Türk Telekom Q2 2022 Financial & Operational Results

Conference Call

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Conductors:

Ümit Önal, CEO

&

Kaan Aktan, CFO

Conference Call Conducted by Chorus Call Hellas

CHORUS CALL HELLAS

PROVIDER OF TELECONFERENCING SERVICES

TEL: +30 210 94 27 300

FAX: + 30 210 94 27 330

Web: www.choruscall.com

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

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

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 Second Quarter Results Conference Call. Thank you for joining us today. While China has faced a new wave of COVID-19, Turkey finally entered into a measure-free period in the second quarter. Climbing inflation expectations, pushed central banks to severely tighten their monetary policies. Rising prices, especially in food and energy has become a shared grief for the consumers worldwide. Surpassing 78% as of June, inflation made it to a 24-year peak in Turkey. Meanwhile, government raised minimum wage for the second time this year by approximately 30% effective from July 1st.

Demand for telco products remained reasonably sound, amid post-pandemic normalisation and continued pricing actions across the board. A measure-free environment benefited the mobile segment, but it finally took its toll on fixed broadband additions, which has continuously enjoyed pandemic-supported growth rates for several quarters. Data usage was strong with slight decline in fixed broadband QoQ, owing to normalisation, but still significantly above the pre-pandemic levels.

Mobile data consumption on the other hand continued an upward trend with increased mobility. We observed more caution this quarter in consumer preferences, in both fixed and mobile, but we think this should be rather expected given the sizable inflationary pressures. Still, we managed a good performance in re-contracting and upselling, thanks to our customer-oriented strategies and our strong engagement with subscribers, both of which largely mitigated the impact of adversities. Macroeconomic challenges weighed on our financials, but the operating performance has kept up, with careful management of our diversified portfolio, through our timely and balanced actions.

Starting with Slide #3 on our presentation, net subscriber additions.

Total number of subscribers remained flat at 52.2 million with 53K net additions in Q2. The increase in fixed broadband and mobile bases was largely offset by the decline in fixed voice. Net subscriber additions were 1.5 million during the last twelve months. Fixed broadband subscribers inched up to 14.6 million, with slower quarterly net additions of 87K, amid normalisation and price revisions.

Mobile subscriber portfolio reached 24.6 million. With 246K net additions, mobile segment maintained its strength thanks to higher mobility, in addition to our effective strategies. Number of fixed voice subscribers declined by 264K during the quarter, in line with our strategy focusing on naked DSL sales in new acquisitions.

Slide #4, financial and operational overview. Revenue growth accelerated from last quarter, as the re-pricing of our subscriber base continued progressively. Both consolidated and operational revenues increased by 31% YoY. Fixed broadband revenue rose by 26%, along with the subscriber growth, but more so with the ongoing pricing actions. Mobile revenue growth reached a new peak, close to 33% thanks to consecutive price revisions and our robust strategies, driving the healthy expansion of subscriber base.

Consolidated EBITDA rose by 10% to 4.4 billion TL, with an EBITDA margin of 41%, lower both QoQ and YoY. As expected, EBITDA margin continued contracting annually from a high base, primarily on inflating costs. 1.2 billion TL of tax income partly offset the increase in net financial costs. As a result, net income improved by 9% to 1.4 billion TL. Finally, Net Debt/EBITDA increased to 1.54x.

Slide #5, fixed broadband performance. As announced earlier, we adjusted our wholesale tariffs, as per the regulator's approval of the 67% hike in port prices effective from June 1st. Simultaneously, we revised our retail tariffs, both for the new and existing customers. The other ISPs followed suit, but at different times within the quarter. Still, it would be fair to say that competition in the fixed broadband market, remains elevated with other ISPs' widespread promotion. This combined with the impact of the post-pandemic normalisation on demand for new connections, has clearly limited our net add performance, particularly on the retail side. As such, we observed some limited pick-up in churn, in line with our expectation and base management plans.

Demand for higher speed was intact both in new acquisitions and re-contracting. 24 Mbps and above packages exceeded 55% of new acquisition. Q2 ARPA was 7% higher QoQ. Upsell performance stayed strong, despite aforementioned conditions. As a result, annual ARPU growth climbed to 19% and lifted fixed broadband revenue increase to 26%.

