Telenor Q2 2025 Results
July 18, 2025

Frank Maaø:

Good morning and welcome to Telenor's results call for the second quarter. My name is Frank Maaø, Head of Investor Relations here, and I'm joined by our group CEO, Benedicte Schilbred Fasmer, as our group CFO, Torbjørn Wist. Before we kick off, a couple of housekeeping items as usual. On this call, all numbers are in the Norwegian kroner, and growth rates are referred to on an organic, like-for-like currency basis unless otherwise stated. For simplicity, comments on this call referring to EBITDA are referring to adjusted EBITDA. For those who wish to ask questions after our prepared remarks, we kindly ask you to limit yourself to only one question and a related follow-up in case you need a clarification. Without further ado, Benedicte, the floor is yours.

Benedicte Schilbred Fasmer:

Thank you very much, Frank, and good morning everyone. We really appreciate you're taking the time to join us today. We experience profound geopolitical shifts and changes in tariffs and trade policies by the day. Fortunately, short-term, these effects for Telenor are limited, however, longer-term it may imply changes affecting all markets, including Telenor. But despite what's happening around us, we are really proud to present very strong results for the second quarter. We saw exceptional performance in the Nordics, driven by double-digit EBITDA growth in Norway and the Nordic business area. We also saw improved performance in Asia in infrastructure while AMP continued to lag our performance ambitions. In the Nordics, the strong execution is a result of a well-established commercial strategy and the transformation program, which is driving both improved customer experiences as well as operational efficiencies. These radical improvement efforts are far from finished and will continue to be key for us in the coming years. All in all, on the bottom line, these effects trickle down through the PNL, driving adjusted EPS growth to 33% in the quarter. As a leading telco in the Nordic, both fixed and mobile services are core markets for us, and we have recently announced our intention to expand our fiber reach in Norway through an M&A transaction. Today we also announced a plan to upgrade all of DNA's housing associations in Finland to fiber over the next years to the benefit of our customers. Finally, we reiterate our top line CapEx and free cash flow outlook for the year. We raised a bit of guidance for the Nordics and for group on the back of the solid performance in the first half.

Let me take you through the key developments in the Nordics in Asia before Torbjørn takes you through the finer details. Service revenue growth in the Nordic rebounded in Q2 to match the growth level from one year earlier. The 3.7 service revenue growth in the Nordics was supported by upper growth across markets and positive subs development in Sweden, Denmark, and Finland. In terms of results, it was one of those rare quarters in which nearly everything moved in our favor, especially in Norway, as you can see from the dotted line on the right side of this page. The EBITDA growth of 16.1% in Norway is a level we have not seen for more than a decade. Together with continued growth in Finland and Sweden and progress on the Nordic Transformation Program, this actually resulted in 12 and a half percent EBITDA growth for the Nordics as a whole.

As you might've seen, we recently announced the acquisition of GlobalConnect's consumer fiber business in Norway at an enterprise value of 6 billion NOK. With this deal, we will acquire their access infrastructure and welcome about 140,000 new fiber customers to Telenor, and this will increase our subscriber share from 22% to 29% of the fiber market. This will strengthen our foundation as the leading digital infrastructure provider in Norway once the competition authority approval has been secured. The transaction will benefit our customers and enable us to reap significant cost energies while leveraging economies of both scope and scale. Telenor Norway has the only fiber network that is open to wholesale competitors, and this deal will entail an increased reach for this open network.

Then moving on to Finland, where we today announced a plan to upgrade DNA's market leading fixed broadband infrastructure to become an all fiber network for housing associations' customers by 2028. Fiber and fixed investments are of course a key part of our regular CapEx in Finland. However, this entails a significant step-up, totaling around €120 million in fiber investments over the medium term, and it will start later this year.

Then I'll give you some key points on our Asian businesses. In Asia, we continue to grow our results despite a challenging macro and regulatory environment. True, in Thailand, continued to deliver very decent performance over the first quarter, and we noted that management were clear that there is still room for significant growth and efficiency improvements, and that they embarked on a transformational journey to address this. The company also reiterated the intention to recommend a dividend to the board later this year. We also found that the recent spectrum auction in Thailand was encouraging as it reinforces a sound industry structure in the country.

In Malaysia, our key ownership priority is to ensure that CelcomDigi has a laser focus to drive cost efficiencies and to address top-line pressure and mounting headwinds from the country's unprecedented 5G approach. Whilst Malaysia has an intensely competitive telecoms market with five active mobile operators, CelcomDigi has nevertheless been able to uphold a steady dividend flow to its shareholders. In Bangladesh, Grameenphone executed well this quarter against a tough year-over-year comparable, both commercially and in terms of cost efficiency. However, we acknowledge that the recovery we had been hoping for this year is more likely to be a post-election story during 2026.

