



# Bond Investor update

May 2024



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# Swisscom at a glance

## Swisscom is...



#1 in the Swiss Telecoms market with the strongest brand



Leading challenger in Italy with continuous growth for over 10 years across all metrics



An innovation leader



A pioneer in sustainability among telecommunications companies in the world



Committed to maintain A credit ratings

## Swisscom offers...



Best in class mobile & fixed network services and products



Information & communication technology (ICT) solutions for all needs



Innovative beyond core services and products

## Key financials (FY 2023)

Revenue	EBITDA margin	Net Income	Net debt / EBITDA	FCF	Employees (FTEs)
CHF <b>11.1bn</b>	<b>41.7%</b>	CHF <b>1.7bn</b>	<b>1.5x</b>	CHF <b>1.5bn</b>	<b>19'729</b>

### Swisscom Switzerland

**Residential Customers**  
Mobile and fixed-line services to residential customers

**Business Customers**  
Telco services & overall communications solutions for large corporations and SME customers

**Wholesale**  
Enables other telco providers to use the Swisscom fixed and mobile network

**Infrastructure & Support Functions**  
Plans, operates & maintains the network and IT infrastructure in Switzerland

Revenue  
CHF **8.1bn**

### Fastweb

Broadband & mobile phone services to residential, business and wholesale customers in Italy

Fastweb also offers comprehensive ICT solutions for business customers

Revenue  
CHF **2.6bn**

### Other Operating Segments

With subsidiaries in the area of network construction and maintenance (cablex Ltd) and broadcast services (Swisscom Broadcast Ltd), Swisscom is supplementing its core business in related areas

Other Operating Segments also include the business with online directories (localsearch), as well as the Trust Services area, which encompasses the business with trust services such as the electronic signature and digital certificates

Revenue<sup>1</sup>  
CHF **1.1bn**

1) Intersegment elimination of CHF -0.7bn to be applied to derive Group revenue of CHF 11.1bn



## Swisscom strategy



## The Swisscom group story



Our Purpose

# Empowering the digital future



Our Vision

## Innovators of Trust

The most trusted Swiss tech innovator creating unique customer experiences with positive impact for society.



Our Values

## trustworthy, committed, curious



# The Swisscom group goals

Our business and financial ambitions 2024



## Trusted leader in digital life and business

- Number 1 in Switzerland
- Leading challenger in Italy
- Key player in IT with substantial growth



## Rock-solid financials

- Long-term value creation
- Attractive dividend
- Strong balance sheet



## Outstanding in innovation reliability

- Innovative growth areas
- Most resilient networks, IT, infrastructure



## Pioneer in sustainability

- Net-zero emissions target
- Trusted corporate citizen
- Responsibility for digital society



## High- performing teams

- Best and diverse talent
- Winning culture and inspiring leadership
- Employer of choice



# The Swisscom group strategy



## Delight customers

Create unique customer experiences every day



## Innovate for growth

Deliver digital products and services of the future



## Achieve more with less

Drive transformation at pace with AI, digitalization and simplification



## Perform together

Develop ourselves and our collaboration relentlessly



# The Swisscom strategy for Switzerland and Italy

How we achieve our vision



## Delight customers

**Strong brand play and quality positioning** through enhanced differentiation: multi-brand excellence in Switzerland and TU SEI FUTURO in Italy

**Best customer experience** with innovative offerings and outstanding service

**Stimulating customer lifetime loyalty** through strong value touch and seamless phigital experience

**Cementing strong network proposition** with delivering Gigabit speed and highest resilience



## Innovate for growth

**Future-proof networks** with latest architecture models and converged services

Convincing **new business propositions beyond the core** such as in next generation entertainment, insurance, energy and trust services

**Fostering innovative ICT solutions** through focused investments to drive digital transformation (e.g. in Cloud, (Gen) AI, Workplace)

Exploit **new opportunities in wholesale markets** of Switzerland and Italy



## Achieve more with less

**High efficiency** driven by AI and automation and technology modernisation while continuously decreasing energy consumption

**Simplified IT** fostered by lifecycle management

**Standardisation of processes and operating model transformation**

**Sales and service excellence** with digital push, (Gen) AI tools and channels' efficiency



## Perform together

**Performance culture** through incentives, performance tracking and transversal collaboration

**Skill transformation** to accelerate the journey from Telco to Techco

**Diversity and talents** by anchoring diversity criteria in people processes, talent recruiting and retention measures

**Effective organisation forms**





# Committed to sustainability for a quarter of a century

Successful in performance and ambitious in targets

## Our achievements

**CDP**  
Climate change rating

**A Rating**

**Sustainalytics**  
ESG risk rating

**Industry Top-rated  
16.8 (low risk)**

**EcoVadis**  
Supply chain rating

**81 (out of 100)**

**MSCI ESG**  
ESG risk rating

**AA Leader**

**ZKB**  
ESG analysis 2023

**ESG Leader**

**Ethos**  
Digital responsibility study 2023

**1<sup>st</sup> place**

## Our strategy



Environment



People



Digital Society

- Net-zero by 2035 as defined by the SBTi for the Group
- Increase energy efficiency and 100% renewable energy
- Develop circular economy with second-life programs

- Top 3 ICT employers
- Promote our talents
- Increase diversity across gender and age
- Support people in the use of digital media
- Enable access to the network

- Committed to ethical principle
- Ensure data protection and security
- Ensure fair working conditions in our supply chain

## Our journey to net-zero



Net zero by 2035 for the Group as defined by the SBTi (Science-Based Targets initiative)

### Near-term targets by 2030 (baseline 2018)

- – 80% scope 1 and 2 emissions
- – 60% scope 3 emissions
- Maintaining 100% renewable electricity

### Net-zero and long-term target by 2035 (baseline 2018)

- – 90% absolute scope 1, 2 and 3 emissions across the entire value chain
- Residual carbon emissions will be neutralized through climate protection projects



## Financial highlights FY 2023



# Achievements FY 2023

Another successful year with many highlights along our group goals



## Delivered again

Satisfying operational results and financial targets achieved



## Strong delivery in innovation

Launch of several next generation services and non-stop investments in future-proof network



## Leading in Switzerland

Strongest brand<sup>1</sup>, NPS leadership and win of connect shop, service apps and network tests<sup>2</sup>



## Strong track record of ESG achievements

Ambitious net-zero group target validated by SBTi<sup>3</sup> and Fastweb awarded as Europe's climate leader<sup>4</sup>



## Growing in IT

Top line increased and Asept acquisition further strengthened position as key player in IT



## Attractive employer

Women's choice award and top IT employer in Switzerland<sup>5</sup> and among best employers in Italy<sup>6</sup>