As the country's fibre powerhouse, we have been raising Turkey's fixed internet speed through our countrywide investments and customer-oriented strategies. Average package speed of our subscriber base increased by 30% to 28 Mbps, just over the last twelve months. 53% of our subscribers are now on 24 Mbps and above packages. Still, we believe demand for higher speed is a long-term theme, with massive upside potential.

We grew our fibre network, running across 81 cities in Turkey to 381K kilometers by the end of second quarter. According to European FTTH Council's reports published in May, Turkey ranks third in EU39 comparison in "number of FTTH/B homes passed" and fourth in "5 fastest growing markets". This clearly demonstrates Türk Telekom's leadership and passion for Turkey's fiberisation.

Moving onto mobile performance, slide #6. Similar to first quarter; tactical, short-lived campaigns were typically in and out the mobile sector, but operators' motivation to stick to inflationary pricing, remained intact. Following the adjustments in March, both prepaid and postpaid segments introduced revised tariffs in the quarter, starting from mid-June. MNP market continued contracting both YoY and QoQ, albeit at a decelerated pace. We maintained our top rank in net acquisitions in the MNP market for the third quarter in a row.

In line with our expectation, churn rate moved slightly higher QoQ, but remained at historically low levels. 338K net subscriber addition in postpaid, beat our target. 92K net loss in prepaid also surpassed our forecast owing to an aggressive campaign launched in May and some quarterly pick-up in churn with seasonality. The share of postpaid subscribers in our mobile base touched a new high of 66%. Our Prime base reached 5.5 million subscribers, with 37% YoY growth.

Annual blended ARPU growth moved up to 26% with 8.5 points jump QoQ. Both postpaid and prepaid ARPU supported this acceleration, with 21% and 36% annual growth rates, respectively. Accordingly, mobile revenues grew beyond our projections by 33% this quarter.

Having completed the first half of the year, it is time we re-visit the 2022 outlook on slide #7. We recorded higher than expected top-line growth and EBITDA in the first half of the year, driven mostly by our dynamic pricing and customer-centric strategies. We are confident that the top-line growth will be progressive, in the remainder of the year.

OPEX on the other side, still bears risks and urges us to maintain caution. Most importantly, we have raised staff salaries, following the latest 30% hike in minimum wage effective from July 1. Energy, network and commercial costs are the likely items to pursue a trend in tandem with the inflation, in the coming periods. Therefore, we now expect operating revenues to grow 33% YoY, EBITDA to be 18.5 billion TL and CAPEX to be 13 billion TL. While the change in EBITDA is driven by higher top-line and OPEX outlook, the upward move in CAPEX reflects the impact of continued lira weakness and higher inflation.

Before I move onto my closing remarks, I would like to share some good news. As announced earlier, we had entered an important market, by signing an agreement with Net Insight, on 5G synchronisation solutions. 5G synchronisation is a fast-growing market, expected to reach 1.5 billion USD in size, by 2027. We are proud to share that, mobile operator Three Sweden has placed an order with Net Insight for the 5G synchronisation solution, developed by Türk Telekom and Net Insight. This is a remarkable validation of the product's competitiveness and visibility in the market. More work is in progress to extend the product's use to other operators' networks, across varying geographies.

Q2'22 has clearly demonstrated a fresh set of adversities. In response, we implemented our plans to weather the storm with highest focus on mitigating risks, while generating healthy growth on a sustainable basis. The second half of 2022 will continue to be tough, we think. Therefore, we maintain caution and keep ourselves fit to remain resilient and financially sound. Our very goal to play our part perfectly in Turkey's transformation into a digital society, stays intact. We are confident, that path assures the fulfillment of our responsibility to all our stakeholders too.

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

AKTAN K: Well, thank you very much. Good morning and good afternoon, everyone. We are now on Slide #9, with our financial performance. Our consolidated revenue is up by 31% YoY. Excluding the construction revenues impact, revenue increase is also at the same number of 31%. In this quarter, we have seen an accelerated growth performance in our major business lines. Fixed broadband market remained competitive in this quarter, despite margin pressures on other ISPs. And similar to the first quarter, our new acquisitions were skewed towards the wholesale segment as several players offered attractive campaigns or kept the old prices open for certain periods.

Churn was slightly higher QoQ, but fully in line with our expectations amid our proactive pricing behaviour. We were once again reassured of our strategy by a healthy re-contracting and upselling performance in this environment, thanks to our distinctive capabilities in the fixed internet space. As such, annual ARPU growth climbed to 19% from 14.5% a quarter ago.