Finally, Telenor Pakistan continued its streak of impressive operational performance. On the other hand, the tax authorities in Pakistan have more actively pursued collection of disputed tax claims. We stand firm on our sale of Telenor Pakistan. The sale is set to create a stronger company with a capacity to develop and invest in future-proof digital infrastructure for Pakistan. However, there's been no regulatory clearance of the sale to PTCL, and this delay is a challenging situation for Telenor Pakistan, and it risks hampering 5G investments and the digital development of the country. The telecom regulator PTA supports the transaction, which we expect will be approved by the competition authority, enabling a closing we hope for in the second half of 2025. With this, I'll hand you over to Torbjørn for the financials.

Torbjørn Wist:

Thank you very much, Benedicte, and good morning to everybody on this call on such a fine summer's day here in Oslo. It does feel great to be basking in the additional sunshine provided by these strong set of results. I was tempted to wear shades, but my [inaudible 00:09:30] department said no. Now, starting with the Q2 financial highlights for the group. In the second quarter, service revenues total 16 and a half billion, which represents a 2.9% annual increase. EBITDA reached 9.3 billion, up 8% year over year. Now this growth was largely supported by the exceptional performance in Telenor Nordics. In Q2, adjusted EPS came in at 2.22 kroners, up 33% from last year on the back of the stronger EBITDA and increased contribution from associates and joint ventures. Free cash flow before M&A came in at 1.6 billion, somewhat dented by the development in operating working capital, provision outflow for annual bonuses, and a negative 0.2 billion cash flow in Asia.

The latter was mostly due to dividends to non-controlling interest in Grameenphone and a disputed legacy tax case that was surprisingly collected by the authorities in Pakistan. Our CapEx to sales ratio was 13.5%, which is 1.9 percentage points lower than the same period last year. The leverage ratio ended at 2.4 times, influenced by the timing of dividend payment in May as well as unfavorable currency effects. Now, as you've heard from both Benedicte and me before, driving return on capital remains a top priority for Telenor. Our key external metric for this is return on capital employed, which came in at 8.8% for the last 12 months. Now, if you were to exclude the associated companies we have in Asia, True and CelcomDigi, the group return on capital employed would've been 13.2% for the rest of their group.

Then zooming in on the top line, the annual group service revenue growth of 2.9% was somewhat affected by the economical setback in Bangladesh following the events in Q3 last year, Nordics was the main driver of the top line with 3.7% growth, with mobile services growth ticking in at the solid 5.6%. I'm particularly pleased to note that this growth metric was back over the 5% level around which we had a strong streak over several quarters during 2023 and 2024.

The group Opex was quite stable in the second quarter, increasing 0.7%, down from the 1.9% increase in the first quarter. This was mainly driven by our Nordic Transformation Program, cost discipline in Grameenphone, and lower energy prices in Pakistan. The increased cost in AMP are mainly related to the cyber defense business, which is now being gradually built up. We also saw some increase in corporate cost in conjunction with changed internal cost allocation from the end of '24, as we explained in the first quarter. The main cost category of Opex increase was sales and marketing in the Nordics, two thirds of which were incurred in Denmark, and this is mainly related to increased market activities and elevated churn levels in Denmark. However, this increase was more than offset in the Nordics by our transformation efforts, resulting inefficiencies on the personnel side as well as within operation and maintenance costs. Parts of the transformation also included transfer of the cybersecurity and B2C cloud businesses from Norway to AMP on the 1st of September '24 and the 1st of May '25 respectively. As a result, Opex came down 1.6% in the Nordics, with the 3.8% reduction in Norway as the main contributor this quarter. These numbers were partially held by the mentioned transfer of businesses to AMP, which reduced OPEX in the Nordics by 0. 6 percentage points and 1.4 percentage point in Norway.

Group adjusted EBITDA amounted to 9.3 billion, which is an increase of 8.3% year over year. Asia contributed positively, partly offset by group effects similar to the ones we discussed in Q1, but again, the main driver was the performance in the Nordics, and in this business area, we saw EBITDA growth deviating from the recent trajectory. As you can see on the right-hand side-

Torbjørn Wist:

Recent trajectory. As you can see on the right-hand side, Telenor Norway was the bellwether this quarter with an exceptional growth of 16.1%, but with both DNA and Sweden following suit with growth rates closing in on 10%. Now let me double click on the EBITDA growth for this quarter. As you might recall from our previous call where we mentioned that the year-on-year EBITDA growth in Q1 would've been 7. 5% In the absence of the TVVAT provisions in Norway. Now given this starting point, the growth this quarter of 12.5% was five percentage points higher. In the sequential bridge you can see on the screen you also see that Sweden contributed with a further 0.6 percentage points to Nordics' EBITDA growth, but that the rest of the performance hikes are mostly driven by factors in Norway. Growth in service revenues in Norway explained 2.6 percentage points of EBITDA growth. Around one percentage point of this number was driven by the timing of back book price changes, which were made earlier in the quarter this year.

