

# HLTOY Earnings Call Transcript

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**Quarter: 3**

Operator: Ladies and gentlemen, thank you for standing by. I am Gellie, Chorus Call operator. Welcome, and thank you for joining the OTE conference call and live webcast to present and discuss the third quarter and 9 months 2025 financial results. [Operator Instructions] The conference is being recorded. [Operator Instructions] At this time, I would like to turn the conference over to Mr. Kostas Nebis, CEO of OTE Group; Mr. Babis Mazarakis, Chief Financial Officer; and Mr. Panayiotis Gabrielides, Chief Marketing Officer, Consumer segment, OTE Group. Mr. Nebis, you may proceed.

Kostas Nebis: Thank you, and good morning or good afternoon, everyone, and thank you for joining us today to review our third quarter results. I would like to start with our recent exit from the Romanian market. We are very pleased to have successfully completed a key milestone that will lead to a substantial improvement in our annual cash flow and enhance shareholder value. In line with our commitment, we have adjusted our shareholder remuneration following the completion of this transaction by distributing an extraordinary dividend. Before reviewing the quarterly performance, I would also like to highlight a recent agreement to expand the ultrafast broadband coverage in the remaining lots of rural and semirural areas across Greece through a subsidized projects covering a further 480,000 homes and businesses. This will further solidify our leadership in the market by connecting even more people to fiber speed networks. This initiative underscores OTE's commitment to providing to as many households and businesses as possible, the fastest, broadest and most reliable gigabit connectivity services, driving Greece digitization and transformation going forward. Turning to our quarterly performance now. I would like to stress above all the acceleration of the recovery in our fixed retail service revenues that is supporting our overall growth in both revenues and profitability. The performance of our fixed retail services is accelerating, building on last quarter's momentum. This growth was driven by the increasing adoption of FTTH services, supported by the growing demand, voucher initiatives and our expanding network availability. We continue to lead with Greece's largest fiber network and further enhance our offerings to the customer premises. Our FTTH footprint is growing significantly, enabling more connections as we continue to record strong customer additions. The newly adopted regulatory framework for stop selling FTTC in FTTH already connected buildings will further boost the transition to fiber connection, further accelerating the monetization of our fiber network investments and offer improved services to the end users. At the same time, our fixed wireless access solution powered by 5G stand-alone technology is gaining significant traction, effectively bridging Gigabit connectivity gaps, contributing to positive broadband net adds in a traditionally weak performing quarter. In our TV segment, we are seeing the positive impact of strengthened antipiracy measures and anticipate additional support from the abolition of the special tax at the beginning of next year, making our Pay-TV propositions even more affordable to the end users. Our TV business continues its robust growth and strong customer acquisitions. Building on our leading FTTH network, rising fixed wireless access adoption and strong TV performance, we remain focused on enhancing customer value. In line with this, we have deepened our convergent services strategy by partnering up with one of the major energy providers to enhance further the value offered to our retail customers. In the Mobile segment, we continue our strong growth driven by our network leadership and attractive commercial offerings. The successful transition from prepaid to postpaid plans, the optimization of our prepaid portfolio and the increasing adoption of larger bundles and 5G devices penetration, altogether

