Türk Telekom 1Q 2020 Financial & Operational Results Conference Call

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Conductors:

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Mr. Kaan Aktan, CFO

&

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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 Yiota, your Chorus Call operator.

Welcome and thank you for joining the Türk Telekom conference call for the First Quarter 2020 Financial and Operational Results.

At this time, I would like to turn the conference over to Ms. Gozde Cullas, Head of Investor Relations, Mr. Ümit Önal CEO and Mr. Kaan Aktan, CFO of Türk Telekom.

Madam, Gentlemen you may now proceed.

CULLAS G: Hello. Welcome to Türk Telekom 2020 First Quarter Results Conference. We are here with the management team and today's speakers are our CEO, Ümit Önal and our CFO, Kaan Aktan.

Before we start, I kindly remind you to review the notice on our earnings presentation. Ümit Bey, please?

ÖNAL U: Hello, everyone. We would like to thank you for joining us today. As you know, we are going through extraordinary times. I would like to share my deepest feelings with those affected by the COVID pandemic, and I also thank those working to keep us safe, especially the healthcare personnel. I also want to recognize the Türk Telekom employees, notably those on the front lines, providing uninterrupted services across Turkey. The coronavirus outbreak has demonstrated the importance of the telecommunication services in keeping people connected. Thanks to our rich portfolio, including fixed broadband, mobile, TV and digital products and strong infrastructure footprint throughout the country, we are able to meet the increased demand smoothly.

Slide #3. I will start with COVID impact. I am proud of Türk Telekom family as we cope with this crisis and provide uninterrupted communication. Before the first confirmed coronavirus case in Turkey, we established COVID Crisis Management Committee and started planning proactively at the highest level. Let me quickly go over our actions to manage COVID.

On the employee side, we have implemented remote work model for our employees with suitable roles and for call center employees. More than 20,000 of our employees work from home. We also have employees on the front line ensuring uninterrupted networks, coping with higher demand and serving customers at our stores.

For those, we took measures for limiting risk through personal equipment, extra hygiene measures and social distancing. And coming to our customers, in order to provide faster customer experience, we have doubled the upload speeds of fiber and VDSL subscribers. To ensure social distancing, we are directing our customers to online and alternative channels. With social responsibility, we supported our customer in healthcare community with mobile data, our elderly customers with free fixed voice and our students with 8GB mobile data for the remote education platform, EBA. We also offer our e-dergi application free of charge and made

Tivibu cinema channels available to Tivibu customers as they stay at home.

About our society works. To support the most vulnerable in our society, we donated 40 million TL to the National Solidarity Campaign. In addition, we helped the Ministry of Health with other operators to develop a mobile application to monitor infected patients. And lastly, our network has performed robustly despite the surge in traffic. We monitor traffic and capacity 24 hours to ensure uninterrupted and secure communication even at the peak hours. We managed the load of international traffic on the network capacity via locating cache servers of prominent OTT players in our network. Besides we took cyber security measures to protect our citizens working from homes and learning through distance education. Lockdowns cause supply chain risks. However, we have not seen any interruption despite the surge in demand, thanks to diverse supply base and efficient inventory management.

Slide #4. This slide is about our operational performance in Q1 and some highlights of April along with impacts of COVID. Operational numbers. The number of total subscribers increased by 563,000 in the first quarter, reaching 48.4 million. Broadband segment was the leader in net additions in this quarter. We have seen a significant surge in both data traffic and new acquisitions in broadband segment during the pandemic. Our fiber investments over the past decade and our focus on best customer experience enable us to cope with increased demand and keep Turkey connected. Number of broadband subscribers reached 11.6 million with 262,000 net additions. More than 60% of net adds was in March and the performance further increased in April.

In mobile, we had 253,000 in net adds. Mobile subscribers increased to 23.2 million. In fixed voice, the number of subscriber additions was 103,000. Strong net additions were supported by accelerated growth in broadband. With the precautions taken nationwide, education, work and other activities shifted to online. As a result, our internet traffic increased and upsells accelerated. In the fixed broadband side, data usage increased by 20% in March and 45% in April compared to February. We made 24% more upsells in April compared to February, both to unlimited and to higher speeds.

