

# Swisscom

## Annual Results Press Conference **2016**

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Zurich, 4 February 2016





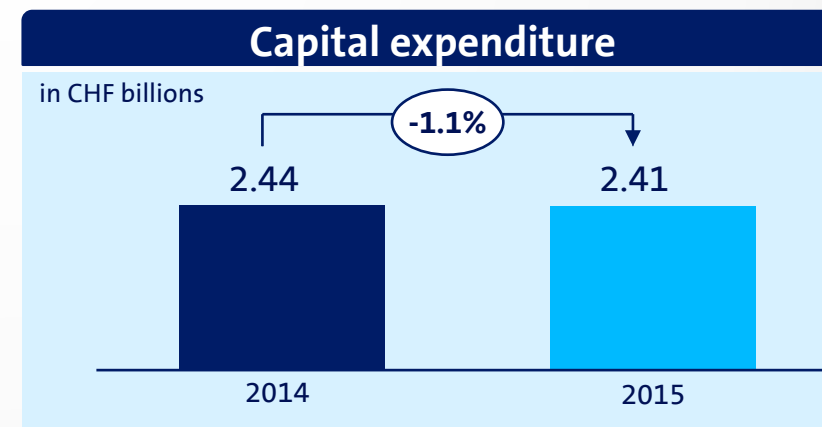
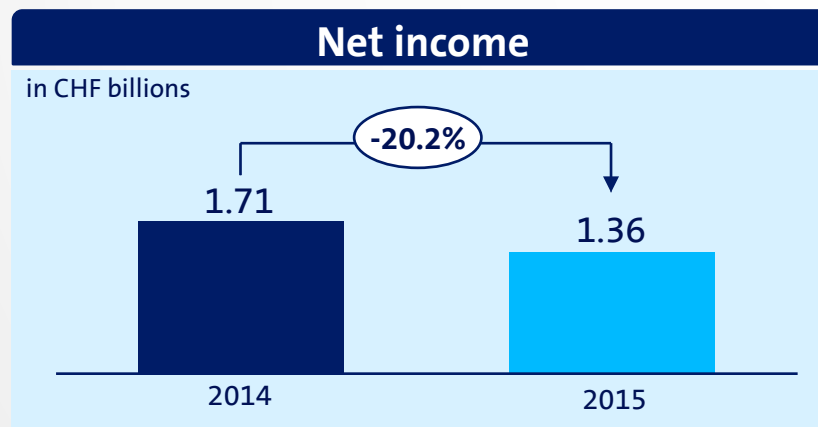
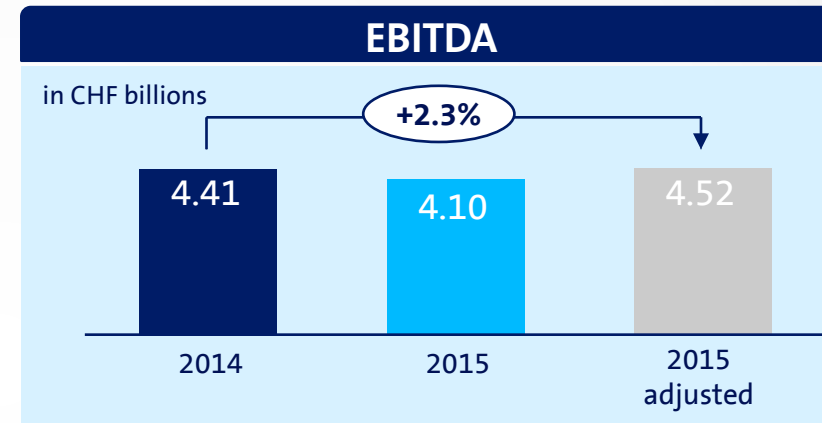
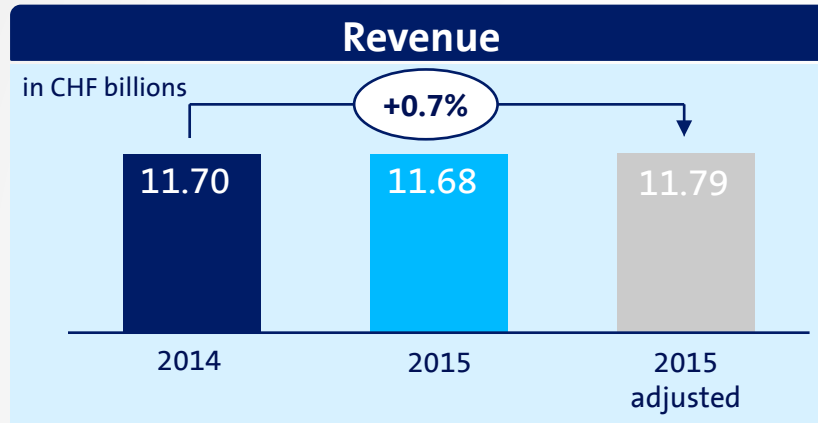
Stefan Nünlist



Urs Schaeppi

# Key figures at a glance

Solid performance despite fierce competition and strong price pressure



# Highlights

## New offerings and key milestones



### The best infrastructure

#### Ultra-fast broadband

- > 2.9 million homes and businesses connected (>50 Mbps)
- > 4G coverage of 98%
- > Seven-time winner of the Connect test

#### Innovation

- > VoLTE and WiFi Calling
- > G.fast pilot trial

#### Cloud

- > Four key accounts won
- > Application cloud launched



### The best customer experiences

#### The best offerings

- > Highest number of recommendations in Switzerland (NPS)
- > Growth in TV 2.0
- > Wingo launched
- > Infinity plus incl. EU roaming
- > Success with My SME Office bundle

#### Key drivers

- > Further development of security and big data
- > Merger of local.ch and search.ch



### The best growth opportunities

#### Core business

- > Stable market shares
- > Growth in bundled offerings
- > 11.5% more contracts for Enterprise Customers

