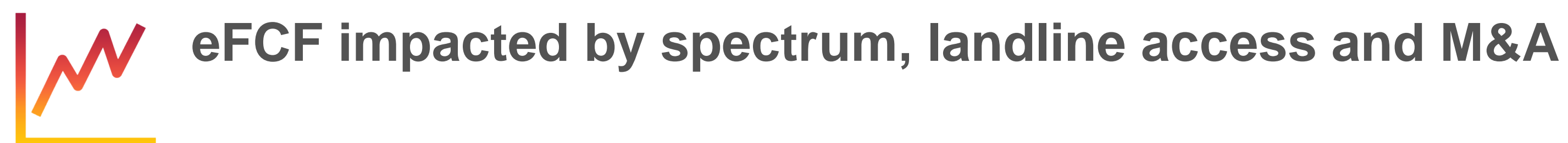


Net debt / adjusted EBITDA

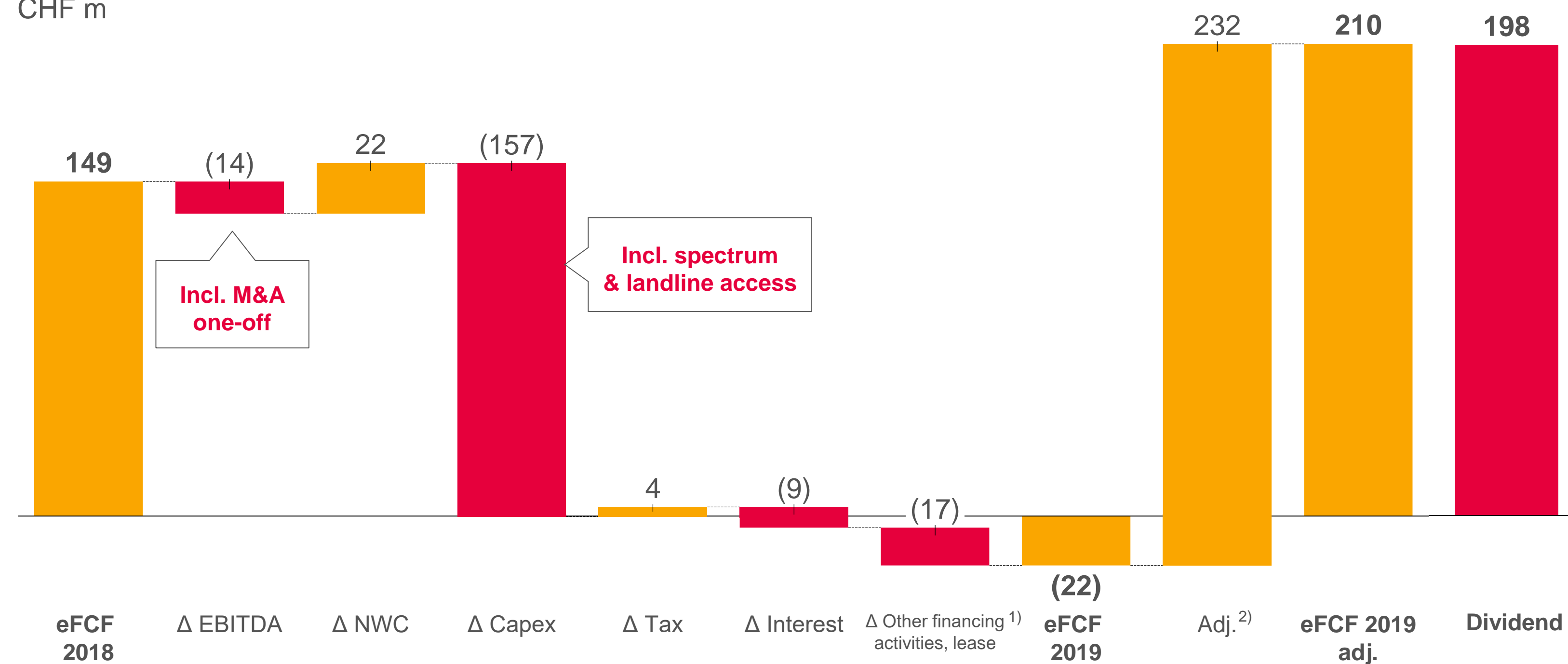


- **Leverage** ratio up YoY
- Reduced leverage after tower disposal in 2017 gave flexibility for strategic investments into landline access, 5G spectrum and 5G roll-out, while paying progressive dividends

Focus on equity free cash flow



CHF m



- **Reported EBITDA** down mainly due to M&A one-off costs, offsetting underlying growth
- **Capex** 2019 impacted by spectrum (CHF 91m ³⁾), landline access payments to Swisscom (CHF 60m) and 5G rollout
- **IFRS 16** neutral on eFCF, as positive effect on EBITDA was compensated by lease repayments, NWC and interest impacts
- **Dividend proposed** covered by adj. eFCF

¹⁾ landline access installments and IRUs are counted within "other financing activities" in IFRS report; lease includes 2019 repayments of lease liability related to IFRS 16;

²⁾ Adjusted for M&A one-off, 5G spectrum, landline access payment to Swisscom, gain on sale of 133 towers in Q1'19, IAS 19 pension plan adjustment in Q3'19; ³⁾ whereof CHF 89m spectrum price and CHF 2m consultancy fees

Sunrise

Outlook

Growing EBITDA by continued
focus on quality and 5G leadership

André Krause
CEO



Sunrise

Quality strategy proven to be successful ...