In addition, we saw full quarter impact from the roaming agreement with [inaudible 00:15:15] or ICE, which came into effect in mid-March. In addition, traffic volumes under the agreement were higher than originally anticipated. We now expect roaming revenues of more than half a billion for 2025 as a whole versus the previous estimate of around 0.4 billion. Taken together, the service revenue and roaming revenue effects in Norway contributed around five percentage points of the EBITDA growth for Telenor Nordics. Other gross profit improvements and structural reduction in Opex also contributed positively by around one percentage point. Summing this up, Nordics experienced a 12.5% year-on-year growth in adjusted EBITDA, a quite exceptional level. While I as a CFO would like to get used to such levels, I think it is unrealistic to assume this on a regular basis going forward, but we're certainly very pleased with the performance in Q2.

Turning to Asia where the profitability of our businesses measured in local currency continued to strengthen. Starting with our consolidated businesses in Asia. While nominal revenues and EBITDA are down, the overall organic growth numbers are both in the black this quarter. In organic terms, Telenor Pakistan delivered exceptional performance helped by the continued optimization of data prices leading to an ARPA growth of 18% as well as continued support from reduced energy prices. EBITDA growth of 28% is of course quite out of the ordinary. Note however that Pakistani tax authorities have been even more active than previously in enforcing tax collection, including on disputed legacy tax cases. The surprising collection costs in this quarter cost us almost a quarter of a billion Norwegian Kroners. Also note that the reported nominal Kroner numbers shown here were materially impacted by the FX weakening in both Pakistan and Bangladesh, partly due to macro and partly due to the general weakening of the US dollar.

Turning to our two associated companies in Thailand and Malaysia. The earnings contribution from these two major companies, which we report with one quarter lag was positive. This was particularly the case for TrueCorp which reported positive net profit for the first time. Given our historical experiences with Spectrum Auctions in Thailand, we were particularly encouraged by the outcome of the recent auction. The outcome in our view was a de-risking event allowing true to optimize its overall spectrum costs going forward. In Cellcom Digi, as Benedictus said, the market is super competitive, but the company is on track with synergy realization and network rollout. While EBIT increased by 21%, quite a large number, this was mainly due to a write-down that impacted the same quarter last year, hence boosting this growth rate. Going forward, we believe it will be key for Malaysia to ensure a long-term solution for 5G that is financially and operationally viable for all market participants.

Next, let me highlight some of the most notable items affecting the P&L statement this quarter before moving to our cash flows and leverage. The reported EBITDA was 9.9 billion while the adjusted EBITDA landed on 9.3. On other items, we booked a 535 million gain from the cloud storage JV with Jotta Cloud that we announced earlier this year. Moving further down, we have a minor catch-up amortization of 63 million in Sweden weighing a little bit on the DNA line. All in all, we generated net income to equity holders of 3.7 billion in Q2, leading to a significant improvement in adjusted EPS to 2.2 Kroners per share. Then moving to cash flows. We generated free cash flows before M&A of 4.6 billion in the first half of the year, 1.6 billion of which was brought in during the second quarter. Now, let me walk you through the various steps of the Q2 EBITDA to free cash flow bridge.

As we talked about last time, we have significantly and seasonally higher interest payments in the second and fourth quarter of the year. This quarter net interest paid was twice as high as in the previous quarter, in line with the usual pattern. Income taxes paid were higher than expected due to a quarter of a billion tax payment in Pakistan, as I mentioned previously, and CAPEX both paid and booked amounted to 2.8 billion in the quarter. On the working capital side, we saw a negative 0.7 billion change mostly from the Nordics. Around a quarter of this comes from payment of the Norway TVVAT case we provided for over the last two quarters. The rest mostly relates to natural variations in tax cycles and timing of prepaid revenue. We did not make use of any handset financing this quarter, which had a positive contribution in the same quarter of last year.