#### Fastweb

- > Upward trend across all segments
- > Good result

#### Industry solutions

- > Success in eHealth
- > Stable development in banking

# Trends and market environment

# Our society is shaped by key trends

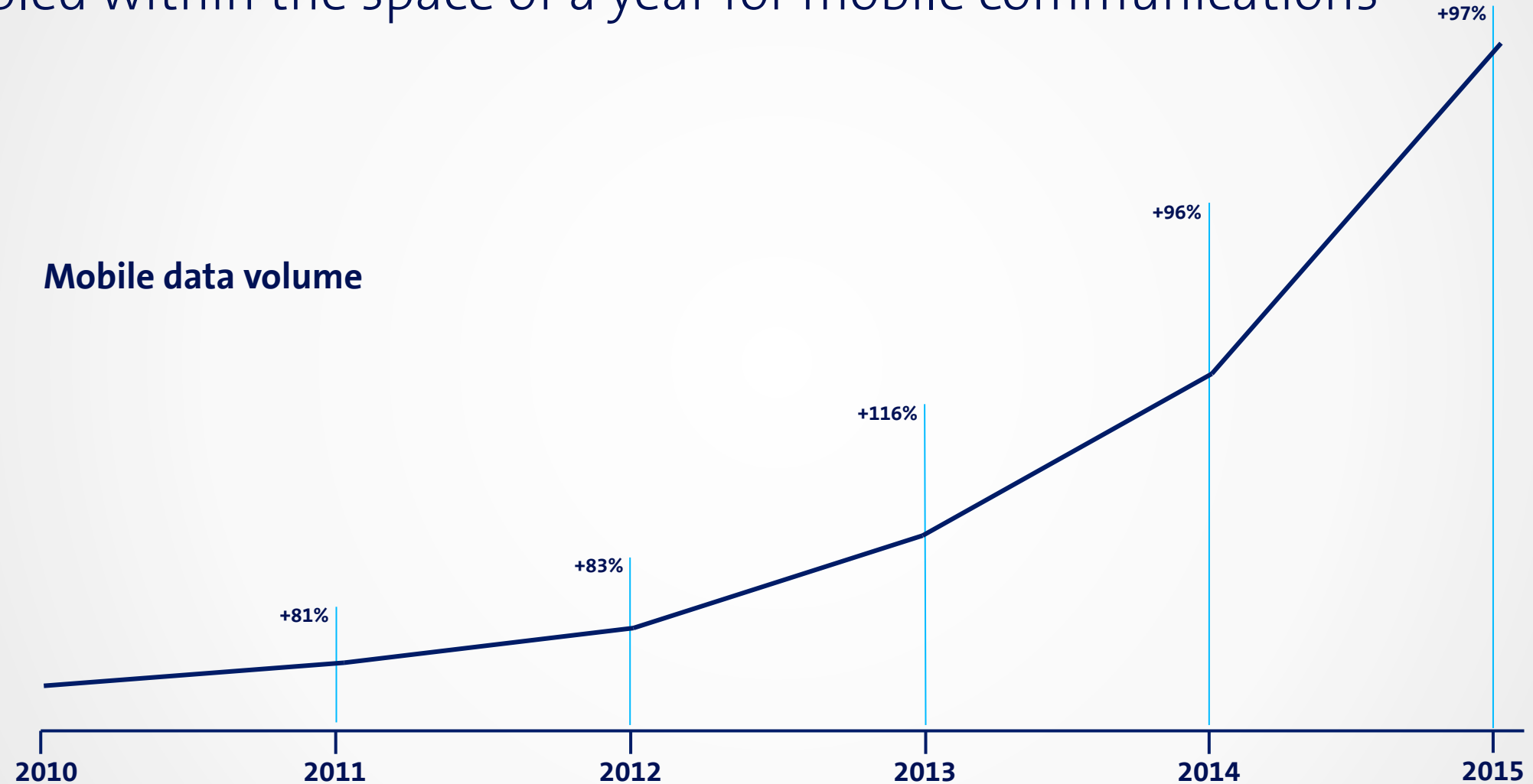


## Current trends:

1. Communications channels
2. The Internet of Things
3. Context-based marketing
4. New UI technologies
5. 3D printers
6. Smart homes
7. Mobile payment solutions
8. OTT in the corporate segment