High quality network

Top 3 network internationally



Excellent infrastructure in mobile and landline



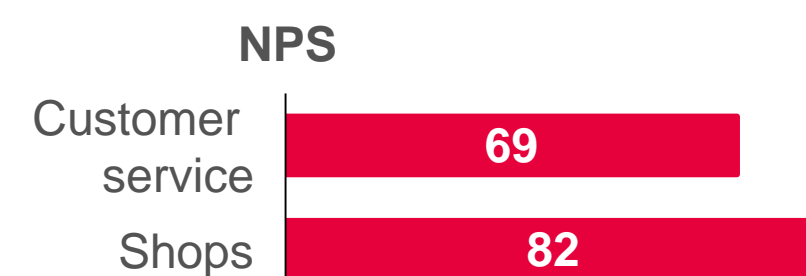
Multi brand approach



Covering distinct customer segments



Service excellence



Focus on customer centricity and sales channels improvements



Innovation



Convergence, targeted promotions, brand focus



Grow market share



Grow top and bottom line



Progressive dividends

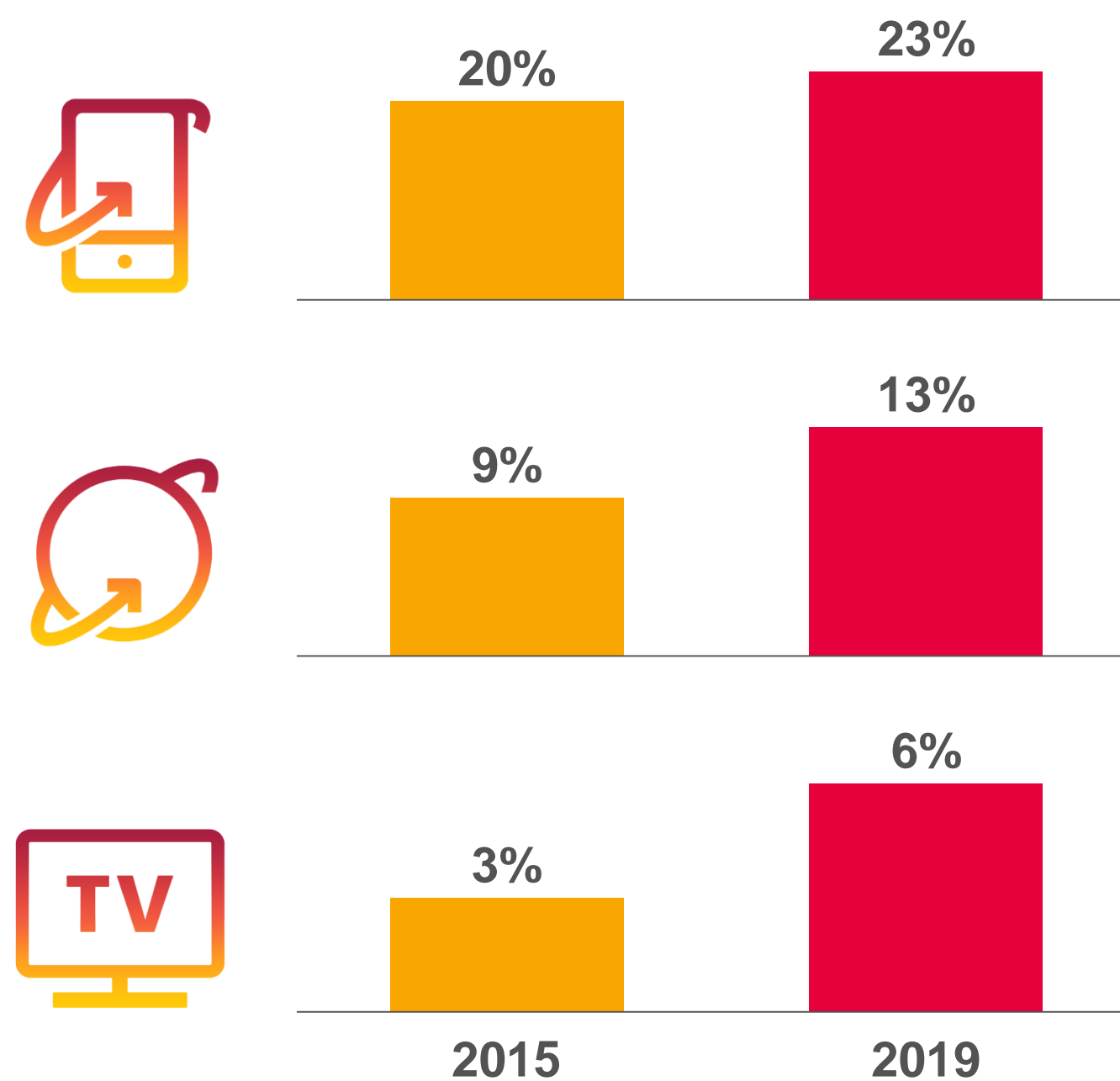
Sunrise

... offering further growth potential



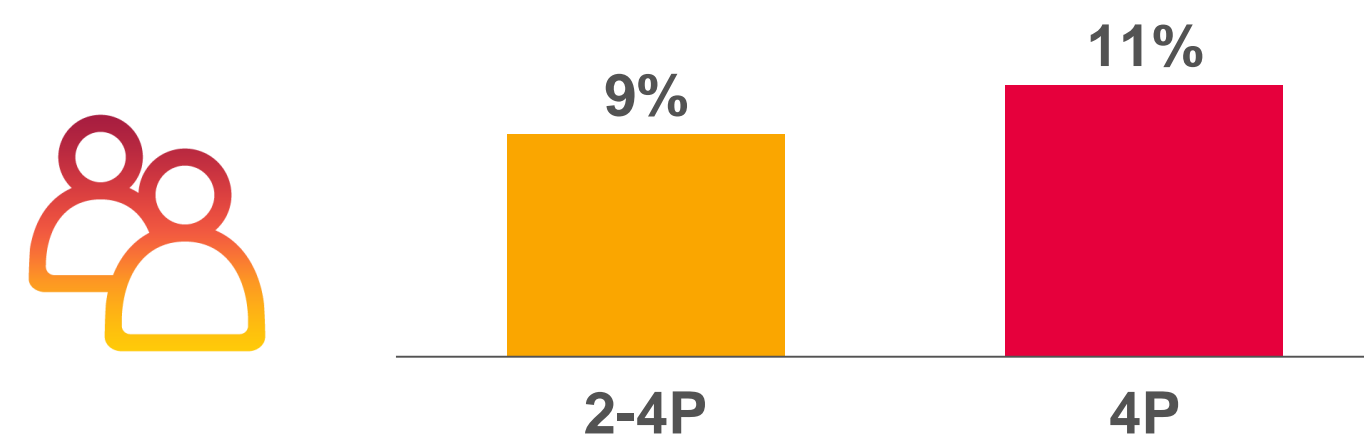
Market share

Sunrise market share

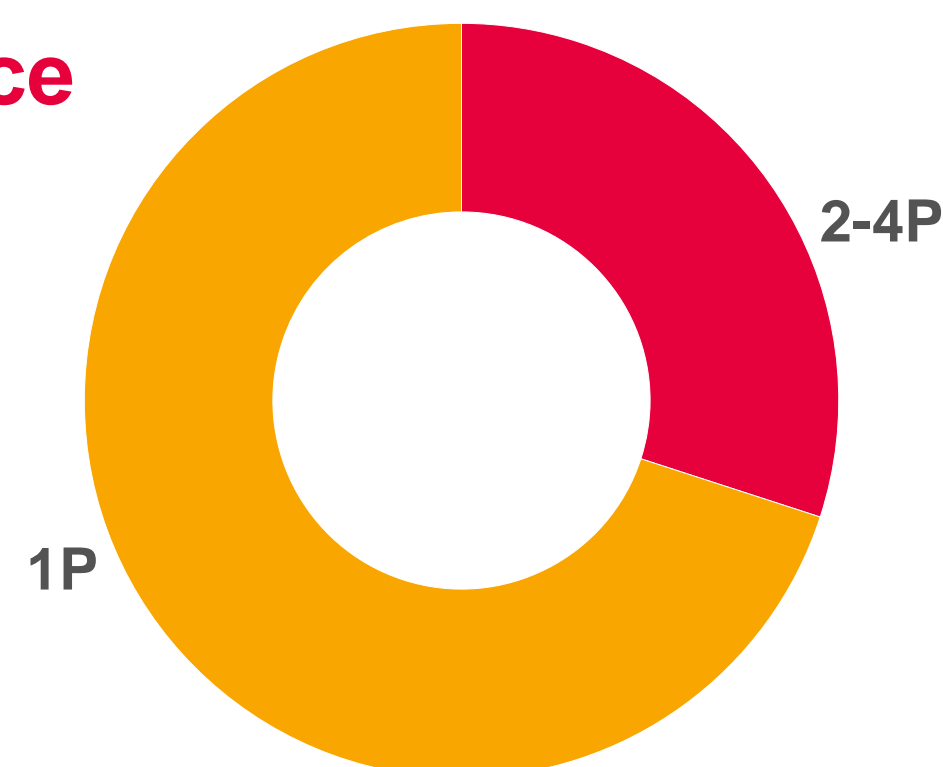


Cross selling

2019 growth

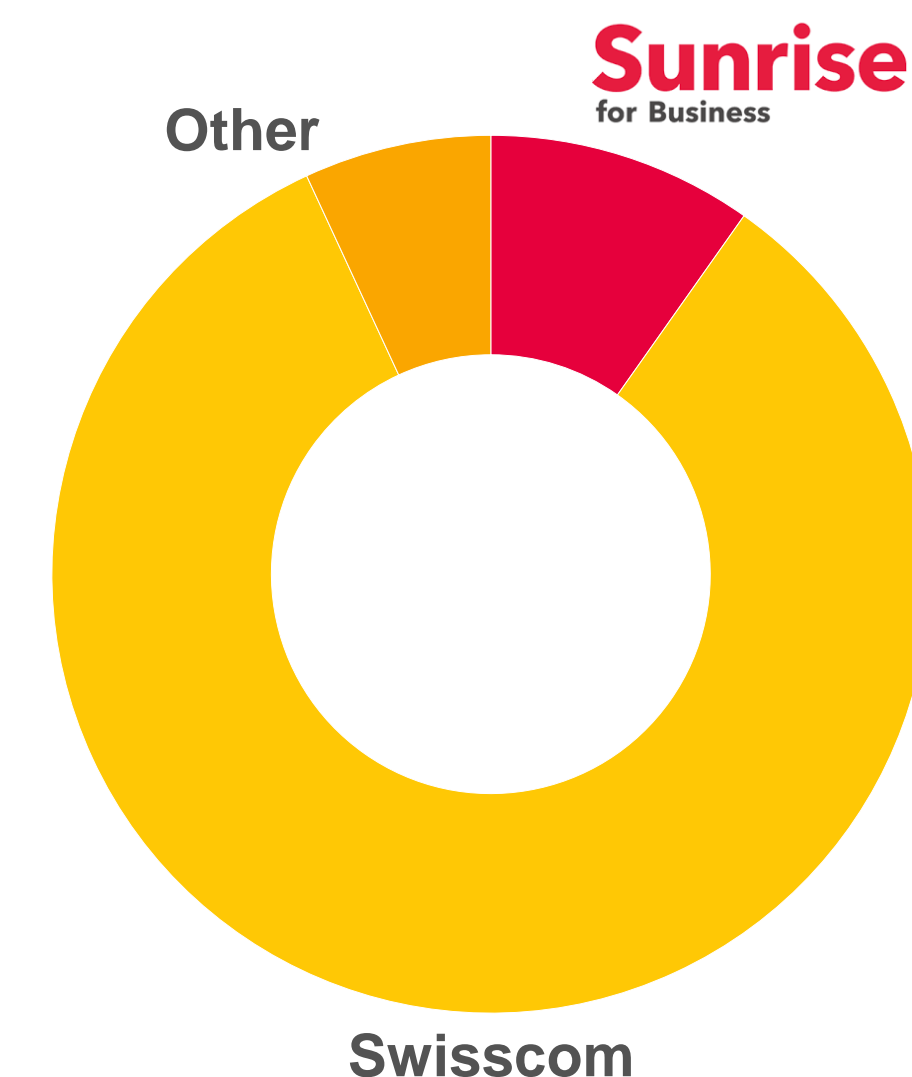


Convergence in base



Underrepresented in B2B

B2B market share



Elevating our strategy to the next level



Leading future proof infrastructure

Next level of quality challenger strategy

Leading position in fiber and 5G: Target fiber coverage of 50-60% by 2025, partnerships in all directions will be considered, get attractive access conditions; cover non-fiber areas with 5G



Clear product and service differentiation

Drive innovation and cross- and upsell to exploit **convergence** trend; continue multi brand approach and invest in sales channels and product line extensions



Higher efficiency

Efficiency program in place: Digitalization will drive further operational momentum and improve margins