We had 0.2 billion in spectrum-related payments in Bangladesh and Denmark and during the quarter we received a 345 million dividend from Cellcom Digi. Other lease payments including prepayments amounted to a total of 1.1 billion, a figure largely consistent with the indicated average level that we have previously communicated. Now, it doesn't perhaps need to be said, but when we benefit from the upstreaming of dividends, our co-shareholders do so as well, and in the quarter, we paid 0.9 billion to non-controlling interests in Grameenphone. Note that for Q3, Grameenphone has declared an interim dividend of its full net profit for the first half of '25. This will cause a cash outflow of 0.6 billion in dividend to non-controlling shareholders as well as withholding tax in this third quarter.

Finally, we had an M&A outflow of 0.6 billion of which 0.5 billion was related to the last tranche of conversion from partial indirect ownership in True to direct ownership. Based on the original agreement we had with CP Group, the final transaction would be done at market value and following this, all of our shares in True are now directly held. Summing up, we ended Q2 with 1.6 billion of free cash flow before M&A and 1 billion in total free cash flow. Then to the main highlights from the balance sheet. In Q2, we had 90 billion in net interest bearing debt with a hundred billion in gross debt, less 3.4 billion in license obligations and 6 billion in cash. This quarter, our leverage ratio ended at 2.4 times, partly following our dividend payment in May of 6.5 billion. We also saw currency changes increasing our net debt by some 3 billion in the quarter, mainly driven by the four and half percent quarter on quarter strengthening of the Euro versus the NOK, all of which took place during the last 10 days of June.

As previously stated, FX, macro and seasonality factors can lead to net leverage fluctuations between quarters, sometimes resulting in a level just outside the range as we saw now, and we do expect to return back within our target leverage range during 2025. And this brings us to the financial outlook for the year. Based on the strong performance in the first half and particularly in the second quarter, we have revised our outlook for 2025. As you can see from this slide, we have raised the EBITDA outlook for the Nordics to high single digit growth, while the group EBITDA growth is raised to mid-single digit growth. We reaffirm the other outlook elements for the year. You'll also see that the first half actuals are broadly in line with our revised full year outlook. The free cash flow ball from Q1 and Q2 has come in somewhat above our own expectations. As such, we reiterate our expectation of a back end loaded 2025 free cash flow due to the cash flow profile in Asia.

As we raise the EBITDA outlook to high single digits for the Nordics, let me be clear that we do not find it prudent to assume that EBITDA growth in the Nordics will continue at the levels seen in the first half. While we continue to pursue meaningful transformation driven OPEX decline for the full year, in the second half, we do expect higher spending on sales and marketing or market activities as well as further strengthening of business resilience, particularly in Norway. We also reiterate the CapEx sales outlook for the Nordics of around 14%. However, in the second half, we will make some of the new fiber investments in Finland as well as some resilience related investments in Norway.

As such, the decimal rounding is more likely to be on the upside of 14% rather than on the downside. For free cash flow, we continue to expect around 13 billion before M&A for the full year covering our dividend payments during 2025. We feel that we have good business and cash flow momentum in the Nordics while for Asia, we currently expect around one third of the 13 billion to be generated in that region, including dividend payments from True in Q4. With that, I would like to hand over to Benedicte for the concluding remarks.

Benedicte Schilbred Fasmer:

Thank you. So despite a turbulent international environment, we had a quarter with unusually strong operating performance resulting in a raised EBITDA growth outlook. The quarter included double-digit EBITDA growth in the Nordics, continued challenges, but improved EBITDA growth and important spectrum milestones in Asia, a result in 33% growth in adjusted EPS for the group. And I think it's fair to say that not too many incumbent telcos globally are able to demonstrate this level of performance. So for me, these numbers are a testament to the quality of the organization, the dedication of our employees and the trust we work hard every day to deserve from our customers. So with this I'll hand you back to Frank.

Frank Maaø:

Thank you Benedicte. We are now ready for questions from our audience and I would like to remind you all, please limit yourself to only one question and one related follow-up again if needed for clarification to give everyone a chance to ask their question. So with that, Operator, please go ahead.

Operator:

Thank you. At this time we invite those analysts wishing to ask a question to click on the raised hand button, which can be found on the bottom of your screen. When it is your turn, you will receive a prompt to be promoted as a panelist. Please accept, wait a moment, and once you have been introduced, you may unmute yourself, turn your video on and ask your question. As a reminder, we are allowing analysts one question and one related follow-up today. We will wait one moment to allow the queue to form. Our first question will come from Christopher Bjornsson with DNB Bank ASA. Please turn on your video, unmute your line, and go ahead with your question.

Christopher Bjornsson:

Yes, good morning guys. So first of all, just want to ask on the guidance, so congrats on increasing the EBITDA guidance. That's great. But despite that quite material increase in the guidance, you're not doing anything with the free cash flow guidance for the year. Is that kind of due to the potentially higher CapEx for the year or is it something more to do with the spectrum auction turning out more expensive in Thailand or something like that, or working capital?

