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Q4 2019 Tele2 AB Earnings Call

EVENT DATE/TIME: FEBRUARY 03, 2020 / 9:00AM GMT

CORPORATE PARTICIPANTS

Anders Nilsson *Tele2 AB (publ) - President & CEO*
Mikael Larsson *Tele2 AB (publ) - Executive VP & Group CFO*
Samuel Skott *Tele2 AB (publ) - EVP of Sweden Consumer*

CONFERENCE CALL PARTICIPANTS

Abhilash Mohapatra *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*
Andrew J. Lee *Goldman Sachs Group Inc., Research Division - Equity Analyst*
Henrik Herbst *Crédit Suisse AG, Research Division - Research Analyst*
Johanna Ahlqvist *SEB, Research Division - Analyst*
Lena Osterberg *Carnegie Investment Bank AB, Research Division - Head of Research of Sweden, Head of Technology Hardware & Equipment and Financial Analyst*
Mandeep Singh *Redburn (Europe) Limited, Research Division - TMT Specialist Sales*
Maurice Graham Patrick *Barclays Bank PLC, Research Division - MD*
Nick Lyall *Societe Generale Cross Asset Research - Equity Analyst*
Peter-Kurt Nielsen *ABG Sundal Collier Holding ASA, Research Division - Lead Analyst*
Roman Arbuzov *JP Morgan Chase & Co, Research Division - Analyst*
Siyi He *Citigroup Inc, Research Division - VP*
Stefan Gauffin *DNB Markets, Research Division - Analyst*
Terence Mun-Sion Tsui *Morgan Stanley, Research Division - VP*
Ulrich Rathe *Jefferies LLC, Research Division - Senior European Telecommunications Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Tele2 full year report for 2019. (Operator Instructions).

I would now like to hand the conference over to your speaker today, Anders Nilsson. Thank you, and please go ahead, sir.

Anders Nilsson ***Tele2 AB (publ) - President & CEO***

Thank you very much, Rose. And good morning, everyone, and welcome to the Q4 and full year 2019 report call for Tele2. With me here in Stockholm, I have Mikael Larsson, our CFO; and Samuel Skott, Chief Operating -- Chief Commercial Officer for Tele2 and nothing else.

Today, we will walk you through the results for the quarter, our progress this year and the outlook for 2020 and beyond. And then we're going to do Q&A, so we can address the questions you are most interested in discussing.

Now please turn to Slide 2 for a brief summary of the results for the quarter and the full year. We achieved our financial guidance for the year. The Tele2 group end-user service revenue was flat in the quarter and the full year, in line with our full year guidance of flat growth. Underlying EBITDA, excluding effects of IFRS 16 increased by 10% in the quarter and 6% for the full year, driven by cost reduction as we concluded the Com Hem integration. This is also in line with our full year guidance of mid-single-digit growth.

CapEx, excluding spectrum and leases amounted to SEK 0.7 billion in the quarter and SEK 2.4 billion for the full year, which is in line with our guidance range of SEK 2.3 billion to SEK 2.6 billion for 2019.

Now let's look at the summary of our strategic achievements during the year on Slide 3. Tele2 underwent a significant change, as we carried out the integration with Com Hem. While this has affected the entire group, in many ways it has had the biggest impact on the consumer business in Sweden. The merger with Com Hem allowed us to launch a completely new strategy, as we added broadband and TV to our toolbox. We launched the FMC more-for-more strategy and managed to get 219,000 customers on FMC benefits by the end of the year, which actually represents about 3/4 of the overlapping customer base.

We carried out the major rebranding campaign of the Tele2 brand, lifting it into a premium position in the market. And it was the most well received marketing campaign in the history of Tele2.

Following this, we introduced new Tele2 family offers to establish Tele2 as a household brand, and did the first ever front book price adjustments on Tele2.

We also launched a new mobile brand, Com Hem mobile, and we are happy with the progress of this brand so far. And in fact, we saw great momentum across all our mobile brands, leading to the first full year positive net intake of mobile subscribers in 4 years. While Sweden B2B remains challenging, we made efforts in the year to set us up for future turnaround.