Grow market share



Grow top and bottom line



Progressive dividends

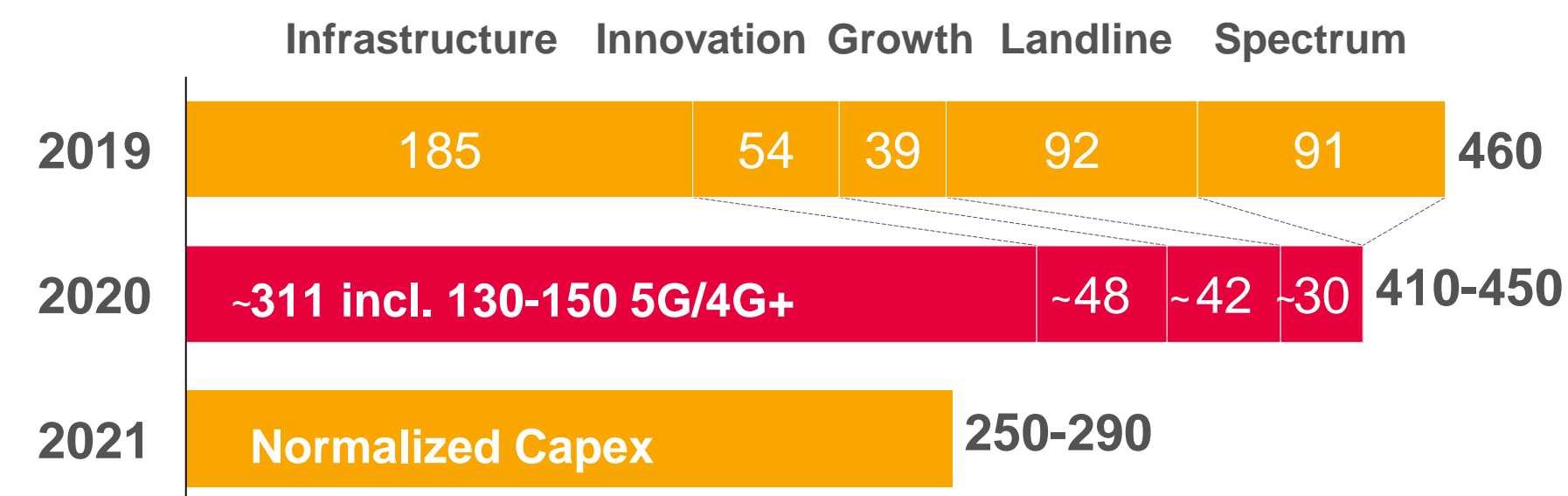
Sunrise

Profitable growth driven by investments ...



**Accelerated
5G and 4G+
rollout**

Elevated 2020 Capex to drive network excellence



**Progressive
dividends**

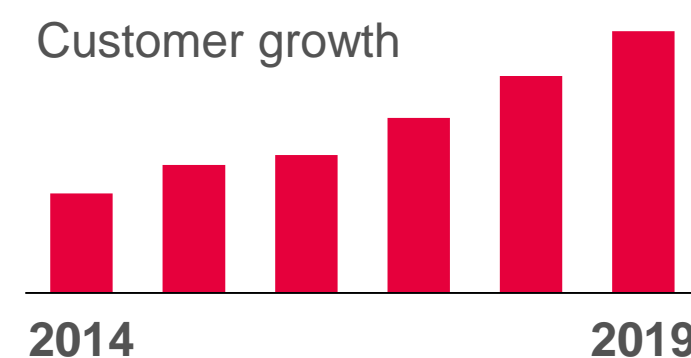
- 4-6% dividend growth guidance 2018-20 extended to 2021
- Incremental 2020 network Capex largely financed by solid balance sheet, not impacting dividend policy
- 2021 Capex normalization to materially improve eFCF, fully covering 2021 dividend, in-line with the long term dividend policy



**Drive
profitable
growth**

Monetize 5G

Drive GP with customer momentum,
5G extra fee, FWA rollout



Sunrise

... and focus on efficiency



Digitalization

Review operating model to increase efficiency

- Further increase **e-sales** and **self-service functionalities**
- **Increase focus** on digitalization and automation of processes



Operating cost model

- **Increase efficiency of IT** (e.g. system consolidation, agile developments, reduction of service & maintenance costs)
- **Review** use of external contractors and in- versus out-sourcing
- Further exploit **nearshoring** opportunities



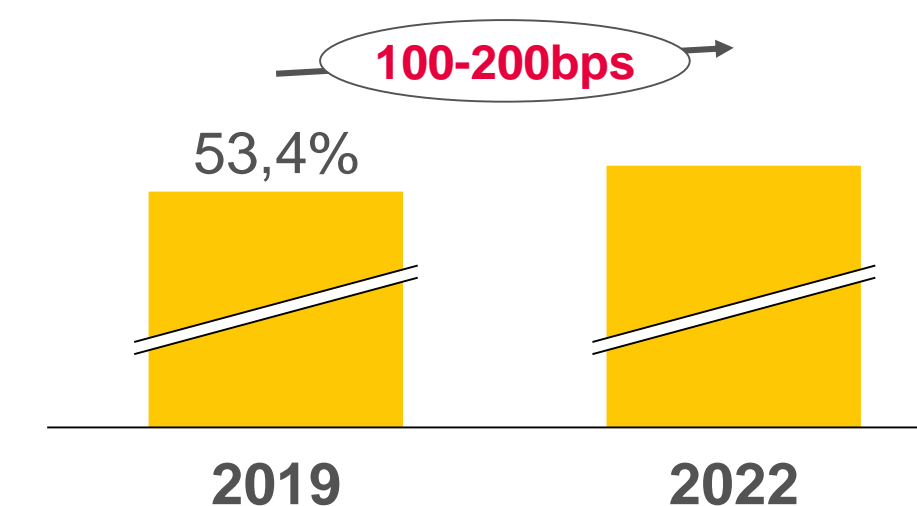
Purchasing & other

- Continuous category **renegotiations** to reduce procurement cost
- Optimization of functional indirect costs (e.g. logistic, marketing spend)



