

Telenor Group Q4 2023 Results

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*Participants*

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**Frank Maaø:** Hi, everyone. And welcome to Telenor's Fourth Quarter Results Call. I'm Frank Maaø, Head of Investor Relations. And with me here today is Sigve Brekke, and our CFO, Tone Hegland Bachke.

In the interest of good housekeeping, I would like to note that within today's presentation, references to growth rates will be organic, like-for-like currency basis. And please also note that both report and the presentation have been published on our website.

As for today's agenda, Sigve will provide an overview of our strategic and operational progress for the quarter, and Tone will present more details on our financial results. She will also give an update on our new guidance for 2024 and how we are tracking towards our mid-term outlook. After that, we will open up the floor for questions.

Without further ado, I'll turn it over to Sigve.

**Sigve Brekke:** Thank you, Frank, and a very good morning to everyone. This was another strong quarter for the Telenor Group, and I'm pleased to say that we continued to execute in line with our plan, not only for 2023 but also now going into 2024.

One of the highlights this year is the growth in Nordic mobile service revenues, where we have, since the fourth quarter in 2022, posted five consecutive quarters with 5% underlying growth. The main driver of this has been our more-for-more price adjustments and the services, especially security services that we have put on top of connectivity across the Nordic region.

Then to the other highlight, which is the quite comprehensive list of strategic M&A transactions we had executed in the last year. The focus has been to simplify the Group, mitigate risk and to drive our value creation.

We have completed the largest telecom merger ever in Southeast Asia in Thailand when we closed the merger there. We have announced the sale of Telenor Pakistan. We have monetised a minority stake of our Norwegian fibre network, and we have exited Working Group Two and Telenor Satellite, two of the companies in our Amp portfolio.

These transactions have demanded strong efforts and significant work in many teams across Telenor. I would like to extend a big thank you to all our employees that have been a part of delivering this impressive M&A agenda.

And as you see on the slide, we exceeded our cash flow ambitions with NOK15 billion in total cashflow for the year. Two-third of the NOK15 billion cash flow comes from the organic growth and one-third comes from deal activities I just mentioned.

And having a look back at the numbers. I see that it is actually the best fourth quarter in 10 years when it comes to the overall combination of revenue growth, EBITDA growth and the free cash flow.

This overview here brings us back to the Capital Markets Day we had in September 2022, and it illustrates where we now are in our execution of the strategy we laid out at the CMD. Overall, we believe we are well on track with the two years left of the targeted period.

In the Nordics, we show sound profitable growth, in line with the outlook we provided for 2023. Still, we know we have room for further improvements and we are well underway in setting ourselves up for transformation and delivering on cross regional synergy areas.

In Finland, DNA has shown strong financial performance in the quarter, actually the whole last year. Their operation was also recognised by achieving the Finnish Quality Award. In addition, they won the EPSI Customer Satisfaction Award.

In Norway, customers are enjoying, I think I want to call it, a fantastic mobile network with supreme coverage.

In Q4, we were happy to receive the award from the Ookla speed test for the fastest mobile network in the country for the sixth year in a row, and also the award for the best mobile network. It shows how important mobile coverage and a solid mobile network is for our customers in Norway.

For the Nordics, we have been able to keep OpEx growth well below inflation levels throughout the year, but we have not quite performed in line with the nominal reduction ambition we set at the CMD in '22 when inflation expectation were much lower.

However, Norway has managed to keep OpEx flat in 2023 in a year where the inflation in Norway was around 5% to 6%. This year, we will further sharpen the cost focus both through Nordic level synergies and also country-specific transformation measures.

Investments in the Nordics will stay at an elevated level also in this year, due to the regulatory commitments we have in Sweden. However, as said before, in 2025, I remain confident that CapEx will be NOK2 billion lower versus what we had in 2022 as the Nordic network modernisation rollouts start to taper off.

Asia is also progressing according to the plan. What we have done is to improve industry structures with creation of two market-leading players in Malaysia and in Thailand. This has bolstered our position, because going into partnership in these markets, setting up strong governance models and the conclusion of the existing - the exiting and selling Telenor Pakistan have contributed to our goal of derisking the Asian portfolio.

We are now well positioned and prepared to further explore and exploit strategic opportunities, and we call it optionalities for our future position in Asia.

At the Capital Markets Day, we communicated our focus on developing and extracting value from our infrastructure business. The fibre deal is now completed and extensive work has been done in term of streamlining the tower business and setting ourself up to potentially crystallise the tower values we have in the Nordics.

And when it comes to our fourth business area, Amp, this area has also gone through some material changes during the year, in line with the strategy of develop or divest assets in the portfolio. We have this year completed the sale of Working Group Two and Telenor Satellite, and we continue to prioritise capital towards high return activities.

We have done all this according to the sustainable business principles that we have, meeting key ESG targets and setting new ones. The execution of Scope 1 to 2 climate targets remains. They are a little bit challenging in Asia due to the shortage of available clear energy - clean energy, but we have made solid progress here. We are tracking well in the Nordics and we are ahead of our Scope 3 targets here for the Group.

Then I would like to say a few words about how we are performing our business in Nordics and Asia, also the transformation that we have embarked on.

In the Nordics, we are working on a transformation programme that will yield tangible business benefits in the four synergy areas that you see on the left-hand side of this slide. I think I can say that we are already cutting edge in many aspects, but we still have legacy parts in our network and IT systems that need to be modernised. We have duplication of activities across the four operating companies in the Nordics, and those duplications can be removed. And the potential to transform the customer experience by pooling our resources and deploying the latest technologies.