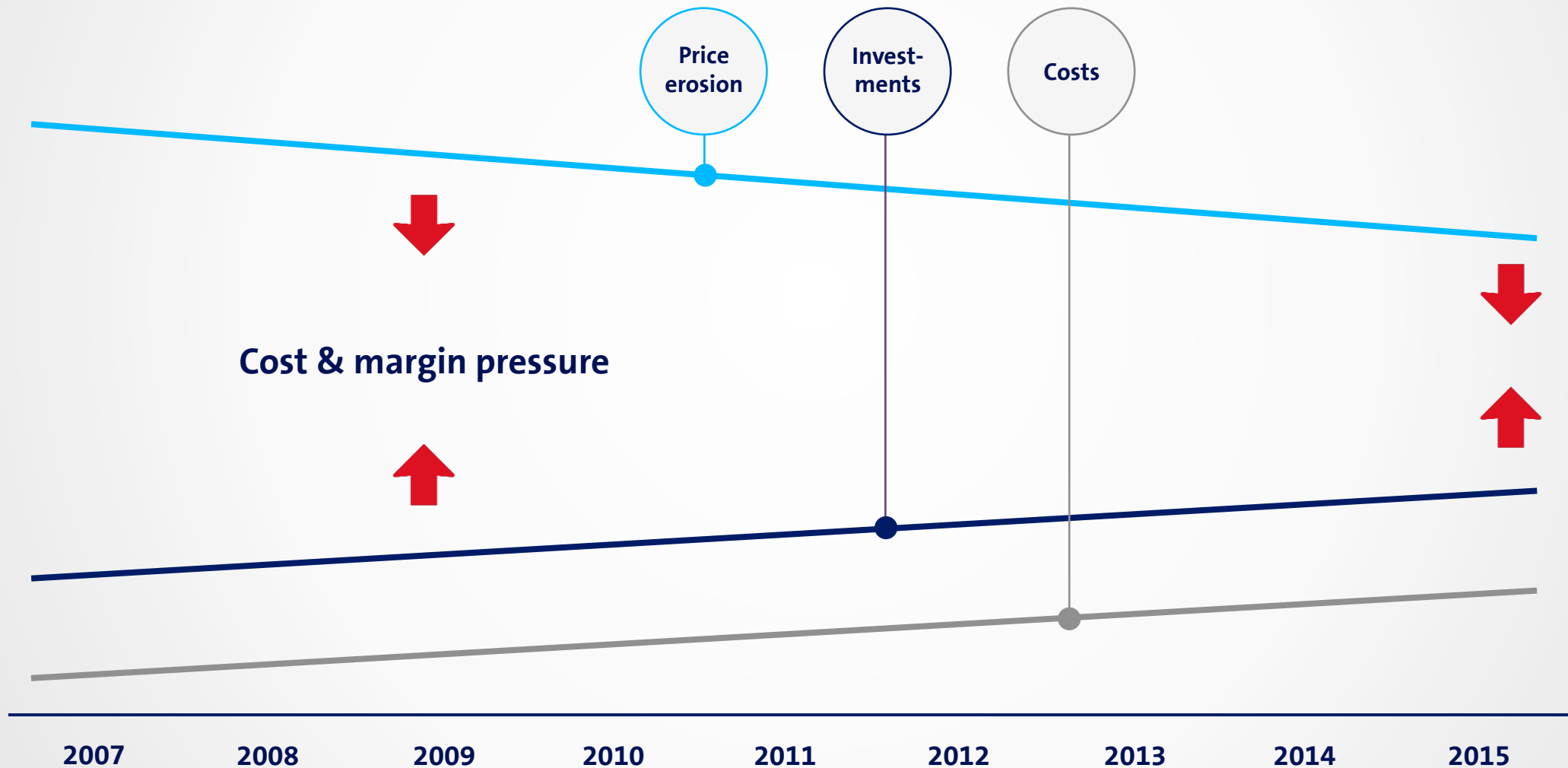
# Drastic growth in data traffic

Doubled within the space of a year for mobile communications



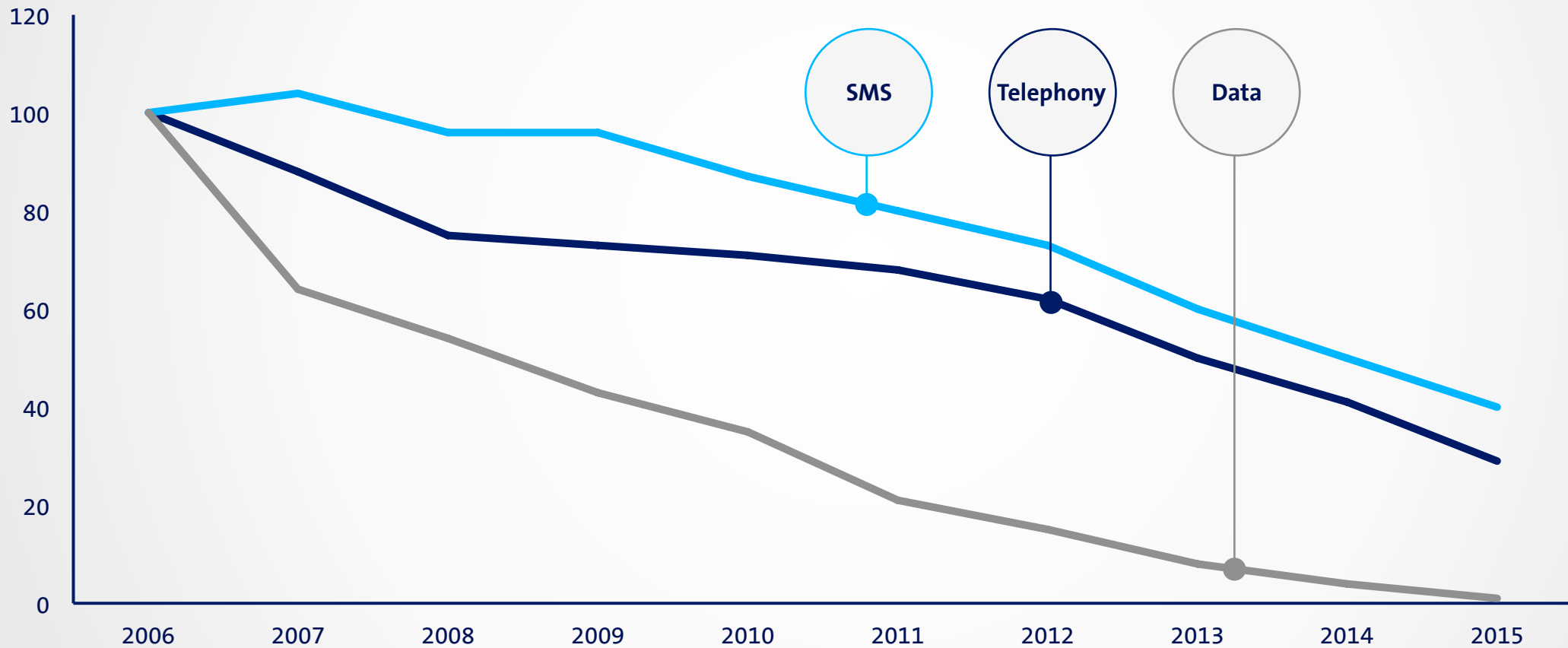
# Price pressure – higher investment

Increasing costs due to the complexity involved



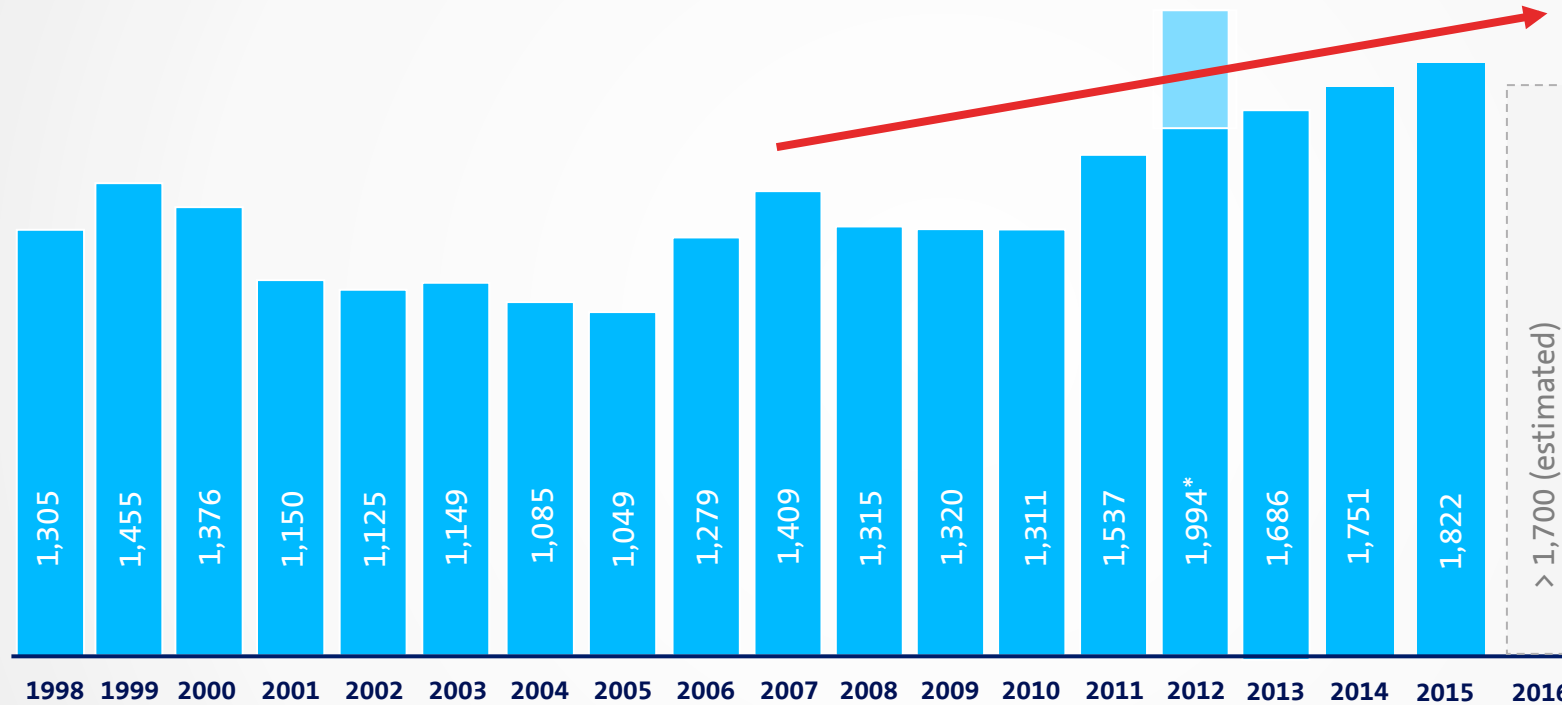
# Average price for roaming

## Significant drop in prices



# Market environment and competition

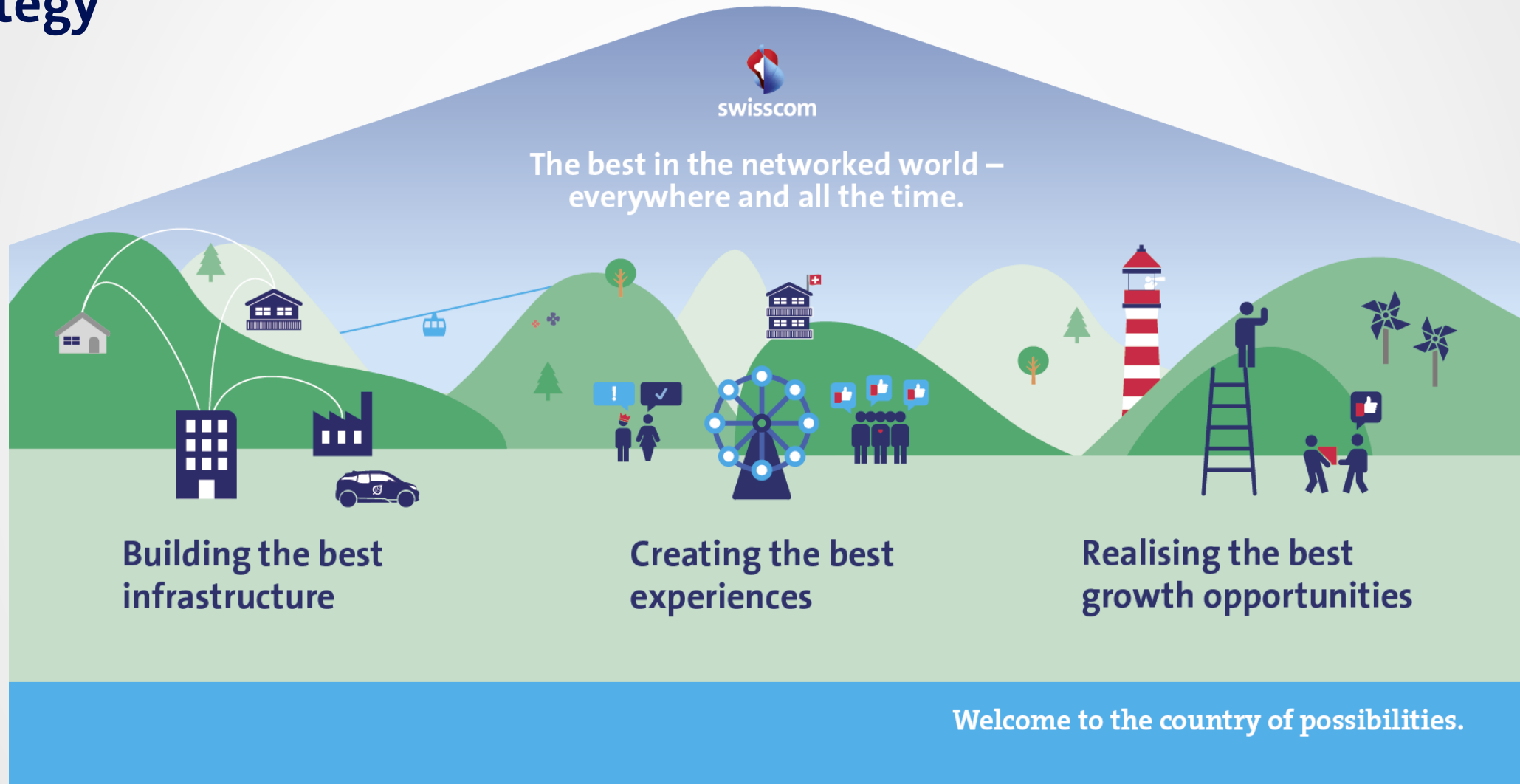
Swisscom needs to maintain high levels of investment in Switzerland in 2016



\*including the costs of CHF 360 million for new mobile frequencies