Efficiency program

Adj. EBITDA / GP



Financial outlook 2020



Higher revenue

- Service revenue growth driven by **B2B** and cont'd **customer momentum** in postpaid, internet, and TV
- Revenues of low-margin hardware and hubbing to remain volatile



Higher adj. EBITDA

- Use **GP upside** for growth investments
- **Efficiency program** will support adj. EBITDA growth to exceed GP growth



eFCF impacted by Capex

- Incremental 2020 network Capex largely financed by solid balance sheet, not impacting dividend policy
- 2021 Capex normalization to materially improve eFCF, fully covering 2021 dividend



2020 guidance

Revenue	CHF 1,875-1,915m
Adj. EBITDA	CHF 675-690m
Capex	CHF 410-450m



Dividend guidance

- **Annual 4-6% dividend growth 2018-21:** CHF 4.55-4.65 per share for 2020
- Long-term dividend policy: at least 65% of eFCF dividend payout; targeting 85% if net debt / adj. EBITDA is below 2.3x

Sunrise

Q & A



Sunrise

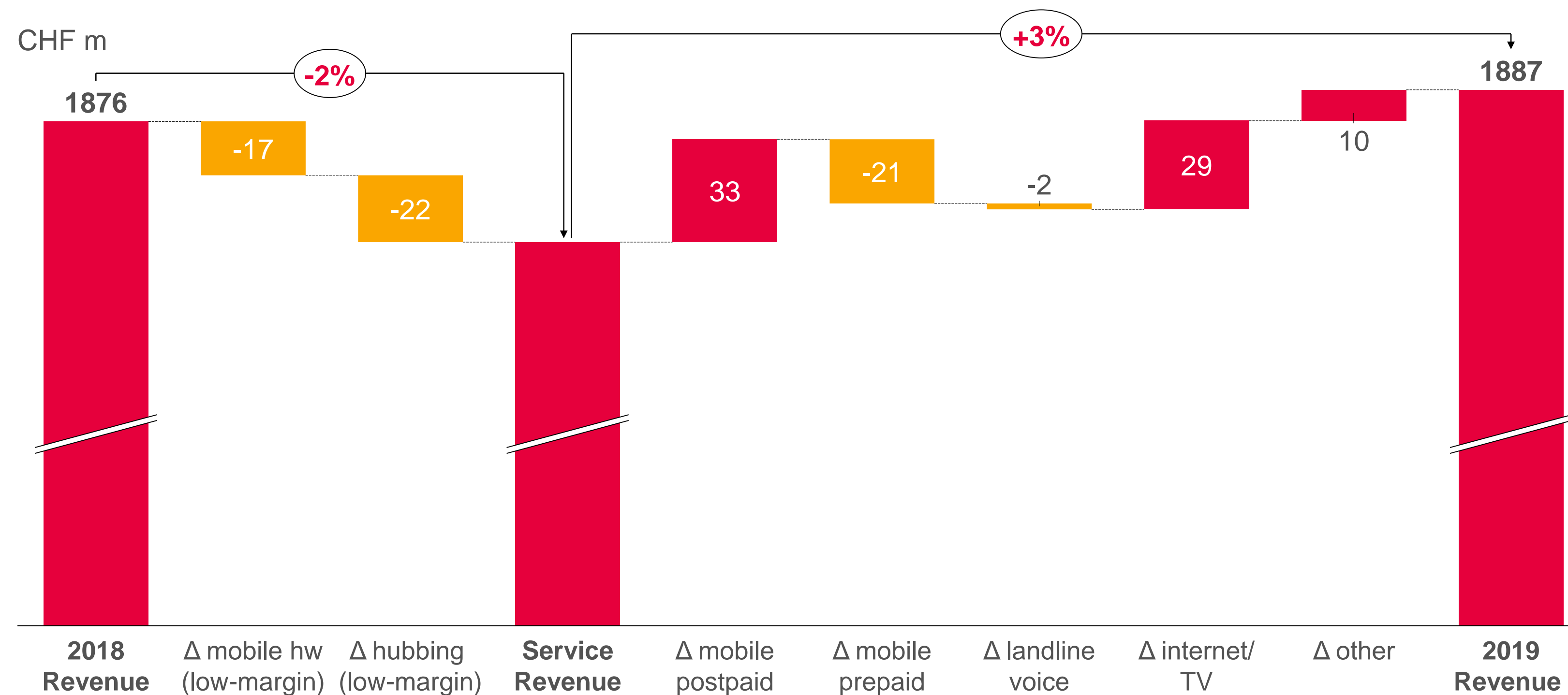
Appendix



Revenue bridge 2019



Revenue bridge



- **Mobile hardware:** Depends on handset innovation, launches, pricing and attachment rate
- **Hubbing:** Increased focus on profitability led to lower revenue while GP remained roughly stable
- **Postpaid:** Strong customer growth driven by investments into quality, offsetting lower ARPU
- **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 volatile lower-margin areas such as project driven 'Integration' business

M&A one-off costs almost fully paid by YE'19



Deal related one-off costs

CHF m



- **Share purchase agreement** with Liberty Global **terminated** on Nov 12th, 2019
- Termination triggered penalty payment of CHF 50m
- Total **one-off** costs of **CHF 112.5m** paid by YE'19: Includes penalty, underwriting fees, advisory and legal fees, as well as already incurred integration costs
- **Dividend 2019** (paid in 2020) **not impacted** as sufficient cash on balance sheet ¹⁾ due to lower than expected 5G spectrum license costs in H1'19

¹⁾ Overfunding of CHF 200m during 2018 refinancing for the then anticipated 5G spectrum auction

