



**NewStreet**  
Research

# Salt

Q1 2024 results

24 May 2024

## Salt/Matterhorn

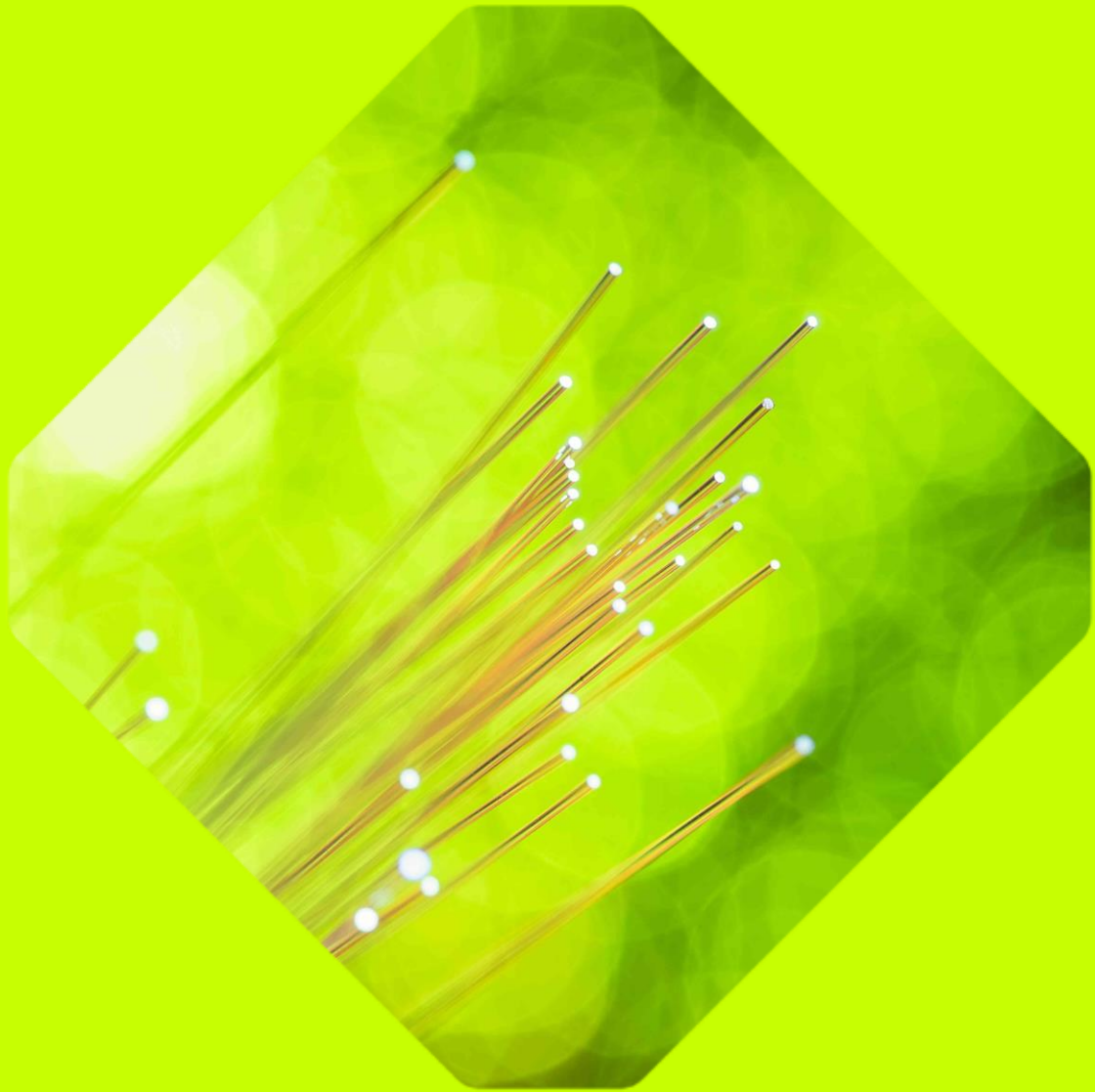
### Q1 24: Continued outperformance vs Swisscom and Sunrise

24 May 2024

**Summary:** Salt has reported another good set of results, with SR growth at +5.7% y/y vs the overall Swiss market at -0.7% y/y. Salt continues to materially outperform Swisscom and Sunrise-UPC. This quarter, EBITDAaL growth has matched the SR growth as well. We think that Salt has a long growth trajectory as it expands its FTTH footprint thanks to the deal with Swisscom, but at this stage, the spreads are so tight, they arguably already reflect this operational excellence and growth window.

#### Research Analysts

Russell Waller  
+44 20 7375 9127  
[russell@newstreetresearch.com](mailto:russell@newstreetresearch.com)