There is a different trend in mobile. Demand shifted from mobile to fixed networks. Some customers, due to reduced mobility, use Wi-Fi instead of mobile, while there is an increase in the usage of active mobile customers. In net, our mobile data usage increased by 5% in the same period. We have also seen higher voice traffic in fixed and mobile. The increase in fixed voice usage is positive for churn management. In the mobile side, growth has slowed down due to decline in mobility and touristic activity.

On the other hand, lower MNP led to an improvement in churn. Due to shift to online channels, we may see some decline in commercial cost. We have also seen decline in roaming, but the impact would be limited since its share is around 1.5% in mobile service revenue. We don't expect a big impact of slowdown in handset sales. Due to our business model, our handset sales has a limited impact on EBITDA. And on the financials, Kaan will discuss it in detail, but I want to highlight that over the last few years, we have strengthened our balance sheet. We are in robust position to manage through the impacts of the COVID. We are managing our corporate customers in the high-risk sectors with a long-term approach.

Slide #5, digital adoption and long-term implications. Our Online İşlemler mobile application stands out in this period. Unique subscribers using the app increased by 2 million quarter-on-quarter to 19.8 million in Q1. The penetration of the app in the mobile segment is 73% as of March'20. Through our online channels, customers can easily carry out many transactions such as invoice payments, TL uploads, up-sells and application for new subscription. On broadband, share of consumer sales through online channels and call centers increased to 28% in April from 18% in February. Sales revenue through online channels increased by 73% year-on-year in March. We also had a significant increase in downloads of e-dergi and Tivibu Go in March.

I also would like to talk about long-term implications of this difficult times. The telecom sector has become more critical than ever. We will get back to offices and schools with the normalization. Yet, remote working, digital meetings, online education will increase their places in our lives irreversibly. In the new era, we expect our consumer segment customers to seek higher speed and capacity. We are well positioned for that. Digitalization of sales, customer care, network management and installation services will be our priority. We will speed up the integration of our online and physical channels to provide the best experience to our customers on wholistic channels.

Corporates will focus more on digitalization and we will provide solutions to support the digitalization of enterprises, including SMEs. With the removal of sharp line between work and home, we expect the importance of hybrid solutions, including cyber security, addressing consumer and corporate segments to increase. We are making preparations for both segments to provide suitable offers with our strong product portfolio, integrated structure and cyber security products.

Slide #6, financial performance. I will briefly discuss financials. Then Kaan will share the details. We started 2020 with strong performance. In the first quarter, our consolidated revenues increased by 17% to 6.3 billion TL with the support of fixed broadband segment. Excluding IFRIC, revenue growth was 13%. With strong revenue growth, consolidated EBITDA grew by 12% on a high comparable base to 3 billion TL with an EBITDA margin of 47%. Including IFRIC, EBITDA margin was 49%. Net income was 661 million TL compared to 310 million TL in Q1'19. CAPEX was 896 million TL.

Slide #7, fixed broadband performance. With increasing importance of physical isolation, our fixed broadband segment demonstrated a strong performance. Broadband subscriber base reached 11.6 million in Q1, with strong growth in fiber customers. Fiber had 231,000 net adds in this quarter. Total number of fiber subscribers exceeded 4.4

million, reaching 38% of the total broadband base with 5 percentage point increase year-on-year. With the strong growth in fiber and accelerated upsell performance, broadband ARPU increased by 14% year-on-year, the highest annual growth since 2011. Lastly, as of April, we renewed our customer acquisition campaigns to support upsells. With our new portfolio, we increased our entry speed level from 8Mbps megabytes to 12Mbps. This way we aim to serve our customers better and to enable a healthy ARPU growth.

Slide #8, mobile performance. Our mobile subscribers increased to 23.2 million with 253,000 net additions in the quarter. Blended ARPU increased by 6% year-on-year as the price increases we made early last year are now in the base. Moreover, the intense competition in mobile market in Q4 continued in the first quarter of the year. Our postpaid ratio reached 60%. We will continue to focus on increasing postpaid ratio and share of high-value segment in new acquisitions. We continue to connect our sites that would provide 5G service with fiber network. 45% of our LTE base stations are connected with fiber. With our investments, we continue to improve customer experience by increasing service quality.

Slide #9, mobile data. Data revenues now account for 61% of our mobile service. Share of LTE subscribers increased to 58% from 49% a year ago. Penetration of LTE compatible devices among our smartphone users is 91%. Our smartphone penetration is 80%, while data usage per LTE user increased to 8.2GB from 6.2GB a year ago.