contribute to our solid performance. The recent CPI adjustments, which were mild after many years of experiencing much higher inflationary pressures on our cost drivers were combined with additional customer benefits and we contribute to some extent in our future growth. We remain at the forefront of the market as the operator of Greece's only commercially available 5G stand-alone network, and the reliability and resilience of our network continue to reinforce our long-term trajectory. We have also recently introduced the Magenta AI portfolio services, aiming to democratize AI access in the Greek market. By integrating the power of AI, we are delivering great value, further strengthening our commitment to innovation and customer satisfaction, partnering up with a number of global leaders in AI innovation, leveraging the partnerships of the Telekom Group. Our ICT business continued its strong momentum with another quarter of double-digit growth, highlighting our pivot at role in advancing the digitization of diverse sectors, supporting the digital transformation and businesses and the public sector organizations across Greece. To highlight, our recent contribution with advanced digital services and innovative educational tools in the educational sector, bringing all stakeholders closer to the gigabit society. In addition, our international ICT business is also growing, including projects for several European agencies. We remain focused on our operating and production model transformation, aiming to build a digital-first organization by actively deploying digital and AI tools. We have already enhanced areas like predictive network maintenance and customer care with AI role in customer interactions steadily growing, boosting efficiencies and delivering further value. Before finishing this review, I would also like to briefly mention that we have undertaken the initiative to provide free of charge high-speed connections to around 600 schools in remote areas of Greece, leveraging our FWA technology, opening up access to the digital world and offering equal opportunities to digitization for all students in Greece. Our strong performance relies on our strategic directions. The strength of our integrated services portfolio provides tangible benefits and helps us confidently navigate competitive challenges while driving our future growth ambitions. Looking ahead, we remain confident in our ability to lead the market, capitalize on new opportunities and consistently deliver on our commitments to our shareholders, customers and partners. Babis, on to you.

Charalampos Mazarakis: Thank you, Kostas, and welcome to everyone on the call from me as well. As Kostas already pointed out, the completion of our exit from the Romanian market marks a significant milestone. From a financial perspective, this transaction strengthens our free cash flow on a sustainable base. We have adjusted our shareholder remuneration and will proceed with an extraordinary dividend distribution of around EUR 40 million or EUR 0.10 per share in the next month. Now turning to our quarterly figures. In Greece, we achieved a robust 5% increase in revenue, reflecting continued strength across our Mobile, TV, broadband and ICT segments, which more than offset the expected headwinds in areas such as national wholesale. EBITDA rose by 2%, keeping us firmly on track for our full year objectives. Retail fixed service revenues accelerated the growth this quarter to 1.3%. Our TV segment delivered another strong quarter with revenues increasing by nearly 17%, maintaining a solid double-digit growth trajectory. Our customer base expanded by 6.7%, almost matching the net additions reported in the same period last year despite this being the second year of our content sharing agreements. While we expect the anniversary effect from last year's Q4 price adjustments to impact year-on-year growth comparisons, our outlook for this segment remains positive. The adoption of antipiracy legislation this year, together with the removal of the 10% special tax on Pay-TV, which will be effective January 1, 2026 are paving the way to further encourage the take-up of legitimate platforms and reinforce our strong position in the market. Our broadband segment delivered a strong performance this quarter, achieving positive net customer additions despite the third quarter typically being seasonally the softer. We recorded [ 1,800 net profit additions ], driven primarily by the momentum in our fixed wireless access, FWA offering, which now serves 33,000 subscribers. Turning to our FTTH services. There, we delivered another strong quarter, recording 38,000 net additions and bringing our total FTTH customer to 509,000. Our retail FTTH customers now represent 22% of our total broadband base, up from 15% in the same period last year. This robust growth, coupled with sustained wholesale demand of our infrastructure is driving increased network utilization and monetization. Utilization level has risen to 33%, reflecting both the ongoing demand for our FTTH network and the strength of our wholesale partnerships. In addition, under the new regulation in place, we have now started to stop offering non-FTTH services in buildings already connected with FTTH.