**Salt Mobile**

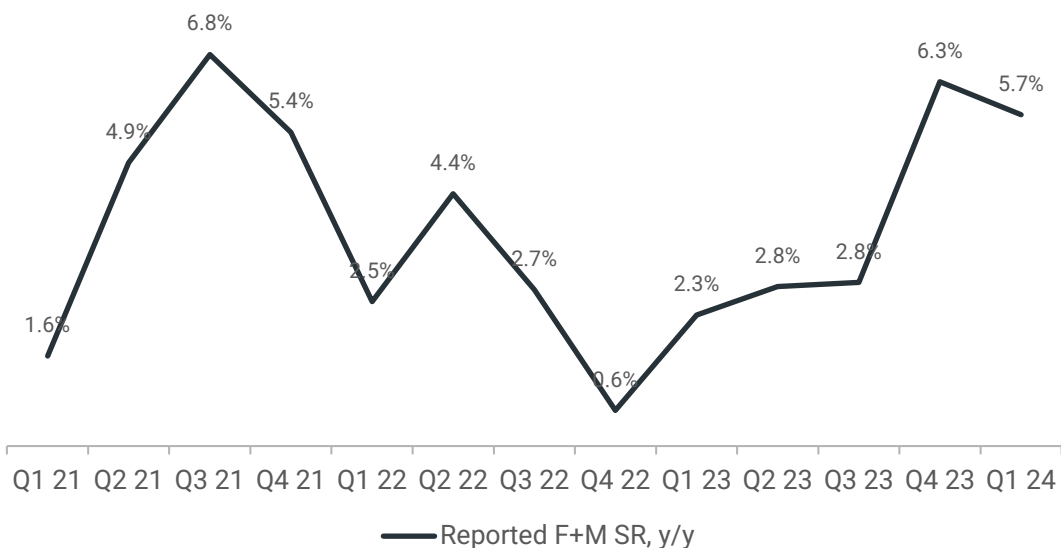
## SR trends: Another good quarter of growth in both outgoing and total SR

Total SR growth is +5.7% y/y from +6.3% y/y in Q4 23. Within that:

- **Outgoing** SR growth was +6.7% y/y from +6.9% y/y in Q4 23. ARPUs remain negative y/y (see slide), but the market is very promo heavy, and so long as SR is growing (i.e. KPIs are good), as this stage, this is not too much of a concern. Salt's SR position has improved relatively (see next slide). SR growth is being supported by the Q3 23 price increases (Salt has pledged no more price increase until 2025).
- **Incoming** is unchanged at +2.7% y/y from +2.6% y/y; it was negative recently due to voice roaming (zero margin).

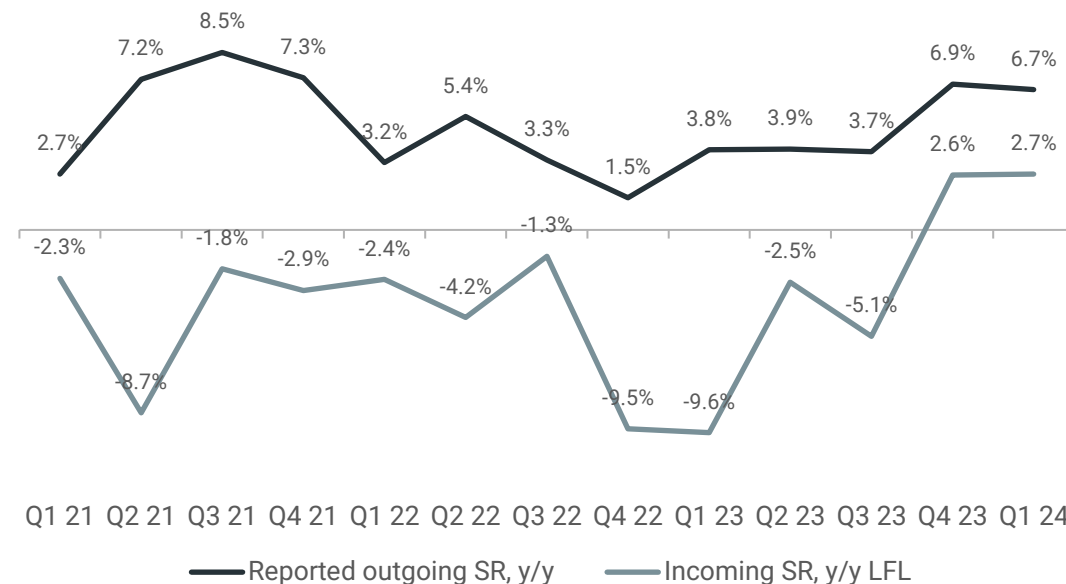
### Total SR

y/y



### Billed and incoming SR

y/y



**Relative performance:** Salt’s number one growth position maintained, and gap has grown

Salt has been the top grower in terms of SR growth since at least Q1 21 – the gap to market is now 6.4pp vs 6.2pp in Q4 23.

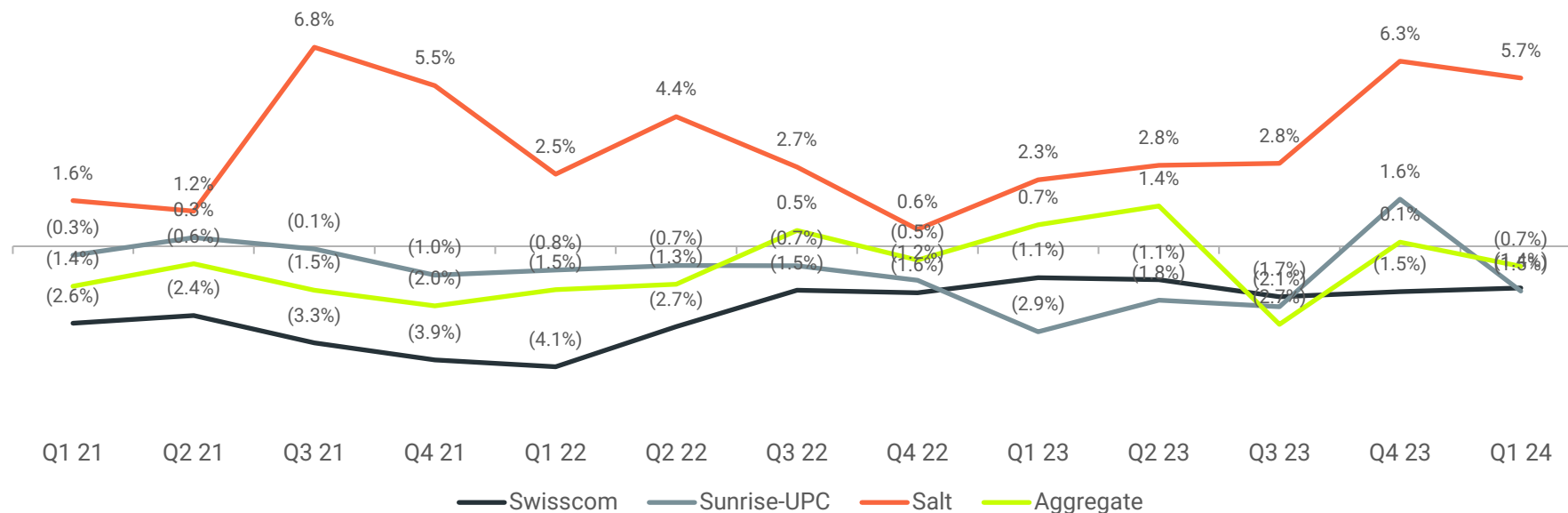
**Swisscom:** -1.4% y/y from -1.5% y/y in Q4 23;