To do this transformation, we see a significant potential to ramp up the use of not only advanced analytics, but also the experience we have in AI and machine learning and the investments we are now making into generative AI.

In the IT domain, we are accelerating our cloud strategy, boosting the share of SaaS-based applications to 70% in 2024. In the network area, we still have a multiyear journey ahead of us, but we will double the cloud-native workloads in '24, and giving us a far better flexibility, scalability and simplicity.

We are accelerating the deployment of common back office functions. This year, our aim is to double the shared cost activity base to NOK700 million. We already see significant savings, but this is only the start. We aim to deploy common data management and analytics to drive efficiency through automation.

In the commercial area, we are moving towards common product launches across the Nordics, especially in the B2B segment, and being much more data-driven in how we approach customers in real time.

And finally, we are launching – we have launched a programme of working capital initiatives that will deliver structural improvements and efficiencies in capital use.

These efforts will entail further rightsizing of our business. Based on our transformation efforts, we are aiming for a flat OpEx for the Nordics in 2024, despite the inflationary environment, followed by a nominal OpEx reduction in 2025.

Then moving to our transformation in Asia. We are now deep into the integration work of the two transformative transactions in our associated companies in Thailand and Malaysia. I see a potential of not only getting back to growth in these two markets after the market consolidations, but also to deliver on the large efficiency potential we have announced.

These cost synergies come from unifying the network grids, revamping distribution and improving organisational structures. For instance, in Thailand, we are supporting True in rightsizing and future fitting the organisation. I see a really large scale potential here.

In Bangladesh, we will continue to focus on taking out the full growth potential while also growing cash flow. After our strategic review of Telenor Pakistan, as you know, we concluded that an exit through a sale to PTCL, the main owner of Ufone, was the best option. We expected this deal to close during the year.

All in all, I believe we are on track to what we said at the Capital Markets Day, where we talked about NOK5 billion in free cash flow from Asia in 2025. We also said we would like to derisk our positions and secure repetition of cash.

And with that, I will hand over to Tone.

**Tone Hegland Bachke:** Thank you, Sigve, and good morning, everyone. 2023 was a year of significant geopolitical, climatic and macroeconomic turbulence. Amid all this, I'm happy to say that Telenor's operations and key financials represented stable momentum.

Top line revenue growth was 4%. EBITDA growth for the year was 3%, but actually well above 4% if we adjust for the non-cash reversal in Pakistan in the third quarter of '22. And then after a slow first half of the year when it comes to free cash flow, I'm pleased to report that we closed the year with a strong free cash flow of NOK9.5 billion and totalling NOK15 billion when including the M&A activities following the intense execution on our structural agenda.

Moving to the fourth quarter, which represented a solid finish to the year. We grew top line service revenues with 5% with good results, both in Nordics and in Asia. As to EBITDA, we also performed well with 4% growth. CapEx intensity was just below 15% this quarter. And free cash flow for the quarter ended at a solid NOK5 billion, which I will come back to more in detail.

But first, I will get more into the details of the development and key drivers. Starting up with the Group figures.

Service revenues for the Group has been on a good trend throughout the year with a strong finish in Q4 with 5% organic growth coming from 4% in the Nordics and 7.5% in Asia as the key contributors on Group level.

Moving to OpEx. Inflation and particularly energy in Asia continued to impact us both in the fourth quarter and for the full year. OpEx for the Group increased by 5% both in the quarter and for the year. A key driver for the increase in Asia, East Asia, which in Q4 was 17% and was impacted by higher energy costs and lower comparables last year in the fourth quarter in Grameenphone.

In the Nordics, inflation in the region averaged around 6% in 2023, ranging from around 3% in Denmark and up to almost 9% in Sweden. This clearly affected our cost performance. However, our structural cost reduction efforts managed to offset a good part of this with OpEx coming up only 3% both in the quarter and for the full year. Two of the four business units in the Nordics actually had flat OpEx in 2023.

In Norway, as we said, where inflation averaged 5% to 6% for the year, we managed to keep OpEx flat in '23 due to the transformational efforts. The Danish operation also continued to deliver well and had a flat OpEx during 2023.

This brings us to Group EBITDA, which increased by 4% in the fourth quarter. Nordics was an important EBITDA growth contributor, growing with 5%, and so was Asia, growing by 4.4%. We had a relatively neutral impact from energy for the Group year-on-year with approximately NOK0.1 billion headwind – tailwind in the Nordics, offset by a similar headwind in Asia.

Amp, our portfolio of non-core and adjacent businesses, had a weakening trend throughout the year. The main driver of this was Telenor Linx, as I mentioned on our third quarter call.

Coming from a strong 2022, we now see the voice and messaging business declining, with Linx also facing structural headwinds, driven by technology changes.

Going forward, we continue to see profitable growth for Connexion, our IoT company. On the associated assets, while we took impairments on Allente and Carousell, we continue to see sound development in our growth assets. Following these changes and developments, we expect a reset of the EBITDA and free cash flow levels of Amp in 2024.

On valuation on the Amp portfolio, we have now during this year confirmed the upper range of the end of the valuation range we gave at the CMD when we talked about the NOK10 billion to NOK15 billion. After taking out around NOK4 billion in cash in 2023, we now estimate the value of the remaining portfolio in Amp to be in the area of NOK10 billion.