This change serves as a key driver for customer upgrades and accelerate the transition to fiber to the home products. Now turning to our mobile operations. Their service revenues increased by 2.7%, sustaining the solid momentum. Our postpaid maintains its strong growth trajectory with the customer base expanded by 6.4%, primarily driven by ongoing pre-to-post migrations. Starting from December this year, we will implement a CPI-linked increase in monthly fees for our mobile customers. The adjustment is modest, 2.6%, averaging less than EUR 0.5 and will apply to roughly 2 million postpaid customers and will support the continued growth of mobile service revenues in the coming quarters. Our network leadership continues to serve as a key competitive differentiation. 5G coverage now exceeds 99% of the population while 5G+ coverage has expanded to more than 75%. Data usage maintains its strong upward trajectory, with average monthly consumption per user reaching 20.5 gigabytes per month, representing a 29% year-over-year increase. In our wholesale segment, revenues increased by 4.2% in the quarter, but that was primarily driven by higher volumes in the low margin international traffic, which helped offset in revenue terms only the decline in national wholesale revenues. Here, I would like to say that the international wholesale contributed approximately EUR 81 million in the quarter. However, we expect this revenue stream, international wholesale revenues, of course, to decline in the coming quarters as certain activities will be phased out. Specifically, we anticipate that approximately EUR 150 million in revenues will be removed from our records in the fourth -- at the end of the fourth quarter of this year and the small amount impacting the first quarter of 2026. The termination of certain agreements where OTE acts as transit carrier will have minimal, if [indiscernible] impact on profitability. Our national wholesale agreements on the other hand, continued to deliver solid volumes with 31,000 lines added to our network in the third quarter and 93,000 net additions year-to-date. On the other revenue streams, our system solution businesses via core of our ICT segment continued its robust growth, delivering almost 38% increase in the quarter. This strong performance builds on the momentum established in previous periods, and we anticipate this positive trend will persist throughout the remaining of this year. The solid results in ICT helped to partially mitigate the decline in handset revenues, which decreased by 15%, primarily due to phase out of certain 0 margin activities there as well. Total operating expenses, excluding depreciation, amortization and one-off items increased by EUR 34.3 million in the quarter, broadly in line with our revenue growth. The increase was mainly primarily attributable to higher costs directly associated with top line expansion, particularly increased third-party fees within our operating expenses, which reflect the strong momentum in our ICT segment, as we discussed before. Additionally, we continue to incur certain operating expenses related to the growing adoption of fiber to the home, notably associated with the final phase of the connection of the customer. We remain, of course, firmly committed to cost discipline across all other several areas with continued savings most evident in personnel expenses, supported by the ongoing benefits from our [ X programs. ] As a result, adjusted EBITDA after leases increased by 2% in the quarter, maintaining the same positive trend as in the previous quarter. Our EBITDA margin reached 41%, representing a decrease of 120 basis points year-over-year, primarily reflecting a higher proportion of lower margin revenue streams. Overall, as we now approach the year-end, our performance reinforces our confidence in achieving our full year EBITDA target and guidance. Now let's take a look at the CapEx and cash flow. First of all, CapEx was up 8.2% in the first 9 months, reaching EUR 437 million, largely reflecting continued rollout of fiber to the home and the expansion of our fixed wireless access infrastructure. Our full year CapEx guidance now stands at approximately EUR 600 million after stripping off the Romanian business. I would like to clarify that the acquisition of the [ repeat ] concession will not alter our CapEx guidance. We now anticipate that we will be covering nearly 3.5 million homes by 2030 as we continue our fiber to home rollout for a couple of more years and therefore, maintain the current levels of approximately EUR 600 million CapEx per annum. Finally, free cash flow after leasing from continuing operations reached EUR 108 million in the quarter, up from EUR 100 million in the same period last year. The improvement was mainly driven by the higher EBITDA in the quarter. Income tax outflows and the working capital figures have been affected by different set limits amounts between these lines related to payments and receivables from the public sector. Today, we updated our guidance for free cash flow to EUR 530 million, up from EUR 460 million due to the disposal of the Romanian business. The revised guidance now reflects exclusively our Greek operations. At this point, we conclude the presentation. And operator, we're now

available to provide any further clarification.

Operator: [Operator Instructions] The first question is from the line of [indiscernible] Andreas with EuroBank Equities.