# Strategy and positioning

# Strategy



# Networks as the backbone of digitisation

Switzerland boasts excellent infrastructure

Rank



1

**Broadband usage (2010 -> 3<sup>rd</sup> place)**

Source: OECD Broadband Portal, July 2015

1

**Per capita investment in the telecoms market (2007 -> 5<sup>th</sup> place)**

Source: OECD Digital Economy Outlook, July 2015

2

**Europe: average Internet speed**

Source: Akamai, State of the Internet, October 2015

2

**ICT access index (2008 -> 10<sup>th</sup> place)**

Source: ITU, November 2014

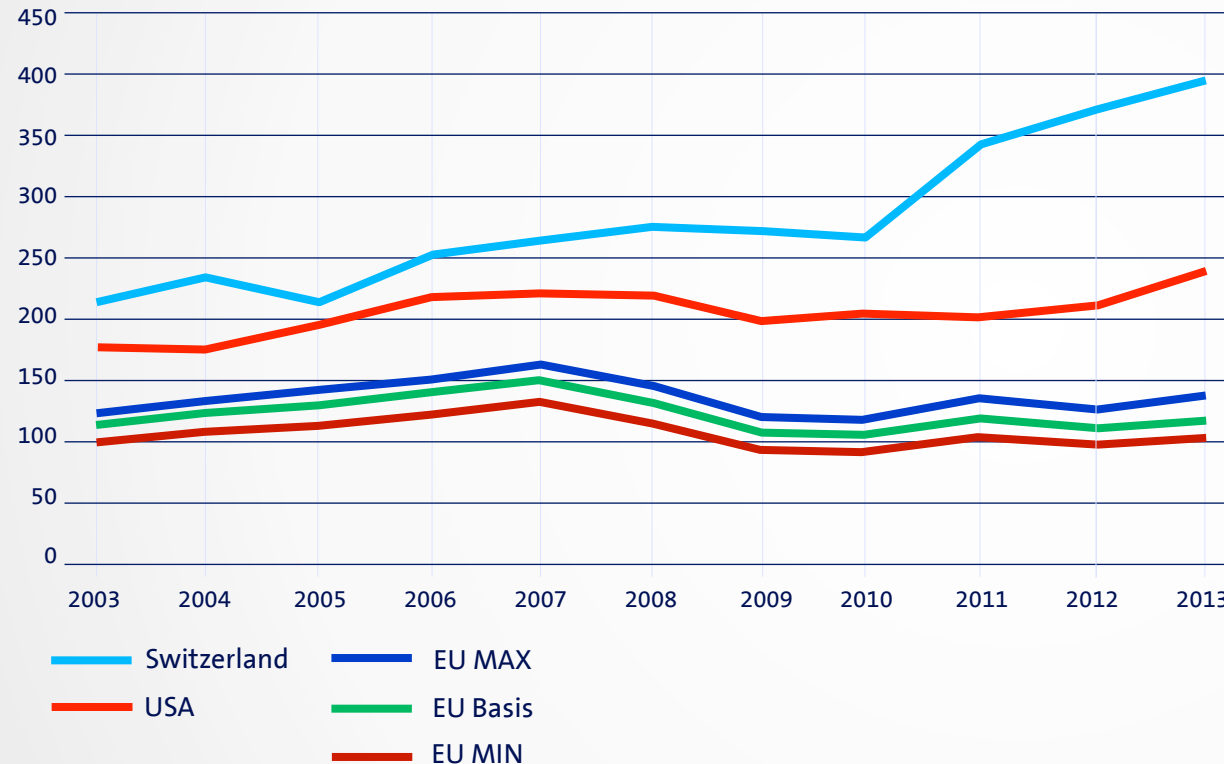
Switzerland has been continually improving by international standards since 2007 and now holds top spots in international rankings.