**UPC-Sunrise:** -1.5% y/y from +1.6% y/y in Q4 23;

**Market:** -0.7% y/y from +0.1% y/y in Q4 23.

**Swiss SR trends**

y/y

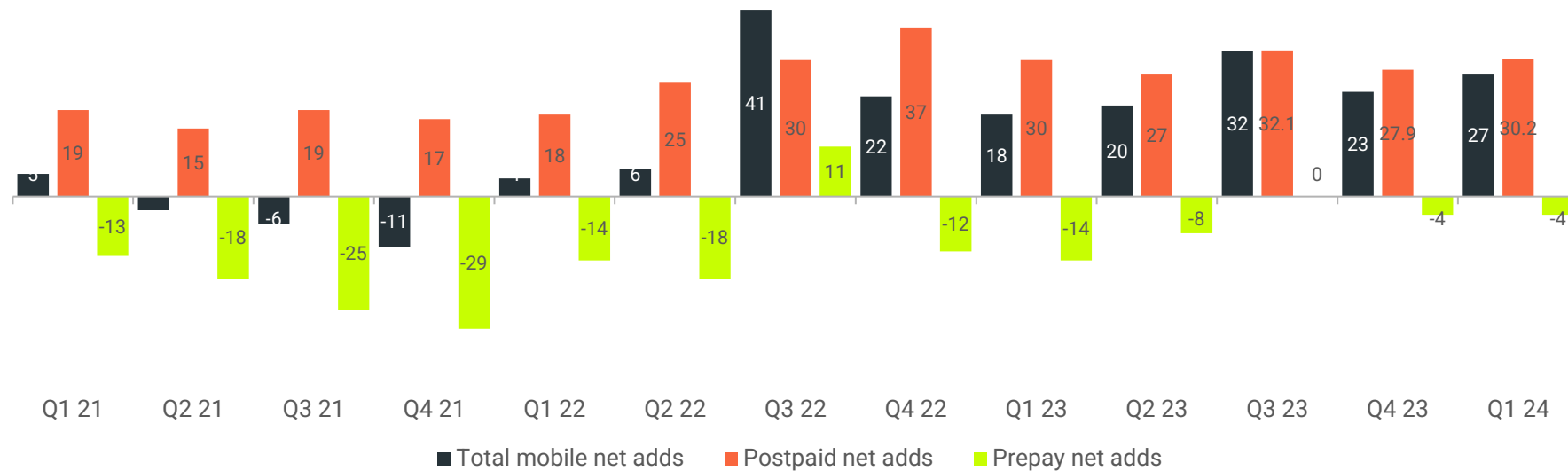


## Mobile net adds: Postpaid growing nicely

**Mobile:** Postpaid net adds were +30k from +30k in Q1 23. A good performance yet again.

### Mobile net adds

'000

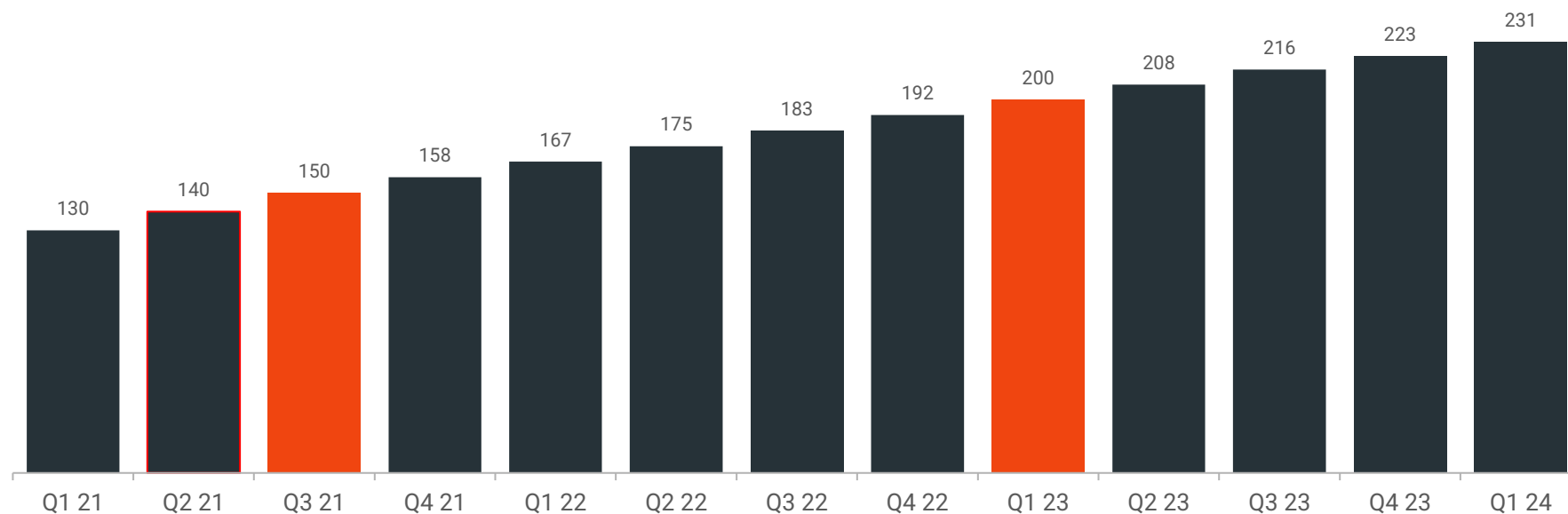


## Fixed net adds: Now at c200k in total

**Fixed:** Salt do not give fixed net adds consistently, the last numbers given were 150k and 200k, but provide a chart showing trends, and based on that we estimate that fixed net adds are growing at c+8k per quarter. We expect the pace of adds growth to continue as Salt grows its addressable FTTH base (see next slide).

### Fixed subs – red given by Salt, black interpolated

'000

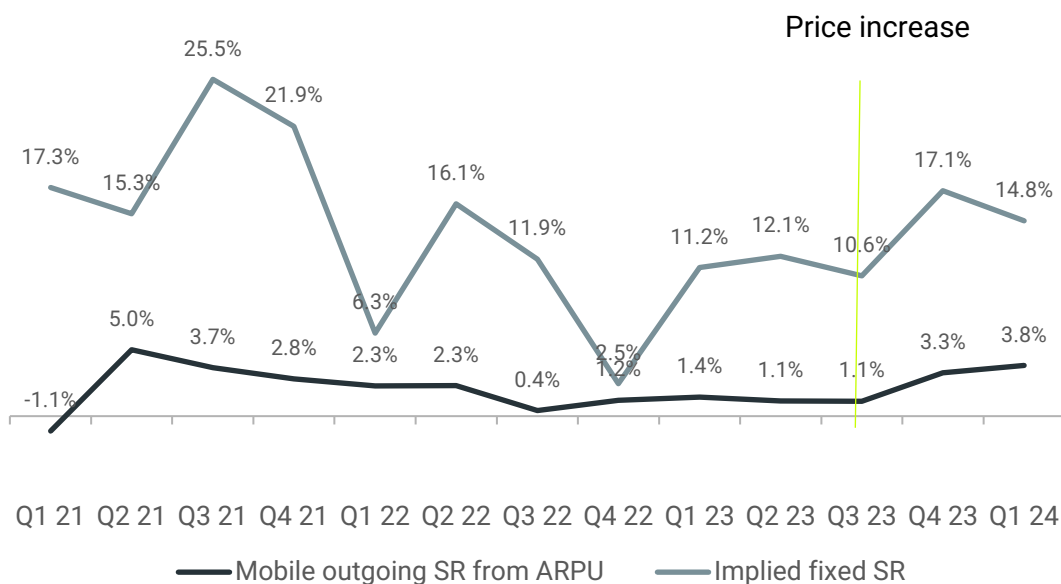