Torbjørn Wist:

I can cover that. There are a number of things that are in play here. Number one of course is that in the cash flow...

Speaker 1:

Number one of course, is that in the cash flows, particularly from Asia, there's of course an FX element that obviously has an impact. Number two, we have the payment of dividends in, sorry, of the disputed tax claim in Pakistan, the working capital fluctuations, and also, perhaps some higher... And there will be some higher CapEx partly in relation to the rollout of fiber in Finland, as well as some resilience investments in Norway as mentioned on when I talked about the CapEx. So, all of these net-net are leading us to maintain the free cash flow guidance for the year.

Christopher Bjornsson:

All right, thanks. And then my second question is on the GlobalConnect deal, which seems pretty exciting. I think I saw you're going to make some kind of integration investments there and hooking up the network to your network and stuff like that. Is it fair to assume that the subscribers there will see any significant improvements in the quality of the service in terms of bandwidth or speed or anything like this as you make these investments?

Speaker 2:

We are actually buying GlobalConnect's infrastructure and customer base. So, they will have at the outset the same experience as today. However, we will certainly provide them with our services on top of that and that's where we might have a pickup on the top line, for instance, security services, TV services and so on, so forth. Yeah.

Christopher Bjornsson:

All right. Thanks.

Frank Maaø:

Okay. Thanks for your question, Christopher. Operator, please move on to the next one.

Operator:

Our next question comes from Andrew Lee with Goldman Sachs. Please turn on your video, unmute your line, and go ahead with your question.

Speaker 3:

Yeah, good morning, everyone. So, my question is just around the strong Nordic EBITDA growth that you gave in a lot of detail in the presentation, so thanks on that. Just as a summary, how would you bucket or explain broadly the drivers of the step-up in EBITDA growth between the structural step-up of the service revenue growth and maybe improved cost-cutting? What do you think has been more important in driving that step up in your guidance? And then the follow-up question would just be, you obviously have said a couple of times on this call that you can't, wouldn't necessarily presume that you can deliver 12.5% organic EBITDA growth in the Nordics every quarter from now on. But is there anything specific that you'd call out outside of your own higher sales and marketing perhaps that you mentioned that would cause the underlying growth to deteriorate? Anything market wide or any obstacles or hurdles coming up that could derail the strong structural growth you're delivering? Thank you.

Speaker 1:

[inaudible 00:31:23].

Speaker 2:

Would you like to answer that?

Speaker 1:

Sure. Yeah. Look, in terms of the EBITDA effect, the combination of step up in service revenues on the back of what we believe is a strong and successful more for more strategy combined with a laser focus on structural costs within the Nordics means that of course, it'd get an amplification effects, which then trickles down to EBITDA. So, from my perspective, they both are very, very important contributors. Of course, the top line, just putting that aside, working systematically on structural OPEX is of course a way to avoid costs being tied up in unnecessary areas and have the freedom to invest in securing a better customer proposition. So, both the service revenue as well as efficiency agenda are very, very important.

Speaker 2:

And I think on top of that, you have to remember the fact that we got the roaming agreement effects coming in, which also spiked the growth somewhat, and the price increases have been implemented a bit earlier this year than in previous years. So, that also has some effect on the timing of the price adjustments that we've done. And I'd also like to add, we have to remember that the focus on efficiencies and costs has been not something that is done within this quarter, it has been going on for years. And finally, we are seeing really nice and good effects on the results, on the P&L.

Speaker 3:

Thank you. And just on that follow-up, is there anything that stands out that would provide an incremental headwind to your EBITDA growth into Q3 and Q4 outside of your own decisions on sales and marketing spend?

Speaker 1:

As I mentioned, the two things that we think will mute a little bit the EBITDA growth for the second half is number one is market related activities, which we do anticipate to be stepped up on. The second thing is, of course, resilience related OpEx continuing to strengthen, lift things from legacy network to the cloud through more efficient cloud services. So, I think this, these are parameters that will have a little bit of OpEx drive in the second half, and hence we shouldn't expect to see the same level of growth rate as we saw in the first half.

Speaker 3:

It sounds like the future is on your hands. Thank you.

Speaker 1:

Thank you.

Frank Maaø:

Operator, let's get to the next question, please.

Operator:

Our next question comes from Ondrej Cabejsek from UBS. Please turn on your video, unmute your line, and go ahead with your question.