## Successful challenger in Italy

>10 years of steady growth



## Rock-solid balance sheet

Strong A credit ratings and leverage at comfortable 1.5x (as of FY 2023), with a well-diversified maturity profile

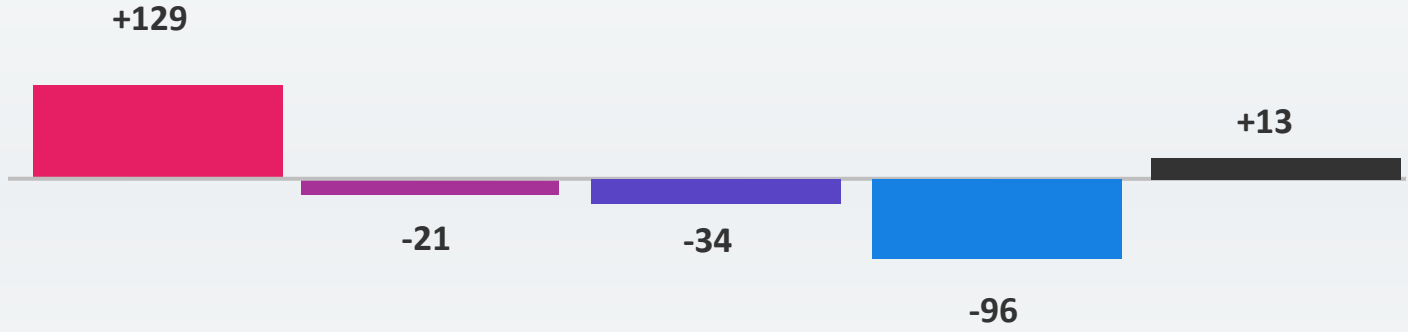


# Operational performance FY 2023

Satisfying results with total RGU base being stable in Switzerland and growing in Italy

## Swisscom Switzerland

Net adds  
in k



Postpaid

Broadband

TV

Fixed voice

Wholesale

RGUs<sup>1</sup>  
in k

5'275

2'006

1'537

1'226

692

Market share<sup>2</sup>  
(YOY)

53%  
(-2pp)

49%  
(-1pp)

38%  
(-1pp)

16%  
(+1pp)

16%  
(stable)

648

Mobile

Broadband

Wholesale

3'509

2'601

648

5%  
(+1pp)

16%  
(stable)

+422

Fixed +108

+190

-82

1) Revenue generating unit, 2) As per 30 Sept 2023

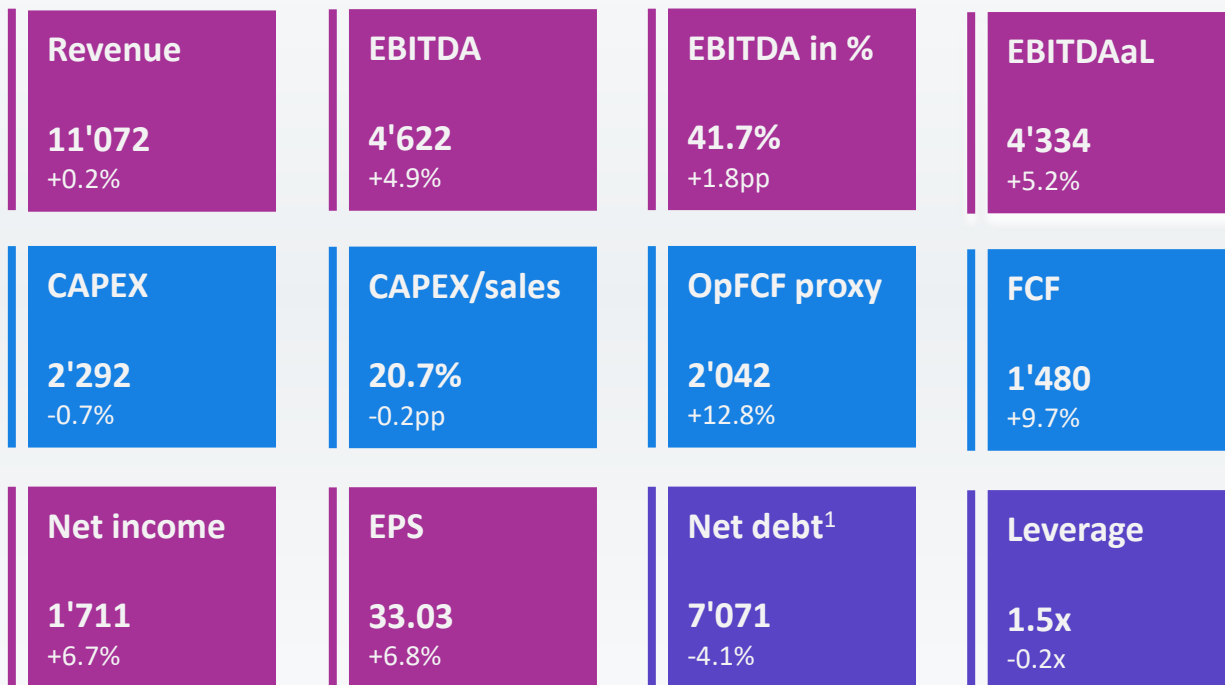


# Financial results FY 2023

Rock-solid financial performance with higher EBITDA, free cashflow and net income