Moving to the Nordics part of our business. In the Nordics, growth in service revenue came at 3.8% for the quarter and 3.4% for the year. We have been able to maintain the 5% growth level on the mobile side for several quarters now.

In fixed, service revenues have trended up as legacy headwinds diminished during the year, but growth was still muted at 1.2% in the fourth quarter.

Looking at the country operations. DNA in Finland delivered another strong quarter with 9% mobile service revenue growth and Sweden contributed well with 4% growth in total service revenues in the fourth quarter. Going into 2024, we have seen constructive pricing moves in the Swedish market, building on the positive moves in the low-end and mid-tier segments last year. Norway grew service revenue close to 3% overall.

Zooming further in on Norway, revenue growth has been in line with plan, as I showed on the previous slide. As to EBITDA and compared to a very strong previous quarter, Q4 is softer with a flat development. The underlying growth on the chart to the right is adjusting for the typical swing factors we have been showing over several quarters, namely relating to the copper decommissioning headwind, energy cost and adjustments related to our B2C handset swap programme. At 2% underlying growth in Q4, that was lower than the 5% underlying growth we saw in Q3.

This is mainly explained by two things. Firstly, on the OpEx, we see a series of accruals and minor cost items adding up in the fourth quarter. And secondly, we saw some gross margin underperformance within device sales. We expect OpEx and handset margins performance to improve in 2024.

While Norway's EBITDA trend over the last few quarter is encouraging, we still see some variability in the performance and continue to drive transformation and efficiency agenda. EBITDA growth in Nordics remained strong at 5% in the fourth quarter. Full year ended at 3.7% in line with the guiding. Although the growth is somewhat lower than the very strong previous quarter, we continue to see a positive trend in the Nordics.

Our Finnish operation, DNA, was the main contributor this quarter with 17% growth. This was helped by energy cost that fell by 25% year-over-year. However, and adjusted for this, growth was still in the double digits. Both Sweden and Denmark also generated solid EBITDA growth in the quarter.

Norway, Finland and Denmark were helped by lower energy cost this quarter. The PPAs we have entered into will remove some of the volatility related to energy cost in the Nordics and particularly this year as PPA in the Norway - in Norway and Denmark comes into effect during the year.

Then moving to Asia. Let me start with Grameenphone and Telenor Pakistan, our consolidated businesses. Organic service revenue grew by 7.5% with increased data usage and price adjustments as the main growth drivers. EBITDA grew 4.4%.

In Grameenphone, we see ARPU growth of 5.5% year-over-year due to price uplifts and data usage growth. As said, we concluded a strategic review of Pakistan in December, where the decision to exit. The deal we announced in December with PTCL values Telenor Pakistan at NOK5.3 billion on a cash and debt-free basis. This includes repayment of intercompany loans of NOK3.5 billion and reduced interest-bearing liabilities of NOK1.8 billion, including leases.

The transaction is subject to regulatory approvals and other customary terms and conditions and is expected to close later this year, as we have said.

We continue to focus on free cash flow in Asia, in line with our CMD ambition, with dividend and CelcomDigi and True being important for our mid-term ambitions. CelcomDigi paid out an accretive dividend in 2023 in line with their progressive dividend commitment. We continue to have a positive outlook here for 2024 and onwards. For True, we are working to return to dividends as we go into 2025.

Now, let's take a look at the key remaining financial topics for the Group this quarter and at the year end. Starting with the P&L and looking at some of the elements below EBITDA. This quarter, we had some special items, mainly impairments that impacted our P&L.

When we completed the merger of DTAC and True in the first quarter of 2023, we booked a NOK18.5 billion gain on the discontinued business line and the share price started trading at THB8.15 per share. At the end of 2023, the share price stood at TBH5.05.

Due to the significant reduction in the share price, we have mark-to-market value of the True asset as we preannounced on Monday. In Q4, this led to an overall write down of NOK8.7 billion, consisting of NOK8 billion impairment on the associated company line and a fair value adjustment to the shareholder loan that is booked in net financial items.

Based on this and going forward, we will continue to use the mark-to-market principle for the valuation of True in our books on a quarterly basis. This implies that there will be a positive or a negative impact on our books depending on True's share price development.

As an example, if the current quarter were to close at yesterday's share price in True, there would have been a NOK3.6 billion positive mark-to-market effect on the associated company level.

For the full year 2023, we had a net income to equity holders of Telenor ASA of NOK13.7 billion, equivalent to an earnings per share of NOK9.9.

Moving to the balance sheet. We ended 2023 with NOK80 billion in net interest-bearing debt. Leverage ended at 2.2 times EBITDA as for the previous quarter. I have previously talked about the various macro factors impacting our financial performance. We expect these macro elements to remain prevalent in 2024, and this is particularly relating to currency volatility in general and including the staggered availability of dollars and euros in Bangladesh, volatility in energy prices and subsidy levels in Bangladesh and Pakistan, and finally, we continue to see inflation and interest rates as key elements.

Moving to free cash flow. We came out of 2023 with a solid free cash flow. In Q4, as I said, we generated NOK5.5 billion. Of this amount, NOK4.9 billion was generated organically with main drivers being EBITDA and a NOK2.4 billion tax refund from the tax authorities, as we announced in November.

Contribution was – from M&A was NOK0.6 billion from Working Group 2. CapEx was front-end loaded in the year with also a small time phasing going into 2024. We paid more than NOK500 million in spectrum CapEx with the main part relating to the auction in Sweden in September.