Fixed broadband revenue grew above 26% compared to 22% in the first quarter. The continued re-pricing of the contracted base supports the momentum. More visibly, revenue growth accelerated to 31% in June, following the latest pricing actions at the beginning of the month. Dynamic pricing has ruled in the mobile segment; this time, led by Türk Telekom around mid-June. In continuation to Q1 trend, we managed another healthy net add performance, despite a challenging consumer environment.

Driven by both pricing and base expansion, top-line growth leaped up to 33% with 26% ARPU increase in the quarter. 37% rise in June revenues, following the latest tariff revisions, has been an even more encouraging signal for the coming periods.

Fixed voice revenue recorded 7% growth. With a stable subscriber base QoQ, TV revenues expanded 16% along with a 19% growth in Home TV ARPU. Growth in corporate data revenue accelerated further to 26%, while 92% increase in other revenue was largely driven by equipment sales, ICT project and call centre revenues. Finally, international revenue increased by 36%.

We are now moving onto our operational performance. Consolidated EBITDA is up by 10% YoY to 4.4 billion lira with a margin of 41%. This is down by 8 percentage point YoY, largely due to last year's high base and continued inflationary pressures on OPEX, but also to faster growth in lower-margin mobile business when compared to fixed broadband. Similarly, about 90% expansion in other revenues in second quarter, including the revenues generated by our subsidiaries İnnova and AssisTT, pulled consolidated EBITDA margin down. Excluding the IFRIC 12 impact, EBITDA margin was 43.5%.

In the second quarter, operating expenses increased by 52% YoY to 6.3 billion lira. Annual increase was close to 42% in the first quarter. Excluding IFRIC 12 costs, growth in operating expenses was 54%. Looking at the main highlights in the OPEX items, interconnection costs increased merely by 6%, along with our decision to minimise Türk Telekom International's low-margin hubbing services in voice traffic going forward.

Provision for doubtful receivables declined by 28% with slower litigation activity in the second quarter, which is expected to pick-up in the third quarter. Cost of equipment and technology sales grew by 111% along with the pick-up in the number of projects acquired and the revenues generated from them both by Türk Telekom and its subsidiary, İnnova. Other direct costs grew by 66% YoY, with the pick-up in commissions paid on prepaid loading, shared revenues and value-added services.

Network and technology expenses rose 96% mainly due to increased energy prices, maintenance works and weaker lira. Personnel expenses increased by 57%, with the effect of minimum wage and inflation-adjusted salary increase at the beginning of the year. The renewed agreement signed with the labor union in March lifted the personnel cost base higher QoQ, but this has been partly balanced by lower provisions for paid personnel leave. As mentioned, the latest revision in personnel salaries, effective from July 1 will be pushing our personnel cost base higher in the coming quarter.

Taking into account the recent actions we have implemented, the first half performance and the positive seasonality in our businesses in the third quarter, we now expect our 2022 full year operating revenues to grow by 33% annually. OPEX on the other side, still bears risks and urges us to maintain caution in our forward-looking statement. After incorporating these factors into our budget, we revise our EBITDA guidance to 18.5 billion lira for the full year of 2022.

Coming to the bottom line. Net income was 1.4 billion lira, up 9% YoY and almost 150% up QoQ, despite another 10% average rise in dollar and EUR FX rates amid continued weakness in lira. On the positive side, we recorded 1.2 billion lira of tax income as a result of revaluation of fixed assets and tax incentives. Net financial expense was at 2.3 billion lira. As implied by the sensitivity analysis in last quarter's financial statements, we incurred further FX losses at higher exchange rates QoQ. A fluctuating interest environment throughout the quarter also affected the swap costs.

We are now moving onto slide #10 with debt profile. Net Debt/EBITDA ratio increased to 1.54x in second quarter from 1.24x, as a result of the currency fluctuations in the second quarter and payment of 5 billion lira dividend out of our 2021 earnings in May. Cash and cash equivalents were 5.2 billion lira, of which 61% is FX-based. This doesn't include the 4.3 billion lira of FX protected time deposits, a highly liquid asset that we book under financial investments according to the IFRS reporting rules.