Slide #10, fixed voice performance. The number of our fixed voice subscribers continued to increase with highest first quarter net add since the IPO. Strong net add resulted from increased demand on fixed broadband and lower churn.

And lastly, we are now on Slide 11 with our 2020 guidance. We are expecting consolidated revenue growth, excluding IFRIC, to be at 13%, EBITDA to be at 12.4 to 12.6 billion TL, and CAPEX to be at 6.4 billion TL. Our first quarter results are in line with our initial guidance. COVID outbreak led to uncertainties for the upcoming period. Start of the gradual normalization process in mid-May is positive for the mitigation of risks. Yet we prefer a cautious approach. With the support of being an integrated operator, the revision in revenue guidance is quite limited, reflecting the strong performance on the fixed side.

We expect our EBITDA to be 12.4 to 12.6 billion TL, higher than the initial guidance despite downward revision in revenue guidance. This reflects a more favorable product mix along with OPEX optimization. In this period, we have seen a high increase in fixed broadband demand within a short time, not only in big cities, but across all Turkey. We are happy to see the soundness of our strategy to invest in fiber transformation given their high returns. Capacity to provide high speed will be even more critical in the coming periods due to remote working and distance education model.

While continuing our FTTC transformation investments, we decided to advance some of our FTTH and FTTC investments. As such, we plan our CAPEX to be 6.4 billion TL in 2020.

Now I will hand the call to Kaan to discuss our financial performance. Thank you.

AKTAN K: Thank you very much. Good afternoon to you all. We are now on Slide 13, with our financials. The first quarter consolidated revenues recorded 16.6% year-on-year growth, reaching to 6.3 billion lira. When we exclude IFRIC 12, top line growth was at 13.4%. Fixed broadband segment was the main contributor growing at 19% year-over-year. Fixed broadband ARPU up by 14% on back of upselling and the positive impact of price increases carried out in first quarter of last year. Our contract term is 2 years on fixed broadband, and we still have the positive impact of the previous year price increases.

We also see an acceleration in broadband net adds, which will be even more visible on revenues starting from second quarter. Mobile revenues increased by 12% as the price increases in the first quarter of '19 are in the base, and the market is more competitive since the second half of last year. Moreover, in mobile, we see a slowdown in new acquisitions, partly due to mobility constraints and partly due to reduced tourism activity after COVID-19.

International revenues up by 37% on the back of higher volumes and partly due to FX impact. We see a similar impact on interconnection costs as well. Fixed voice revenues is flat year-over-year. On the EBITDA side, in the first quarter, our EBITDA increased to 3 billion lira, growing at 12% year-over-year despite a high base year impact. Our EBITDA margin in the first quarter of last year was kind of an outlier in comparison to whole year as some of the commercial and operational activities last year were skewed to the rest of the 2019. So, we have a high base impact in EBITDA in the first quarter.

Our EBITDA margin in this quarter was 47.2%. As an additional note, IFRIC 12 is an accounting item, which impacts both revenues and costs and has a normally dilutive impact on margins. Therefore, comparing the margins, excluding IFRIC impact, provides a better comparison on our underlying performance.

Operating expenses increased by 21% year-on-year. Excluding IFRIC 12 costs, the annual growth in operating expenses was 15.5%. When we analyze the OPEX components, key highlights are personnel expense increased by 17%, year-over-year. We expect the growth in personnel costs to be broadly in that range for the full year.

Interconnection costs increased by 21% year-on-year due to increase in Türk Telekom International volume and partly due to FX. Increase in the tax expense was 16% year-over-year, mostly due to higher frequency and treasury fees, which are mostly linked to mobile revenues. Network and technology expenses increased by 10% year-over-year. Commercial cost was up by 8% on a low base with increase in corporate communication activities mainly.

We contributed 40 million lira to the National Solidarity Campaign to aid those impacted by the pandemic. The one-off cost was recorded under other cost item.

CAPEX in the first quarter was just below 900 million lira, higher than last year with capacity increases in mobile and fiber transformation projects. We increased our Fiber homepass by 3.5 million in the last 12-month period, and we increased our focus on commercialization of our fiber network in 2020. In this quarter, net financial expense decreased to 870 million from 1.3 billion of last year despite the unfavorable FX environment with the support of decline in net FX exposure.