**2016 policy:**  
Creating a good environment

# A look over the border:

## Extensive EU regulation curbs investment

Per capita investment in telecoms infrastructure (in USD)



Source: Ovum and OECD

Switzerland	
	✓ Ex-post (primacy of negotiation)
	✓ No technology neutrality
	✓ Infrastructure competition
US	
	✓ Ex-post (primacy of negotiation)
	✓ No technology neutrality
	✓ Infrastructure competition
EU	
	✗ Ex-ante (ex officio, intervention by virtue of office rather than the market)
	✗ Generally technology-neutral
	✗ Strict access and price regulation

The EU's regulatory framework impedes much-needed investments in broadband networks.

# Saying “yes” to investments means saying “no” to new regulations

## The Swiss ICT market:

- Rapid connections nationwide, dynamic competition, a wide range of services, modest prices

## Proposed partial revision of the Telecommunications Act:

- The Federal Council acknowledges the successful expansion of the infrastructure and consequently sees no urgent need for action with regard to network access regulation.

**Swisscom welcomes this stance:** The following points speak in favour of retention of the applicable regulatory regime:

- excellent broadband coverage
- the dynamic expansion of ICT infrastructure
- the broad range of new services

## Unnecessary regulation of roaming charges and network neutrality

**In summary: Competition is working – pre-emptive regulation curbs investment**

**Well-equipped for the future**

# Restructuring from early 2016

## Structural changes in the workplace

### Greater impact in the ICT market:

- › Strengthening areas with close customer proximity and gearing the organisation towards digitisation as of 1 January 2016

### Synergies:

- › Sales and service for Residential Customers and SME and the digital business will be merged together to form a single business unit each

### Convergence:

- › Product development and provision for Residential Customers and SME will likewise be combined as one

### Structural changes in the workplace and increased efficiency:

- › New activities in growth areas partially replacing posts in traditional business areas
- › Releasing funds for future investments
- › **Target 2020:** Reducing the cost base by more than CHF 300 million (organisational changes implemented on 1 January 2016, headcount reductions, process optimisation measures and the migration to All-IP and cloud technology)

# Call centres

## Focus on the regions



### Consulting & services

Strengthening the provision of consulting and services.



### Switzerland

Services will continue to be provided in Switzerland.



### Locations

Concentration of call centre locations: employees at the original 14 sites will be concentrated at Lausanne, Neuchâtel, Biel/Bienne, Olten, Sion, St. Gallen, Chur and Bellinzona.

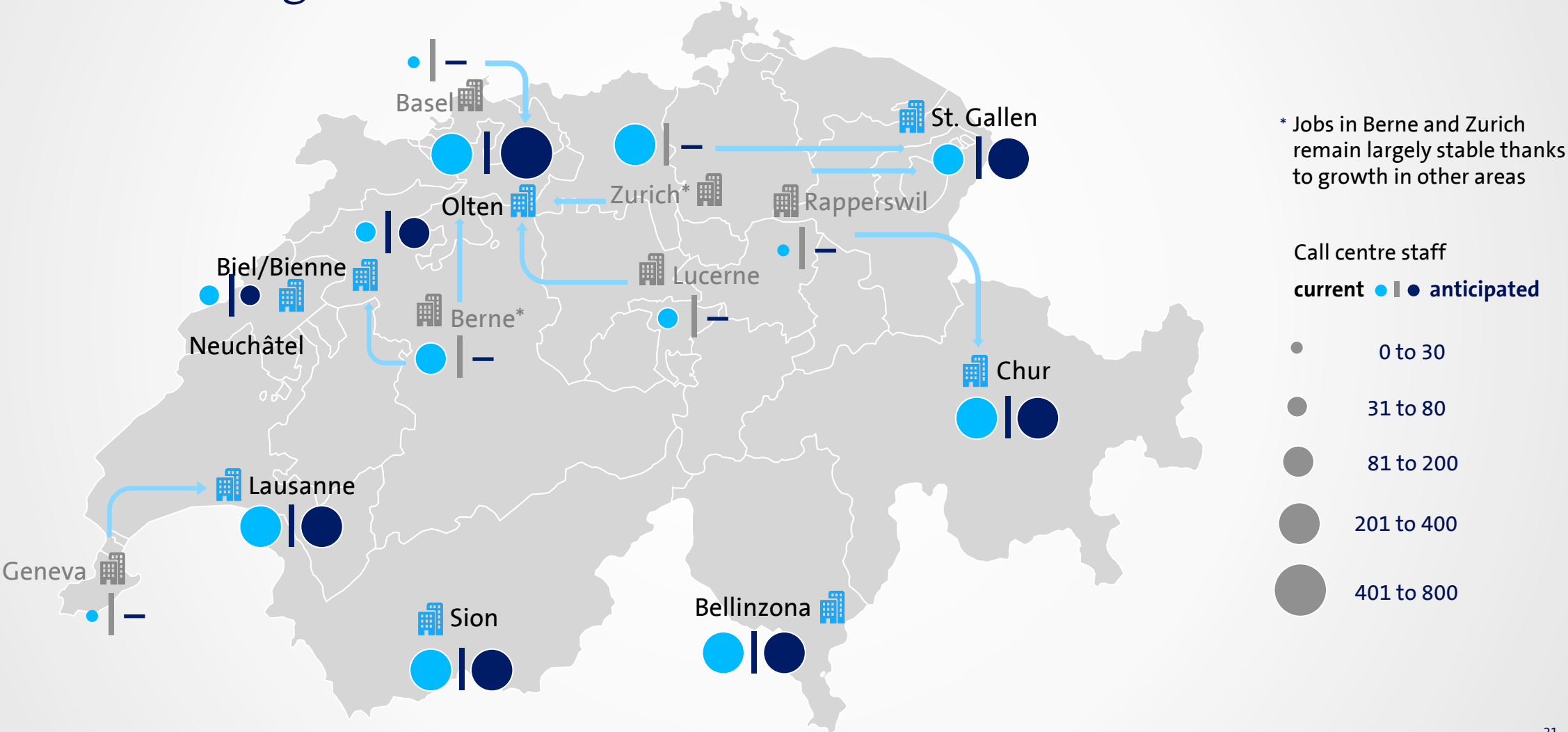


### Partner strategy

Fostering cooperation with call centre partner companies.