## Fixed: Good SR growth and more to come

Although Salt don't consistently give Fixed KPIs, fixed will become an increasing part of the business in our view. The recently signed new FTTH wholesale access signed with Swisscom will enable Salt to increase its addressable market to cover 4m Swiss premises from 2m today. Salt's 231k fixed subs today implies a c12% share in region. If Salt were to get to 12% share in the 4m home coverage area, then it would grow its fixed subs base to 462k, doubling from today. Given the continued pace of adds and share gains, we think it possible that Salt can grow to beyond 12% share. As a reminder its mobile subs share is 17% and growing.

### Fixed and mobile (outgoing) SR growth

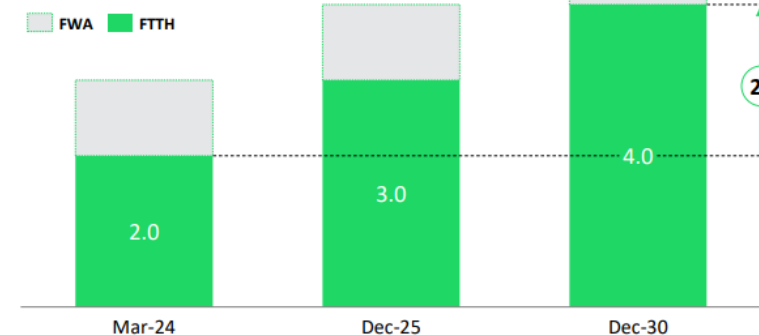
y/y



### Increasing FTTH Reach Above 2MM HH

- Swisscom has resumed its FTTH roll out in the P2P topology allowing Salt to increase our Home reach over the coming years.
- This partnership, together with our agreements with SFN and local utilities, enables Salt to become increasingly a fully converged national telecom player