Speaker 4:

Hi, good morning, everyone. Thanks for taking my question. I want to ask about Sweden. We've seen quite a deterioration in the pricing environment and profitability at some of your closest peers in terms of reinvesting into growth, a lot of the top line that they've been achieving. So, clearly there's I guess a worsening environment. In that context, you Benedicte, have been in the press about potentially consolidating Sweden. So, I just wanted to ask, that seems to not be a coincidence and what are your thoughts about that. And then associated with that, obviously your balance sheet is quite stretched. You said that you'll be by the end of this year within the kind of policy range, but then obviously, the GlobalConnect deal is lined up for early '26. And just curious if there is a deal, how are you thinking about financing that and if that's a time to potentially be thinking about further exits from Asia? Thank you very much.

Speaker 2:

Yeah, all right. There was a lot of questions in one and I'll start off and then maybe you'll fill me in Tobian. You asked about the service revenues in Sweden. You're right, you've seen somewhat stronger growth in some of the other companies in the Swedish market. I think for Telenor, you probably have this quarter to look a bit more on the gross profit side because we have a good growth in the mobile service revenue, but the fixed service revenues is actually lagging and somewhat negative. So, the net effect on the top line is a bit lower. However, the fixed slowdown or decline is a very deliberate action on our side where we actually are taking away unprofitable products. So, it's a managed decline if we wish. The underlying picture is somewhat better and the gross profit in Sweden grew by 4%. Would you like to do some of the other questions on this one?

Speaker 1:

Yeah, can you just repeat the second part of your question? I missed there the first part of your-

Speaker 2:

Was it market consolidation in Sweden?

Speaker 4:

Yeah, it was basically because we clearly see in terms of the competitive dynamics, you and Tre in particular I think seem to be aggressively chasing growth. And especially if we look at Tre results, there's a lot of reinvestment into growth, which I said in the context of your comments around potential consolidation seems to be indicating that there is something going on. So, I was just curious how you would be financing that given your balance sheet constraints and if there's time to start thinking about potential exit or further exits from Asia was basically the question.

Speaker 1:

Yeah, those are fairly broad parameters and I think we've been fairly clear that when it comes to consolidation in Nordics, it's a principle that we support in terms of moving from four to three. When you're moving into questions of finance, that assumes that there is a deal on the table. We do not comment other than to say that we support the principle of consolidation and would of course report that to the market as when we had something to say. And that always of course, is fully related to your second part of your question about what would you sell in Asia in order to fund an acquisition in Sweden or Denmark for that matter.

Frank Maaø:

Okay, thanks, Ondrej.

Speaker 4:

Thank you.

Frank Maaø:

Operator, I think we have quite a bit of a queue still.

Operator:

Thank you. Our next question comes from Keval Khiroya with... Please turn on your video, unmute your line, and go ahead with your question, Keval. It seems Keval has just dropped. I think he's rejoined. Hi Keval, please go ahead with your question.

Speaker 5:

Thank you. Hopefully, you can hear me. You've obviously shown strong progress on OpEx reduction in the Nordics. I appreciate you have the CMD later this year, but can you share any perspectives on how at this stage you're thinking about the extent of OPEX reduction going forward beyond the second half versus what you are reporting currently? And by way of follow up, can I ask, are there any incremental areas of OpEx reduction you've found since taking over leadership of the company as well? Thank you.

Speaker 2:

Well, we only guide within the year, however, as I said in when going through the results, the focus on efficiencies and simplification will be very important also going forward. But to give you any specific guidance, we don't do, I'm afraid.

Speaker 1:

Incremental areas [inaudible 00:39:46].

Speaker 2:

Yes. Of course, we still see potential on reducing OpEx on taking out legacy systems. We have a lot of AI projects, which could also help us take out some costs in for instance, the customer service area and so on, so forth. But we'll come a bit more back to that in detail in the autumn in our capital markets day.

Speaker 5:

Okay, thank you.

Operator:

Our next question comes from Nick Lyall with Berenberg, please turn on your video, unmute your line, and go ahead with your question.

Speaker 6:

Morning guys, I feel a bit underdressed, apologies for the t-shirt. A quick one really on the ICE volumes please. I mean that was a bit of...

Frank Maaø:

That was a bit of a surprise, I think it was going to say.

Speaker 2:

Yeah, I guess I'm trying to guess your question. Are you there?

Speaker 1:

I think we lost him.

Speaker 2:

No.

Frank Maaø:

I think we lost Nick there. Perhaps we can move on to the next question operator and see if Nick can come back later. There we have him.

Speaker 2:

There he is.

Frank Maaø:

There we have him. Thank you.