Meanwhile, profit before tax in the first quarter increased almost fourfold and reached to 834 million lira, thanks to strong operating profit and lower financial expenses. We reported 173 million lira tax expense in this quarter, which compares to 95 million lira tax income of the same quarter of last year, as there was a one-off deferred tax adjustment in that quarter. Net income was 661 million lira in this quarter compared to 310 million of last year. Strong operating performance and lower net FX exposure of the balance sheet more than offset the adverse impact of the depreciation in Turkish lira.

We are now moving to Slide 14 with our debt profile. Over the last few years, we have strengthened our balance sheet, reducing both leverage and FX exposure. This is now giving a very strong base when it comes to managing the impacts of the COVID pandemic. At the end of the first quarter, our net debt increased by 1% quarter-over-quarter to 16 billion lira, while unchanged quarter-over-quarter at 14.8 billion TL when we exclude IFRS 16, the additional borrowings on debt that came from the lease agreements. This performance is despite around 9% depreciation of lira during the quarter. Net debt, excluding IFRS 16 impact, declined to 2.27 billion US dollar equivalent, down by almost 600 million dollar from a year ago. We have now 1.38 times net debt to EBITDA, and this is also down from 1.41 times of the previous quarter. This is the lowest level since 2015.

The decrease is due to the deleveraging with strong cash flow and strong EBITDA growth. Additionally, this is among the lowest net debt-to-EBITDA ratio among global peers. We have a strong liquidity of 6.5 billion lira cash at the end of the quarter, and 76% of our cash is FX based. We are well diversified in terms of funding sources, and we are also increasing the share of TL based borrowing. The share of lira financing increased to 10% from almost zero of last year. Our cost of debt is 9.7%, down from 10.4% of previous quarter.

We are now on Slide 15. At the end of the quarter, the net FX exposure decreased to 225 million dollar compared to 370 million USD of last quarter. This is the lowest FX exposure since our IPO. Our FX exposure continued its downward trend in this quarter. We executed participating cross-currency swap transactions of 100 million dollar. With higher share of TL based funding and new hedges, our FX exposure declined to 225 million. The enablers here are 2 billion dollar equivalent of participating cross-currency swap position in total and FX-based cash of 760 million dollars. With the reduction in FX exposure, the sensitivity of net income to FX movement continued to decrease with 10% depreciation of lira having 344 million lira impact with March 2020 balance sheet, assuming all else stay constant.

Looking at our cash flow generation, our unlevered free cash flow generated in the last 12-month period was 6.5 billion lira, compared to 5.1 billion in the last 12 months of Q1 last year. This is made possible with strong EBITDA performance and improvement in net working capital. Only for Q1 2020, unlevered free cash flow was at level of 1.6 billion.

The management of our corporate customers in the high-risk sectors is among issues to be addressed during COVID-19, and we will approach this with a long-term win-win approach. We're managing the risks. We evaluate revisions of payment dates, line freezing and contract renewal requests on a case-by-case basis. Up to now such requests are not really sizable. Moreover, we have limited SME exposure on overall revenues. Share of SMEs is between 5% to 10% of our revenues. Corporate customers, including the SME segment has around 20% share in consolidated revenues.

Regarding guidance, we are now expecting consolidated revenue growth, excluding IFRIC 12, to be at 13% year-on-year, EBITDA to be at 12.4 to 12.6 billion levels. CAPEX will be at 6.4 billion. Our CEO has discussed the drivers of the guidance. Perhaps a few more words may be useful here. Despite slight downward revision in the revenue guidance and some incremental costs not initially planned such as protective equipment for our large field force and some FX impact, our EBITDA guidance is now higher. This is thanks to a favorable product mix, meaning strong growth on the fixed side and OPEX management, including commercial cost and the positive impact of remote working on HR-related costs.

Our CAPEX revision reflects the impacts of higher FX, along with our decision to advance FTTX investments. Lira depreciated by more than 15% since the start of the year, and around 50% of our CAPEX is in hard currency. In the previous years, we managed this kind of increase by reducing the investment volumes. Meanwhile considering the increasing demands for high-speed unlimited fixed broadband connectivity at homes, we decided to continue investing on projects with short return periods. Our strong cash flow generation enables us to drive further deleveraging down to around 1.1 times end of 2020, while we execute an accelerated CAPEX plan.