We continue to receive steady quarterly dividends from CelcomDigi in Malaysia. All in all, we deliver a solid free cash flow.

Now moving to our outlook. I would like to start by revisiting what we stated at the Capital Markets Day in 2022 for the period from 2022 to 2025. As shown by the first two columns on this chart, when comparing to the actuals for '22 and '23, we did outperform our original free cash flow ambition, represented by the red dots, and we delivered a significant net contribution from M&A on top of this.

We originally said that we expected a cash flow dip in 2023 due to the deconsolidation effects from DTAC and Digi. In total, this represented a headwind of more than NOK2 billion for the year. Also going into last year, we talked about a somewhat steeper cash flow decline in 2023, as we outperformed our ambitions also in '22.

Now, we see that '23 also came in above our expectation, partly supported by the mentioned NOK2.4 billion in tax refund. But this was then offset by the NOK1.7 billion special payments in Bangladesh in the second quarter and also the phasing and timing of the deconsolidation effects with – of DTAC, which were above our estimates at the CMD. This means that when we now look at 2024 and 2025, we believe we remain on track to our stated mid-term ambitions despite various moving parts since that ambition was laid out.

This brings us to the shareholder remuneration. Consistency and predictability is important for us when it comes to dividend. The proposed dividend is NOK9.5 per share, which is in line with our policy to have a nominal increase in dividend per share. The proposal is, as always, subject to approval by the AGM in May and the payout is planned in two tranches of NOK5 per share in May and NOK4.5 per share in October of '24.

In addition to dividend, our shareholder remuneration also includes buybacks of NOK3.7 billion, of which NOK1.7 billion was bought in the open market last year and the rest will be bought back from the Norwegian stake this summer, as per our usual agreement.

Now, I will take you through the outlook for 2024.

For Telenor Norway, we expect low single-digit growth in service revenues. Finland is expected to remain strong. We see encouraging signs in Sweden with regards to pricing, and we see a more nuanced market environment in Norway with somewhat tougher competition in the price sensitive segment. We expect mid-single-digit organic growth in Nordic EBITDA. The outlook is supported by a flat OpEx ambition for the Nordics in ’25 - '24 despite the inflationary environment.

As Sigve said, for 2025, we expect a slight nominal decrease in OpEx in the Nordics. This is an update from our earlier ambition of net OpEx reduction in Nordics by a CAGR of 1% to 3% from '23 to '25. This is in the context of the fairly significant higher-than-expected inflation compared to our original planning assumption.

The effect of the planned transformation measures in the Nordic will likely be somewhat backend loaded in the year, setting us up with good speed into 2025.

We expect a Nordic CapEx to sales ratio to remain around 17%, same as for '23. For the Group, we guide for mid-single-digit EBITDA growth in '24, supported by the Nordics and good operating trends in Asia and infrastructure. Amp's earnings will be impacted by the recent exits, tempered with Linx facing both temporary and structural headwinds.

Finally, we expect to deliver a free cash flow before M&A of NOK9 billion to NOK10 billion in 2024. Note that this range does not factor in potential typical one-off items related to prior year's activities such as the previously mentioned late payments in Bangladesh. And also note that satellite is no longer included.

The free cash flow for 2023 with this definition would have been a bit north of NOK8 billion. As such, we are on track towards our 2025 ambition of covering our nominal dividend per share by free cash flows. Going forward, the key building blocks to reaching these targets are: continued mid-single digit EBITDA growth for Nordics. This will be supported by top line growth and a nominal slight decrease in 2025 in OpEx. Then there is the NOK2 billion lower CapEx for the Nordics in 2025 versus 2022. And finally, on Nordics, cash flow from our structural working capital initiatives.

In Asia, we expect growth in free cash flow from GP and we expect ramping up of synergies and dividends from our associates.

With that, Sigve, I believe we are ready for questions.

**Operator:** Thank you.Ladies and gentlemen, if you would like to ask a question or make a contribution on today’s call, please press star one on your telephone keypad. In the interest of time, we kindly ask to limit yourselves to one question and one follow-up. Again, that is star one for your question today. And first up we have Andrew Lee from Goldman Sachs. Please go ahead.

**Andrew Lee:** Good morning, everyone. Obviously, strong growth that you continue to guide across the Group. So I don't want to be overly negative. But just wanted to understand what's going on in Norway. I wonder if you could just take us through a bit more about what exactly the SWAP programme is in terms of handsets. And any other impacts from handsets in the quarter? And just how one-off those are in nature?

And then is there any link between that - I suspect not - and your comments of a nuanced expectation for Norway for 2024? What's driving that nuanced expectation for '24, would be helpful?

And then just as a follow up, just wanted to touch base on your comments last year about the pursuance of a second relisting in Asia. Any progress in your thinking on - in totality on that? Thank you.

**Sigve Brekke:** I can take the last one, and you can take the two first ones, Tone. Now, take the Asia question first. I think over the last two years, we have said that we want to rearrange our portfolio in Asia. And that's why we started to do this market-by-market to strengthen our position. I'm very happy to see that we have been able to do that in Thailand, Malaysia and now also Pakistan. So now we have three assets left in Asia with no clear numbers or positions in the markets.

And then we have said that in addition to that, we also look for potential structures on the top. And just to repeat what I said before, that could either be a type of partnership. And remember that we have also now grouped the ownership of our assets in Asia into a Singaporean holding company with a strong management on the ground. So it could either be to bring in a partner. It could be to do a transaction that can leave us into an IPO and a stock listing. Or it can be to remain what we have and develop them further.