Speaker 6:

All right. Sorry about this. If I drop again, just chuck me off. But yeah, the volumes on ICE were a bit surprising, I think, but can you tell us why that would be? Is that because of calculations from yourselves maybe being a bit lower than expected, or are there more volumes for maybe market share or just less of a build out from ICE? Could you just tell us why and what makes you think the GlobalConnect, 6% or so market share of fiber is enough to offset that ICE effect over time? Can you explain, is there a lot more to do in terms of broadband market share? You're still well behind Lyse and Altibox in terms of fiber market share. So, is this enough or does a lot more need to be done to offset the ICE and Altibox threat? Thanks very much.

Speaker 2:

On the ICE contractor, two elements. One is the fact that it was phased in and implement...

Speaker 2:

It's the fact that it was phased in and implemented earlier than we expected. I mean, that was just operational excellence taking in all the new customers in one day. So we got the benefit of that from March onwards rather than phased out over the year. So that's one.

The other one is that the traffic, the roaming volumes have been higher than we calculated for or thought when we entered into the contract. So those are the two effects on the IS deal. When it comes to the fiber and global connect, we certainly are lagging as compared to our market share on the mobile side, and this is a strategic move to kind of improve our market situation overall.

If you ask us how much we're going to invest increasing that going forward, that would be a careful deliberation on what we think is wise from a marketing and profitability perspective. But that's a bit early for us to go into.

Nick Lyall :

Sorry, just on that calculation point, was that just literally it was difficult to calculate, so obviously, you've got to sort of gradually calibrate your numbers or is it the IS is actually taking share, and that's what means the numbers are higher than you expected?

Speaker 1:

I can just comment briefly. This is a national roaming agreement as you know, and that means that their customers have the right to roam in our network where they do not have their own network presence. As a result, what we have seen is that their customers have been roaming more into our areas than originally anticipated, and as a result of that, we are getting increasing traffic volumes into our network, hence driving the turnover on or the sort of the revenues on this particular contract.

Nick Lyall :

Okay. That's great.

Speaker 2:

So confirming that our network is very strong.

Speaker 1:

Exactly.

Speaker 7:

I think we'll have to stop there, Nick.

Nick Lyall :

Thank you.

Speaker 7:

So if you have any further questions, we'll take them offline. Thank you.

Moderator:

Our next question comes from AJ Sonny with J.P. Morgan. Please turn on your video, unmute your line, and go ahead with your question.

Ajay Soni :

Hi, guys. Thanks for taking the question. Mine was just on Finland. So you mentioned CapEx will be higher from fiber investments there, so the last few years, you've had, I think, capital intensity around 12 to 13%. So does this material step up in 2025 and future years? Then I was wondering if you just give us a sense of where the fiber coverage is in Finland right now and where you hope to get to. Thank you.

Speaker 2:

As we've said, our CapEx will be in a range of 14% to sales for 2025-

Speaker 1:

For the Nordics.

Speaker 2:

... for the Nordics, and then we will come back to you with guidance after that.

Speaker 1:

Yeah, we don't guide specifically on Finland per se. The 120 million Euro investment in the bidding up fiber for the MDUs is being spread over three years. There will be a small chunk of that that is falling within this year, so I don't think you should expect to see a big boost to the CapEx in Finland this year, but it needs to be done over the next three years as we see this as a both strategic and financially attractive step in the country.

Ajay Soni :

Great.

Speaker 1:

Okay.

Ajay Soni :

Can you tell me out with where you are with your coverage right now and where you hope to get to?

Speaker 1:

I think we just do that offline with IR, if that's okay.

Ajay Soni :

Thank you.

Moderator:

Thank you. Our next question comes from Maurice Patrick with Barclay's. Please turn on your video, unmute your line, and go ahead with your question.

Maurice Patrick :

Yeah. Hi, guys. Yes, Maurice here. Thanks for taking the question. Just an M&A- related question for me, please. On the Broadnet deal, I think you talked about 22% fiber share going to 29%. I'm sure the competition authority will look at overall broadband share rather than fiber, but could you help us understand what you think your in-footprint market share would be now and go to on broadband? Just curious to understand if you anticipate or if we should see any sort of competition issues as the commission looks at that. The second related M&A part of it is on Sweden, so today, Telliers announced the acquisition of a bread band, which will take its national market share broadband from 32%, I think, to about 44%. I'm curious to understand would you support that transaction? Do you think it's a good transaction? Did you look at it and your general thoughts on Sweden, broadband consolidation, and the impact of that? Thank you.

Speaker 2:

I think if you look at the Global Connect market share, as you say, you're correct, it'll move from 22 to 29%, and the overlapping footprint between Global Connect and our own is around between 10 and 15%. So there is a certain amount of overlap. We do not believe that this will be problematic with the competition authorities.