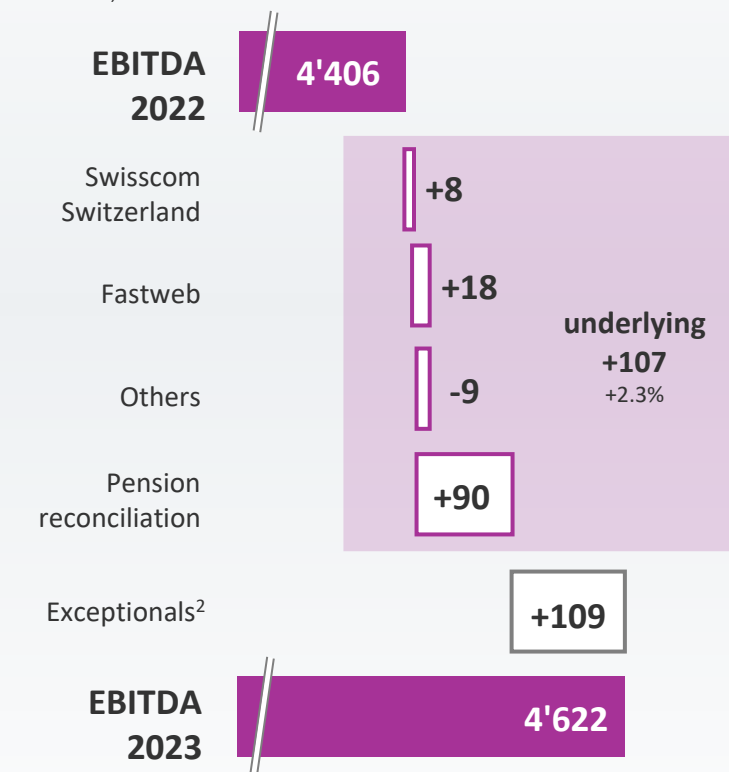
## Key figures

in CHF mn, YOY



## EBITDA

in CHF mn, YOY

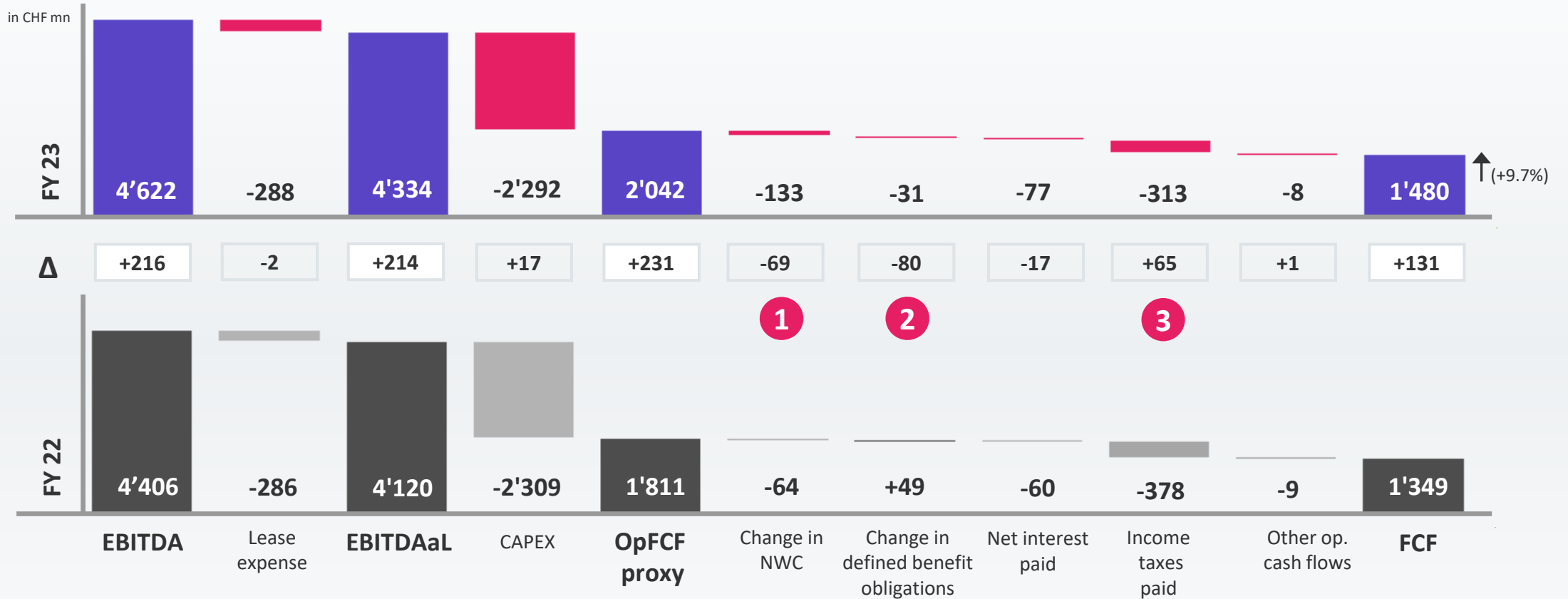


1) Including lease liabilities of CHF 1'915mn, 2) Consists of change in provisions, FWA strategy change and currency impact



# Free cash flow

Solid FCF generation, slightly higher compared to 2022



- 1** FY 2023 number mainly driven by decrease in provisions (release and use)
- 2** Higher discount rate for IFRS pension liabilities with no impact on company contributions to pension fund
- 3** Higher tax payments last year due to a different payment schedule. 2023 with a more ordinary course

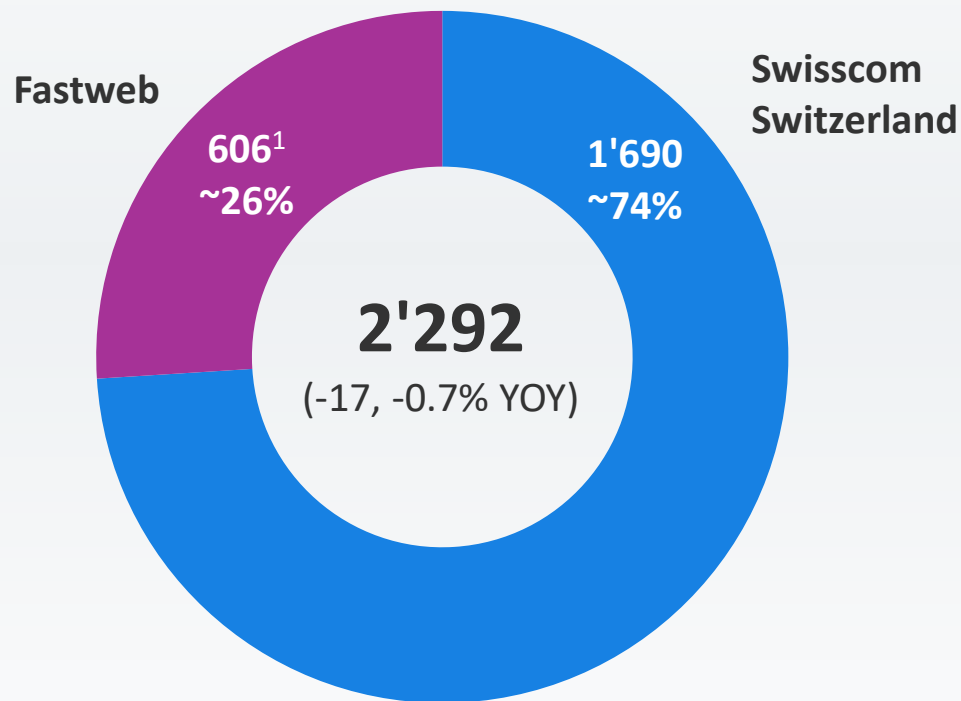


# Capital expenditures

Group CAPEX in line with FY guidance of CHF ~2.3bn

## Group CAPEX FY 2023

in CHF mn (YOY)



Group CAPEX of CHF ~2.3bn reaches 21% of revenue, with investments in:

- **Wireless** network (incl. investments in 5G+ coverage extension)
- **Wireline** network (incl. Fiber roll-out)
- **Backbone** and transport **infrastructure**
- **IT** (to push digitalisation, drive customer experience and increase efficiency)
- **Others** (e.g. projects-driven)

**CAPEX in Switzerland** slightly below prior year (CHF -8mn or -0.5% YOY)

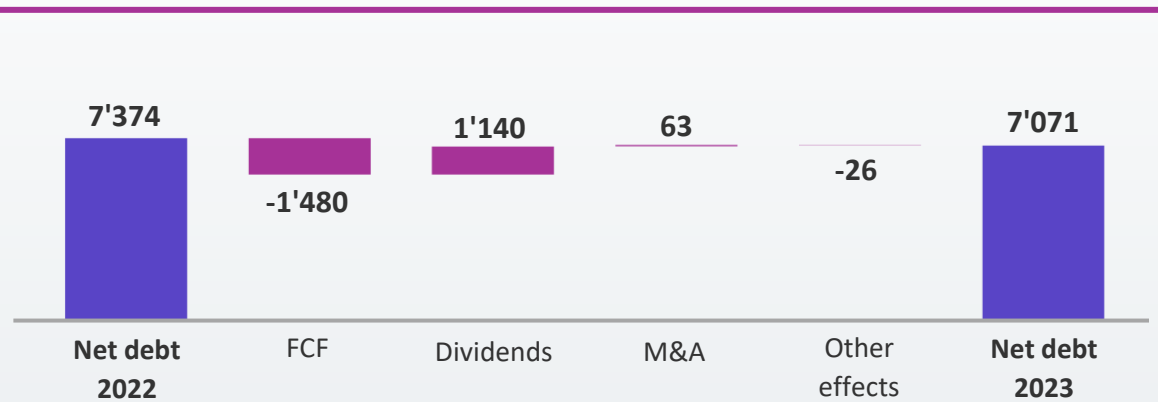
**CAPEX in Italy** (Fastweb) CHF -13mn below previous year (-2.1% YOY), however stable in local currency terms (+1.1%)



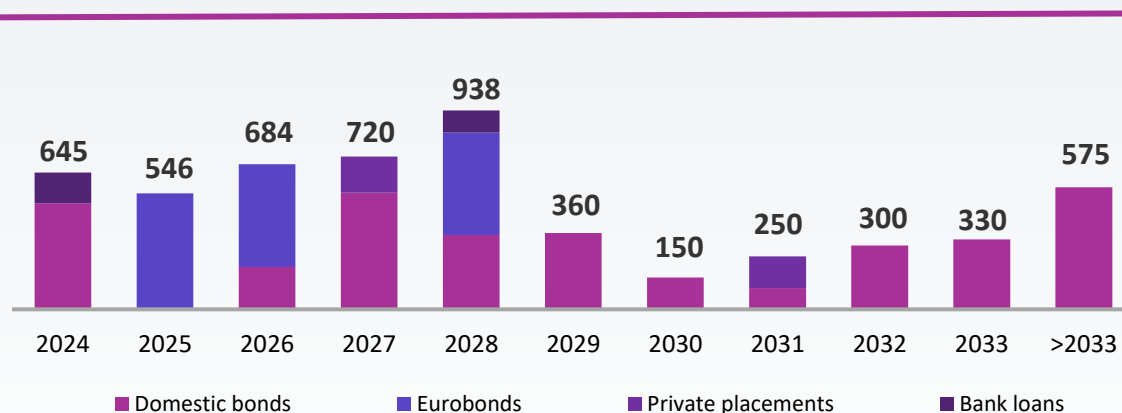
# Swisscom committed to sound financial profile

Well balanced and diversified maturity profile

## Net debt development FY 2023 (in CHF mn)



## Debt maturity profile<sup>1</sup> as of FY 2023



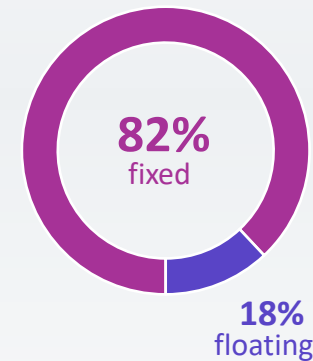
### Leverage

1.5x (-0.2x)<sup>2</sup> as of FY 2023

### Credit ratings<sup>3</sup>

S&P: **A positive** (FY 2023)  
Moody's: **A1 stable** (FY 2023)