Unknown Analyst: I have 3 questions from my side. The first question is regarding your updated guidance of free cash flow. You're currently guiding of free cash flow of EUR 530 million for 2025, which seems to be the new basis for your recurring Greek free cash flow generation. Could you tell us what is the read-through for the free cash flow from your recent agreement to acquire TERNA FIBER as you maybe have already mentioned that, that there will be no negative implications from this transaction. This is my first question. My second question, which is also related to the free cash flow is regarding your usage of EUR 120 million cash tax savings related to the Romanian disposal, particularly to the extent to which this will be used to enhance -- this will be used to enhance your cash return or as a firepower for spectrum in 2027? And my last 1 is on mobile. Lately, market participants have been rolling out inflation-linked adjustments to mobile contracts, which on our understanding, marks the first coordinating pricing move since 2022. Could you comment on that and then the magnitude of the pricing and whether this has been consistent across all the operators? Thank you very much.

Charalampos Mazarakis: For the questions. And let's start with the updated guidance. As it was clear, and you pointed out, this EUR 530 million, reflecting the organic, let's say, delivery of the Greek operations for this year. So regarding your question about what is the recurring base, this is the starting of this year, of course. To the extent that we expand the business in next year, this organic is also expected to enhance in the coming years. Regarding the TERNA FIBER, there are 2 things there. The CapEx and the acquisition of this company. As we already guided, there is no impact in the cash flow from these acquisitions since it has been done in a symbolic amount. And regarding the CapEx, I have to say that the CapEx envelope, as we alluded to, is not going to increase versus what we have communicated also in the past that this will be the EUR 600 million we guided approximately is the flow -- is the ceiling actually for the coming years, including also the UFBB rollout, which will be rolled out for the next 3 years. And there is also an internal reshuffling of funds from other activities [ that one ] without, of course, impacting the strategic rollout to accommodate all of our infrastructure investment. On the free cash flow regarding the tax break, the tax benefit of selling the Romanian business will be positive the cash item for 2026. And as I think also you mentioned, part of it or all of it or to the extent that this is required, we found the upcoming spectrum auctions, for which the timing is not exactly clear yet and the process is not open yet. So the organic cash flow would continue to be part of our shareholder remuneration. And the cash item being one-off items, I think it's wise in order to maintain a smooth trajectory of our operational, let's say organic shareholder remuneration to match any other one-off hit that we may have, which in this case is the spectrum.

Kostas Nebis: Yes. As far as your question around mobile, first of all, I'm not sure I understood what you mean by coordinated. But anyway, I would only comment on what we have actually done recently or announced to do recently. Just to give you a bit of historical information, we have started updating our contracts about 2 years ago, providing for this indexation clause. This is the practice that we see in quite a lot of European countries. So after having updated all our contracts and renewed our customers, we decided to apply the indexation clause, which is as per last year's inflation. This is the 2.6% that Babis also referred to. This is what we announced for our customers. We try to do it as fairly as possible by providing extra value to our customers. It is true that we have suffered out of inflationary cost pressure for a number of years, have adjusted nothing. And now we are doing that -- we are talking about less than EUR 1, which is going to be backed up with extra value to our customers, gigabytes in order to make it as smooth as possible. And this is it.

Unknown Analyst: Okay. My question is regarding if this inflation-linked adjustments has been followed and also from other operators. And if there are changes to these adjustments between the operators, differences, I mean.

Charalampos Mazarakis: I cannot -- I do not know whether [ we have had any recent changes, ] to be honest with you. [ This is not something that I have picked up ].

Operator: The next question is from the line of Kaparis Efstathios with Axia Ventures.

Efstathios Kaparis: Congrats on a solid quarter. I've got 2 questions, if I may. So the higher amortization this quarter, what does it relate to? Is it a one-off? Or will it continue in the following quarters? And also

on the FTTH rollout. Traditionally, Q4 is a stronger rollout quarter. Would we potentially exceed the 2.1 million target by the end of the year? Do you see an acceleration as you build up know-how on the rollout?