As final words, despite uncertainties with COVID, we believe that we are well positioned with our strong product portfolio, addressing the essential telecommunication needs. With the support of the positive momentum in fixed consumer segment we believe we will be more defensive compared to many other sectors. We will make our financial and operational planning for different scenarios during the COVID era. We also have the flexibility to further adjust our spendings, as we did it in many other instances in the past, if the normalization process regarding COVID turns out to be slower than what we incorporated in our estimates.

Now in order to start the Q&A session, I will hand over the call to the operator.

Q&A

OPERATOR: The first question comes from the line of Kim Ivan with Xtellus Capital. Please go ahead.

KIM I: Yes, hi. I have two questions, please. First question on the CAPEX guidance increase. So I was just wondering what proportion of the CAPEX guidance increases the acceleration of fiber investment and what is FX? And how many incremental FTTH and FTTB homepasses are planned to add in 2020? And maybe it would be helpful if you can compare that with the initial plan.

And then the second question is on the mobile service revenue growth. So I was just wondering if you could provide some color like top down why your mobile service revenue growth lags behind that of Turkcell. Thank you.

AKTAN K: In terms of the FX impact, to be honest, we've been able to mostly offset maybe not the whole impact, but mostly offset the FX by changing the prioritization of the spending. When you look at the additional plans around the faster FTTX rollout, there should be around 1 million new homepasses which will include FTTC conversions as well as getting closer to the customer by extending the fiber to building and to the homes. So I should also remind you that last year number, with our last year's full year 2019 number, we almost increased the fiber homepass by around 3 million homepasses. So that 1 million would come as an addition to that number. And as of the year-end, there should be close to 4 million new homepasses that will be using different fiber technologies.

CULLAS G: Can you repeat the question on mobile service revenues, please.

KIM I: Yes, of course. I was just wondering what are your general thoughts on why Türk Telekom's mobile service revenue growth lags behind that of Turkcell because Turkcell is growing in the first quarter about 18% on the mobile service revenue side and you're growing like low teens? Thank you.

AKTAN K: Well, when we look at the Turkcell performance, yes, there was a significant increase, especially in the third and fourth quarter of last year. And there was also a very strong competition that started in the last quarter of last year. So that's also impacting our mobile business. So especially the market for new customers is extremely competitive, and it didn't change since then. And also the mobility of our customers is very much now limited due to the pandemic, and this is also reflected to our net additions. And that's another point why we have a rather slower revenue increase. And I should also remind you that we had a very high base impact coming from last year.

KIM I: Sure. Thank you.

OPERATOR: The next question comes from the line of Davids JP with JP Morgan. Please go ahead.

DAVIDS JP: Hi, thank you for the opportunity. Two questions from my side. First one is just on your participating cross-currency swaps. I was just hoping if you could provide a little bit of color on if there's specific lira levels at which they become less effective. So if there's sort of corridors in which they become less effective, what those rates might be? And then as a separate question, just hoping you could provide a little bit of an update on the 2019 dividend, which was going to be a 50% payout in light of the 25% cap on dividends. Might that be extended beyond September, the payout? Thank you.

AKTAN K: Currently, with the current FX rates, we are in full protection in terms of when you consider lower and higher limits of the participating swap deals. And the weakening starts, I mean some of the contracts are getting beyond limits starting from 7.5. But these are rather the contracts that we signed in the older days, like 2017, 2019. Most of the transactions happened during the last two years, and they have rather higher limits in terms of protection.

ÖNAL U: I will try to reply related to your dividend question. As you know, our Board of Directors proposed to pay 50% of the distributable net income, and it was supposed to be decided by the General Assembly Meeting to be made in March. As of now, we don't have a different resolution taken by the Board, and we are not in a different position as well, other than the 50% payout ratio. However, there's a new regulation, which is also binding for us, stipulating companies can decide to pay maximum 25% of their net income until 30th of September 2020. In the coming days, we will be seeing what will happen in line with the decision taken by our Board of Directors and the related notification.

DAVIDS JP: Thank you very much for the color.

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

CABEJŠEK O: Hi, thank you. I've got two follow-up questions on your CAPEX increase, please. So first of all, if you could just remind us a bit where you are today or where you stand today in terms of the co-investments that you used to talk about a lot and initially piloted with Vodafone in relation to fiber? That's one question. And then the second question, if you could also comment a bit on whether there any expected or foreseen regulatory changes, for example, the wholesale obligation and fiber to the home, if any impact they had on the decision to sort of ramp up the fiber CAPEX this year? Thank you.