We have separated the large enterprise and SME units for a more efficient and focused setup. We end the year as a stronger challenger within SME as we have built up our sales capabilities, we have revamped the mobile portfolio and launched FMC offers. And we grew our mobile customer base with a net intake of 30,000 RGUs during the year.

The Baltics continued its great performance. And we finally saw a turnaround in Estonia with end-user service revenue growth for the full year. We also took a step to strengthen our network position by creating a network JV in Latvia and Lithuania. And we made some significant structural changes to the group during the year.

We completed the transaction in Kazakhstan and the Netherlands, changing the profile of the Tele2 group as we now operate in our core Baltic Sea footprint. We completed the Com Hem integration 2 years ahead of plan and reached a synergy run rate of SEK 800 million. In December, we changed the organizational structure to better reflect the current asset portfolio and strategy, removing the group structure and setting Tele2 up as a flatter organization. We paid out SEK 7.2 billion in dividends to our shareholders while reducing the leverage from 2.8 to 2.5x.

With all these changes, we have completed Phase 1 of the Tele2 transformation, turning Tele2 into an integrated operator. This enabled us to start the next phase, which starts with a new vision for Tele2.

Please turn to Slide 4. Our new vision is to become the smartest telco in the world, creating a society of unlimited possibilities. This vision may sound rather ambitious, and it definitely is. It will take a lot of work. But in the end, it will come with a large payoff as we create a lean agile operation that can better serve our customers while reducing OpEx by at least SEK 1 billion over the next 3 years.

While this transformation will result in a significant reduction in OpEx, that is not the goal in itself. We aim to operate smarter and reduce complexity, which in the end means serving the customer in the best way possible, while operating an efficient and fast organization. So what do we mean by smart? Well, for us, it means radical simplification and customer focus. It means doing things simpler within a flat and fast organization, always with a focus on simplification and delivering value for our customers.

Everyone should have a clear mandate and accountability within a fact-based and disciplined operation. This mindset allows us to quickly adapt to the world around us and never cease to modernize our operation. It also means working with distinctly positioned leading brands, providing our customers with smart combined offerings for mobile connectivity, broadband and next-generation TV and play services, covering the entire household and being an outstanding partner to businesses and the public sector.

Let's move to Slide 5 for some concrete examples of strategic focus areas for 2020 and beyond. Within Sweden Consumer, we will continue to drive the FMC strategy to reduce churn and build pricing power. We are launching 2 completely new growth drivers: a stand-alone OTT service and a new digital FMC brand. Samuel will give you more details on how these will help us drive growth and take Tele2 into the future of telecommunications.

The main driver of growth this year will be back book price adjustments, which we will begin executing this quarter and gradually see the effects of throughout the rest of the year.

Over the longer term, we also need to optimize our brand portfolio, so we can focus our energy where it matters, while covering all relevant segments of the market. Within B2B, we're aiming for a turnaround. It will not happen in the near term, but we aim for a gradual improvement, as we use our new capabilities to take share in the SME market and focus on the private sector within large enterprise, where we can take high-margin contracts and improved profitability.

In the Baltics, we will work to continue the good momentum that we have while strengthening our mobile-centric convergence through the launch of TV offers. Over the long term, we will consider the need to add fixed services as these markets go FMC as well.

Underpinning all of this is our new vision and the business transformation program. We expect to reduce OpEx by at least SEK 1 billion over the next 3 years. Mikael will give you more detail on this program in a few minutes. Another major project over the next few years will be to upgrade both our mobile and fixed networks as we roll out 5G and upgrade our coax network to Remote PHY.

Now let's look at our Q4 performance in more detail on Slide 7. But before we dig into the details, I want to make you aware of some changes to our reporting structure. Following the changes of the structure of Tele2 with the international consolidation and merger with Com Hem, we have adjusted the group governance model. To reflect the new organizational setup, we have adjusted the reporting structure by combining the Sweden Consumer, the Sweden Business and the IoT segments into one segment. As you will see in this presentation, we are keeping all detailed disclosure in terms of KPIs and revenue while reporting a combined EBITDA and CapEx for the new Sweden segment.