#### Home Coverage, in MM UUs



15 | 24.05.2024 | Q1 2024 Private & Confidential Salt



## ARPU: Negative in both fixed and mobile

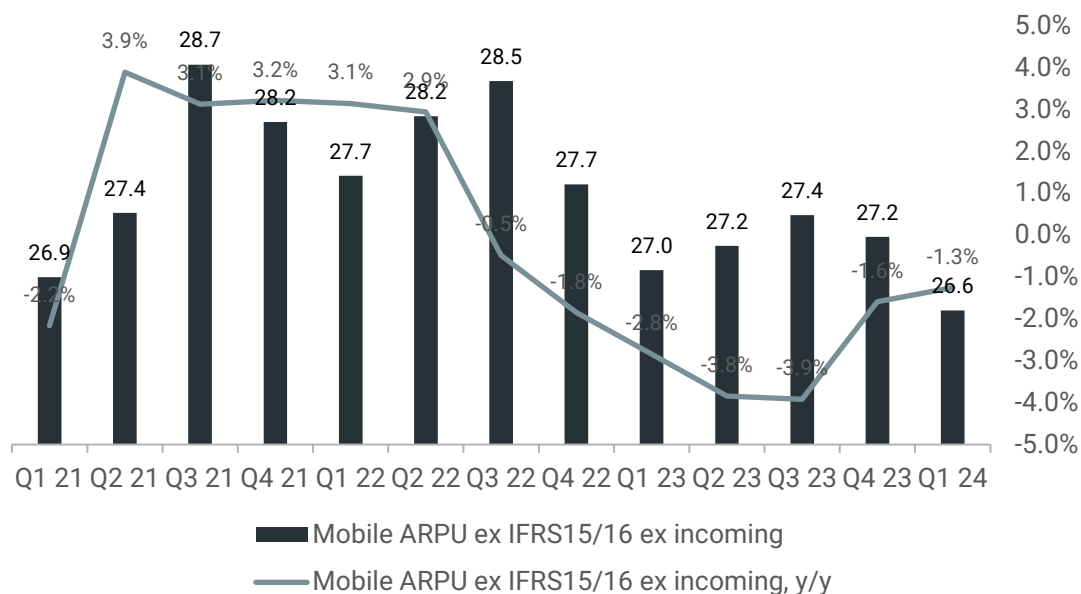
Salt give mobile ARPU, which means we can then back out fixed revenue and fixed ARPU (albeit, ARPU numbers don't often fully and correctly correlate to SR). Fixed ARPU can be more volatile because discounts are given on fixed to mobile customers.