Kostas Nebis: Let me start with the question about the FTTH rollout. The answer is no. We do not expect to close the 2.1 million household. That was target since the beginning of the year. So we are more or less running in line with the plan. What we see being accelerated is the customer take-up. And this was the result to a certain extent or to a great extent, I would say, of the new regulation that allows us to stop selling FTTC in FTTH connected buildings. We have seen, first of all, a very strong quarter, which normally the summer months are not performing extremely well as most of the people are taking their summer holidays. We saw a more or less similar quarter in terms of net ads during Q3. And on top of that, what we have seen is a record high net add in both October, but also the pace of November is following the same logic. So what we can confirm is an acceleration in the FTTH net ads. And yes, landing as far as the FTTH rollout is concerned, more or less spot on the 2.1 million households that we're aiming for.

Charalampos Mazarakis: Also regarding the depreciation and amortization, this is seasonalization of Q3. As you may have seen, the D&A; at the end of the 9 months year-to-date is flat versus a year ago.

Operator: The next question is from the line of Rakicevic Sofija with Goldman Sachs.

Sofija Rakicevic: So I would just follow up on a question on mobile. When it comes to CPI linkage, I'm just wondering if you have quantified the benefits from it on the top line growth over the next year or 2. And did you say earlier that this will also include some other services as well. I just wanted to check on that. And do you think that mobile could continue to grow in the range of like 2% to 2.5% into 2026? And my second question is on TERNAC acquisition. So you have clarified the expected CapEx spend, but I was wondering if you can comment on the rationale of this acquisition. And also, what is the demand for fiber in those areas actually look like? And yes, the last question is how likely in your view is that the new entrants will manage to bundle telecom services with its energy offering.

Kostas Nebis: Okay. Let me start with the first question on mobile. First of all, just to say the record straight, mobile has been growing by these levels of 2.5% to 3% for quite some quarters now. The delivery behind -- the levers behind the mobile growth are more than just the CPI. So we have been moving customers, prepaid customers to postpaid. We still have slightly less than 60% of our base on prepaid tariffs moving into higher value postpaid tariffs. This is the biggest driver of our portfolio growth. The second thing is we still have a lot of customers who are not in unlimited mobile data by shifting them to buy more for more initiatives. This is also fueling our growth. The CPI is just a small on top that will contribute to a certain extent, I would say, a small extent into our total growth trajectory going forward. So yes, we expect to see similar trends in the coming months and moving into 2026. But predominantly on the back of pre to post and more for more postpaid customer development. With regards to the effect of the CPI, I think that Babis has already indicated, we are talking about something less than EUR 0.5 -- slightly less than EUR 0.5 and we are talking about 2 million customers. I would like to repeat for 1 more time that this less than EUR 0.5 price adjustment comes with extra gigabytes in order to make it fair towards our customers. Now going to your question about UFBB. I think it is important to highlight the strategic rationale of this initiative. We are talking about roughly 0.5 million households in semi-rural and rural parts of the country in the networks where we have the lion's share of market share, I mean, this is standard for all incumbents. And we also have -- we are also serving 100% out of our copper -- our wholesale customers, meaning both Vodafone and Nova. So there is a lot of value generated out of these networks. We estimated at around EUR 100 million. So us being in a position to preserve this value, first of all. And second, I'll present also a big part of it as a margin as we will not be [ buying ] from someone else, makes this investment a very, very important one. On top of that, what we expect is that since we will be moving customers from copper to fiber space, we will be in a position to also generate some ARPU upside out of this customer migration. And at the end of the day, adding up this nearly 0.5 million to be already committed the FTTH plan, we will end up at 3.5 million households in total at the end of our FTTH rollout plan, which is slightly more than 70% of the country. Now, I mean, on your last question, I mean, I cannot comment about what our competitors intend to do. I mean, this is something that you should be asking them.

Operator: The next question is from the line of [ Colas Vasilis ] with [ Padala ] Securities.

Unknown Analyst: I have 1 question about group's growth. The growth in adjusted EBITDA after leases has ticked to 2% while EU peers are running with growth rates above 4%. When do you think the growth will be higher following the government initiatives for accelerated FTTH takeup and stronger contribution from TV and Mobile as well?