Now let's look at the performance of Sweden Consumer business. In Sweden Consumer, we saw continued momentum in mobile postpaid volume with the sixth consecutive quarter of positive net intake. As expected, postpaid ASPU was flat as back book price adjustments will not have an effect until Q2 2020.

Similarly, within fixed broadband and digital TV cable and fiber we see continued volume growth while ASPU trends are not expected to turn around until we see the effects of this year's back book price adjustments.

Total end-user service revenue growth was roughly flat as growth in mobile postpaid and fixed broadband was offset by declines in digital TV and fixed telephony and DSL. We aim to accelerate both in Sweden Consumer. In 2020, this will mainly be driven by price adjustments, but over time we expect our 2 new growth drivers to support sustainable growth.

And I will now hand over to Samuel to walk you through these in more detail. Samuel?

Samuel Skott ***Tele2 AB (publ) - EVP of Sweden Consumer***

Thank you, Anders, and good morning, everyone. We are very excited to announce the launch of 2 new services in the Swedish Consumer market this month. Please turn to Slide 8 for an overview of a completely new brand called Penny. We are taking the first step into the future of telecommunications with the launch of our own completely digital brand. Penny is unlike any other brand in the Swedish market. As the first FMC brand in the digital no-frills segment, it caters to a customer group that nobody properly serves today. Penny is a purely digital service with mobile, broadband and TV in one single app and at the modern Swede who embraces all things digital.

Priced in the higher end of the no-frills segment, we aim to track status seekers as well as price hunters. We're doing a first soft launch now in February, offering mobile and broadband, following it up with a full-blown launch in Q2, where we will market Penny as a full-service brand, including video stream.

Penny will have a SIM-only postpaid mobile offer and will start a broadband offering in Com Hem's high-speed coax network and then expand into open networks, covering millions of Swedish households.

With this brand, Tele2 is finally present in all segments of the Swedish Consumer market with Tele2 and Com Hem in the premium segment, Comviq in the mid-tier and Penny in the digital no-frills segment.

As a full-service integrated operator, we can now take our fair share in all segments of the market.

Let's turn to Slide 9 for our second major service launch this month. We are taking an important step to solidify our leadership in the TV market with the launch of our own stand-alone OTT service, Comhem Play+.

By becoming an OTT provider, we enter a rapidly growing market, where we're currently not present. As the largest TV provider in the country, this is the natural next step for us as we can leverage our ability to bundle the best content, use our existing Comhem Play platform and our large customer base and sales channels to get traction.

Comhem Play+ is a powerful new tool in the FMC more-for-more strategy, helping us to enhance the experience for our existing customers with new content and attract new customers as a natural complement to mobile or broadband subscription. We will start by giving this service to all our existing customers across all brands to gain scale and build customer satisfaction.

For non-Tele2 customers, we will have an attractive offer to purchase Comhem Play+ stand-alone or as a natural combination with one of our other services. Over time, we expect our 2 new growth drivers Comhem Play+ and Penny to contribute to sustainable growth as we enter 2 growing segments of the market where we have not been present before. And perhaps more importantly, the lean and purely digital nature of these services will help Tele2 transform into the next-generation telco and remain relevant to the modern consumer.

Now I'll hand back to you, Anders. Thank you.

Anders Nilsson ***Tele2 AB (publ) - President & CEO***

Thank you, Samuel, and please move to Slide 10 to look at Sweden B2B.

Within B2B, we see similar developments as in previous quarters. We continue to add mobile subscribers, both driven by new sales and reduction in churn. However, the price pressure in the market continues. And as a result, mobile end-user service revenue growth remains negative. Combined with the decline in legacy fixed services, total end-user service revenue declines continue in line with previous quarters. And keep in mind that IoT is now included in the chart to the right, but excluding IOT, the growth would have been minus 4%, which is the same as in the previous quarter.