**Mobile ARPU** was -1.3% y/y from -1.6% y/y in Q4 23;

**Fixed ARPU** was -0.9% y/y from +0.1% y/y in Q4 23.

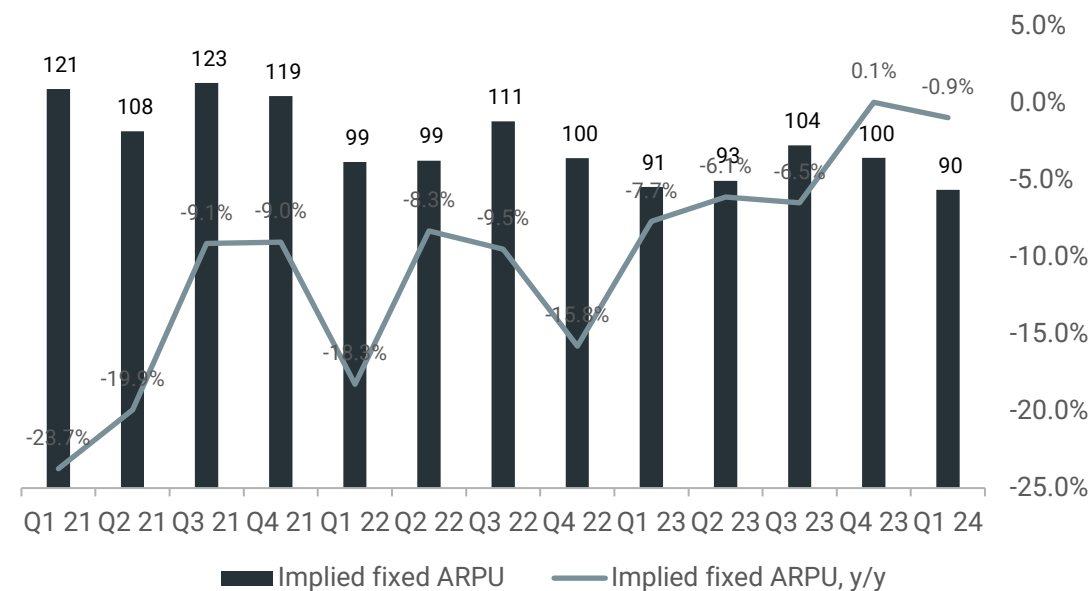
### Mobile ARPU

CHF and y/y



### Fixed ARPU

CHF and y/y

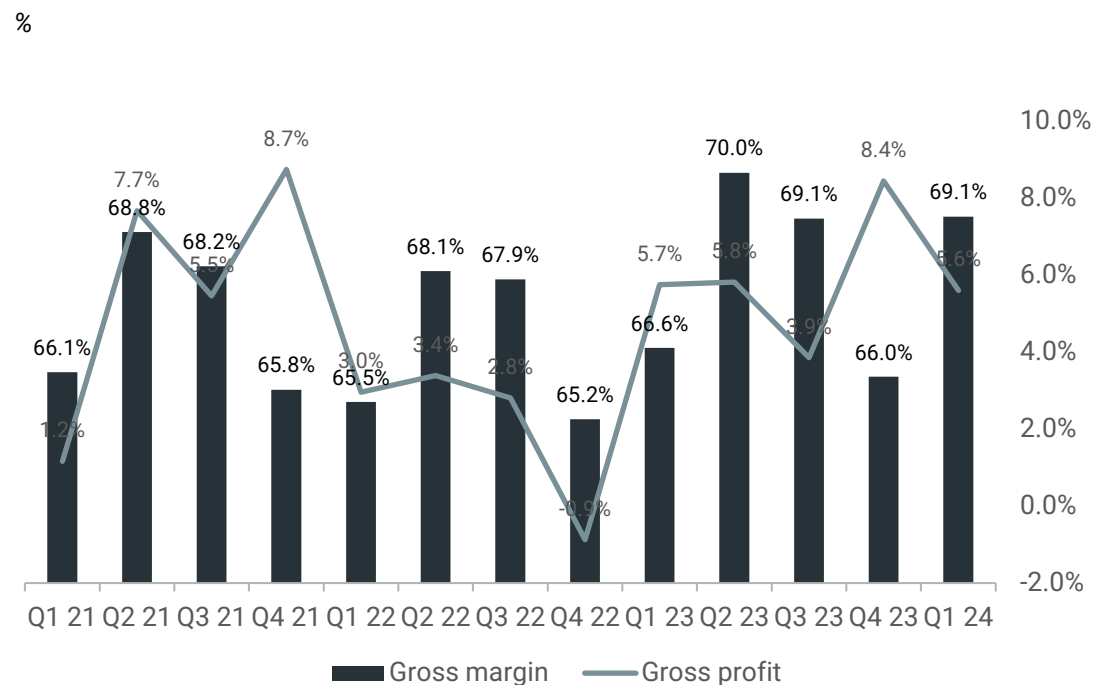


## OpEx: Better GM partly offset by higher labour and Other costs

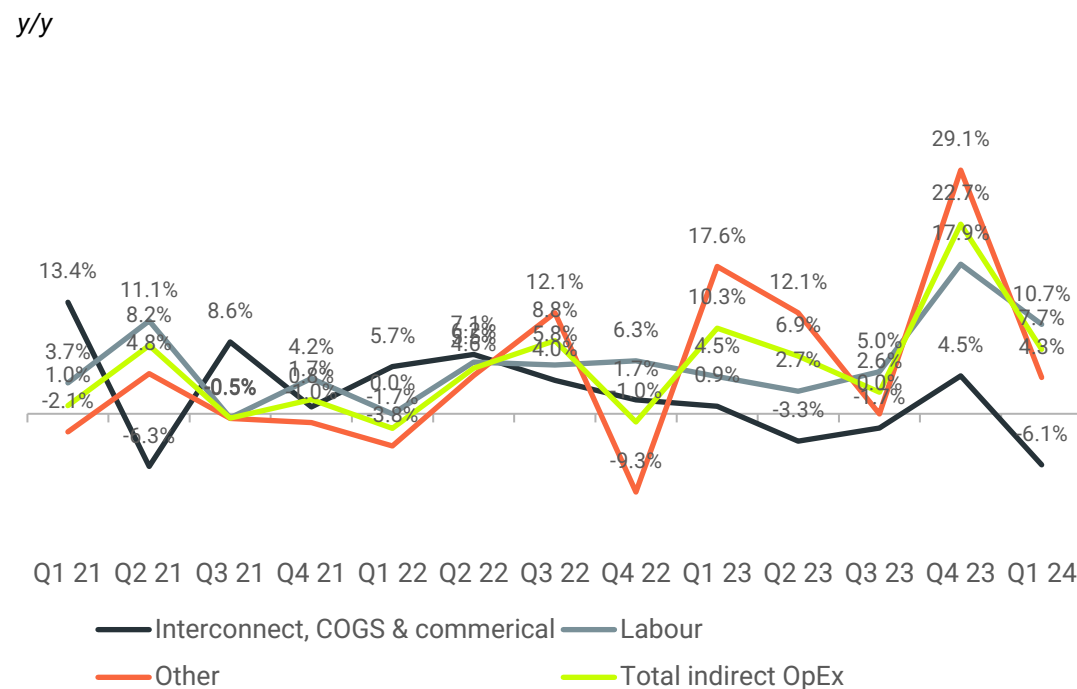
Gross margins increased to 69.1% (+2.6pp y/y) from 66.6% in Q1 23, with gross profit +5.6% from +8.4% y/y in Q4 23.

Partly offsetting this Labour costs are higher following the increase in the number of FTEs (mainly on sales and customers operations), and Other is +4.3% y/y. Total indirect opex is +7.7% y/y from +22.7% y/y in Q4 23, hence the much better EBITDA growth (see next slide).

