Türk Telekom Q1 2022 Financial & Operational Results Conference Call

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&

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Conference Call Conducted by Chorus Call Hellas

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OPERATOR: Ladies and Gentlemen, thank you for standing by. I am Gelly, your Chorus Call operator.

Welcome and thank you for joining the Türk Telekom conference call and live webcast to present and discuss the First Quarter 2022 Financial and Operational Results.

We are here with the management team and today's speakers are CEO, Ümit Önal and CFO, Kaan Aktan. Before starting, I kindly remind you to review the disclaimer on the earnings presentation. Now, I would like to turn the conference over to Mr. Ümit Önal CEO.

Sir, you may now proceed.

ÖNAL Ü: Hello everyone, welcome to our 2022 First Quarter Results Conference Call. Thank you for joining us today. In its third year, the pressures of COVID-19 pandemic are still upon us. While the resurgence of number of cases in China threatens world economic growth, surging global inflation, amplified by the unforeseen Russia-Ukraine war, remains a big problem for all.

In Turkey, the businesses and the consumer heavily felt the heightened uncertainty posed by the deteriorating macroeconomic environment, as well as the geopolitical tension at global scale. On the bright side, the easing of pandemic measures and the significant drop in number of cases encouraged mobility and paved the way for faster normalisation. Lira stability secured at the beginning of the year, was disturbed by the Russia-Ukraine conflict. Markets responded quickly to the unfolded crisis with a swift rise in the interest rates. We saw inflation climbing up to 61% as of March, its highest in the last twenty years.

Demand for telco products remained rather resilient though. Although we feel that the consumers need more time to absorb accumulating price revisions, the negative impact of the macro picture on demand has been limited so far, compared to our expectations. Besides, the permanent change in need for digitalisation, speed and data by the pandemic, enables us to offer the finest blend of pricing and upselling to our customers.

Recent macroeconomic developments affected our financial results. Still, both operating performance and the net income came in stronger compared to our first quarter budget, thanks to our adaptive measures and well-timed actions on revenue, cost and FX risk management.

Starting with slide #3 on our presentation, net subscriber additions. Total number of Türk Telekom subscribers reached 52.2 million with 350 thousand net additions in Q1'22. Net subscriber additions were 1.6 million during the last 12 months. Fixed broadband subscribers rose to 14.5 million, with net additions of 151 thousand, only a tad behind our expectation. Mobile subscriber portfolio reached 24.4 million with 334 thousand of net additions, during the quarter. Number of fixed voice subscribers declined by 107 thousand.

Slide #4, financial and operational overview. We completed the first quarter with strong revenue growth. Consolidated revenues increased by 25% YoY, while operational revenues rose by 26%, slightly ahead of our guidance, that sees 23% to 25% growth for the full year. Consolidated EBITDA grew by 8% to 4.1 billion lira with an EBITDA margin of 43.5%, down YoY, due to last year's high base and expectedly higher growth in OPEX compared to revenues.

Excluding the IFRIC 12 impact, EBITDA margin was 45%. Net income was 560 million lira lower YoY due to larger net financial expenses, recorded amid another 9% average rise in FX rates and volatile interest rates, which was partly offset by the tax income. CAPEX was realised at 1.5 billion lira in the first quarter. We reported 390 million USD long FX position. Finally Net Debt/ EBITDA ratio slightly increased to 1.24x.

We made a good start to 2022, with results beating our expectations in some areas, and mostly meeting them in others. We stick to our earlier guidance for the time being. It will be more plausible to monitor the macroeconomic developments and make healthier forecast in a more stable financial environment.

Slide #5, fixed broadband performance. Demand in fixed internet remained resilient, relative to macroeconomic environment and price revisions. We added 151 thousand subscribers in Q1, almost in line with our target and expanded our fixed broadband base to 14.5 million in total. As the fibre powerhouse of Turkey, we raised the number of fibre subscribers to 10.3 million which now comprises more than 71% of our FBB base compared to 37% as of 2019.