Please turn to Slide 11 for an overview of Sweden as a whole. Even with a 1% decline in end-user service revenue, underlying EBITDA excluding IFRS 16 grew by 11% in the quarter, entirely driven by cost reduction. Excluding profit from the sale of bad debt in the quarter, underlying EBITDA excluding IFRS 16 grew by 9%. We continue to see strong cash conversion of 73% as CapEx spend is relatively low now in between investment cycles.

And now let's have a look at the Baltics, which you find on Slide 13. Net intake was negative in the quarter in all the 3 countries, due to seasonal churn in mobile prepaid. However, continued growth in ASPU led to growth in end-user service revenue, which you can see on Slide 14. End-user service revenue increased by 8%, which drove a 9% growth in underlying EBITDA excluding IFRS 16. And we are happy to see the turnaround in Estonia continue, and we actually saw Estonia grow end-user service revenue for the full year. Continued EBITDA growth and low capital intensity led to strong cash flow generation as you can see in the chart to the right.

And with that, I'll hand over to Mikael.

Mikael Larsson ***Tele2 AB (publ) - Executive VP & Group CFO***

Thank you, Anders, and good morning, everyone.

Please turn to Slide 16. Revenue for the group amounted to SEK 7.3 billion for the quarter, with underlying EBITDA of SEK 2.7 billion.

Operating profit as well as net profit increased significantly compared to previous year, explained by Com Hem being included in the full quarter 2019 and by the transaction in the Netherlands, which ended a negative impact our previous Dutch operation had on profits. As well as a one-off impairment of deferred tax assets in previous year's numbers. This all led to a net profit of SEK 943 million in this quarter compared to negative SEK 349 million (sic) [negative SEK 329 million] in 2018.

Let's have a look at the cash flow statement on Slide 17. Equity free cash flow increased from SEK 86 million to almost SEK 1.5 billion in Q4 2019, driven by higher EBITDA contribution, lower CapEx as we have divested in Netherlands and Kazakhstan, improved change in working capital, as well as improved financial net and taxes paid. This led to equity free cash flow for the full year of SEK 4.8 billion, of which SEK 4.3 billion relates to continuing operations or approximately SEK 6 per share.

Please turn to Slide 18. Leverage measured as economic net debt to underlying EBITDA of the leases decreased from 2.8 to 2.5x during 2019, equivalent to decrease of SEK 3.1 billion in net debt, as SEK 7.2 billion of dividends paid to shareholders was covered by cash flow generated in the business, proceeds from divestments and repayment of the shareholder loan in Kazakhstan.

This means that we ended the year at the lower end of our target leverage range. And this is ahead of distributing profits to shareholders. The Board is proposing to the AGM to increase the ordinary dividend by 25% to SEK 5.50 per share to be paid in 2 equal tranches in May and October. In addition, Board proposes an extraordinary dividend of SEK 3.5 per share, partly covered by the proceeds from the sale of Croatia. And this is also to be paid in May.

Please turn to Slide 19. As Anders announced, we now closed the Com Hem integration program after having realized run rate of SEK 800 million in cost synergies since the merger in November 2018.

In the fourth quarter, we had a positive impact of approximately SEK 200 million of OpEx savings in the accounts, leading to a total impact on profits of SEK 500 million for the full year 2019. The remaining SEK 100 million of cost savings from the integration are now rolled into the new program we announced to date.

Progress is also being made for the revenue synergies, with 2/3 of the overlapping customer base now on FMC-benefit packages. In addition, we today announced our no-frills FMC brand and OTT service presented by Samuel, which will be rolled out to our entire customer base during 2020. This means we are on track to deliver the SEK 450 million contribution from revenue synergies over 5 years.

With the Com Hem integration completed, we can now begin the next phase of transformation. Please move to Slide 20 for more details on our new business transformation program to fulfill our vision to become the smartest telco in the world. This new program, which has the aim to reduce costs by at least another SEK 1 billion over the coming 3 years comes on top of the SEK 800 million already realized merger synergies with Com Hem. Realization of cost savings in the new program will be back-end loaded as they to a large extent relate to removal of legacy IT systems, where we first need to invest into the target platforms before decommissioning the old legacy IT systems.