So now the effort will be to do exactly that. And as soon as we have something concrete to tell you about it, you will be the first one to know. But I don't have any more updates on that.

**Tone Hegland Bachke:** Yes. And then a lot of topics you raised on the Nordics or Norway. I think overall, Norway is delivering a very solid 2023. In the Q4, there are some typical year-end elements and there are also some other elements, which I will take you through.

We have the typical year-end accruals and minor items in the accounts, nothing that we are particularly concerned about. On the handsets, there are two elements as we see it from handsets this quarter. One is that we have sold off some handsets, which were in the process of becoming less relevant in the market. So the profitability has been somewhat lower on these handsets.

And then the SWAP programme, which you ask about, is the programme where you get the handset and you pay on instalments going forward. This is a typical financial adjustment when there are movements in the interest rates. And that is what this adjustment we now did at year-end. So we don't see underlying topics related to any of these, but it's more typical one-off adjustments.

And then to your comments on the market dynamics. We continue to drive a value-based approach in the Nordic mobile market, where delivering security and ensuring that our customers are digitally secure is a key element. We do see that the main part of our customer base, as you know, is very focused on having the best network and getting the value-based subscriptions.

But we also see that there is a bit more of an intense competition in the lower end segment of the Norwegian market, where there are also less players, but where we are fighting very strongly with our Talkmore fighter brand. So we will continue to drive the more-for-more in the Norwegian market, and we continue to fight enterprise sensitive market, part of the market with Talkmore.

**Sigve Brekke:** Maybe just add to what Tone is saying. What we saw in the fourth quarter was a lot of campaigns from our competitors. And because of that, we didn't get the same number of new customers as we had hoped for. But we did not see any increased churn level either. So our existing customers are very happy with the strong network position we have and the security products that Tone talked about.

Now going into this quarter, we see that the campaigns are easing out a bit and we see that we will continue to work on that more-for-more concept because there are more good stuff we want to bring to our customers. And then, of course, as we did in last year, look for potential price adjustments in line with that.

**Andrew Lee:** Thank you very much.

**Operator:** Thank you. And our next question comes from Christopher Bjørnsen of DNB. Please go ahead.

**Christopher Bjørnsen:** Good morning, and thanks for taking my questions. I was wondering, on the CapEx side, you're guiding that a bit up for '24 versus '23. Could you help us maybe unpack a bit like how much of that is related to the SWAP in Sweden? And then how would you think about the other Nordic geographies? Thanks.

**Tone Hegland Bachke:** Thank you, Christopher. We guide that the CapEx in Norway - in the Nordics would be around 17%, the same guiding as we had for 2022. We saw in 2023 that we came in slightly below this, as you see, and we did face some investments into 2024. We have several elements relating to this CapEx. There are two key parts which is important to be aware of. The first one is the Swedish SWAP, as you said, the regulatory requirements, which will be around 20% of our CapEx in the Nordics this year.

And then I would just like to remind you that we continue to invest fairly much in the fibre business, rolling out new fibre in Norway, which is also in the area of the 20% range. So these are the key elements.

Beyond this, we, of course, are rolling out 5G in Norway. We are moving towards the finalisation in Finland and we also have some investments in Denmark.

**Christopher Bjørnsen:** Thank you. A quick follow up on that. So into '25, the NOK2 billion reduction in CapEx beyond Sweden, what would you think are like the markets that will see the biggest drop in CapEx in '25? Just to understand your confidence in maintaining that target.

**Tone Hegland Bachke:** Yeah. We do see 5G will taper off in some of the key markets into 2025. We also see potentially that the fibre investments will be lower. And we believe that the combination of these things in combination, as you said, with the Swedish CapEx, that will bring us down to the NOK8 billion level.

**Sigve Brekke:** Maybe just to give a couple of numbers to what Tone said, we have now 85%, 86% 5G population coverage in Finland. We have 81% 5G population coverage in Norway. And we will be, as also Tone said, finished with the Swedish modernisation during this year. So in the end of this year, basically most of the 5G investments are then down.

**Operator:** Thank you. And we're moving on to a question from Ondrej Cabejsek from UBS. Please go ahead.

**Ondrej Cabejsek:** Hi. Good morning, everyone. An thank you for the presentation. I would like to start with a follow up on the cost side of things. So you're basically guiding for next year flat OpEx. But despite that, you're saying mid-single-digit growth on EBITDA. And obviously, then OpEx will become a positive factor into '25, where you're again guiding for mid-single-digit growth on EBITDA. So I want to understand next year is - do I understand it correctly that basically there's obviously a positive development in terms of the top line but then some of the gross margin improvements from maybe the handsets is what's going to drive the flow through from the low single-digit on the top line to the mid-single digit on EBITDA?

And then a question on net working capital, please. So can you just define for us what the programme entails? How big is it? And what is kind of the impact over the next couple of years, perhaps just to understand how big of - how big part of the free cash flow guidance this is becoming? Thank you very much.

**Tone Hegland Bachke:** I didn't get the latter part of the question. But - and sorry, it was a bit blur on the line. But as we say, we guide for the mid - low-single-digit growth on revenue. We had a very good momentum during 2023. We will continue to drive the value-based pricing. We do see the flat OpEx. It's building on the flat OpEx in Norway and Denmark from this year.