Competition got stiffer in the fixed broadband market, after we introduced our price revisions on December 1. Other ISPs did not follow us right away, leading to widened parities in the market. As a result, we have seen our wholesale net additions growing faster in the first quarter.

Competitors' pricing actions started in January and continued into March, realigning the price gaps at prior levels by the end of Q1. A robust recontracting performance throughout the first quarter on this backdrop was a remarkable success, that underlines our valued differences from competition. 24 Mbps and above packages made 56% of new acquisitions. As a result, first quarter ARPA was 8.5% higher QoQ.

Having cycled last year's highest base, fixed broadband revenue grew above 22% YoY, in line with our expectation. ARPU growth was 14.5% YoY, with some gradual pick-up QoQ.

An important development to share is the regulator's approval of our proposal to raise wholesale prices amid significant pick-up in costs with rising inflation. As such, wholesale port prices will be increased by around 67%, starting from 1st of June. We have made our preparations to adjust our wholesale and retail tariffs accordingly. As the leader of the market in fixed internet, owning the largest subscriber base, we aim to manage our portfolio with highest delicacy, in order to optimise price revisions and subscriber evolution.

Moving on to slide #6, introducing our new sales strategy in fixed voice. As the pioneer of technological change, we prioritise efficiency and adaptability at Türk Telekom, with increasing digitalisation and declining traditional fixed voice services, we now focus on naked DSL sales in new acquisitions rather than WLR.

We expect this new sales strategy to contract our fixed voice subscriber base by 675 thousand in 2022, but have no impact on our consolidated revenues. In terms of revenues by line of business, we will see a shift from fixed voice to fixed broadband for about 25 million lira. On the upside of this transition, we expect to save 190 million lira on CAPEX over the 3 year period, through more efficient use of ports.

Moving on to mobile performance, slide #7. Pricing motivation remained generally high in mobile during the first quarter. Some aggressive campaigns took their turns, but overall we saw a rational market with pricing actions aiming to catch up with inflation.

Both prepaid and postpaid segments introduced new tariffs in March, following the revisions in November and December last year. The upcoming inflation data will be crucial on operators pricing behavior in the following quarters. We recorded a total of 334 thousand net subscriber additions in Q1'22, ahead of expectation, with lowest churn rates both in the prepaid and postpaid segments. Subscriber growth was predominantly led by 300 thousand postpaid additions, followed by 35 thousand increase in prepaid.

The portion of postpaid subscriber in our mobile base touched its highest level of 65.3%. Our prime base reached 5.2 million subscribers with 49% YoY growth. The success of our mobile strategy around postpaidisation and premiumisation revealed itself in a well-balanced subscriber and ARPU increase.

Annual blended ARPU growth came in at 17.5% thanks to our effective pricing strategy and segmented offers. Postpaid ARPU increased by 15% YoY, while prepaid ARPU surged more than 22%. Accordingly, mobile revenues grew above 23% ahead of our expectations for the first quarter.

As you know, a new era for Türk Telekom has begun.

Now let's take a look at our new shareholder structure on slide #8. Q1'22 has made it to a special place in our Company's history. It has been marked by the share transfer between LYY and the Türkiye Wealth Fund, where the former sold its 55% stake in the Company. The deal has been closed on March 31, the same day our Company's 2021 Ordinary General Assembly Meeting has been held and the new Board of Directors has been appointed.

Accordingly, TWF has become the majority shareholder of Türk Telekom with a 61.7% stake owned. With the new shareholder and the Board of Directors, we unite under one common goal of meeting our responsibility to all our stakeholders without compromise.

Going forward, we will stick to the best practices that have supported our Company's operational and financial well-being. We will look for opportunities that will further strengthen its robust position in telco space, generate sustainable growth at global standards, and improve its investment case.

In line with our commitment to remunerating our shareholders, it has been resolved by the General Assembly that a cash dividend of 4.95 billion lira will be paid to our shareholders, starting from April 28. It is hard to think that 2022 will remain shy of further challenges, but we will stay focused on unleashing opportunities that arise at tough times through our strengths, know-how, and powerful human capital.