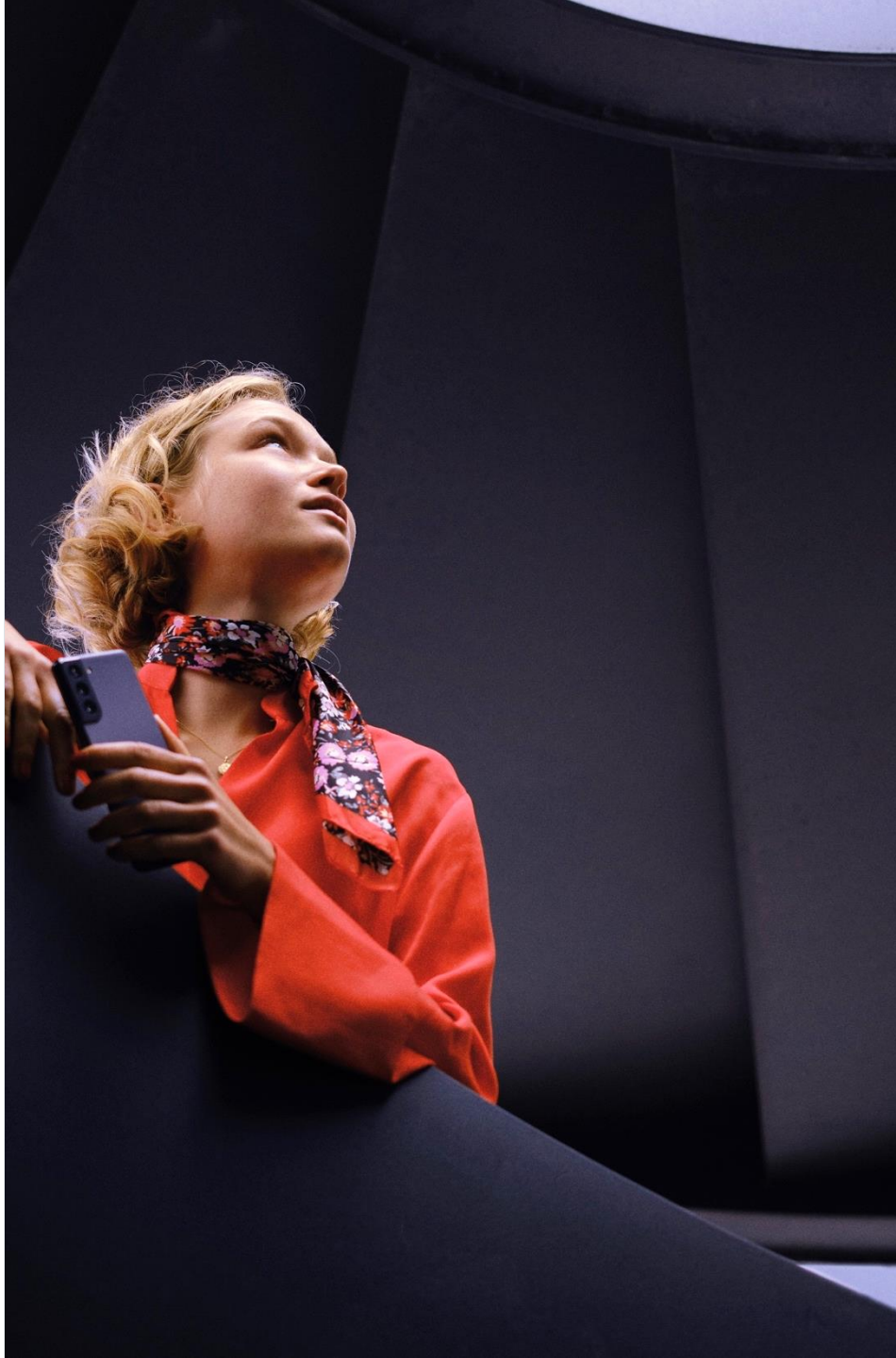
### Debt mix



- Ø interest rate of **1.1%** (FY 2023)
- Debt portfolio **duration** of **5.0 years** (FY 2023)
- **CHF 2.2bn** (unused) **committed credit lines** (FY 2023)

1) Excl. short-term money market borrowings, 2) Leverage cap set by the Government: 2.4x (incl. lease liabilities) 3) Historical ratings pre-announcement of acquisition, current ratings discussed in following section on slide 22





## Acquisition of Vodafone Italia



# A unique opportunity to create a leading converged challenger in Italy

Swisscom to acquire Vodafone Italia for EUR 8.0bn EV and combine it with Fastweb

## Transaction terms



- **Acquisition of 100% of Vodafone Italia**, fully consolidated and controlled as of closing
- Purchase price of **EUR 8.0bn (EV)**, 100% debt-financed
- **Expected closing in Q1 2025**, subject to regulatory and other customary approvals

## Compelling strategic rationale



- **Creation of a leading converged challenger in Italy**, able to compete effectively based on improved **scale, convergence and infrastructure**
  - **Scale: achieve sizeable #2** with the necessary scale to be profitable, invest and innovate
  - **Convergence: a leading converged player**, with a well-balanced position in fixed and mobile in all customer segments, providing a high-quality one-stop shop for consumers and businesses
  - **Infrastructure: extensive infrastructure** footprint in mobile and fixed (and FWA) yielding owner economics and operating leverage
- **Combination with clear benefits for customers and Italy**

## Substantial value creation

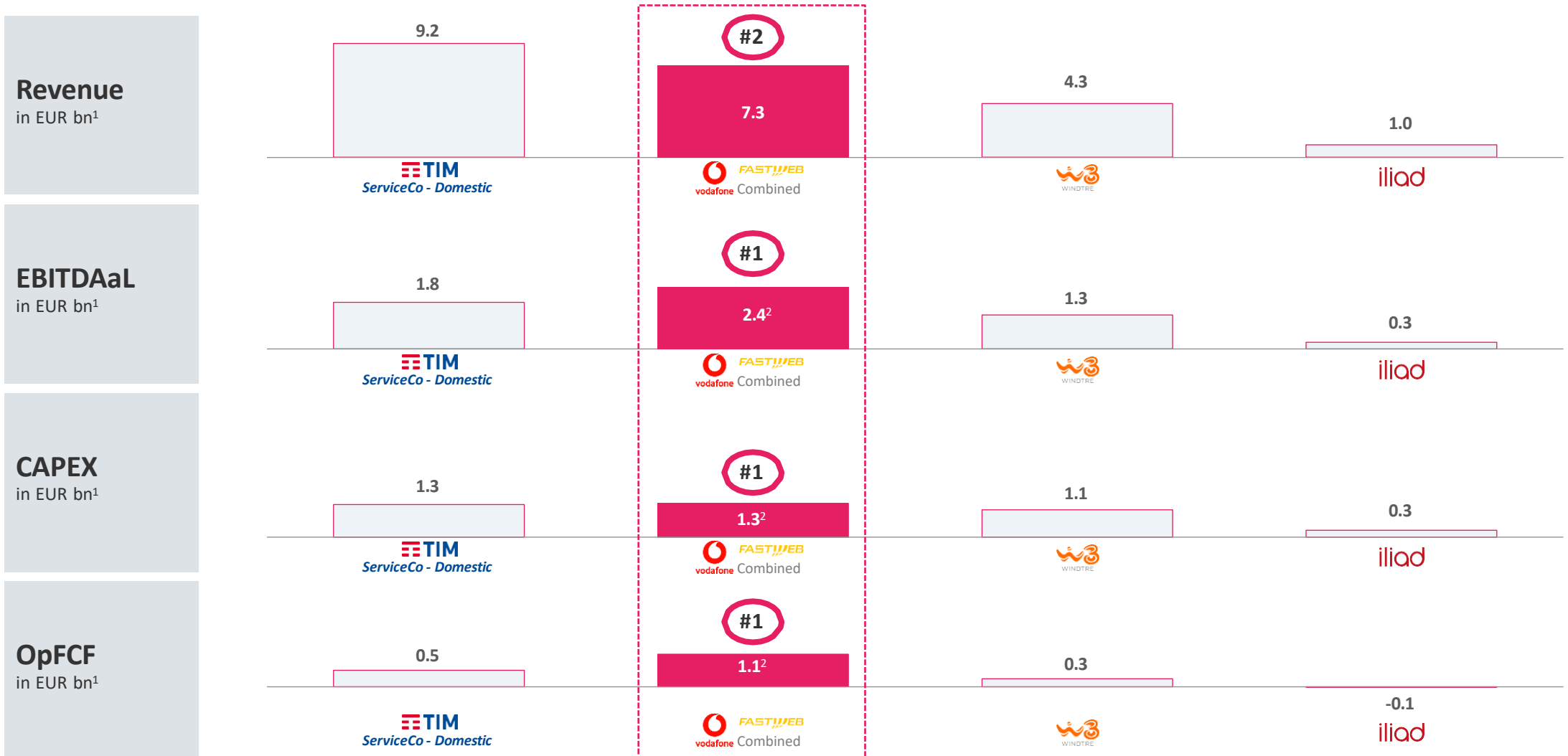


- **High and tangible synergies**
- **FCF neutral in year 1 and accretive from year 2** (excluding integration costs), **continuous FCF growth** prospects as synergies materialise
- **Commitment to maintain a strong balance sheet with A credit ratings**, supported by a **deleveraging ambition (target leverage (net debt / EBITDA) at 2.4x by YE 2027<sup>1</sup>)**