And now we also see Sweden and DNA coming on stream with their programmes, which we believe will bring us to that flat OpEx. And all in all, this will support the mid-single-digit growth on EBITDA. And then there will be some gross margin effects, but that will not be the main driver. The main driver will be those three elements. And then I didn't get your last question, Ondrej.

**Ondrej Cabejsek:** So on working capital. So you're launching this programme. Can you help us understand how big it is and what the effects may be year-by-year will be? Thank you.

**Tone Hegland Bachke:** Okay. Thank you. So we believe we have over time had a fairly good grip on the working capital. But from time to time, you do an extra look. And we see now that we are - there are opportunities to further sharpen on initiatives. This will include a broad suite of things. It includes supply chain financing for our vendors. It could be areas where we take advantage of it. We do have a lot of handset volumes on our balance sheet.

And we also do a lot of investment in customer premise, equipment. And all of this will bring us into an improved working capital and capital efficiency perspective, which is, of course, our key focus in this area.

**Ondrej Cabejsek:** Thank you. Is there any number that you can put on this please in the context of your free cash flow guidance for '24 and '25?

**Tone Hegland Bachke:** I can say that our ambition in this area is included in our free cash flow guidance.

**Ondrej Cabejsek:** Perfect. Thank you very much.

**Operator:** Thank you. And from Barclays, we have Maurice Patrick with our next question. Please go ahead.

**Maurice Patrick:** Good morning. And thanks for taking the questions. Yeah, a quick question on the towers side, please. In your prepared remarks, Sigve, you talked about the eventual crystallisation of the tower portfolio in some format. Curious to your thoughts in terms of timing and what steps to do before that. If I recall, you spoke mostly around the desire to drive up the colocation rates inside the tower portfolio before any sort of monetisation event. Just curious to understand if that's still the case. And whilst we're talking about towers, do you still think there are quite a few towers still to build in your portfolio in the Nordic area?

I note that Tele2 shareholders making comments about needing more towers in Sweden after the SUNAB [inaudible] Tele2 side. But curious your thoughts on will you build more towers? Do you have more work in colocation and timing for the crystallisation event? Thank you.

**Sigve Brekke:** Yeah, what we have said is that before we potentially monetise our towers, we would like to improve the business. And that's exactly what we have done over the last two years, reduced the costs with OpEx programmes, efficiency programmes, and increased the revenues with getting more external attendance.

So that is - we are not happy with that. So what we then also said at the Capital Markets Day, that was that during 2024 we should be ready to potentially do a structural partnership or a deal. And that's exactly where we are. So now we will be looking at the, "Is this the right timing for us to do that? What type of valuation will we potentially get?" But also, "What is really the benefit of bringing in a partner at this point in time?"

And we do hear very different signals from you guys and from our investors on the need to do that urgently. But we are ready to do that now. So we are in the midst now of a financial and strategic analysis, if we should do such a transaction during this year.

On your question on coverage, yes, we will - on new sites, it’s - we will have to build some new towers due to the 5G coverage. However, that will not be a substantial number. We've also sunsetted the 3G network in this period. So not a significant number of new sites being built. So that will not be a reason why we would potentially delay a partnership or a transaction.

**Maurice Patrick:** That’s very helpful. Thank you.

**Operator:** Thank you. And our next question comes from Nick Lyall from Société Générale. Please go ahead.

**Nick Lyall:** Yeah, morning, everybody. Just a quick question, please. Can I ask a - I just slightly have a few on other costs, please, Tone. Just to ask why the other costs went up quite sharply in the quarter and EBITDA down? Second one, you may or may not be able to answer this. But on the Pakistan process, could you just detail what are the risks that remain and why you have not deconsolidated it? And also help us with the free cash flow contribution from Pakistan for '23, please, just so we can work out what the impact might be? Thanks very much.

**Tone Hegland Bachke:** Yeah. No, that's fair. I assume you're thinking about the other cost that is the difference between the EBITDA and the EBITDA BOI. This is the usual elements that we have when we do redundancy packages, but well observed. This quarter there is a somewhat higher amount, and that is relating to some lease commitments in relation to the sale of the buildings here at Fornebu.

It's not a significant amount, but it is an adjustment of our committed lease amount and how the new buyer is able to rent out the vacant spaces. So it is a provision we make for the remainder of that period over the next few years. So it's a one-off that you see this quarter and it's nothing in particular.

Pakistan, would you like to take that, Sigve?

**Sigve Brekke:** Yes. I think there are two or three regulatory approvals we need, both from the competition authorities and from the telecom regulator. I don't really see that as a big risk, also knowing that the company that will acquire us it's partly owned by the Pakistani government. So I don't see any big risk there other than that, I need to go through the necessary processes. So that's why we say that during the second half of the year, we are quite confident that this deal will be approved and then followed by a closure.

**Tone Hegland Bachke:** Yeah. And as to the deconsolidation considerations, we are following the same hurdles and thresholds that we did both for when we closed the Digi transaction and also the DTAC transaction. And it's simply that from an accounting perspective, the hurdle is very high before you put it up for sale. And the fact is here that if the transaction for some reason shouldn't go through, we will continue to keep Pakistan on our books. So it's more the technicality related to the accounting rules on deconsolidation, which is the reason why we have not deconsolidated it as of now.

And you will see back on Digi and DTAC, as I said, that we have been fairly consistent in our approach here.