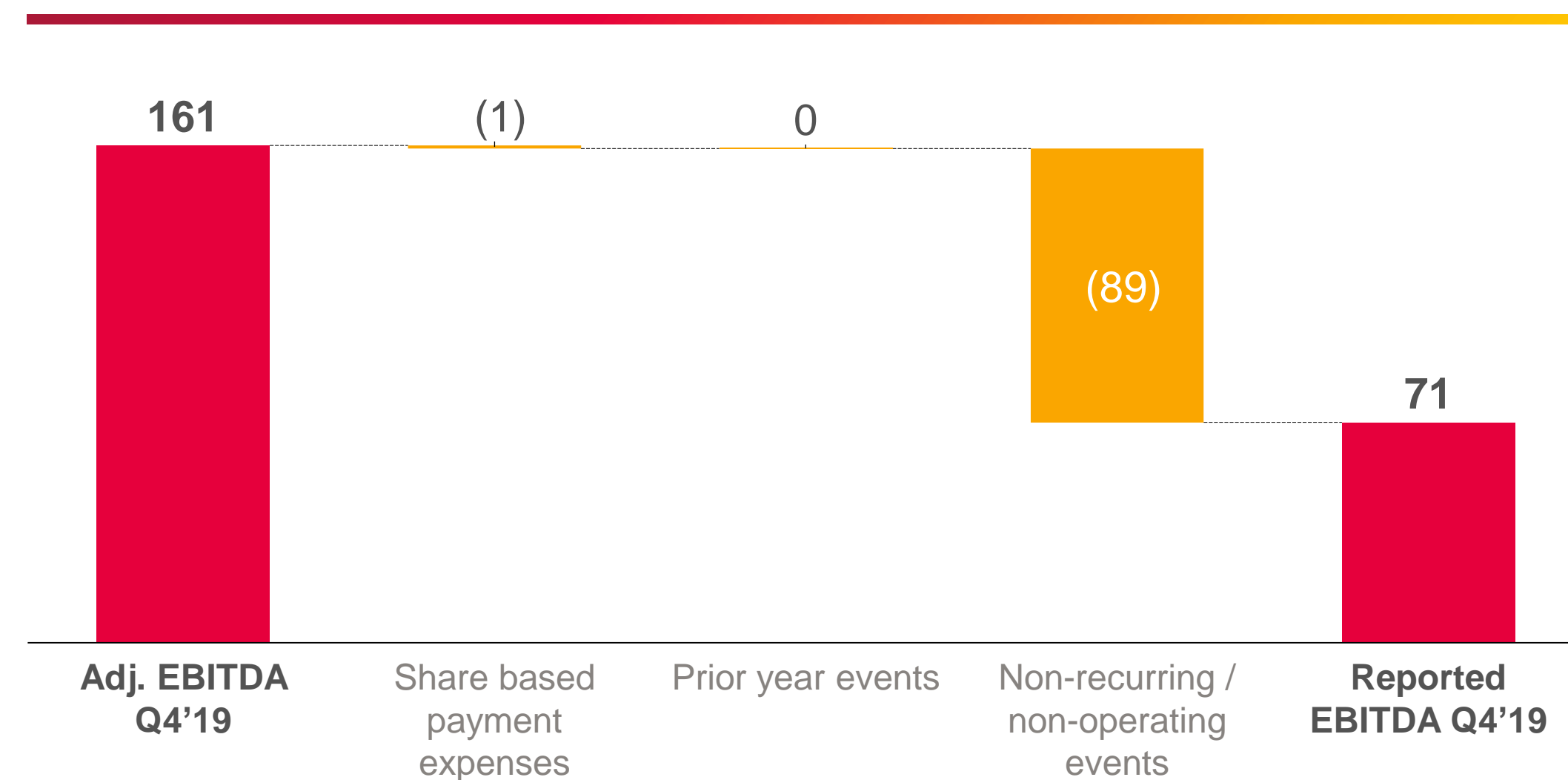
Adjusted to reported EBITDA bridge

EBITDA bridge

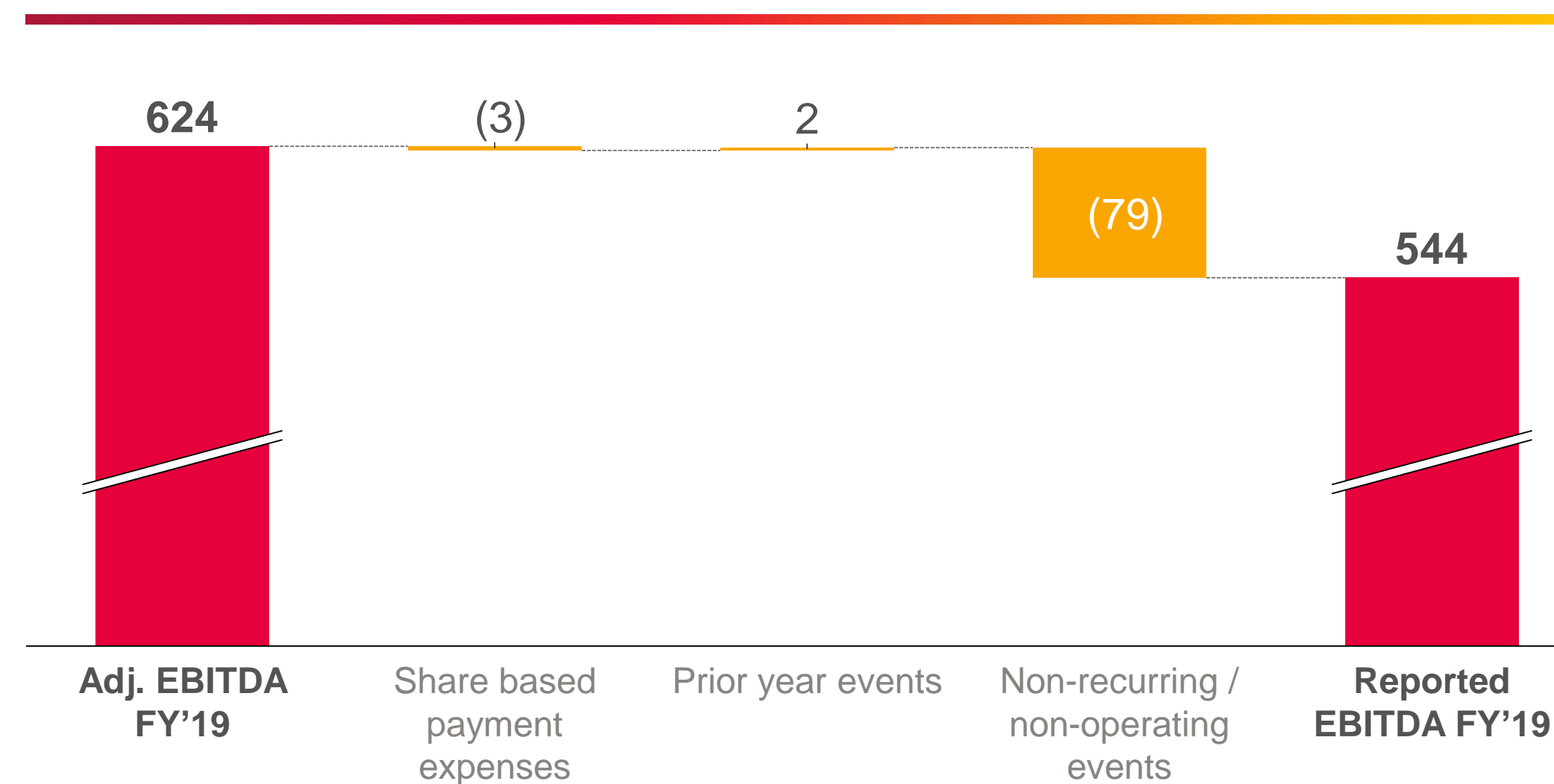
CHF m excl. IFRS 16

Q4

2019



- Share-based payment provisions for multi-year compensation plans
- Non-recurring / non-operating events in Q4 mainly driven by the cancelled acquisition of UPC Switzerland (CHF - 83m)

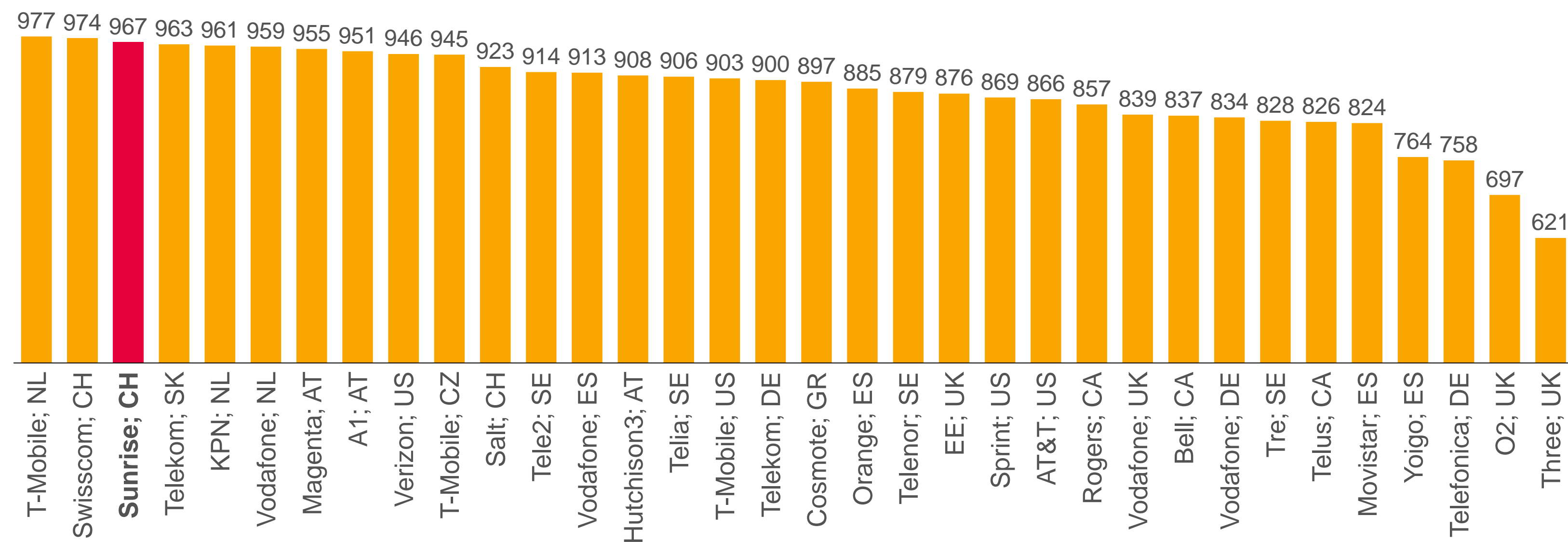


- Share-based payment provisions for multi-year compensation plans
- Non-recurring / non-operating events of CHF -79m are mainly driven by various fees related to the cancelled acquisition of UPC Switzerland (CHF -107m); furthermore they include the gain on the 133 telecom tower disposal to Swiss Towers AG (CHF +25m) in January 2019, the cost reduction from the IAS 19 pension plan adjustment (CHF +13m) and an extraordinary contract settlement (CHF -6m)