# Call centres

## Focus on the regions



# Fastweb

## 6.2% rise in Fastweb customers in Italy

### Successful 2015

- Revenue up by EUR 48 million or 2.8%, now at EUR 1,736 million
- Customer growth by 129,000 or 6.2% to 2.20 million
- Corporate business market share increased to 27%
- Segment result before depreciation and amortisation (EBITDA) of EUR 576 million (+11.8%)
- Investments of EUR 541 million, slight year-on-year decline
- Free cash flow at CHF 77 million

### Potential is intact – further expansion of the network

- The Italian market has potential – business is being developed further
- Strengthening of the mobile offering (Full MVNO incl. 4G)
- Further expansion of the ultra-fast broadband network 2016:
  - coverage of 7.5 million households

# Outlook for 2016

# Outlook

## Mobile communications

- Further drop in roaming prices
- Further development of Natel infinity plus
- LTE Advanced lets customers benefit from even higher speeds

## Fixed network

- Expansion of G.fast (up to 500 Mbps)
- 85% coverage with broadband of over 100 Mbps by 2020
- All-IP migration by the end of 2017 (already at 1 million by the end of 2015)

## Financial outlook for 2016

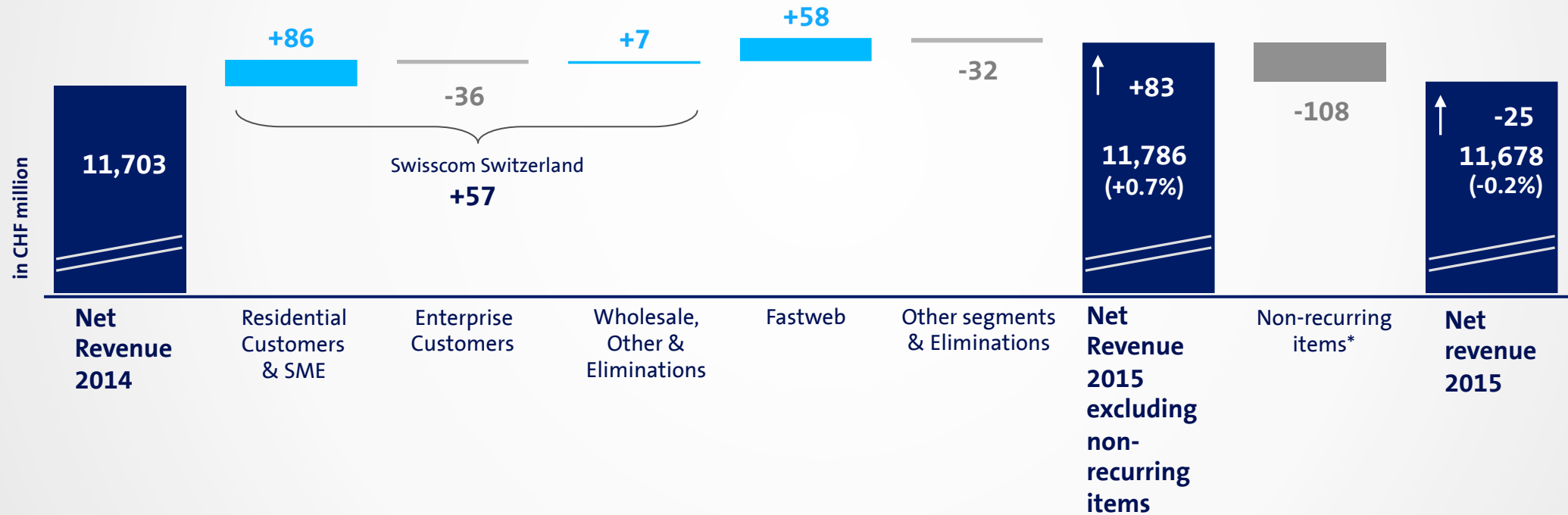
- Revenue: over CHF 11.6 billion; EBITDA: approximately CHF 4.2 billion
- Capital expenditure of more than CHF 2.3 billion, of which more than CHF 1.7 billion is to be invested in Switzerland
- Subject to achieving its 2016 targets, Swisscom will again propose a dividend of CHF 22 per share to the general assembly in 2017



Mario Rossi

# Net revenue

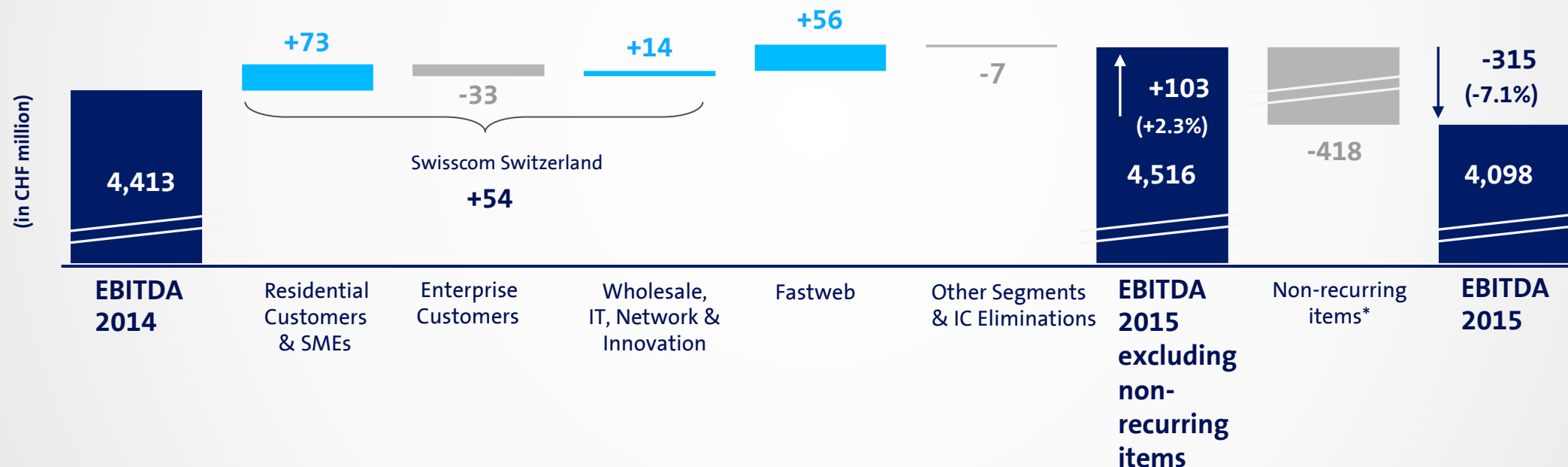
Excluding non-recurring items CHF +83m (+0.7%) above previous year



\* Non-recurring items 2015: M&A (CHF +130m), change exchange rate (CHF -238m, weakening of EUR vs. CHF of 11.4%)