We are determined to empower our ecosystem, to lead digitalisation in Turkey, pioneer 5G and beyond technologies, and capture value accretive tech-related ventures.

Now, I will hand over the call to Kaan to discuss our financial performance in detail. Thank you.

AKTAN K: Thank you very much. We are now on slide 10 with financial performance. Our consolidated revenues grew by 25% YoY to 9.5 billion lira in the first quarter. Excluding the IFRIC 12 impact revenue increase was close to 26%, which is ahead of our full-year guidance. The top-line performance was mostly driven by strong support from fixed broadband, mobile and other revenues.

Fixed broadband revenue grew above 22% on last year's highest base of 34%, along with ongoing subscriber growth and early pricing actions in December and January. We observed a competitive fixed broadband market in the first quarter, where other ISPs followed the price revisions led by Türk Telekom with a longer than usual lag. Despite the macroeconomic pressures on the consumer, net acquisition only slightly missed our expectation, owing to accelerated gains in the wholesale segment amid first quarter market dynamics.

Market prices settled around the pre-revision equilibrium by the end of first quarter. Hence, we expect to see a more rational and balanced market in the upcoming quarters. We believe that planned revision in wholesale prices, together with higher than expected inflation, which is now already above 60%, will be important factors ahead to support our view. ARPU growth was 14.5% YoY with some gradual pickup QoQ. Our pricing and upselling strategy through customised offers should be supportive of ARPU growth in the remainder of the year.

In the mobile market, it will be fair to say that the operator's commitment to catching up the inflationary pricing was at its highest, even though some aggressive short-term campaigns impacted the market from time-to-time. Higher than expected net adds were largely driven by the postpaid segment exceeding 23% mobile revenue growth reached a new peak thanks to the expanding subscriber base, consecutive price revisions, as well as our strategy which is targeting postpaid and premium segments.

Mobile top-line was nicely supported by the 17.5% annual ARPU growth where we observed a 3.5 points leap QoQ.

Number of fixed voice subscribers declined by more than 100 thousand during the quarter, as we started promoting naked DSL over WLR. Fixed voice revenue maintained its stable progression with 2% growth.

Home TV subscribers remained broadly flat QoQ at 1.5 million. 17% annual ARPU growth led by tariff revisions that was ahead of the Q4 level and has been the main driver of 14% overall revenue increase. Growth in corporate data revenue also accelerated to 18% while the 74% increase in other revenue was predominantly led by equipment sales, ICT project revenues and call centre revenues.

Now, moving onto our operational performance. Consolidated EBITDA rose by 8% YoY to 4.1 billion lira with a margin of 43.5% flat QoQ, but lower YoY due to an inflated OPEX base, mainly by personnel, energy, and commercial costs. Excluding the IFRIC 12 accounting impact, EBITDA margin was 45%. Even though we managed to deliver solid revenue growth, the immediate effect of inflation on cost resulted in contraction of the EBITDA margin annually. Still, the EBITDA margin came in slightly ahead of our expectations. In the first quarter, operating expenses increased by 42% YoY to 5.4 billion lira. Excluding IFRIC 12 cost growth was 45% YoY.

Looking at the main highlights in the OPEX items, interconnection cost increased by 21% along with weaker lira and increased traffic, but also some decline in per unit costs. Tax expense increased by 22%, provision for doubtful receivables is up by mere 13% with a healthy pick-up on the collection side. Cost of equipment and technology sales grew by 14% along with weaker lira, but slower broadband additions. Other direct costs grew by 45% with the pick-up in shared revenues and value-added service revenues. Commercial costs increased by 40% along with inflation and normalisation after pandemic. Network and technology expenses rose 93%, mainly due to increased energy prices, maintenance works and weaker lira. And finally, personnel expense increased by 44%, with the effect of minimum wage and inflation adjusted salary increase.