Sunrise with top mobile network quality



International mobile network quality



4G

Top 3 internationally (chart)
according to connect (excl. 5G)

5G

Lead in Switzerland
according to RootMetrics

Landline access overview



Fiber

~30%+ fiber coverage

Utilities: In 2018, entered into 20 years agreement with utilities for access at defined scope of fiber lines ¹⁾; scope extended beyond 2018 due to business growth and allocation shifts from LLU, leading to incremental upfront Capex

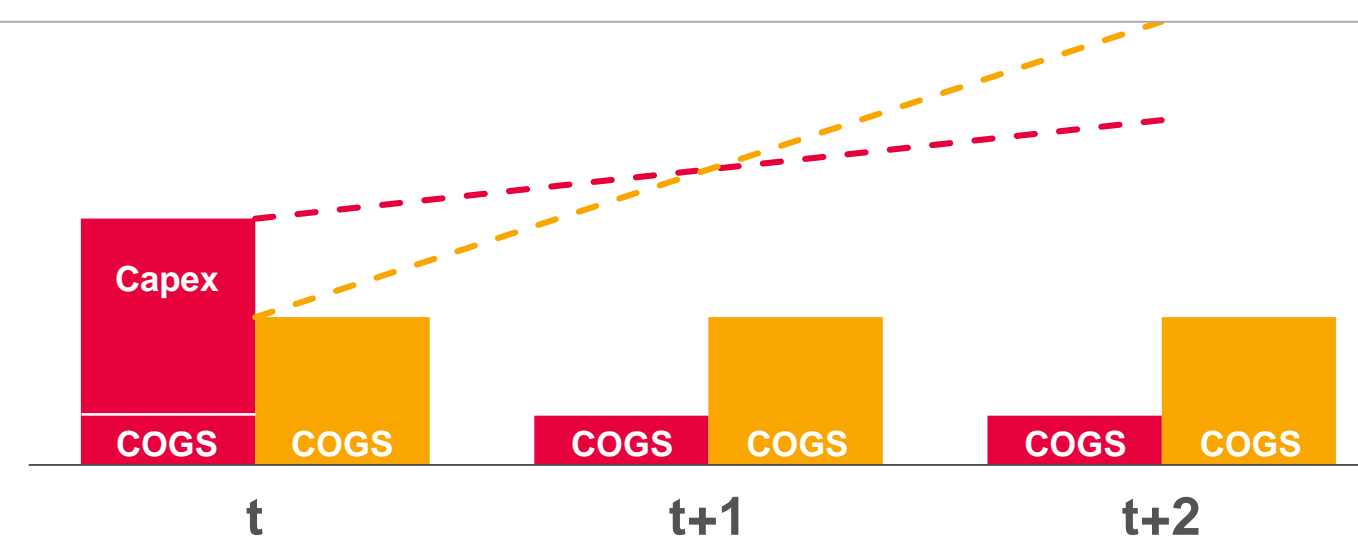
Swisscom: 2019-2022 fiber and xDSL access agreement ¹⁾



Illustration: 3 years example

Upfront models tend to have lower cumulated payments due to long-term commitment (volume & time) and discount factor

■ Upfront investment ■ Pure wholesale model ²⁾



FWA

- **5G** rollout expected to support use of fixed wireless access (FWA)
- Fixed wireless substitution in selected areas without FTTH
- Attractive margins as on own network



xDSL/Copper

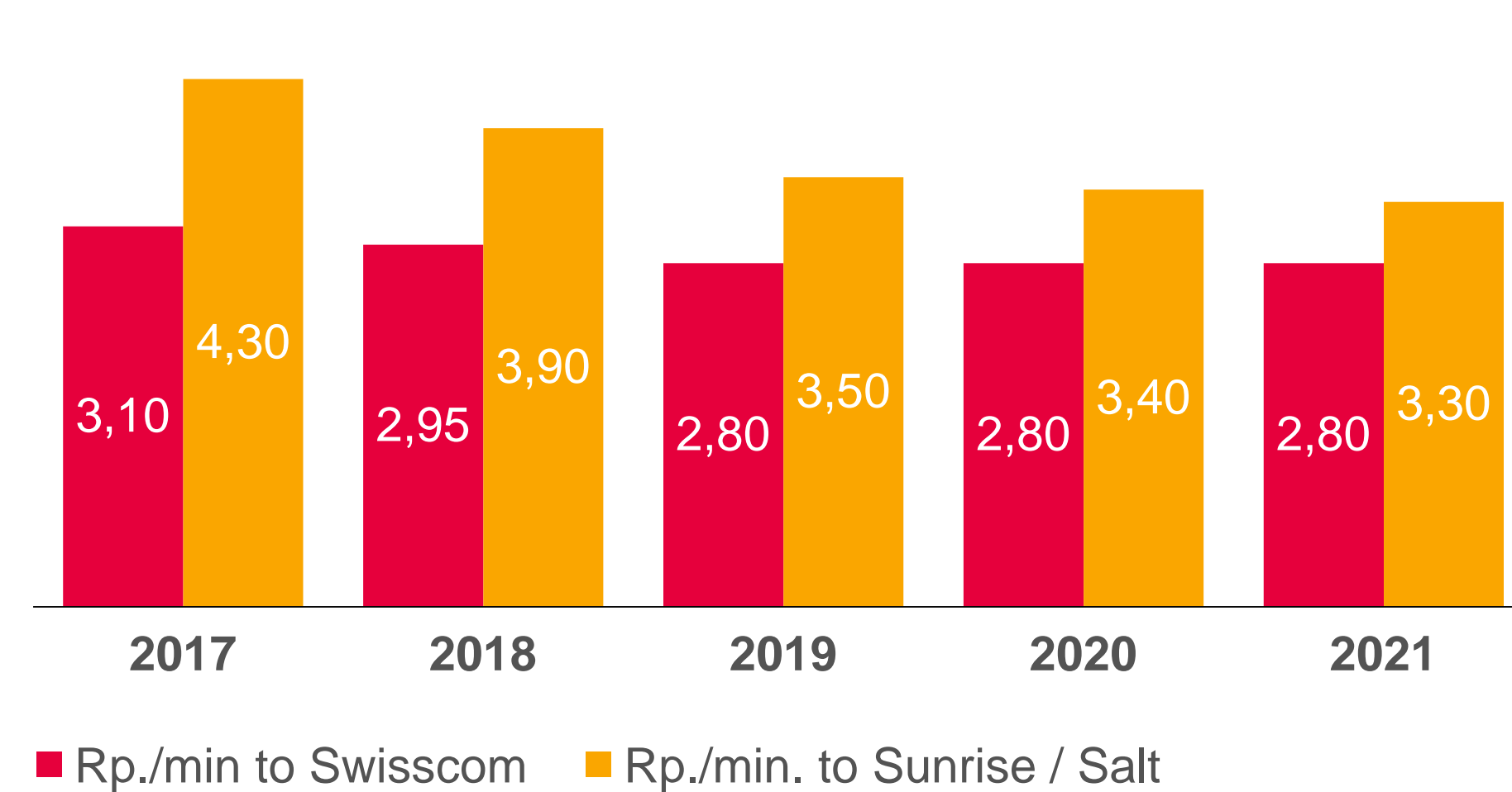
- **~98% xDSL coverage** via 3.5 yrs agreement with Swisscom
- Own LLU only supporting ADSL technology (low speeds)
- Expected decreasing share as customers migrate to fiber or FWA