Kostas Nebis: Thanks for the question. We are also anxious to see this 2% stepping higher. I mean, just to remind everybody that we have to reflect a bit on the history. So we started off in 2023, we started off 2023, we landed at 1.2%. EBITDA growth, which moved up to 1.6% in 2024. Now we are just about to close the 2%, and we have provided an outlook of 2%. I mean, to be honest with you, looking into the underlying trends across a number of different fronts, both fixed and mobile as well as ICT, including Pay-TV, for sure, this is making us more optimistic looking into the future and in particular, looking into 2026.

Operator: The next question is from the line of Karidis John with Deutsche Bank.

John Karidis: I have 2 questions, please. So first of all, the experience across Europe is that when a late entrant comes in with very aggressive prices, it's sort of the second and the third players that blink first. And because they blink, they sort of rope incumbent into a bad situation. So I'd be very grateful if you could explain or share with us how you see the level of competition, particularly from the likes of Nova and Vodafone and how they're reacting to PPC. I note what you said about us asking them, but I just sort of wonder from your perspective, do you feel that these guys are close to sort of blinking? And then secondly, I'm aware that of the 2 other operators that have been around for quite some time, one of them is not rolling out FTTH fast enough. Unfortunately, that's in areas -- sort of key areas where you have quite a lot of customers. And I just sort of wonder at what point do you sort of act in order to save these customers from going elsewhere given that you can't actually migrate them to FTTH as part of the collective wholesale agreement you have with Nova and Vodafone?

Kostas Nebis: Thanks for the question, John. First of all, the fact that we have a couple of technologies available, both FTTH, including our infrastructure as well as our wholesale partner infrastructure, but also fixed wireless access is giving us optionality and what we are going to do is to make the most of both technologies in order to accommodate our customers' needs. This is on the second part of your question. So the first part of your question, I mean, I think that I have already presented our strategy. We are pursuing an FMC strategy. So we are trying to provide extra value to our customers by combining a number of different services as compared to just having 1 broadband-only product. This is what is holding us extremely strongly in the market, defending our base but also growing value. We are providing fixed voice, broadband, Pay-TV services on top of that mobile. We have also introduced an extra element through our partnership with [ Metlen ]. We are also providing extra value through a number of different verticals, be it on the delivery, be it on the insurance. So we feel that we have a very compelling proposition that is keeping our customers satisfied, providing a lot of value, hence, being in a position to defend our customer base, but also you can tell from our performance, our momentum going forward. This is what differentiates us in the market has been differentiating us for quite some time now, and we are trying to further strengthen that going forward.

John Karidis: I don't know, if I may, sort of follow-ups, if you want to comment at all, but a bunch of clients are simply sort of taking the retail price of the latest entrant and adding it in the retail prices of our Mobile and Pay-TV and they're still coming out with some that's less than the bundle that COSMOTE offers, and that's sort of a cause of concern for them. And then the second thing is, I just sort of wonder, I think regarding my second question, do you feel that you can -- FWA is a good enough alternative in the middle of Athens, potentially sort of where the parliament is and the customers that you have around there. I mean, FWA is good enough for that, too, you think?

Kostas Nebis: FWA for us, it's more of a bridge technology. So it is used in order for us to buy time until we manage to roll out FTTH or either us or a wholesale partners. This is how we have been using it. And based on what we have seen so far, I mean, we have more than 40,000 customers on fixed wireless access in less than a year's time, with very impressive NPS, these customers are very happy. So if it works well as a bridging technology, I'm not recommending a fixed wireless access to be used instead of FTTH. But it is helping us to bridge the timing gap until FTTH is available either in our networks or in other networks that our wholesale partners will be building.

Operator: [Operator Instructions] Ladies and gentlemen, there are no further questions at this time. I will now turn the conference over to management for any closing comments. Thank you.

Kostas Nebis: Thanks a lot for your attention, your questions and your interest in OTE, and we are looking forward to our next discussion, which is in February for our fourth quarter as well as the full year results. Until then, have a nice day.

Operator: Ladies and gentlemen, the conference has now concluded, and you may disconnect your telephone. Thank you for calling, and have a good evening.