**Sigve Brekke:** He also asked about the cash flow.

**Tone Hegland Bachke:** Yeah. So the cash flow from Pakistan into 2024, Pakistan continued to develop well in their situation. They have solid growth in the fourth quarter, and they are fighting well in the market. Pakistan hasn't, over the last years, and also as we said at the CMD, been a material part of our cash flow consideration. It is generally positive, but it's a fairly small amount.

**Nick Lyall:** Okay. That’s useful. Thanks very much.

**Operator:** Thank you. And we’re now moving on to Siyi He from Citi. Please go ahead.

**Siyi He (Citi):** Hello. Hi. Can you hear me?

**Sigve Brekke:** Yeah. Please go on.

**Siyi He:** Okay. Thank you. Thank you for the opportunity for taking questions. My question is around Finland. We have seen that Finland has performed very strong, and you suggest that this performance should continue into '24. I'm just wondering if you think this kind of growth is consequence of the overall constructive market dynamic or it's a prospect that you continue to be successful in gaining market share in some of the areas as you under indexed your market share, for example, like B2B?

And if I may, my second question is on the potential M&As. So now we have the first peek at the potential remedies on the Spanish consolidation. Just wondering your views on that setup, and also if there is any updates views for you on the market consolidation opportunities in Nordic side? Thank you.

**Sigve Brekke:** Yeah. Thanks for the question. As you said, we are very pleased with DNA's performance last year, absolutely. And I think what we have said all along is that Finland is a rational good market to be in. It's a three-player market. I think both ourself and our two competitors are value driven. And that's why we are able to grow our business and not destroying the market. So do not expect us to be very aggressive on taking market share in the B2C segment.

We actually want to be a company which drives values together with our competitors. That's on the consumer side.

On the B2B side, as we also said when we closed the transaction some years ago, we think that we can move up on B2B. So on B2B, we want to take our fair share of the market going forward. So that's our drive going into next year.

On the consolidation, well, it's yet to see exactly what the remedies in Spain will be. So of course, we are watching carefully their action from the EU competition authorities. We are watching also what may happen in Italy and also what may happen in the UK. So there is no update from us on that.

But as we have said all along, if there are a chance to consolidate the Danish market, we think that should be done. But there is nothing new news that we can talk about. But let's see how the competition authorities will act in the cases that they're currently looking at.

**Siyi He:** Very clear. Thank you very much.

**Operator:** Thank you. And up next we have Titus Krahn at Bank of America. Please go ahead.

**Titus Krahn:** Good morning, everyone. Thanks for the presentation and for taking my questions. Just two maybe. The first one as a quick follow up just on your comment on the Norwegian market. Can you give - provide a little bit more granularity on who's driving the kind of competition at the lower end? Is that kind of [inaudible]. How are they kind of kind of behaving at the moment?

And then the second question would just be on the Linx business, just because you talked about it as well during the presentation and the structural headwinds. Could you kind of elaborate on that a little bit more? And what exactly would be a reset in 2024? And is there kind of a path towards self-help to kind of improve the outlook and preserve EBITDA and cash flows? Thank you.

**Sigve Brekke:** Yeah, I can take the first question. What we've seen in the Norwegian market is that the customers still really appreciate our network position, both the speed part of it, but also the coverage part of it. And we are able to monetise that.

We also see that security is becoming a more and more important part from our customers. And I think we are the only one in the market which now have what we call net security. So we are protecting your - the fraud calls with our security filter. I think we are the only one that had that as default into all the packages and even a more advanced version of it into some of the packages.

So that's why we do not see an increased churn in the main - with the main subscriber base that we have. It is in the low-end segment where people are more price sensitive. I think we have said in the past that - in the past we estimated that segment to be around 30%, those that had price over basically the network needs that they have.

That market may be a little bit bigger now due to also, of course, the pressure with - on inflation and on interest rates. But it's a smaller part of the market than the segment that really are appreciating those services that we have.

Another positive I will say is that there are fewer service providers now than what we had a year ago. We see that some of them have given up and some of them have been acquired. So it's more and more now a competition between ourself, Telia and Ice. And Ice is taking some customers in the low-end segments. Our fighting brand there is, as Tone talked about, is Talkmore.

So moving forward, we are continuing to fight with our Talkmore brand, but we're also continuing to bring more value to our - the main customer base we have with the more-for-more concept.

**Tone Hegland Bachke:** Yeah. And then to the Amp question and the headwinds. There are two main elements related to why we give the message, and just gives you a heads up on this. The first one is, of course, that we have sold off the satellite business, which was a main contributor to the cash flow and the EBITDA in Amp. We have now kind of gotten a prepaid that for the next few years, and that will give lower year-over-year comparables into 2024.

The other part is relating to Linx. And as you said, Linx is in the business of international message products. And this also includes one-time passwords, identification products in this. And this is where we see technological changes and that there are increasingly other methods that are being used for this.

And then Linx is also, of course, fighting to take part in the new products. But we do see at least now for next year that there would will be some impacts from that.

But then it's, of course, important when we talk about Amp to talk about IoT and Connexion, where we continue to see solid growth and good development. And this is one of the key focus areas we have in the Amp portfolio.

**Titus Krahn:** Okay. Thank you very much. And that means kind of Linx might continue to just go down a little bit or kind of continue to go down. And yes, totally understood on the satellite business.

**Tone Hegland Bachke:** Yes. It's mainly those two that will change. And then we believe Connexion will continue to grow, but it will not be at the level where it can mitigate those headwinds.