AKTAN K: Yes. I think the first question refers to the infrastructure sharing efforts. I think we are still where we were a year ago. So Türk Telekom, with its extensive network is ready to accommodate any offers coming from the other operators in order to create a better use of its network. And the rules of that engagement is what's clearly defined in the protocol that we signed with major operators in Turkey back in 2018. So we still keep the same stand with regard to any type of sharing. But of course, there are a lot of regulatory and legal constraints around it. But I think the protocol was providing a workable solution, which was also proven the case because we had a pilot executed with Vodafone last year and the investment has been completed, and the infrastructure is up and running right now. So if there are new offers coming to Türk Telekom, we will evaluate within the limits of that protocol.

And in terms of the regulative environment, well, there was a definition of the market for fixed broadband. And other than that...but it has been announced a few months ago. And apart from that, we don't see any changes coming from the regulator, especially considering the difficult environment as a result of pandemic. So we also see that in some other regulatory decisions the regulatory body tend to extend the execution date further in order to give time to the operators in order to adjust to the new environment.

CABEJŠEK O: Thank you. If I may follow-up on the first question, both you and Turkcell have been speaking about in the past or have mentioned several times that the benefit from co-investing in sharing networks has pretty large potential, a couple of percentage points of CAPEX to sales efficiency. So I'm just wondering, given you finished the pilot, clearly, that is a functioning network now, what sort of prevents the players moving forward with more sharing at this stage?

AKTAN K: I think that's rather a question to the other operators because since we have a workable solution, which was provided...and by the way, apart from sharing the duct, so everything else is already regulated. So all kind of services can be acquired from Türk Telekom by other ISPs and operators. So the only remaining part was the duct sharing. And there is also a regulation around duct sharing and the conditions of the protocol that we offered and agreed with the operators provide better terms compared to regulatory solutions. And as I mentioned, we'll be ready to accommodate any further demand from the operators. But, I think it's a question for them.

CABEJŠEK O: Alright, thank you very much.

OPERATOR: The next question comes from the line of Drouet Herve with HSBC. Please go ahead.

DROUET H: Yes, good afternoon. Thank you taking for taking my question. First one is on the CAPEX increase, you are flagging, especially for the FTTX rollout, do you believe all of that will be reached, so those additional 4 million by the end of the year? Or do you think that could be delayed and the part of the CAPEX being transferred to 2021 potentially with some of with the pandemic effect potentially where you have may slow down potentially the rollout? The second question is, have you set already a date for the AGM and probably, I guess, after September, but has a date been set? And thirdly, maybe a question maybe on are you currently in any discussion with your renewal of license, especially for fixed? Thank you.

AKTAN K: Well, can you repeat the first question? There was disruption in the line, and we couldn't hear it clearly.

DROUET H: On CAPEX, could there be some potential delay due to health measures to mitigate the spread, for instance, of the virus that may slowdown expected rollouts and increase of rollout of FTTH or FTTX.

AKTAN K: Well, so far, since we continue our operations in the field, both for connecting customers to the network and also laying new infrastructure. We didn't have anything that will keep us or that will create issues to get to the number of homepasses that we incorporate in our guidance. And that includes also the procurement part because we already had orders placed. And so far, we didn't see any obstacles to get to the required number of cabinets and equipments. But if conditions change, of course, we will definitely flag this out.

And what we saw another critical point, what we experienced during that time starting from mid-March to today, we definitely get support of the central and local government, so that we can create mobility for our teams and for our construction firms in order to continue their operations for the obvious reason because this is a very critical service right now.

AGM date is not defined yet. So we expect some further clarity, especially around the dividend payment you know conditions, once this is resolved and there is agreement in the Board, we will definitely announce the new date for the AGM. Was that the whole thing? Did I answer all the questions?

DROUET H: Well, yes. So there was one yes, for the CAPEX, I think it's clear you don't anticipate. For the AGM, you think then that would be later, but you are quite optimistic that, that will happen and you will have more visibility on it. And the last question I had was, are you in discussion for the renewal of the license of the fixed line license, or more clarity about the extension of the fixed line license?

ÖNAL U: I will repeat my previous answer for your question. Even though this license subject is mostly discussed on Türk Telekom, but this is a reality of all operators in Turkey equally. We have Turkcell's and Vodafone's 2G license ahead before our fixed concession. And first, we want to see what the regulatory authority's strategy and methods will be about this issue. It's not possible to give any clarifications about Türk Telekom's or other operators license or concessions from today. I think we will have to wait a bit more.