It seems revenue growth could be driven higher by inflation compared to our guidance, but we will be taking prudent steps towards guidance revision mainly because we see some upside risk on the cost side in the coming period. Hence, we stick to our earlier guidance for now, given the heightened complications around forming healthy forecasts by domestic and global macro uncertainties and ongoing Russia-Ukraine war.

Coming to the bottom-line, Q1 net income declined to 560 million lira along with the rise in financial expense, which was partly mitigated by 270 million lira of tax income. Net financial expense was 2 billion lira in the first quarter, slightly below previous quarter's figures. As implied by the sensitivity analysis of the last quarter, we incurred further FX losses as more hedges have become ineffective with a 9% average increase in FX rates QoQ.

Moreover, the Russia-Ukraine war caused another wave of instability leading into significant volatility in interest rates. The fluctuating interest rate environment throughout the quarter also affected the swap costs. On the positive front, we have started restructuring our Participating Cross Currency Swap (PCCS) portfolio, but the frequent volatility in financial markets imposed a gradual and cautious approach in order to optimise the cost of the whole exercise. We aim to resume our FX neutral position as markets restore stability.

Moving on to slide #11 with debt profile, Net Debt/EBITDA increased to 1.24x, only slightly higher than the previous quarter, despite further weakness in lira and expectedly moderate EBITDA growth. Still our ratio compares favorably to industry averages and continues to remain within our internal comfort range.

Cash and cash equivalents were 8.4 billion lira of which 87% is FX based. This doesn't include the 3.4 billion lira of FX protected time deposit, a highly liquid assets that we book under Financial Investments according to the IFRS reporting.

We ended the year with $390 million long position in hand, compared to $240 million as of the last quarter. The net FX exposure included the dollar equivalent of 2.3 billion of FX debt, 2.2 billion of total hedge position and 0.5 billion of FX cash. As you can see on the bottom right chart, the hedge amount includes $220 million equivalent of FX-protected-time-deposits, which has recently been introduced by the government.

The new instrument comes in with a free option providing full protection against fluctuations of FX rates. During the quarter, we had healthy access to lira loans and we increased the share of local currency borrowings within the total debt portfolio. Maintaining a healthy liquidity both in lira and hard currencies is another priority for us.

We are now moving onto slide #12. We stick to our target of maintaining an FX neutral P&L. Our primary purpose to minimise the impact of the FX rate fluctuations on the P&L and increase the visibility of the bottom-line performance remains unchanged. The volatility in the FX market declined significantly and the swap rates came down at the beginning of the year. Although we started restructuring our swap portfolio, this picture was severely distorted by the Russia-Ukraine crisis. Once again, we face very limited liquidity and high costs. Instead of restructuring our long-term hedge portfolio at amplified costs, we are now backing up our FX risk management targets with short-term instruments. The FX sensitivity analysis we report regularly in our quarterly financials suggest that assuming all else constant, a 10% increase in FX rates will have 1.1 billion lira negative impact on our pre-tax income. On the flip side, the sensitivity analysis produces close to 1.0 billion lira positive impact in case of a similar appreciation in lira.

Finally, the unlevered free cash flow was a negative 456 million lira in the first quarter on lower contribution from operating activities, which were affected mainly by the high cost inflation, but also on significantly high payments scheduled realised over the quarter. The two factors together suppressed the free cash flow generation beyond the usual low seasonality we observe in first quarters, hence it will be reasonable to expect an improving cash flow performance in the rest of the year together with the revenue outlook that we have just shared.

This concludes my presentation. We can now open up the Q&A session.

Q&A

OPERATOR: The first question is from the line of Kennedy-Good Jonathan with JP Morgan. Please go ahead.

KENNEDY-GOOD J: Hi, good afternoon and thanks for the opportunity to ask questions. 3 questions from me. First of all, the indication for a price increase of over 60% on the wholesale side, just trying to get some sense of how that would impact your retail pricing and why you haven't increased your revenue guidance on the back of what seems to be legislated increases in price.