However, I mean, that is there, that remains of course to be seen, and that dialogue needs to be had before we can conclude. To comment on competitors' transactions, I'll be very careful not to do, but I think, overall, in this industry, to build scale, in order to drive necessary investments for, to have really robust and resilient networks in times like these is necessary. So I think it moves in order to do that and to achieve that. It makes a lot of sense in the markets.

Speaker 1:

Okay.

Maurice Patrick :

Just a quick follow-up, I didn't quite understand the answer. So what do you think your in-footprint broadband market share is and will become post the deal with Broadnet?

Speaker 7:

Okay, so I'll go.

Speaker 2:

Mm-hmm. Will you?

Speaker 7:

We haven't commented on that, specifically, Maurice. We'll need to get back to you on that offline.

Maurice Patrick :

Okay, thank you.

Moderator:

Thank you. Our next question comes from Ulrich Wraith with Bernstein. Please turn on your video, unmute your line, and go ahead with your question.

Ulrich Wraith:

Yeah, thanks very much. My video doesn't work here so apologies for that. So question is fiber regulation in Norway. What is the latest development there? You have talked about this in the past as a potential change that could be helpful. Is this now preempted with a deal or how would you describe the situation?

If I may just ask one clarification question, when you talked about the cost trends in Norway, you highlighted the impact of business transfers into other units. I was under the impression that these organic trends would actually correct for the business transfers, and therefore, they wouldn't have an impact. Could you just clarify that as well please? Thank you.

Speaker 2:

If I can do the fiber one, you can do the second one. When it comes to fiber regulations in Norway, there are the same as there were in Q1, and yes, there are changes being discussed. The current hypothesis is that there will be full deregulations, and potentially, from 2026, but that's still not decided

Speaker 1:

Yeah, and there hasn't really been any developments in this particular area since what we stated on this in Q1. I think on the second question, in light of the fact, there's only a limited amount of time left and three people in the queue, I suggest that one is covered offline, and then we can address a couple of other questions.

Ulrich Wraith:

Thank you.

Moderator:

Thank you. Our next question comes from Frederick with Handelsbanken. Please turn on your video, unmute your line, and go ahead with your question.

Fredrik Lithell:

Thank you very much. Thank you for taking my question as well. I would like to spend a little bit of time on the CapEx development. We are in the sort of the last inning of your five-year rollouts, and especially in Sweden. So how should we see that progress when we move the next coming 12 months? Is it coming off more gradually or how would you describe that? Thank you.

Speaker 1:

You're absolutely right. In terms of the country rollout, percentages are very high. So we're sort of way past the peak on those, but they will be selective investments on whether it be resilience, advanced 5G features, but of course, not at the same levels we've seen in terms of historical rollout of 5G.

So we're not going to guide sort of beyond what we have said for the year. As we mentioned in terms of the CapEx for the year, we're making some additional investments in Norway this year, and I think in times of strong performance, which we've seen, it makes sense for some discretionary allocation of CapEx as mentioned.

Fredrik Lithell:

Thank you.

Moderator:

Thank you. Our next question comes from Felix Henriksson with Nordea. Please turn on your video, unmute your line, and go ahead with your question.

Felix Henriksson:

Hi, thanks for taking my question as well. It's on Nordic organic service revenue growth where we did roughly 3% growth in the first half of the year and maintained your low single-digit guide. Do you think you'll be able to maintain the same pace in Nordic service revenue growth that you did in Q2 or H1 for that matter in the back half of the year? Why, and why not?

Speaker 2:

Thank you. As you say, we had a good development on the service revenue, and we did some of the price adjustments earlier in the year this year, which kind of boosted the growth, somewhat, if you look over a quarter. So that will be a timing effect. We've had some new launches of product both within the security side and in a financing product in the Norwegian market that has had a very good uptake. So we are on a good track, and then we expect the guidance to be as shown overall, but we'll do our utmost to deliver.

Felix Henriksson:

Got it. As a follow-up to that, I saw that your net ads trend in Norwegian mobile business improved a bit from the prior quarter despite of the price hikes that you've made in your back book. Can you maybe highlight a bit the reasons for that and how you're seeing the competitive environment at the moment in Norway, also when it comes to the start of the third quarter? Thanks.

Speaker 1:

Yeah, I think we're not going to go into sort of third-quarter speculation, but I think as you would expect in connection with back book price changes and stuff, there will be some turn. We've obviously seen that that has stabilized as we've moved beyond it. I think sort of in terms of number porting within the country, we're performing well, and I think there are no sort of major competitive changes in Norwegian market as we see it currently.

Speaker 7:

Thanks, Felix.