Strategic partnership: Fastweb - WindTre

Analysts and investors presentation

June 2019

swisscom

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 (2^{nd} 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

	Description	Fastweb's benefits
5G co-investment	• Co-investment in a 5G network • Single physical infrastructure based on – 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	• **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	• National roaming services on WindTre's 4G network (plus legacy technologies)	• **Competitive terms** • 'Enhanced roaming' for **seamless 4G/5G handover** • **Benefiting from WindTre new network**
Backhauling	• Fastweb to provide fiber connections to WindTre's mobile BTS in selected areas	• **New revenue stream** • Enabling **5G performance** in terms of capacity and latency
Wireline wholesale	• Fastweb to provide wholesale access to its FTTx footprint	• **New revenue stream** • Tangible step to become a **leading wholesale player**

Financial implications

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

	Driver	EBITDA	CAPEX
5G co-investment and **mobile wholesale**	Higher mobile CAPEX		●●
	Lower roaming costs	●●●●	
Backhauling	Higher dark fiber revenues	●●	
	Slightly higher fiber CAPEX		●
Wireline wholesale	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