# Combined entity will be a sizeable #2 in the market with the necessary scale

... to be profitable, innovate, invest and compete effectively with the incumbent

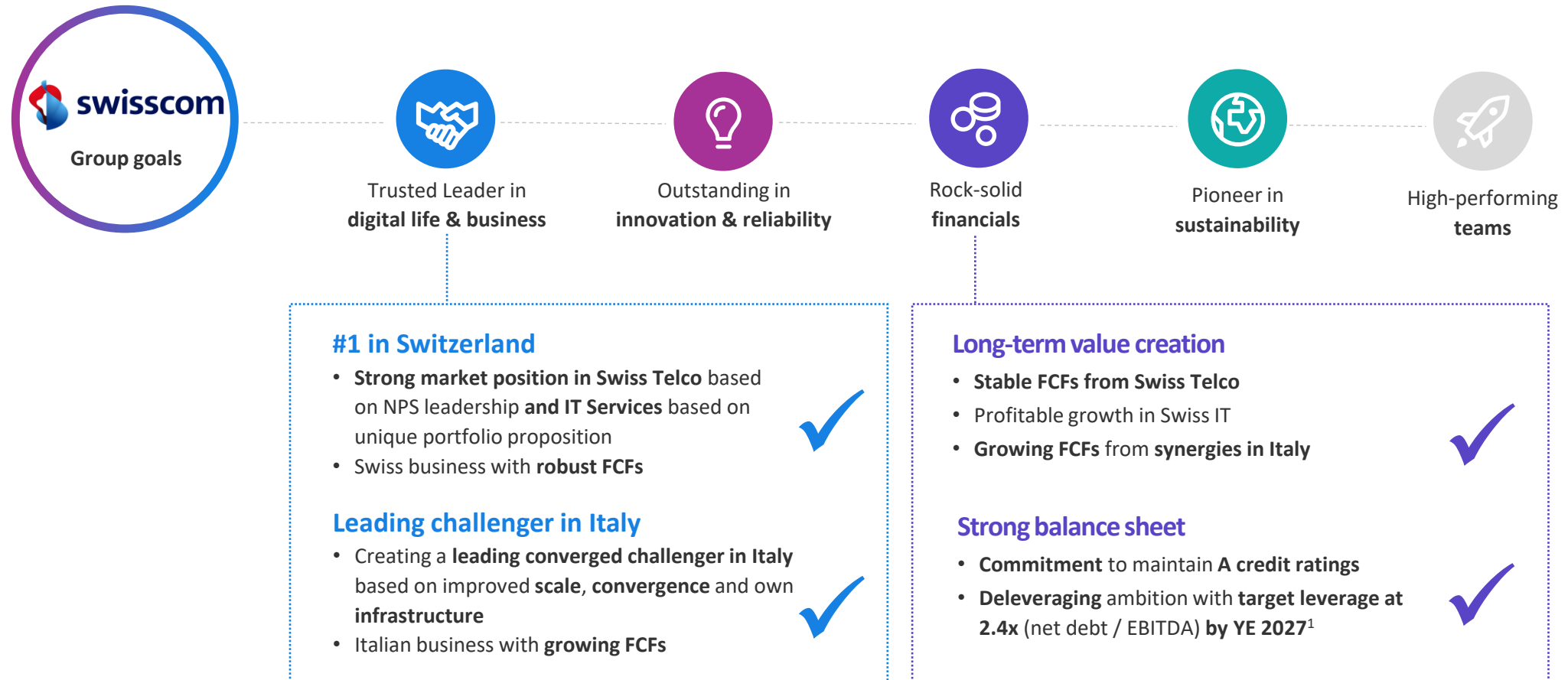


1) Source: companies' financial information. Note: FY 2023 financials for Fastweb adjusted for EUR 75mn exceptional items (FWA strategy change, legal provision), LTM Dec 2023 financials for Vodafone, TIM ServiceCo Domestic based on FY 2023 as per Capital Market Day Presentation 2024 (excluding Sparkle), adjusted to exclude TIM Brazil FY 2023 reported, FY 2022 financials for WindTre, LTM Q3 2023 financials for Iliad, 2) Vodafone Italia + Fastweb Combined numbers include run-rate synergies, namely EUR ~540mn EBITDAaL synergies and EUR ~60mn CAPEX synergies 2029 (year 5 post-completion) and EBITDAaL Vodafone Italia minus adjustments for group services of EUR 176mn and for INWIT MSA cost of EUR 97mn (both not included in EBITDAaL of Vodafone segmental reporting)



# Strategically stronger, financially rock-solid

Transaction strengthens Swisscom's profile in Italy and adds FCF growth to its rock-solid financials



**Highly stable and resilient Swiss business with enhanced growth profile in Italy, underpinning dividend increase**

# Swisscom committed to maintain sound financial profile also after closing

## Leverage

Post-closing target:  
at **2.4x** by YE 2027<sup>1</sup>

## Credit ratings

S&P: **A credit watch negative**  
Moody's: **A1 credit watch negative**  
Post-closing target: **A credit ratings**

## Committed credit lines

Increase to **CHF 2.9bn** (CHF +700mn) per closing

- Entered into a **EUR 8.1bn unsecured facilities agreement** on 15 March 2024, comprising
  - **EUR 5.1bn bridge facility**
  - **EUR 3.0bn term loan facility**

## MOODY'S

Issuer Rating: A1

**Outlook: Credit watch negative**  
(Mar 24)

- "Status as the **leading integrated telecom operator in Switzerland** with strong market shares across all segments"
- "**High-quality network and strong brand**, which support Swisscom's competitive position and differentiation"
- "**Enhanced position in the Italian market** post acquisition of Vodafone Italia"
- "We acknowledge the merits of the transaction which will **strengthen Swisscom's positioning in the Italian market**, through a larger scale and a fully convergent proposition. The **merger will create a stronger operator** with the second-largest share of the broadband market and the largest share of mobile, as per exhibit below."
- "**Any potential downgrade of the rating will likely be limited to one notch**"