The FX exposure included the dollar equivalents of 2.1 billion lira of FX debt, 2.4 billion of total hedge position, and 200 million of FX cash. As you can see on the bottom right chart in this page, the hedge amount includes a 240 million dollar equivalent of FX protected time deposit. This is up slightly from 220 million in the first quarter. Excluding the ineffective portion of the hedge portfolio, mainly the existing participating cross currency contracts, the FX exposure was 640 million dollar short position. We increased the share of local currency borrowings in this quarter from 12% to 15%.

We are now on the last page of 11. The liquidity conditions in the long end of the FX hedging markets remained rather limited. Cost of engaging in these transactions was also similarly high compared to the previous quarter. Therefore, we kept meeting our FX risk management targets with short-term instruments. On the positive front, we expect our FX exposure to shrink together with the continued deleveraging until year-end.

The FX sensitivity analysis we report regularly in our quarterly financials suggests, assuming all else constant, a 10% increase in FX rates will have around 1.2 billion lira negative impact on our pre-tax income. On the flip side, the sensitivity analysis produces close to 1.1 billion lira positive impact, in case of a similar appreciation in lira.

Finally, the unlevered free cash flow was 1.5 billion lira, significantly up from last quarter's negative 0.5 billion lira with improving operating performance. We expect to see a healthy free cash flow generation in the second half, together with the revenue outlook we have just shared.

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

Q&A

OPERATOR: The first question is from the line of Zaczkiewicz Daniel with Barclays. Please go ahead.

ZACZKIEWICZ D: Hello, thanks very much for the call. I just have a question on your short-term debt. So currently, your maturity profile is just over a third of your gross debt is due over the next year, and this is both dollar debt and lira debt I believe. I just wondered what your plans are for refinancing of this debt and what the impact of recent government restrictions on lira borrowing might be on your decisions? Thank you.

AKTAN K: As I mentioned in my presentation, we are now increasing the share of lira borrowings within the total debt portfolio. Unfortunately, those borrowings come with shorter maturities. Naturally, this is also pushing up the percentage of debt that expires within the next 12 months period. Obviously, mostly expected way to refinance those payments will be to extend the loans that we acquired from the local market, the lira borrowing I'm referring to.

We still have the unused portion of the supplier finance projects. We are also currently negotiating for further extension of those projects with our major suppliers. That part of financing seems to be running smoothly so far, and we hope that it will still continue and that will be basically the main hard currency financing tool that we will be using during the next 12 months.

And as I said, other than this we will try to get access to the local currency borrowings under different instruments. Commercial loans is one instrument. We are also starting tapping the local bond markets with different instruments, and we will also continue doing so. And we are also using our hard currency cash and with swap contracts, we are trying to raise lira without you know, hurting our dollar or hard currency exposure, since we also promised to buy back our dollars that we sell in order to raise lira. There was a legislation as you mentioned, which was amended few times. It's the legislator trying to limit the access to lira borrowings. So far, with the current definition of the legislation, so far, we don't see any limitation at the Group level for accessing to lira credit. Does this answer your question? Did I miss anything?

ZACZKIEWICZ D.: That's great. Thanks. On the FX, that you have coming due over the next year, you mainly plan to use supplier financing and cash?

AKTAN K: Yes, there may be some smaller amount of, you know, commercial loans from international banks, that's not the basic plan. If that comes with favorable terms, we can raise such financing, but other than it will be supplier financing.

ZACZKIEWICZ D: Okay. Thanks. And just a quick question also on your hedging strategy. When conditions improve for putting hedges on, do you plan to move back to a net long FX position?

AKTAN K: Yes, definitely. We like to see ourselves getting to a zero exposure point, but again, as I mentioned, there are limitations in terms of the cost of doing that, you know, especially for the long-term contracts, the cost is really excessive. And so, we decided to partially hedge our exposure through short-term contract, different tools that we are using, so that at least we offset the weakness that comes from this participating cross currency contract. Naturally, we came down to around 600 million dollars short position. And there will be some natural deleveraging. There is still debt that will be paid in the next 12 months. And most of it is attached to a participating cross currency contract, I'm referring to hard currency debt which are not fully protecting us obviously when that happens; so, the exposure will also come down, you know, on a regular basis. But other than that, we will keep the protection that we obtained with our short-term contracts and also the dollar cash, as much as we can.

ZACZKIEWICZ D: Okay. Thank you.