### Gross Profit and Margins



### OpEx breakdown

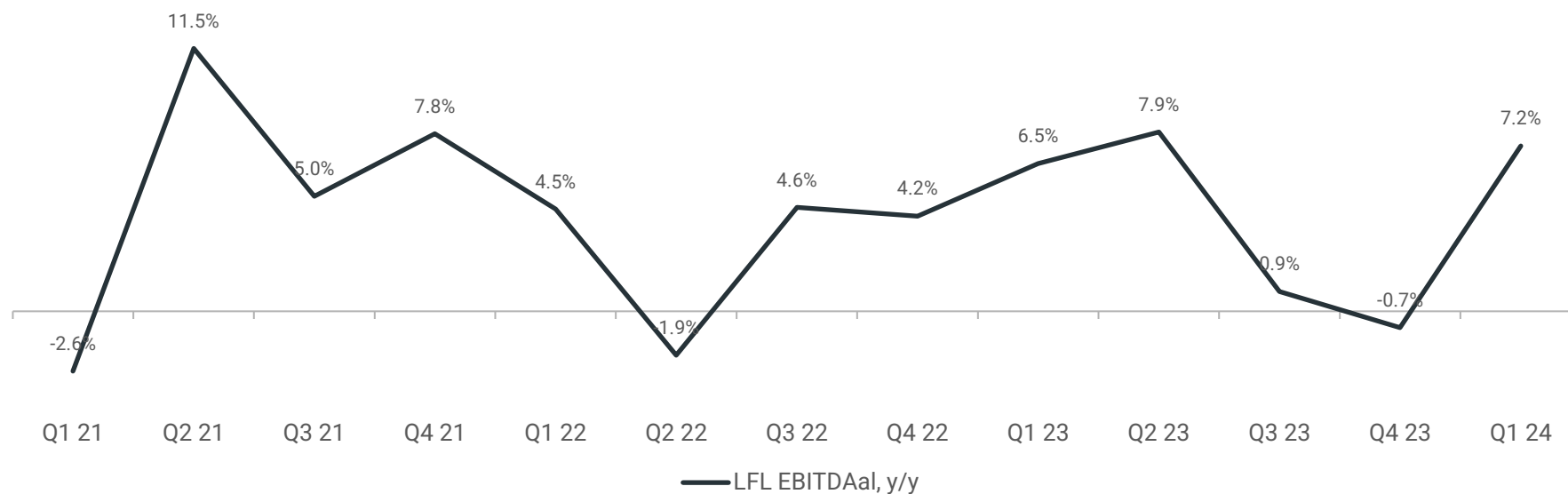


## EBITDA: Nice acceleration in growth

**EBITDA:** The better SR, good GM, and slower growth in OpEx has fed through to EBITDA. LFL EBITDAal was +7.2% y/y from -0.7% y/y in Q4 23.

### EBITDA growth

y/y



## FCF: Up y/y, despite higher “good” capex

**Salt FCF:** FCF was up y/y to €73m from €50m despite capex being up €3m to €72m. The only guidance for 2024 is for FY24 capex to be cCHF225m (from CHF210m in FY23). Capex is rising thanks to higher IRU capex (this is success-related, and so capex is likely to continue to rise in the coming years as fixed adds are added on the new Swisscom IRU deal) and supplier financing repayments (not quantified).

	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24
<b>Salt Mobile</b>							
Operating revenue ex incoming	217	212	207	213	225	226	220
Incominng	16	15	15	16	15	16	15
<b>Operating revenue</b>	<b>233</b>	<b>227</b>	<b>222</b>	<b>228</b>	<b>240</b>	<b>242</b>	<b>236</b>
Equipment revenue	42	51	49	39	40	56	40
<b>Total revenue</b>	<b>275</b>	<b>278</b>	<b>271</b>	<b>268</b>	<b>281</b>	<b>298</b>	<b>275</b>
<b>Adjusted EBITDAal</b>	<b>126</b>	<b>113</b>	<b>112</b>	<b>121</b>	<b>127</b>	<b>112</b>	<b>120</b>
Adjustment	-1	-2	-1	-1	-1	-1	-1
<b>EBITDAal</b>	<b>125</b>	<b>111</b>	<b>111</b>	<b>120</b>	<b>126</b>	<b>111</b>	<b>119</b>
<b>Adjusted EBITDA</b>	<b>145</b>	<b>140</b>	<b>136</b>	<b>144</b>	<b>151</b>	<b>146</b>	<b>142</b>
Adjustment	-1	-2	-1	-1	-1	-1	-1
<b>EBITDA</b>	<b>143</b>	<b>139</b>	<b>135</b>	<b>143</b>	<b>149</b>	<b>146</b>	<b>141</b>
Non-cash impact	-2	-2	0	0	-1	-1	-1
Capex	-37	-54	-69	-48	-40	-53	-72
Proceeds from sales assets	0	0	0	0	0	0	0
NWC	12	-13	-11	-8	10	-11	9
Change in financial assets	0	0	0	0	0	0	0
Tax	-10	-2	-4	-8	-12	-23	-4
<b>FCF</b>	<b>106</b>	<b>69</b>	<b>50</b>	<b>78</b>	<b>107</b>	<b>58</b>	<b>73</b>

	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24
	3.3%	1.5%	3.8%	3.9%	3.7%	6.9%	6.7%
	-1.3%	-9.5%	-9.6%	-2.5%	-5.1%	2.6%	2.7%
	<b>3.0%</b>	<b>0.7%</b>	<b>2.8%</b>	<b>3.4%</b>	<b>3.1%</b>	<b>6.7%</b>	<b>6.4%</b>
	4.5%	-3.0%	10.3%	0.3%	-3.8%	9.0%	-19.5%
	<b>3.2%</b>	<b>0.0%</b>	<b>4.1%</b>	<b>2.9%</b>	<b>2.1%</b>	<b>7.1%</b>	<b>1.7%</b>
	<b>5%</b>	<b>4%</b>	<b>6%</b>	<b>8%</b>	<b>1%</b>	<b>-1%</b>	<b>7%</b>
	1%	0%	0%	0%	0%	1%	0%
	<b>6%</b>	<b>5%</b>	<b>7%</b>	<b>8%</b>	<b>1%</b>	<b>0%</b>	<b>7%</b>
	<b>1.1%</b>	<b>-0.8%</b>	<b>4.3%</b>	<b>5.3%</b>	<b>4.3%</b>	<b>4.3%</b>	<b>4.3%</b>
	-47.8%	-21.1%	-8.3%	0.0%	8.3%	-40.0%	9.1%
	<b>1.9%</b>	<b>-0.5%</b>	<b>4.4%</b>	<b>5.4%</b>	<b>4.3%</b>	<b>4.8%</b>	<b>4.3%</b>
	-3.6%	36.0%	10.9%	-6.5%	7.8%	-2.6%	3.9%
	<b>11.6%</b>	<b>-19.5%</b>	<b>4.8%</b>	<b>34.8%</b>	<b>0.3%</b>	<b>-14.7%</b>	<b>44.9%</b>



Matterhorn

## FCF/Leverage: ND/EBITDA near the bottom of the range

**Matterhorn Underlying FCF:** €21m from €6m (ex debt repayment) in Q1 23, thanks to the higher Salt FCF offset by higher other expenses/interest.

**Movement in net debt:** €-113m from €-137m, with €150m of dividends paid in Q1 24 and Q1 23.

**Leverage:** Matterhorn is close to the bottom of the 3.5-4 range at 3.6x ND/EBITDA, but on the call, Salt pledged to not re-capitalise nor pay an extraordinary dividend in the near-term (we expect ordinary dividends to continue).