# Operating income

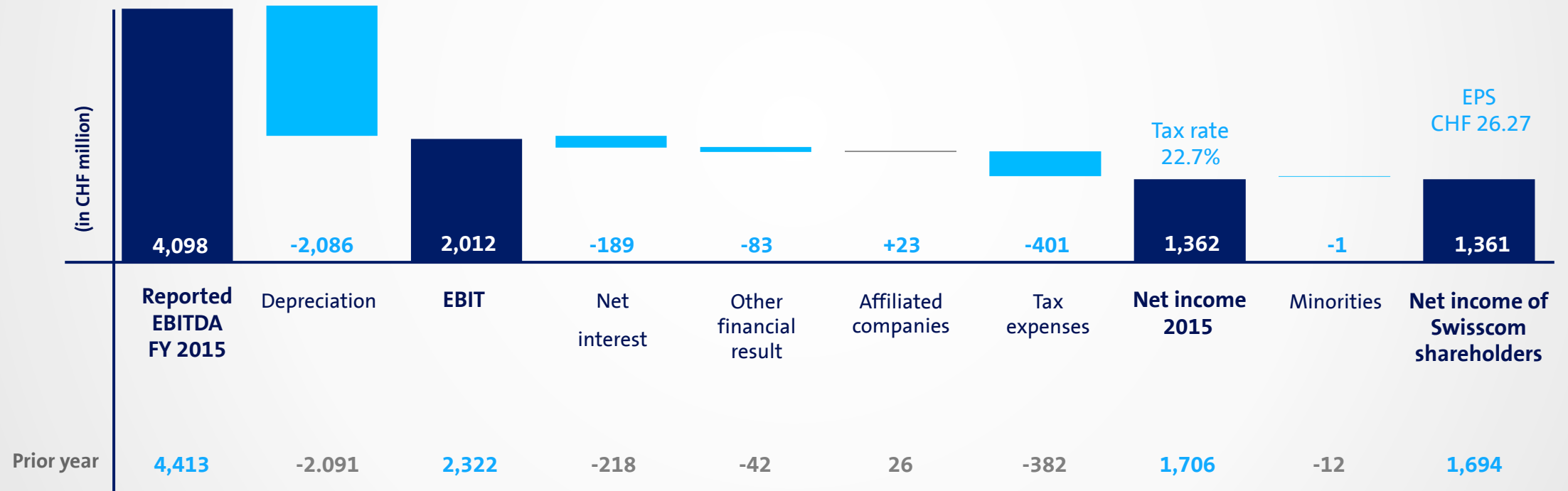
EBITDA excluding non-recurring items of CHF 4.5 billion (+2.3%)



\* Non-recurring items 2015: Provision for Competition Commission proceedings on broadband services (CHF -186m), pension reconciliation (CHF -60m), provision for restructuring (CHF -70m), exchange rate (CHF -79m, weakening of EUR vs. CHF of 11.4%), lower gain from sale of real estate (CHF -40m), other income from litigation (Fastweb, CHF +17m)

# Income statement

Net income of CHF 1.36 billion

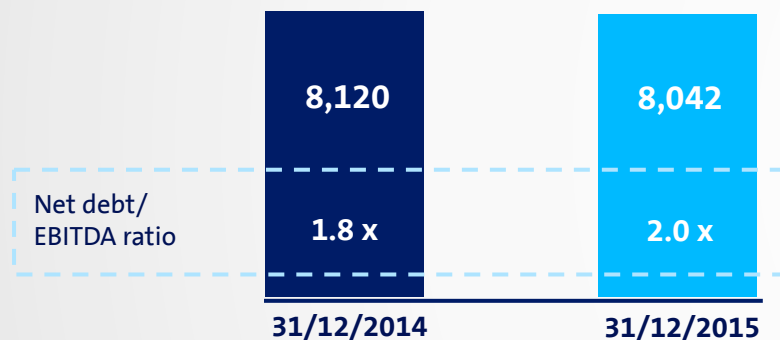


# Net debt and maturity profile as per 31.12.2015

Financing costs further improved

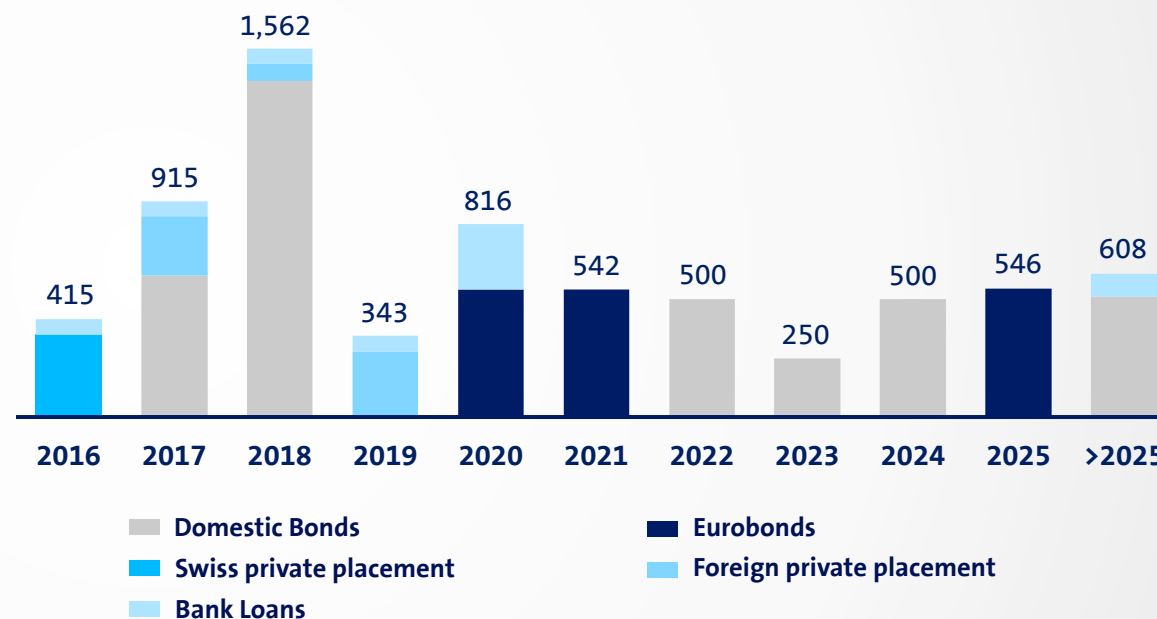
(in CHF million)

Net debt



(in CHF million)

Maturity profile (31.12.2015)