And then secondly, in terms of customer behavior that you've observed in the first quarter as these customers renew contracts, what kind of behavior have you seen amongst the cohorts i.e. are people downtrading to save money in a difficult economy or are the renewals at higher ARPU's how are the customers behaving?

And then finally, just would like some color on the impact of this currency protected time deposit, which seems to have boosted cash flow quite significantly in the first quarter, if you could give us some explanation I'd appreciate that.

AKTAN K: For the first question, there is a wholesale price increase for the port prices, which is one of the components of our wholesale price for the broadband service. There is also a transmission component, which has roughly stayed flat in terms of pricing. All-in-all when we combine those 2 components together, we should see a 30% to 40% cost increase that will be imposed on ISPs. So normally, we should expect price adjustments or their appetite to be larger to go in line with price adjustments that we will apply in mid-year. But again, they were a bit behind in terms of the timing of the price adjustments when we had our pricing activity at the end of the year. We saw that they put a certain lag to follow our pricing. What we should normally expect is now they will have more motivation to follow the pricing adjustments.

Normally, we start the price increase, since we have the leading position in that market, but now they should be following that. To be honest, that was partially included into the initial guidance, the fact that we should normally have a wholesale price increase sometime in this year. As we mentioned also in the beginning of the call, we still have uncertainties that may come from the cost side and although we see some opportunity in the revenue forecast; we stayed neutral and decided not to change the guidance at this time of the year.

In terms of the reaction from the subscribers, especially for the new acquisitions, we saw a partial trading down, but normally, that's something we always experience when we have a sizable price adjustment, which gives a better direction about how the existing customer reacted to the pricing changes. In that part, with the customers that are already using our services, we didn't see such trading down. They continued their existing services and we have been able to upsell them with higher speed.

So again, you know, when subscribers are changing their operator or they are becoming a customer for the first time, such price increases push them towards a bit cheaper and lower capacity, lower speed or lower data offers. That's something that we experienced in the past and it was the same thing this time. But again, we will normally expect them to be upsold to higher speeds whenever they feel it's necessary.

And can you remind me the third question?

KENNEDY-GOOD J: Yes, just on page 12 of your presentation, there's some commentary around the currency protected time deposits and the positive impact that had on the cash flow. I was trying to understand what exactly that financial instrument is and some color around how it has evolved in the quarter?

AKTAN K: So that's an instrument introduced basically by the Treasury and the Central Bank. At the end of the day, it says that when we convert our US dollars to lira and put it as a lira time deposit to the bank, the Treasury or the Central Bank, it depends on the choice of the product, will cover change in the FX rates at the time deposit expires. So it's like in a way an option that you can use if the expected interest income on that lira is lower than the change in the FX rate and you get the FX rate difference. If it's vice versa, you get regular interest rate, which means you are always protected against the FX rate although you converted your dollar to lira.

There is a second benefit. Since it's converted in lira, if the FX rates goes down, you still stay at the same lira which means in dollar term, you increased your dollar equivalent value of the time deposit. Because of the nature of the instrument, we had to record it as a financial investment rather than cash item. So we tried to highlight this fact in different parts of the presentation because we tend to see it as a part of our cash balance, but technically, it is recorded as a financial investment. This created a negative impact on the cash flow which we also highlighted that the impact should not be considered as a real cash out from operations. It is a technical adjustment.

KENNEDY-GOOD J: Thank you.

OPERATOR: The next question is from the line of Cabejsek Ondrej with UBS. Please go ahead.

CABEJSEK O: Question on margins. You mentioned obviously no inflationary pressure but then you are also mentioning some base effects for last year, you had like reduced cost in some ways compared to the usual run rate because of COVID, margin was down between 6% and 7% which is kind of in line with what the full year guidance implies. So just curious how you break down that decrease YoY in terms of the basis of prices, inflationary pressures and what does that mean for the rest of the year because I think if I understand your guidance correctly, then what you are saying now is basically that the impacts of inflation would maybe completely take over in terms of the YoY margin developments as the year progresses. Is that correct? Thank you.