	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24
<b>Matterhorn</b>							
<b>Salt FCF</b>	<b>106</b>	<b>69</b>	<b>50</b>	<b>78</b>	<b>107</b>	<b>58</b>	<b>73</b>
Towers disposal	0	0	0	0	0	0	0
Holding and other impacts	-1	1	-1	0	0	0	-1
<b>Matterhorn FCF</b>	<b>106</b>	<b>69</b>	<b>50</b>	<b>78</b>	<b>107</b>	<b>58</b>	<b>72</b>
Interest and other financial expenses	-19	-11	-17	-11	-17	-11	-21
Lease payments	-11	-11	-10	-10	-10	-11	-11
Repayment of lease liabilities	-14	-10	-17	-12	-13	-14	-20
Repayment of debt	0	0	0	-18	91	0	141
<b>Underlying FCF</b>	<b>63</b>	<b>37</b>	<b>6</b>	<b>27</b>	<b>157</b>	<b>23</b>	<b>161</b>
Cash distribution to shareholders	0	0	-150	0	0	-30	-150
Other	-43	-7	8	-7	-91	-5	-124
<b>Change in net debt</b>	<b>20</b>	<b>31</b>	<b>-137</b>	<b>19</b>	<b>66</b>	<b>-12</b>	<b>-113</b>
<b>Book value of Net financial debt</b>	<b>1,579</b>	<b>1,549</b>	<b>1,686</b>	<b>1,666</b>	<b>1,601</b>	<b>1,613</b>	<b>1,725</b>
<b>ND/EBITDA</b>	<b>3.51</b>	<b>3.40</b>	<b>3.65</b>	<b>3.54</b>	<b>3.54</b>	<b>3.40</b>	<b>3.60</b>

	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24
	<b>11.6%</b>	<b>-19.5%</b>	<b>4.8%</b>	<b>34.8%</b>	<b>0.3%</b>	<b>-14.7%</b>	<b>44.9%</b>
	<b>9.8%</b>	<b>-18.5%</b>	<b>4.7%</b>	<b>34.9%</b>	<b>0.9%</b>	<b>-15.9%</b>	<b>45.7%</b>
	<b>-2.1%</b>	<b>-0.9%</b>	<b>-7.8%</b>	<b>-2.6%</b>	<b>-8.1%</b>	<b>-7.9%</b>	<b>23.5%</b>
	<b>-1.9%</b>	<b>-1.9%</b>	<b>-2.8%</b>	<b>-2.8%</b>	<b>-2.8%</b>	<b>0.0%</b>	<b>4.8%</b>
	<b>37.0%</b>	<b>-13.0%</b>	<b>-0.6%</b>	<b>8.0%</b>	<b>-2.2%</b>	<b>39.0%</b>	<b>20.0%</b>
	<b>11.2%</b>	<b>-27.3%</b>	<b>266.7%</b>	<b>7.3%</b>	<b>149.6%</b>	<b>-37.7%</b>	<b>2835%</b>
	<b>-65%</b>	<b>-156%</b>	<b>112%</b>	<b>523%</b>	<b>236%</b>	<b>-139%</b>	<b>-18%</b>
	<b>6.5%</b>	<b>0.7%</b>	<b>5.2%</b>	<b>4.2%</b>	<b>1.3%</b>	<b>4.1%</b>	<b>2.3%</b>
	<b>2.9%</b>	<b>-2.3%</b>	<b>1.7%</b>	<b>-1.7%</b>	<b>0.9%</b>	<b>0.0%</b>	<b>-1.4%</b>



**NewStreet**  
Research

## Sales Contact

**Ethan Lacy**

ethan.lacy@newstreetresearch.com

**Michael Chambers**

michael@newstreetresearch.com

**Daniel Gilroy**

daniel.gilroy@newstreetresearch.com

**Mark Franks**

mark@newstreetresearch.com

**Dimitri Livchits**

dimitri@newstreetresearch.com

**Heather Broffman**

heather@newstreetresearch.com

**Charlie Gaynor**

charlie@newstreetresearch.com

**Steven Perez**

steven.perez@newstreetresearch.com

# Disclosures

*Regulatory Disclosures: This research is directed only at persons classified as Professional Clients under the rules of the Financial Conduct Authority ('FCA'), and must not be re-distributed to Retail Clients as defined in the rules of the FCA.*

*This research is for our clients only. It is based on current public information which we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Most of our reports are published at irregular intervals as appropriate in the analyst's judgment.*

*This research is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients.*

*All our research reports are disseminated and available to all clients simultaneously through electronic publication to our website.*

*© Copyright 2022 New Street Research LLP*

*No part of this material may be copied, photocopied or duplicated in any form by any means or redistributed without the prior written consent of New Street Research LLP.*

*New Street Research LLC is neither a registered investment advisor nor a broker/dealer. Subscribers and/or readers are advised that the information contained in this report is not to be construed or relied upon as investment, tax planning, accounting and/or legal advice, nor is it to be construed in any way as a recommendation to buy or sell any security or any other form of investment. All opinions, analyses and information contained herein is based upon sources believed to be reliable and is written in good faith, but no representation or warranty of any kind, express or implied, is made herein concerning any investment, tax, accounting and/or legal matter or the accuracy, completeness, correctness, timeliness and/or appropriateness of any of the information contained herein. Subscribers and/or readers are fur the r advised that the Company does not necessarily update the information and/or opinions set forth in this and/or any subsequent version of this report. Readers are urged to consult with their own independent professional advisors with respect to any matter herein.*

*All information contained herein and/or this website should be independently verified.*

*All research is issued under the regulatory oversight of New Street Research LLP.*