## S&P Global

Issuer Rating: A

**Outlook: Credit watch negative**  
(Mar 24)

- "We anticipate that **Swisscom's earnings will gradually increase** over the longer term as the Italian unit realizes synergies"
- "Over time, we expect the **acquisition to have a positive effect on Swisscom's profitability and cash flow generation**, as cost synergies between Fastweb and Vodafone Italy will gradually materialize"
- "**We aim to resolve the CreditWatch placement upon completion of the acquisition, likely with a one-notch downgrade**"

1) Subject to closing of acquisition of Vodafone Italia as expected in Q1 2025





## Q1 2024 performance



# Highlights

The Italian transaction as key highlight



## Satisfying Q1 results and as expected

- Top line slightly lower
- EBITDA of CHF 1.16bn ahead of consensus<sup>1</sup>
- Margin robust at 43%
- FY guidance reiterated



## Following value over price in Switzerland

- Operationally mixed
- Diverging top-line: Telco down, IT up
- Several test wins<sup>2</sup>
- New InsurTech offerings
- FTTH coverage expanded



## Growing with Fastweb in Italy

- Growing across KPIs
- Launch of Fastweb Energia
- Several new B2B contracts
- Wholesale growing
- TU SEI FUTURO: among top 10 Italian brands<sup>3</sup>



## Acquisition of Vodafone Italia and merging with Fastweb

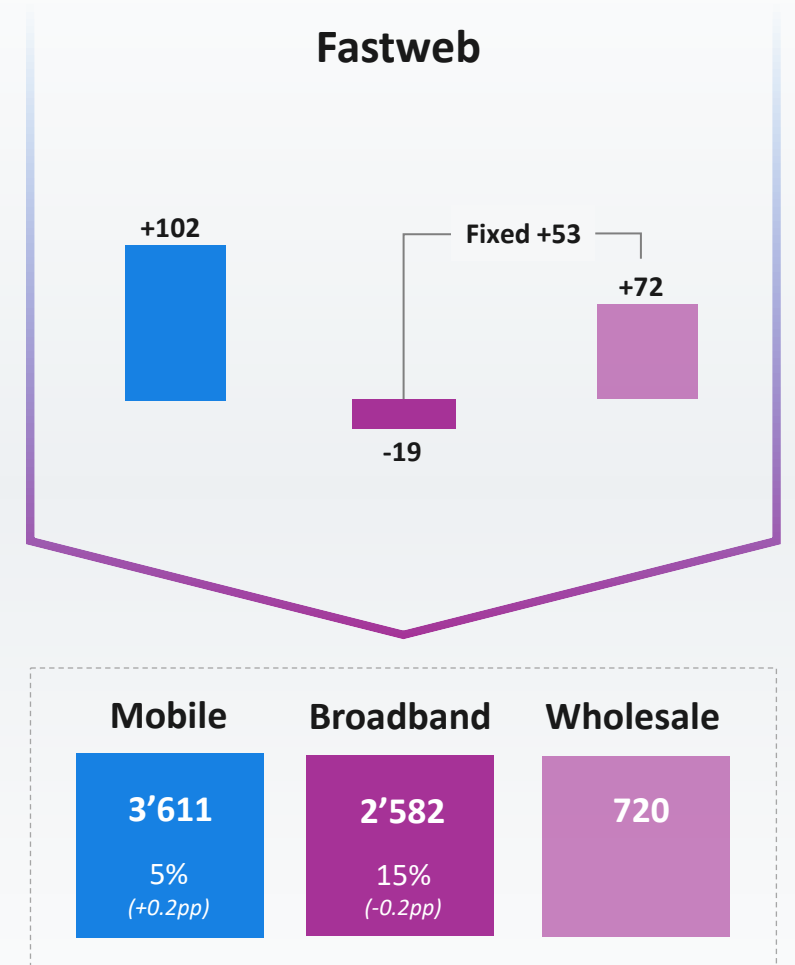
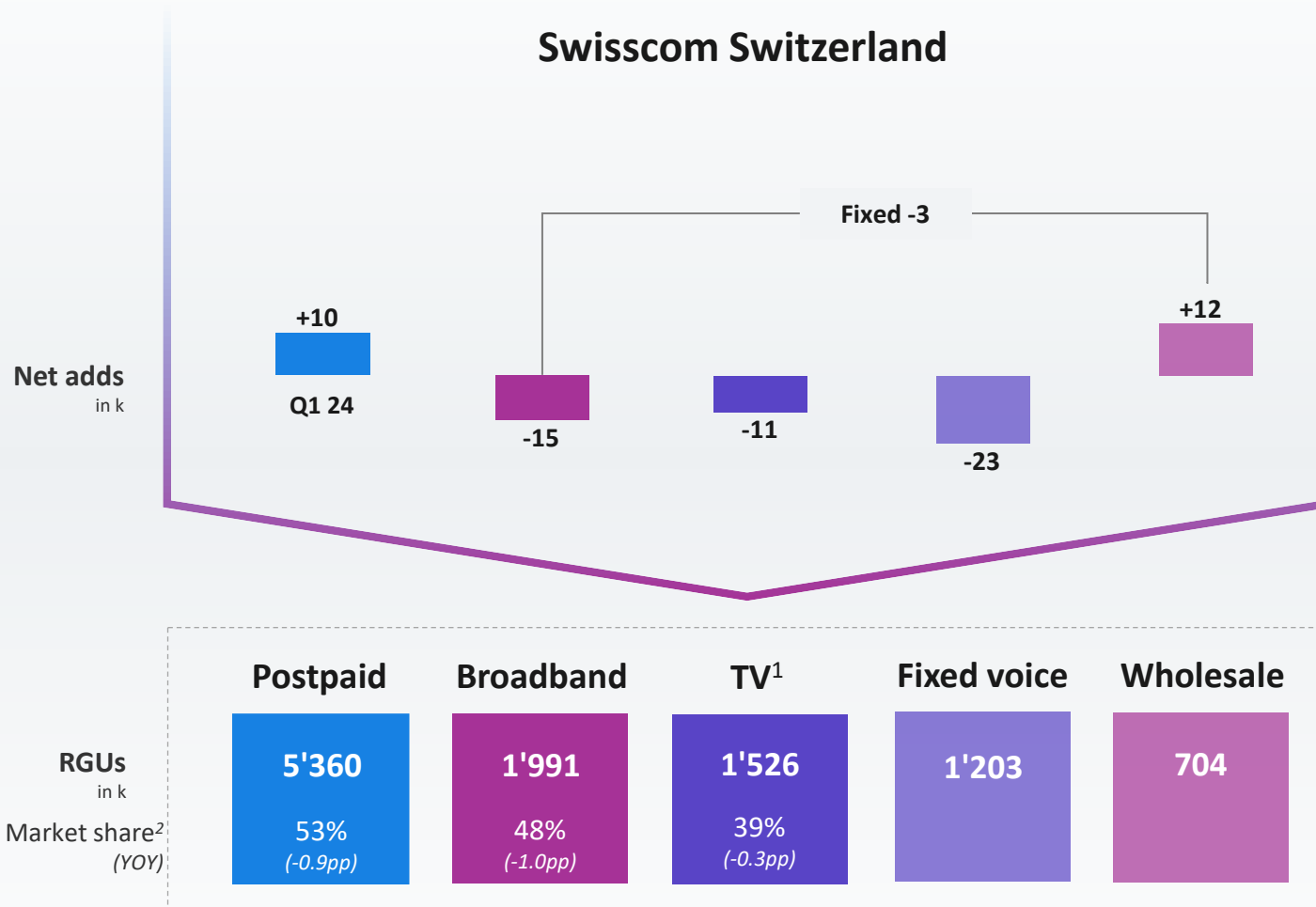
- Attractive valuation
- Compelling strategic rationale
- Substantial value creation
- Closing expected in Q1 2025