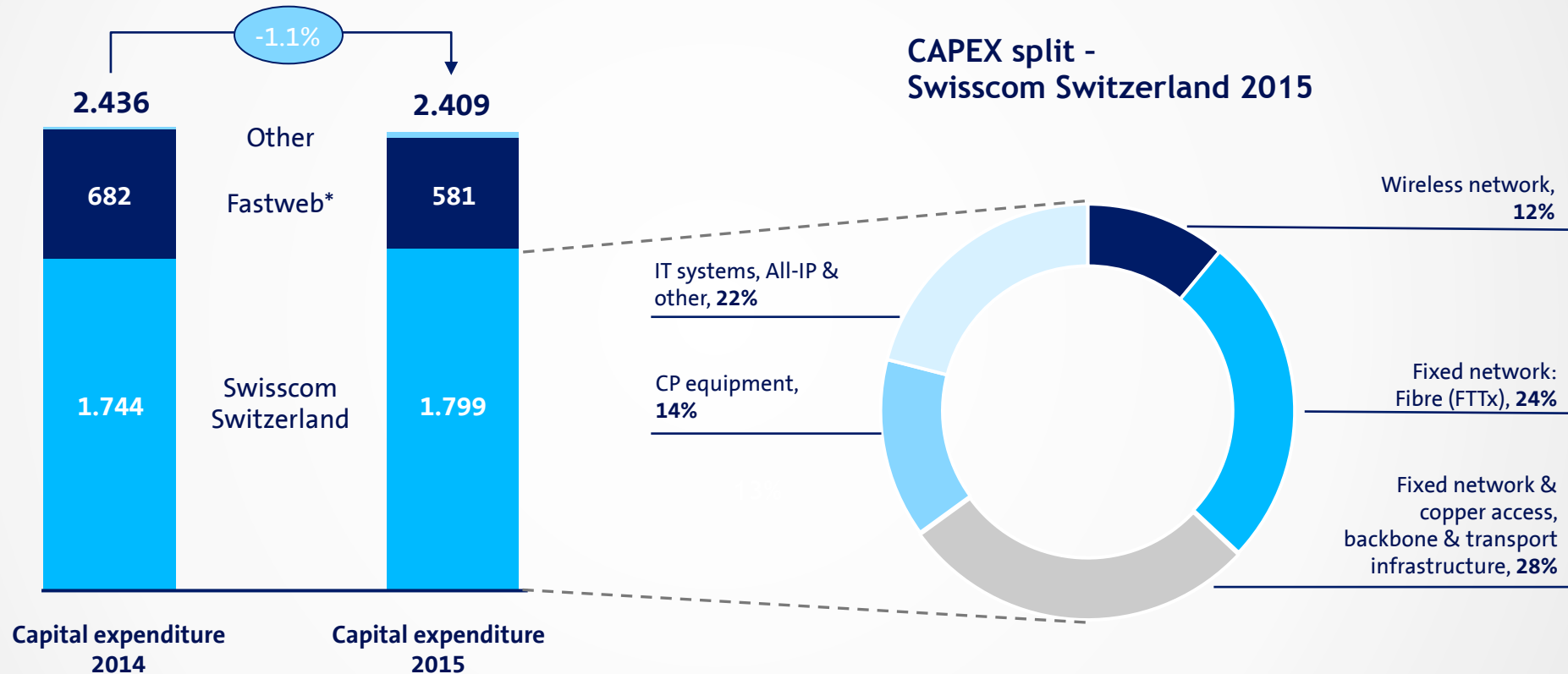
Short-term money market borrowings are not shown in the maturity profile

- › Average financing costs 1.9%
- › Average term of fixed-interest rate 4.1 years
- › Breakdown of fixed/variable components 76%/24%

# Capital expenditures

## Further extension of fibre network in Switzerland

(in CHF million)



\* In local currency in 2014: EUR 562 mn, in 2015: EUR 541 mn

# Financial outlook for 2016

Net revenue steady, EBITDA at CHF ~4.2 billion, CAPEX down

in CHF billions	2015 Annual Financial Statements (CHF 1.075/EUR)	Special effects	2015 Annual Financial Statements Pro-forma (CHF 1.075/EUR)	Change 2016 Swisscom excluding Fastweb	Change 2016 Fastweb	2016 Outlook (CHF 1.10/EUR)
Revenue	11.678			<0	>0	>11.6
EBITDA	4.098	-0.256*	4.354	-0.2**	>0	~4.2
Capital expenditure	2.409			<0	0	>2.3

- › Subject to achieving its 2016 targets, Swisscom will again propose a dividend of CHF 22 per share to the general assembly

\* Provision for Competition Commission proceedings on broadband services (CHF 186m) and restructuring (CHF 70m)

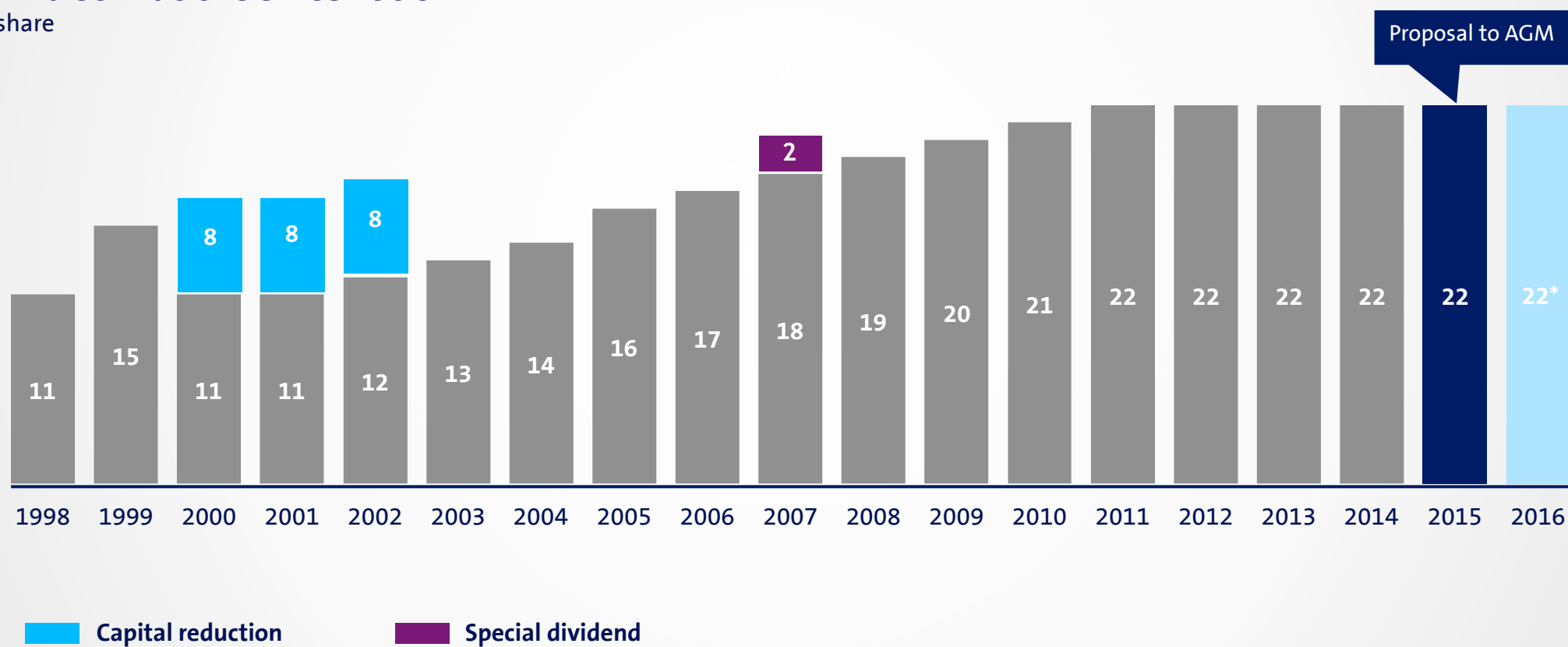
\*\* Lower revenues and higher costs for roaming (infinity effect) will be partially compensated by cost savings of around CHF 50m

# Dividends

## Attractive development continues

### Swisscom distributions since 1998

In CHF per share



\*Proposal to the AGM upon meeting its guidance

Many thanks!