DROUET H: Thank you very much. Alright, thank you very much.

OPERATOR: The next question comes from the line of Mandaci Ece with Unlu. Please go ahead.

MANDACI E: Hi, thank you very much for the presentation. I have a couple of questions as well. My first question is about the ARPU growth trend in fixed broadband in April. You have also pointed out that there was a reshuffling in your packages with the change in the split level of the entry package. And I think there were some price cuts in the upper speed packages. So, could you please elaborate on the net effect of these? Or do you observe a higher ARPU growth trend for April and for May as well?

And the second question is also a bit related to the upselling efforts. Previously, I didn't notice that you have mentioned about the share of limited tariffs. Do you still observe a transition from limited to unlimited? Does that limited tariffs have an important share still under all fixed broadband subscriber portfolio?

And thirdly, I have a follow-up as well on CAPEX guidance. For 2020, based on your guidance, you're expecting around 25% CAPEX over sales. For 2021, should we expect a lower CAPEX over sales? Or the same level would be maintained? Thank you.

ARI Y: For your first question regarding to fixed broadband sales and ARPU growth. At the beginning of April, we have changed our portfolio to increase our sales for high-speed customers. As a result, we have observed an increasing in average revenue per acquisition by 10% compared to January. And our upsell offers are continued. As a result, you can see a significant increase in ARPU levels.

AKTAN K: Regarding the CAPEX part, so it's really a bit early to give any direction or guidance for 2021. I think we should expect to see the execution around our plan for this year until at least end of third quarter. And then you may have a better view on 2021.

MANDACI E: And about the percentage of limited tariffs. Would you like to give any information on that front?

ARI Y: Our limited package ratio is around 14% now. But as a result, thanks to pandemic, the ratios are decreasing because our upsell efforts increased. And switch of limited customers to unlimited increased by 24%. So in short-term, we will observe decrease in limited customer ratio.

CULLAS G: Adding to that, we also have some previous fair usage quota customers and penetration campaign customers. Therefore, incorporating all that, we have like 50% of our customer base, which we can upsell to unlimited packages.

MANDACI E: Okay. Thank you.

OPERATOR: We have a question from the line of Ibragimova Dilya with Citi. Please go ahead.

IBRAGIMOVA D: Hi, thanks very much for the presentation. I had a couple of questions, please. First is on the investment as well. But you mentioned in the release that you're seeing opportunity for fast return. I was just wondering if you could give us a bit insight or color what is the payback period on the investments that you plan to make this year on operating or extending fiber coverage and bringing fiber closer to the home?

And the second question is on mobile. What is your outlook for this year? I understand that the focus now shifts into fixed because demand is so healthy. But does that mean that you are scaling down investments and competitive...maybe responding to competition in mobile, at least this year? If you could give some color, that would be great. Thanks.

AKTAN K: Well, since we are investing across the country, there are hundreds of different projects. But in average, I can give the payback period as like two to three years' time. So anything that falls into that category is very much acceptable by us. There are two factors. One is we have a rather lower cost of investment for each new homepass because we already have a very extensive network and the incremental investment that is required is comparatively lower than any other operator. That's one factor that gives us shorter payback periods. And since it's also reflected into our guidance, we would like to really turn this to an opportunity at the same time, provide the capacity and access that is very much needed in this difficult times.

For the mobile, obviously, the behavior of the other two operators is quite critical or it's very much defining the outcome of the coming months. So, so far, the competition already, there are challenges, especially in the market in terms of limited access, limited use of our physical channels. We still see a very competitive you know environment in terms of the pricing and the value provided by the operators. Obviously, we should also look at it and expect to see how they will manage the coming periods in terms of you know providing more rational offers you know to the customers. But all in all, the company normally is very much used to acquire customers every year, create net add every year. Turn this into a market share gain every year. The only factor that's not under our control is really how long we will live with the pandemic situation. So, use of channel seems to be critical for mobile acquisition performance. But we still hope to see a positive net add for the full year. And a double-digit or high single digit to low double digit ARPU growth but these are the expectations, which will be mostly defined by the competitive environment that we cannot control right now.

IBRAGIMOVA D: That is very helpful. Thank you very much.

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.

CULLAS G: Thanks for joining the call. Have a good day.