AKTAN A: Well, normally, just by looking at the mathematical exercise, taking into account what happened in the cost base because of the inflation, the pricing activities or, adjustments that we had in the last 4-5 months, we will see this quarter as the low margin quarter. So cost impact, occurred immediately, especially for the personnel related costs because they were all adjusted in the first quarter, and the energy prices immediately impacted our cost base. Cost items like customer services or sales cost, they also had a large personnel related cost item integrated; these were all going up in the first quarter whereas, as we mentioned several times, the pricing actions will be impacting our revenue throughout the year as the contracts expire and only then the customers are exposed to higher prices.

In that sense, we can say that major reason for the margin erosion was due to this asymmetry between the revenue increase and the cost base increase. We had last year 1-2% points benefit on our cost base due the COVID related lack of activity in our system. That's partially reversed in the first quarter, but again, the major impact was coming from the inflation.

CABEJSEK O: Thank you. And second question if I may, in terms of FX risk management. So the exposure to 10% lira depreciation that you highlight in your risk statement, I think you mentioned in your report that you plan to decrease this exposure in the very short term, so just curious how you are thinking about maybe managing that with respect to whatever internal targets you have for the full year net income because we see there is a payoff of cost associated with these hedges as well as the depreciation rate, so how are you weighing those two things? And what kind of targets do you have internally for, I know you don't guide for it, but what kind of targets do you have, maybe on a YoY evolution of your net income? Thank you.

AKTAN K: We don't normally guide for the net income, as you know, we only guide for the operating margin. Since we have now a certain level of exposure to the FX rates, it's difficult to set a target or give a forecast. We were in FX neutral position in last year, and after that it happened to be a very sizable devaluation of the lira and we now have an exposure because of option embedded swap agreements. Our intention is to go back to that currency neutral position as fast as possible, but within the limitation of the market in terms of availability and the liquidity of such instruments it may take more than one quarter to get to that level. Once we execute such restructuring, as it was the case in the past, we can incur some one-off charges plus depending on the level of the interest rates at the moment of the restructuring, we may have an uplifted interest cost going forward.

But again, all these parameters are very difficult to forecast at the moment. These activities, whether we do the restructuring or we let the exposure in place, would put some pressure on the net income in the remainder part of the year.

Another factor which was not part of the question, but now it's becoming more and more visible in our P&L, is the tax line. In the first quarter, we incurred a tax income rather than a tax expense This is because of the fact that the government now due to the high inflation gives us the possibility to revalue our fixed assets, which means there will be more depreciation expense, these are the statutory accounts by the way not IFRS or Turkish accounting standards account which we are reporting here. That creates more depreciation expense and that means more tax benefits going forward. Another component is, we have been provided with investment incentives for different CAPEX projects. These investment incentives are also revalued with the change in the inflation. So, those factors are in a way providing benefit to the net income and so far looking at the inflation expectations, we also expect them to be impacting our P&L in a similar manner for the remaining part of the year. That's another factor to consider for this year’s net income.

CABEJSEK O: Thank you very much.

OPERATOR: The next question is from the line of Demirtas Cemal, ATA Invest. Please go ahead.

DEMIRTAS C: Thanks for the presentation. My question is about the strategic outlook of Türk Telekom and possible actions by the Türkiye Wealth Fund. In an interview with the Türkiye Wealth Fund CEO, he mentioned that the SPO might be one of the priority in the future. And I wonder if there's any timeline for that, and is there any indication about the solution to the licensing issue which will expire by 2026. Any development or timeline you can share for the maybe next 2-3 years about what could be changing in the company to get prepared for a possible SPO? Thank you.