**Titus Krahn:** Thanks so much.

**Operator:** Thank you. And we’ll move to a question from Jakob Bluestone of Exane BNP Paribas. Please go ahead.

**Jakob Bluestone:** Hi. Thanks for taking the questions. I'll keep it to one, which I think was the limit. Just on your mid-term guidance, you've obviously reiterated that guidance despite the fact that there's been some perimeter changes to the Group. I think you said that the impact of the change in perimeter would've been NOK8 billion of free cash flow instead of the reported NOK9.5 billion. So I'd be interested in understanding what are the offsetting factors? What are the things that have done better to allow you to reiterate that guidance? I guess the answer will partly be around revenue where you've had more price increases. So maybe if you can also just share your thoughts on what are your expectations around price hikes going forward? Will they be lower in '24 than they were in '23? Thank you.

**Sigve Brekke:** Yeah, we are not giving guidance on price increases. What I can say is that we did price adjustments in all our markets during last year, including in Bangladesh in a very price-sensitive market. And what we saw with our customers is that when we did this in a more-for-more concept, meaning we did not only increase prices, we also gave more value to our customers, this was very positively received. So we will continue to do that.

However, of course, when the inflation was high, it was a little bit easier for us to do that. This year the inflation is probably going down a bit. So we will see how we are going to do this. But the approach here is to look for price adjustments in a more-for-more concept selectively in different segments as we did last year. That's the approach we're going to have.

**Jakob Bluestone:** And more broadly, what is it that actually allowed you to maintain your guidance given the perimeter change?

**Tone Hegland Bachke:** Yeah. What allows us to do that is that - is the overall perspective as we see on the business. We see a solid development in the Nordics. We continue, as we say, drive top line growth, drive mid-single EBITDA growth on the back of OpEx flat or reducing. We also see improvement in the capital side and capital allocation side, as we talked about, working capital. And then, of course, it's the CapEx. And then we continue to see solid momentum, both from Asia in Grameenphone, but also from the mergers going into 2025.

**Jakob Bluestone:** Thank you.

**Operator:** Thank you. And up next, we have Ajay Soni of JP Morgan. Please go ahead.

**Ajay Soni:** Hi there. Thanks for taking the question. My question was just around OpEx and the reduction you expect to see in 2025 versus 2024. So it'll be good if you could just talk through what you see the buckets are that are going to be driving this. Because I imagine wages and energy are quite impactful here. So do you have clarity on how these may move in 2025, and if there's anything else that we should be considering which might move in 2025 versus 2024? Thank you.

**Sigve Brekke:** Yeah, it's not on energy. Energy is not in OpEx line in most of the Nordic business units. So this is coming from the transformational programmes that we're doing. It's the transformational programmes we are doing business units by business units. We announced a transformation in Norway. I think we did that in the beginning of last year. We announced a transformation in Sweden. I think we did that in the second quarter.

We are announcing a transformation in Finland as well. And Denmark has always been in a transformation mood. On top of that, we are also looking at synergies across the four Nordic areas. And we talked about the common functions. We talked about IT and network. So it's a sum of all this. And of course, some of this also comes from reduced number of FTEs.

Remember that in Norway they took out 11%, 12% FTEs during last year. And that's why Norway managed actually to have a flat OpEx despite the inflation that we saw. So it's a combination of all this. So these are not low-hanging fruits anymore. These are systematic transformational programmes, where we are utilising also new technology, using new technology to clean up some of the IT legacy, using new technology to manage our network operation more efficiently, using new technology to basically automate finance services, HR services and so on and so forth.

Those are the elements which makes us quite comfortable to say that we will flat out OpEx now despite the inflationary pressure this year and then take it down slightly next year.

**Ajay Soni:** That's great. And then just a quick follow up on that. You mentioned copper headwinds I think in Norway for Q4. Do you expect these still to be a drag in 2024, or are these going to be more or less removed within Norway?

**Tone Hegland Bachke:** Yeah, no, we don't expect any material impacts of the copper headwinds now. There are some wholesale customers left, which will kind of be phased out over the next few years. But we do not expect the levels that we've seen in the past.

**Sigve Brekke:** I think that a lot of questions today. I think we have time for only one more. Then we need to close off.

**Operator:** Okay. Thank you. And our final question now will come Adam - will come from Adam Fox-Rumley from HSBC. Please go ahead.

**Adam Fox-Rumley:** That’s very kind. Thanks for squeezing me in. You've got a big Group-wide procurement function at Telenor. And I wondered if I could ask for your reflections on Vodafone taking some investment from Accenture in that space. And whether or not kind of specifically there or more broadly whether partnerships in those perhaps less outwardly visible parts of the business might be something that is of use or of interest to Telenor. Thanks.

**Sigve Brekke:** Yeah, you are right. We have a global procurement company that we are running for our controlled entities. But they're also providing our minority investments in Thailand and Malaysia with procurement services. So they have a fairly large scale.

So, of course, we are in the midst of also considering partnerships with the hyperscalers. I just came back from US myself, where we met all the big hyperscalers. So there are strategic partnerships, strategic relations we are pursuing here. But I don't have any more comment than that on this.

**Adam Fox-Rumley:** Okay. Thank you.

**Sigve Brekke:** Okay, I think that was it, Tone?

**Tone Hegland Bachke:** Yeah.

**Sigve Brekke:** Thank you to allow you for listening in. And thanks for many and good questions.

**Tone Hegland Bachke:** Thank you very much. Have a nice day.

[END OF TRANSCRIPT]