OPERATOR: The next question is from the line of Annenkov Evgeny with Bank of America. Please go ahead.

ANNENKOV E: Good afternoon. Thank you for the presentation. I have 2 questions, please. Firstly, on your revised revenue guidance of 33% growth, I think that implies 37% growth for 2H, while you have mentioned that in June, it was also around 37% growth. So why do you assume no acceleration for the remainder of the year from June? What do you see as a factor affecting all your cumulative price hikes? Is it competition in fixed broadband or maybe user moving towards cheaper packages?

And secondly, on taxes, cash tax expense you paid was down 17% YoY in H1. Is it reasonable to assume to H2 cash taxes to be also down YoY given the continued revaluation of fixed assets in your P&L? Thank you.

AKTAN K: Well, in terms of the revenue growth, if you look at the you know, potential growth in our major businesses, I'm referring to fixed broadband and mobile, we should expect to see an accelerated growth both in the third quarter and fourth quarter, in terms of ARPU and more than that in terms of the total revenue that we will generate from those businesses. And that will also pull overall revenue growth up every quarter going forward. And this is what brings us that you know, upgraded guidance in terms of the revenues. You should also consider the fact that starting from especially fourth quarter, we will also start having a better or stronger base that is the result of the pricing action that we took in the last quarter of 2021, especially for mobile. Obviously, that would in a way limit the overall growth for the full year. That's the simple mathematics.

What was the second question? Taxes. Yes, you're right. We should expect a lower cash tax payment going forward. Overall, you know, deterioration of the macro parameters, because of our exposure in FX, that creates an FX loss, until the end of the maturity of the loans that brings that loss, obviously, these are noncash. And in return, because of this revaluation rules which is highly impacted by the high inflation, we can generate a tax benefit, which will also turn into cash in the coming quarters as we generate taxable income. So, there will be both P&L and cash contribution going forward from those revaluations.

ANNENKOV E: Thank you. And on the growth, may I ask, if you can comment on July trends? Has it accelerated from 37% in June?

AKTAN K: I don't have the numbers right now with me. But I can say that you will also see; let me add one thing as an additional information to what I said on the remaining part of the year. I think that we will also see the gap getting narrower between the growth rates of fixed broadband revenues and the growth rate of mobile revenues. There are few factors affecting this. First, the pricing actions that we took in fixed broadband, because of the nature of our contracts and the tenure of our contracts they impact the overall revenue growth at later dates. So, there is always a lag between the pricing action and the impact that we see on our revenues. Obviously, since we started moving in the year and we also took pricing actions as early as possible, we will now see more impact coming from those pricing activities to the revenue growth of fixed broadband. And as you know, we also increased the wholesale prices after the decision of the regulator that will also start impacting our third quarter fixed broadband revenues and when combined together, the growth rate will get maybe not at the same level, but fixed broadband will get closer to the mobile growth rate.

ANNENKOV E: Thank you.

OPERATOR: The next question is from the line of Fedorov Egor with ING Bank. Please go ahead.

FEDOROV E: Hi. Thank you for picking up my question. Actually, well, I am just wondering how long this situation when your tariffs, your incomes are growing much more slower level compared to inflation trends will be exist. So currently, as I understood that you are just subsidising your customers. And well, just for us, how long it can be existing in such an essential manner. Do you expect any changes, for example, in the second half of the year or even next year? Can you please elaborate on this a little bit? Thank you.

AKTAN K: I mean from the very early days when we saw that there will be an elevated inflation in the country, which is the last quarter of last year, we started actions and we also more price increases through an early day when we approach the year end and we continued the price increases throughout the year in all businesses. And this includes mobile, fixed, retail and wholesale. I think there is a very clear decision of the company to get the prices or the change at the prices to the level of the inflation. But there is one unknown in this equation is what will be the inflation in the next 6 months or 12 months period. But again, if we continue implementing those price increases on a periodical basis, obviously, there will be an accelerated revenue growth. And even we see a lower inflation in the country I think that momentum will carry us to a higher growth rates for several quarters. And obviously, this is the first requirement is really to be very decisive, very planned way to continue increasing the prices. I think that's what we are doing right now.