ÖNAL Ü: First of all, let me tell you that our majority shareholder has very positive opinions and outlook about our company. That actually was the main motivation in terms of purchasing our shares. For the new period, we expect the main motivation to be increasing the value of the company, as you heard from the explanations as well.As we have mentioned, we can also see the horizon set for the extension of the concession. The removal of the uncertainty about the concession is of critical importance in terms of both the time remaining for the expiration of the concession and Turkey's fiberisation and the upcoming transition to 5G technology. Also the Türkiye Wealth Fund highlighted the importance to be able to make long-term plans about, this issue that should be sorted out. All these discourse give us an idea about the direction of the subject matter and the high motivation around it.

As you know very well, the free-float share of the company is quite low. Türkiye Wealth Fund has said that they don't have a plan for a block sale; but they think that a secondary public offering could generate interest from foreign investors. All these give us an idea about that exciting developments are ahead of us going forward. Thank you.

DEMIRTAS C: Thank you.

OPERATOR: The next question is from the line of the Kayahan Demirak from AK Investment. Please go ahead.

DEMIRAK K: Hi, thank you very much for your presentation and opportunity to ask questions. I have only one question. Where do you see the ARPU growth next year given your inflationary projections both in mobile and broadband. We understand that the inflationary impact takes time because of the long-term nature of the contracts, and I think next year we will have high inflationary rate with around at least 50% so do you think that next year ARPU growth will catch up the increase in the cost base because of the inflation? Thank you.

ÖNAL Ü: I will try to explain your answer separately both for fixed broadband and mobile.

For mobile, if you consider the new acquisitions the price increases happened from last year's March to this year March is between 50% to 60%.

For 2022, we expect the inflationary market conditions to prevail and operators, including us, make price revisions accordingly. We will continue to take the actions according to the dynamic market positioning.

Maybe more clearly, I can tell you that it would be realistic to expect the mobile ARPU growth level for 2022 around 20% levels.

On the fixed broadband side, we have made our price revision for the new customers in December 2021. For the current customers, we have made our price revision in January 2022. But other ISPs didn't not follow the price revision immediately. As you know, more than 90% of our customers are in contracted basis. We have an approval that we have been waiting from ICTA, the regulatory authority for some time and it has been approved and it will be entering into force as of 1st of June.

And we have started to feel the effect of the pandemic as of the second half of 2020. So, we have acquired a high volume of customers and contracted them in the second half of 2020. Their contract will be expiring in the second half of this year. That's why we expect this to create a big ARPU growth opportunity in terms of recontracting. While recontracting, of course, we also expect the upsell opportunities to higher speeds to make a positive impact on ARPU. All in all, we can clearly state that the ARPU growth on fixed broadband in 2022 to be above 20% level.

DEMIRAK K: Thank you very much for the detailed answer. If we sum up what does that mean for the next year's ARPU growth in mobile and the fixed broadband. You should have some kind of a prediction given the actions you take in the end of the last year. Some indications would be great for the next year. I am assuming that the inflationary pressures to be worsened in Turkey mainly because of the currency or the global head winds. Do you think it would be possible to cut the duration of this fixed broadband contracts to 12 months instead of 2 years? Thank you.

ÖNAL Ü: It is not very easy for us to give you a guidance forward. We cannot share a prediction for 2023. It would be very early, but, we will be implementing wholesale price increases as of 1st of June, and we are following the dynamic pricing actions. There will be the effect of the new contracts and the recontracting. Also we will enjoy the upsell opportunities, so we can easily say that we will enjoy over 20% of ARPU growth for 2022. We also know that there will be an accelerating momentum on the second half of 2022. We believe that it is going to have its impact into 2023 as well. For the 12 months contracting scheme, we always consider different kinds of pricing strategies but first we will see the general implementation. As you know, we are very good at adapting ourselves to the dynamic market conditions. We are right now closely following the market dynamism. What is important for us to ensure is sustainable ARPU growth and also a subscriber increase.

DEMIRAK K: Thank you.

OPERATOR: Ladies and gentlemen, there are no further questions at this time. I will turn the conference over to Türk Telekom management for any closing comments. Thank you.

AYAZ G: Thank you everyone for joining us today. Enjoy the rest of your day. Thank you. Bye-bye.