¹⁾ For utility deal see Q4'17 investor presentation p.19 (extension of initial scope beyond 2018; NPV accretive); for Swisscom deal see Q2'18 investor presentation p. 14

²⁾ Assuming unchanged customer number; COGS = Cost of goods sold (part of P&L); simplified

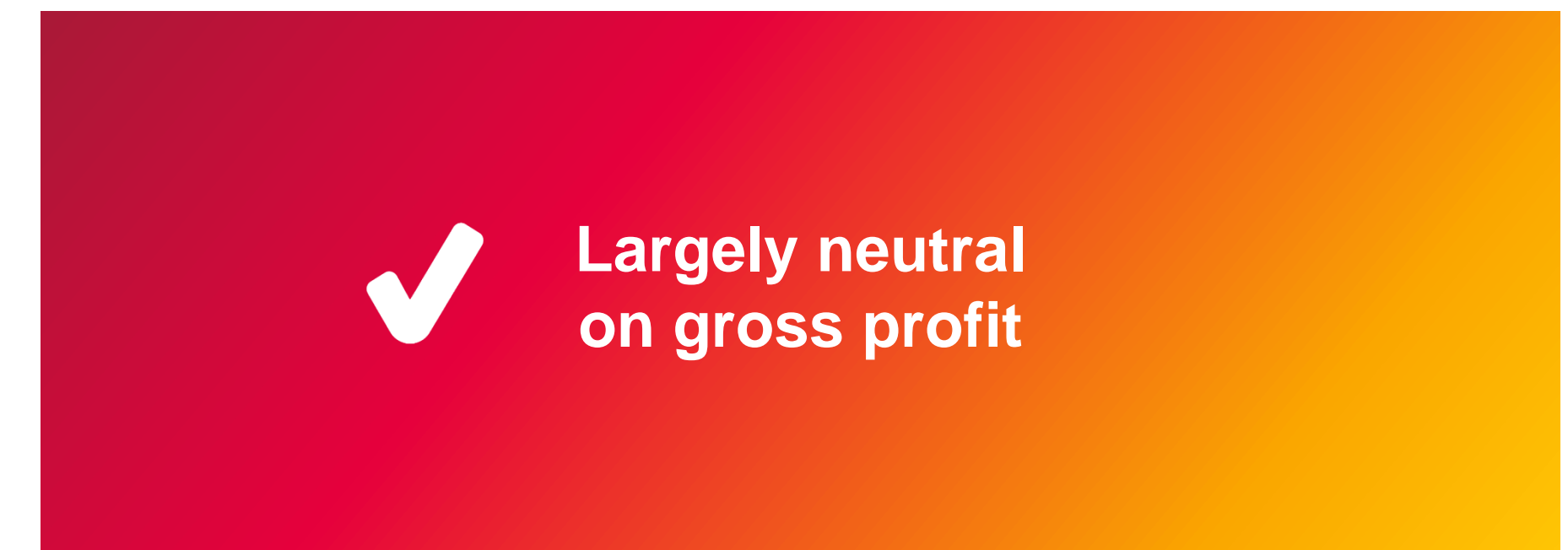
Update on MTR

New MTR negotiated for 2020/21



- New mobile termination rates (MTR) negotiated for 2020/21, with a lower pace of decrease than previously
- MTR are **transmission fees** collected by a mobile communications provider when it accepts calls from another provider's landline or mobile network and passes them on to customers on its own network

Financial impact on Sunrise



- 2020/21 MTR changes continue to slightly negatively impact revenue and ARPU and to be largely **neutral on gross profit**
- 2020 MTR changes are incorporated in 2020 financial guidance

Update on IFRS 16

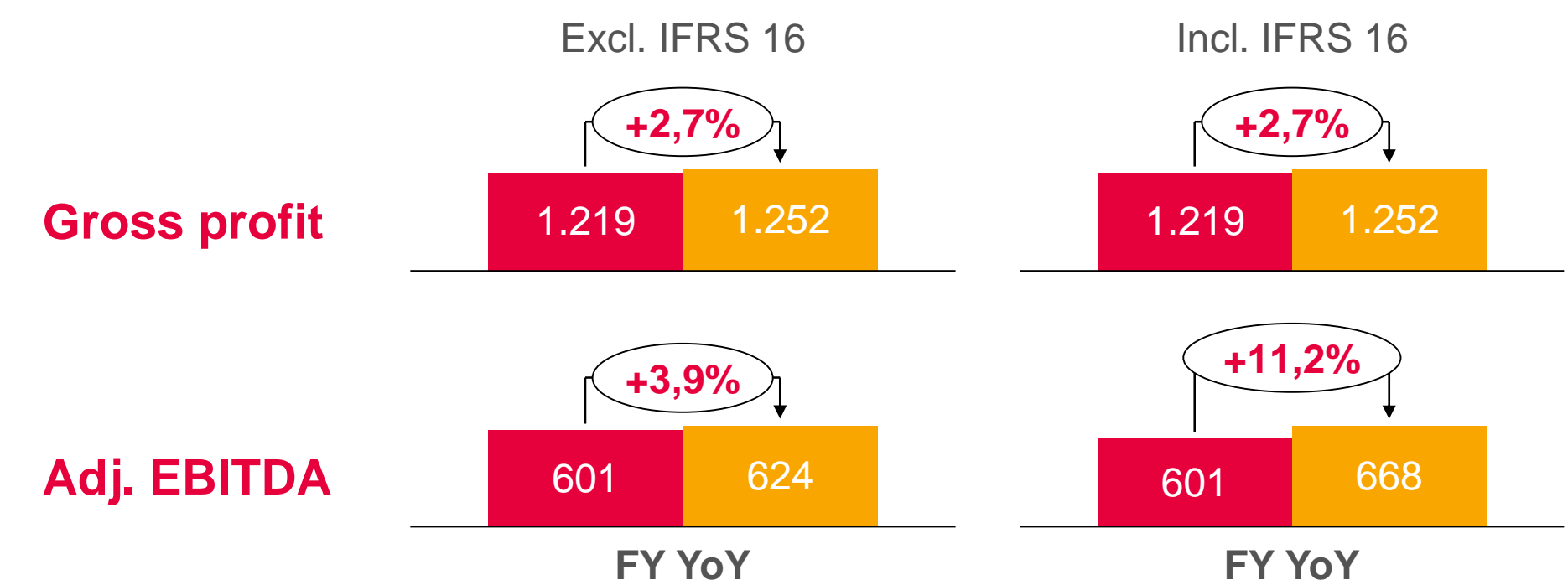
IFRS 16 accounting standard

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

Financial impact on Sunrise

- **Adj. EBITDA**: CHF 44m positive impact in FY'19
- **Net debt**: CHF 254m impact as per Dec 2019 (total lease liability incl. former finance lease: CHF 263m)
- **Leverage**: Net debt/adj. EBITDA ratio with +0.23 impact due to IFRS 16 in Q4'19
- **Sunrise does not restate 2018**; in order to provide YoY comparability, Sunrise is disclosing 2019 trends also under IAS 17



