



Strategic partnership: Fastweb - WindTre

Analysts and investors presentation
June 2019



Agenda

Welcome

Louis Schmid, IR Swisscom

1. Introduction

Urs Schaeppi, CEO Swisscom

2. Agreement

Alberto Calcagno, CEO Fastweb

3. Implications

Alberto Calcagno, CEO Fastweb

Q&A

All



Strong network access key to differentiate and be sustainably competitive

Fastweb constantly improving its value proposition

UBB Infrastructure network leader in Italy

Fastweb's **infrastructure-based approach** to keep leadership as UBB alternative network operator in Italy

- **Hybrid strategy** by benefiting from different access technologies
- **Extended 60% UBB Coverage** by using own infrastructure
- **Residual coverage** (2nd tier cities and white areas) exploited leveraging **third parties UBB wholesale offerings**

Network initiatives

- **Extend FTTH coverage** (+1mn to 5mn HHs) within 8mn HHs FTTx footprint
- **Deploy c. 8mn HHs FWA footprint** by 2024 (on 26 GHz spectrum)
- **Deploy a nationwide 5G Network (90% Coverage by 2026) through the co-investment partnership with WindTre**

Strategic importance of WindTre deal

Being an integrated network operator crucial in a fixed-mobile convergent (FMC) market to

- **Deliver best customer experience**
- **Be convergent leader**
- **Increase FCF contribution**



Agreement (1/2)

Principles

Background

- In December 2016 Fastweb announced **strategy to become a premium FMC player based on 5G** with the goal to provide best of breed seamless ultra-broadband services indoor and outdoor to every customer-segment
- Since then Fastweb has made coherent steps
 - Initial leasing of Tiscali's 40 MHz at 3.5 GHz spectrum in December 2016
 - 5G trials in Bari/Matera, Rome, Genoa launched in 2017
 - Acquisition of 200 MHz at 26 GHz spectrum in auction in September 2018
 - Acquisition of full ownership of Tiscali's spectrum in November 2018
- **The strategic collaboration with WindTre represents the final step of our convergent infrastructure strategy**

Perimeter

- Four industrial streams optimizing the use of both Fastweb's and WindTre's assets
 - **5G co-investment**: 5G network deployment
 - **Mobile Wholesale**: Provision by WindTre of roaming services to Fastweb
 - **Backhauling**: Provision by Fastweb of dark fiber connections to WindTre's mobile base stations (BTS)
 - **Wireline Wholesale**: Provision by Fastweb of wireline ultrabroadband (UBB) services to WindTre

Status

- **Binding contracts signed**
- Subject to approval by competent authorities (expected in Q4 2019)



Agreement (2/2)

5G co-investment will enable Fastweb to achieve MNO-like cost structure

	<u>Description</u>	<u>Fastweb's benefits</u>
5G co-investment	<ul style="list-style-type: none">• Co-investment in a 5G network• Single physical infrastructure based on<ul style="list-style-type: none">– Combined 5G spectrum of 80 MHz– National macro sites coverage– Small cells layer for densification• Fastweb to operate through a virtual slice• Incremental investment/running cost split according to a cost-sharing mechanism• 90% population coverage by 2026	<ul style="list-style-type: none">• Fast(er) deployment of a nation-wide 5G coverage• Lower network cost (both OPEX and CAPEX)• Similar cost structure as MNOs thanks to progressive traffic offloading under 5G coverage• Network-configuration and service independence• Features parity vis-a-vis integrated players
Mobile wholesale	<ul style="list-style-type: none">• National roaming services on WindTre's 4G network (plus legacy technologies)	<ul style="list-style-type: none">• Competitive terms• 'Enhanced roaming' for seamless 4G/5G handover• Benefiting from WindTre new network
Backhauling	<ul style="list-style-type: none">• Fastweb to provide fiber connections to WindTre's mobile BTS in selected areas	<ul style="list-style-type: none">• New revenue stream• Enabling 5G performance in terms of capacity and latency
Wireline wholesale	<ul style="list-style-type: none">• Fastweb to provide wholesale access to its FTTx footprint	<ul style="list-style-type: none">• New revenue stream• Tangible step to become a leading wholesale player



Financial implications

Fastweb's growing contribution to Swisscom's FCF fully confirmed

	<u>Driver</u>	<u>EBITDA</u>	<u>CAPEX</u>
5G co-investment and mobile wholesale	<ul style="list-style-type: none">• Higher mobile CAPEX• Lower roaming costs	●●●●	●●
Backhauling	<ul style="list-style-type: none">• Higher dark fiber revenues• Slightly higher fiber CAPEX	●●	●
Wireline wholesale	<ul style="list-style-type: none">• Higher wholesale UBB revenues	●●	

- Transaction **FCF value-accretive from 2020 onwards**
- Future **Fastweb's CAPEX** envelope of **EUR ~0.6bn** expected to remain **stable**, allocation switching from fiber access to 5G
- **Swisscom's FY guidance 2019 unchanged**



Questions & Answers