# Operational performance

Mobile growing. Fixed broadly stable in Switzerland and increasing in Italy



1) RGUs without OTT subs, 2) As per 31 Dec 2023; market shares figures have been updated versus figures available in FY2023 Swisscom Annual Report (as per 30 Sept 2023)





# Financial results

EBITDA development as expected and OpFCF lower due to seasonally higher capital expenditures

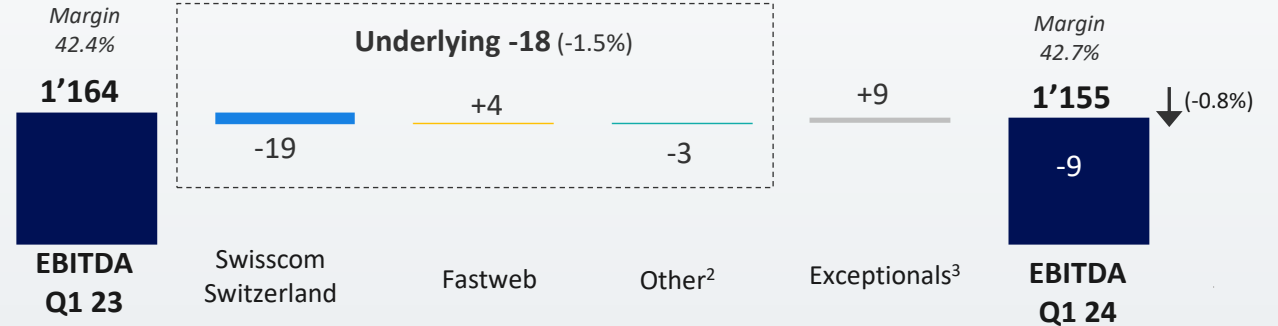
## Q1 24 key figures

in CHF mn

Revenue	<b>2'703</b> (-1.6% YOY)
EBITDA	<b>1'155</b> (-0.8% YOY)
Net income	<b>455</b> (+2.9% YOY)
CAPEX	<b>594</b> (+9.0% YOY)
Net debt <sup>1</sup>	<b>6'941</b> (-3.2% YOY)

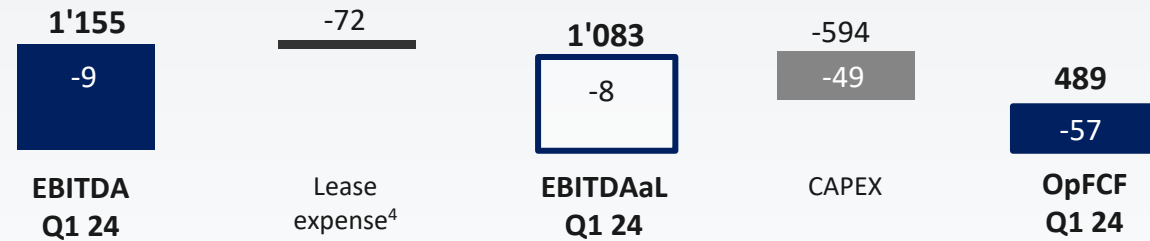
## Q1 24 EBITDA development

in CHF mn, YOY



## Q1 24 OpFCF development

in CHF mn



1) Including lease liabilities, 2) Includes Other operating segments, intersegment elimination group level and pension reconciliation, 3) Includes currency impact (CHF -9mn), regulatory litigations (CHF +24mn), transaction cost Vodafone Italia (CHF -6mn), 4) Consists of depreciation right of use assets excluding IRU of CHF -60mn and interest expense leases of CHF -12mn



## Wrap-up



# Key credit highlights

Innovators of trust with rock-solid financials

 <b>#1 in Switzerland</b>	<p>Leading Telecoms operator in Switzerland with strong market shares across all segments</p>
 <b>Leading challenger in Italy</b>	<p>Continuous growth in Italy where it is a leading challenger</p>
 <b>Best-positioned</b>	<p>High-quality network, strong brand and increased efficiency, all supporting Swisscom's strategy of competitive position, differentiation and innovation</p>
 <b>Acquisition of Vodafone Italia</b>	<p>Merger which will strengthen Swisscom's positioning in the Italian market, creating a leading converged challenger in Italy based on improved scale, convergence and own infrastructure</p>
 <b>Rock-solid financials</b>	<p>Stable and resilient cash flows in Switzerland. Growth across all metrics in Italy. Conservative and sound financial policy driving balance-sheet strength</p>
 <b>Strong credit ratings</b>	<p>Committed to maintain A credit ratings, target leverage post-acquisition (net debt/EBITDA) at 2.4x by YE 2027<sup>1</sup></p>
 <b>Pioneer in Sustainability</b>	<p>Strong track record of ESG achievements and ambitious commitment to Net-Zero target for 2035, validated by SBTi</p>



## Appendix



## Key financials

In CHF mn	FY 2022	FY 2023	YOY
<b>Revenue</b>	11'051	11'072	+0.2%
<b>EBITDA</b>	4'406	4'622	+4.9%
<i>EBITDA adjusted<sup>1</sup></i>	4'558	4,638	+1.8%
<b>Net income</b>	1'603	1'711	+6.7%
<b>Free Cash Flow</b>	1'349	1'480	+9.7%
<b>CAPEX</b>	2'309	2'292	-0.7%
<b>Net debt</b>	7'374	7'071	-4.1%



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