Income Statement

CHF million
January 1- December 31

	2019 with IFRS 16	2019 without IFRS 16	2018 without IFRS 16	Change with IFRS 16 (%)
Revenue				
Mobile services	1'271	1'271	1'271	0.0
- <i>Thereof mobile postpaid</i>	835	835	802	4.1
- <i>Thereof mobile prepaid</i>	76	76	96	(21.5)
- <i>Thereof mobile hardware</i>	262	262	279	(6.2)
- <i>Thereof other</i>	98	98	93	5.4
Landline services	307	307	325	(5.7)
- <i>Thereof landline voice</i>	124	124	126	(1.5)
- <i>Thereof hubbing</i>	74	74	96	(22.5)
- <i>Thereof other</i>	109	109	104	4.8
Landline Internet and TV	309	309	280	10.2
Total revenue	1'887	1'887	1'876	0.5
Revenue excl. mobile hardware and hubbing	1'551	1'551	1'501	3.3
Gross profit	1'252	1'252	1'219	2.7
% margin	66.4%	66.4%	65.0%	
% margin (excl. hubbing & hardware revenue)	80.8%	80.7%	81.2%	
EBITDA	588	544	602	(2.4)
EBITDA adjusted	668	624	601	11.2
% margin	35.4%	33.1%	32.0%	
% margin (excl. hubbing & hardware revenue)	43.1%	40.3%	40.0%	
Net income	56	59	107	(48.0)

Cash Flow Statement

CHF million January 1- December 31	2019 with IFRS 16	2019 without IFRS 16	2018 without IFRS 16	Change with IFRS 16 (%)
Cash flow				
Reported EBITDA	588	544	602	
Change in NWC	(27)	(21)	(49)	
Net interest	(39)	(28)	(30)	
Tax	(46)	(46)	(50)	
CAPEX	(460)	(460)	(303)	
Repayments of lease liability	(32)	(5)	0	
Other financing activities	(6)	(6)	(21)	
Equity free cash flow	(22)	(22)	149	(114.8)
Other	(199)	(199)	(2)	9'609.3
Total cash flow	(221)	(221)	147	(250.6)

Leverage ratio

Net debt (CHFm)	December 31, 2019	September 30, 2019	December 31, 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	263	259	5
Total debt	1'873	1'869	1'615
Cash & Cash Equivalents	(201)	(315)	(421)
Net debt	1'673	1'554	1'194
Net debt / pro forma adj. EBITDA ¹⁾	2.5x	2.4x	2.0x
excl. IFRS 16	2.3x	2.1x	

¹⁾ Based on pro forma view for Sep 2019 by annualizing the IFRS 16 adj. EBITDA effect

Sunrise

Investor Relations



Stephan Gick
stephan.gick@sunrise.net



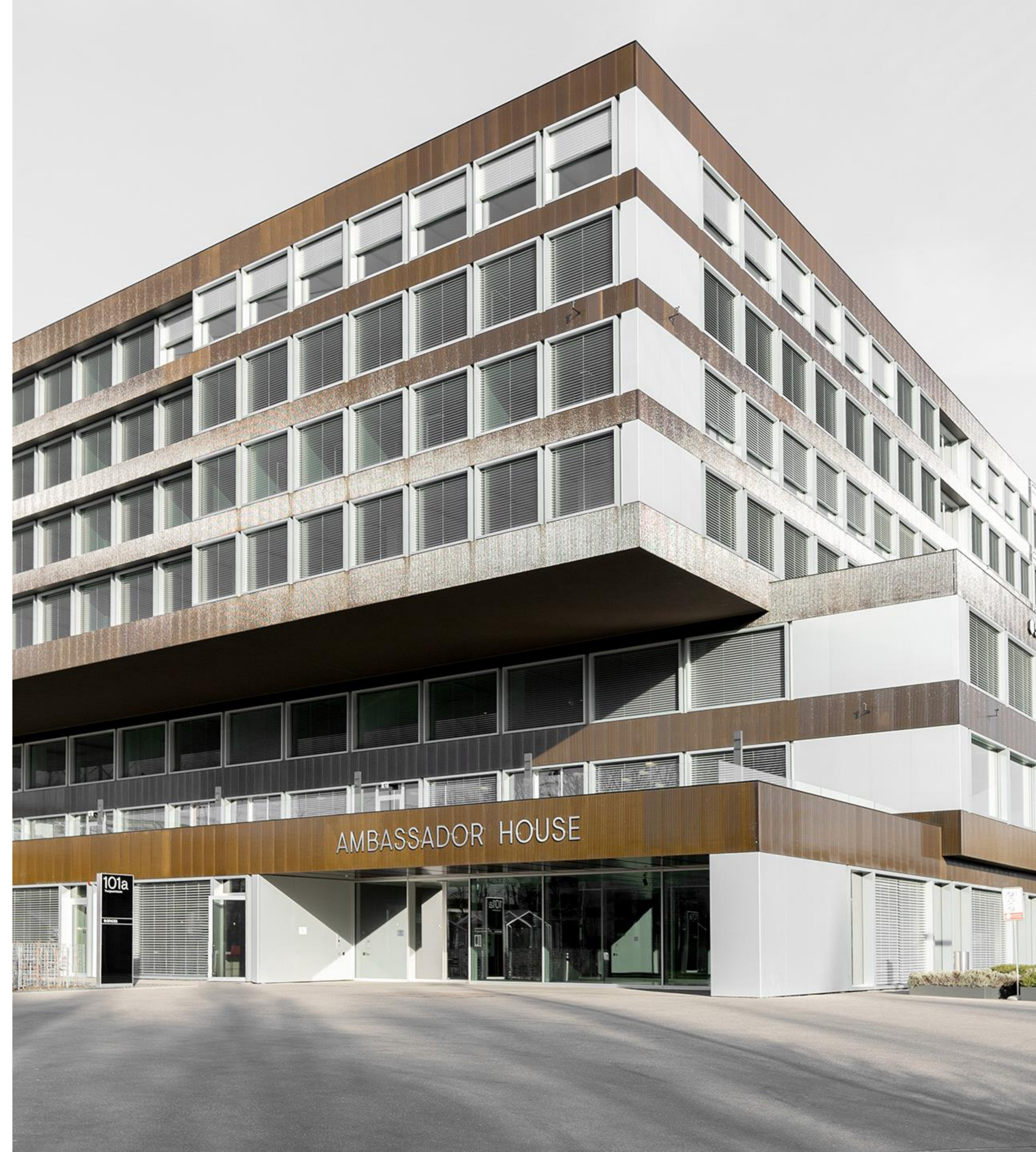
+41 58 777 96 86



investor.relations@sunrise.net



www.sunrise.ch/ir





Disclaimer

This document and any materials distributed in connection herewith (including any oral statements) (together, the “Presentation”) do not constitute or form a part of, and should not be construed as, an offer for sale or subscription of or solicitation of any offer to purchase or subscribe for any securities, and neither this Presentation nor anything contained herein shall form the basis of, or be relied upon in connection with, or act as an inducement to enter into, any contract or commitment whatsoever.

The information contained in this Presentation has not been independently verified and no representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness, reasonableness or correctness of the information or opinions contained herein. None of Sunrise Communications Group AG, its subsidiaries or any of their respective employees, advisers, representatives or affiliates shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this Presentation. The information contained in this Presentation is provided as at the date of this Presentation and is subject to change without notice.

Statements made in this Presentation may include forward-looking statements. These statements may be identified by the fact that they use words such as “anticipate”, “estimate”, “should”, “expect”, “guidance”, “project”, “intend”, “plan”, “believe”, and/or other words and terms of similar meaning in connection with, among other things, any discussion of results of operations, financial condition, liquidity, prospects, growth, strategies or developments in the industry in which we operate. Such statements are based on management’s current intentions, expectations or beliefs and involve inherent risks, assumptions and uncertainties, including factors that could delay, divert or change any of them. Forward-looking statements contained in this Presentation regarding trends or current activities should not be taken as a representation that such trends or activities will continue in the future. Actual outcomes, results and other future events may differ materially from those expressed or implied by the statements contained herein. Such differences may adversely affect the outcome and financial effects of the plans and events described herein and may result from, among other things, changes in economic, business, competitive, technological, strategic or regulatory factors and other factors affecting the business and operations of the company. Neither Sunrise Communications Group AG nor any of its affiliates is under any obligation, and each such entity expressly disclaims any such obligation, to update, revise or amend any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on any such forward-looking statements, which speak only as of the date of this Presentation.

It should be noted that past performance is not a guide to future performance. Please also note that interim results are not necessarily indicative of full-year results.