There are always commercial constraints or commercial parameters that we also take into account in different parts of our presentations, we mentioned that it showed a bit more different behaviour, especially in the fixed line domain coming from the other ISPs. They followed us, with a lag or some of them tried to stay at lower prices or didn't implement a similar price increase to the services that generate from their own infrastructure. But since there is now a wholesale price increase, which is really the result of the increased cost in our system. So, there is nothing more in that.

So, ISPs we see that they have a better motivation for increasing their retail prices. I think, as much as we can, we will continue building on that. And I think there will be a time when we will see at least between the dates that the high inflation trend started and ended hopefully at some point, so we will be able to get as closer as possible to that percentage, whatever it is, in our retail prices. And that complexity coming from the loan contract period is simply a lag for getting the right revenue number.

FEDOROV E: Okay. Thank you so much. Maybe just a little bit a follow-up question. Do you have any, well, government restrictions on or recommendations on your tariff's policy in maybe for some particular areas, some particular businesses or everything is, well, determined by the market and by your, well, knowledge of the market.

AKTAN K: In our retail businesses, we don't require any approval from any authority. Pure market driven decisions that we are taking. There is a smaller share in our revenues that's generated through our wholesale business in fixed line, obviously, since we are the dominant market player in this domain, we require, you know, an approval from the regulator. And as you would know that approval came for the port pricing, which is the base for fixed broadband pricing that came at midyear and there was a 67% increase in the port prices. So excluding that part, which always require a certain negotiation and discussion with the regulator, no matter what the inflation level is, we are free to implement our decision in pricing. And you should also consider one fact here. I know that you are referring to all those talks in the markets, people saying government is trying to implement those commercial decisions, because they want to impact the inflation number. We represent a very small percentage of the overall inflation basket, as the telecommunication industry. And when you look at the impact on overall inflation with this…

FEDOROV E: Okay. Thank you very much for the answer. Thank you.

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

DEMIRTAS C: Thank you for the presentation. My first question is about the contracts, you know, most of your contracts are 12 to 24 months. And we see that Türk Telekom suffers from those contracts, long-term contracts. And it looks like to me that at least I realise that it's a big risk for company, which we think it's like the defensive company. And I would like to understand, did you have any chance to change the contracts, you know, maybe when the inflation started increasing, do you have the flexibility to shorten the contract period, because we have understanding at 12 to 24 is the common contract, but it became a big risk. So at least for the future, do we have a chance to see shorter contract terms, considering the risk of inflation, which is part after many years? That's my first question.

How flexible you could be, because in this environment you know, it's maybe the most vulnerable sector is this telecom sector when we look at the Turkish companies overall. So, I want to understand what could be the strategy ahead or are we going to live with it, wait for the inflation to come down? That's the strategic question I'm asking.

And the other question is about the deferred tax income. You have significant income. Could we assume that your dividends will be based on those numbers so when we make the calculation dividend payout could we take the bottom line as a reference for a possible dividend outflow for the following year? Thank you.

ÖNAL Ü: Thank you very much for your question. Let me answer your first question. This definitely requires a dynamic management of the process and 24-month contract is a long-standing tool in our fixed internet business, and it's a very highly effective tool for customer-base management and experience. And our customers are also used to it and they particularly prefer it as well.

It wouldn't be wrong to say that the fixed internet market has been extremely competitive since the last quarter of the last year. And we have also seen that despite the high inflation, other ISPs offered promotional sales and various attractive offers intensively. The macro environment has increased the price sensitivity on the subscribers. And also, it made it difficult for us to manage the subscriber base. We did not give up on our pricing and ARPU growth motivation in the macro environment and the competitive conditions, and we supported the subscriber base with a 24-month contract option, thus maintaining a low level with a limited increase in the churn rate despite all the difficulties. So, we are managing this process dynamically. And of course, there is not a written rule that’s never changed. So, we are following based on the condition.

AKTAN K: For the second question.

DEMIRTAS C: Thank you Ümit Bey.

AKTAN K: Yes, for the second question obviously net income that we are reporting as a result of our consolidated performance is the first reference for any dividend payments in the future that also include the benefits that we recorded from the deferred tax assets. But obviously, there are other factors that would impact the decision for distributing dividends. But on a technical level, yes, these are part of the dividend base.

DEMIRTAS C: Thank you. Thank you, Kaan Bey.

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

AYAZ G: Well, thank you, everyone, for joining us today. We look forward to meeting you the next time. Have a nice day. Bye-bye.