An important part of the new program will be to further simplify our organizational structure and operating model to be fast and flat and to automate processes and become more agile in our way of working. In addition to save cost, this will allow us to serve our customers in an even better way than today, through product simplification and consolidation of brands.

Please turn to Slide 21, financial guidance. We reiterate our guidance of low single-digit growth of end-user service revenue and mid-single-digit growth of underlying EBITDA of the lease for 2020 as well as for the midterm. As we start this year with flat growth of end-user service revenue, we foresee a gradual ramp-up of end-user service revenue growth through FMC cross-sell in Sweden, B2C and modernization of -- monetization of customer satisfaction, in addition to new growth drivers being launched.

For underlying EBITDA of the lease, this means that growth in coming quarters will continue to come from cost savings realized in 2019, with full effect in the accounts in 2020, and to a minor extent from the new business transformation program. As we expect end-user service revenue to start growing, the mix between cost savings and revenue growth will become more balanced over time.

For CapEx, we reiterate our midterm guidance of yearly CapEx, excluding spectrum and leases to be in the range of SEK 2.8 billion to SEK 3.3 billion during the rollout phase of 5G and Remote PHY. However, as the high-frequency auction in Sweden has been postponed, we'll start the more CapEx-intensive roll out of 5G later than earlier planned, leading to a lower CapEx guidance of SEK 2.5 billion to SEK 3 billion for 2020.

And with that, I would like to hand back to Anders for conclusion.

Anders Nilsson ***Tele2 AB (publ) - President & CEO***

Thank you very much, Mikael. Now please turn to Slide 23 for our key priorities going forward. The key to achieve sustainable growth for Tele2 is to reignite growth in Sweden. The main driver of this will be Sweden Consumer, where we are now adding 2 new growth drivers, Comhem Play+ and Penny. We are launching these 2 services now in February and expect them to start contributing to sustainable growth in the coming years.

In addition, we will continue addressing the remaining mobile and fixed overlap with FMC offers and carry out price adjustments to support growth near term. In B2B, we are aiming for gradual improvement, as we leverage our new capabilities within SME to take market share and turn focus within large enterprise to the private sector where we see better profitability.

In 2020, we will start turning our new vision to become the smartest telco in the world into reality. We will begin our business transformation program, simplifying the organization, removing silos and legacy IT systems to support growth and reduce OpEx by at least SEK 1 billion over 3 years. We aim to continue the good momentum in the Baltics and close the sale of Croatia, once we receive the official regulatory approval.

Last but not least, we will prepare our networks for the future as we begin the rollout of 5G and Remote PHY.

And with that, I hand over to the operator, Rose, for our Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Maurice Patrick of Barclays.

Maurice Graham Patrick ***Barclays Bank PLC, Research Division - MD***

So a quick question just on the (inaudible) Bonnier dispute. Maybe for benefit of us in London, not in Stockholm, but just where are we in terms of the dispute and the impact on the financials? If I'm not wrong, you had a period in Q4 without the broadcast rights. You resolved those issues. I think now you're broadcasting fewer rights than you would've had beforehand? Just help us walk us through some of the financial impact, would be super helpful. I guess, the benefit in Q4 through not having hell of the rights and then Q1 beyond, I believe, you're paying less than you were in beforehand. And I guess just related to that on the online streaming rights, when we should expect to get an update on that?

Anders Nilsson ***Tele2 AB (publ) - President & CEO***

And I think this question may come more times today. So then let's elaborate a bit now, and then we hopefully can leave that behind us. It was in the scheme of things. It reflects -- affects a smaller part of our business and has -- does not have that great of an impact on our business going forward. But you're absolutely right, Maurice. We, unfortunately, ended up in a situation where we could not agree on a new contract with the Bonnier Broadcasting or TV4 in November. And as that contract expired, Telia became the owner of this asset of TV4. And we could not agree with Telia either, which ended up by us having to go dark with these channels.

And that lasted for 12 days, running up until the 22nd of December when we found an agreement and the channels were back on air. And the core of the conflict is what kind of relationship we should have going forward. And you should bear in mind that the TV4 have had a relationship with Com Hem during the 27 years it has existed. And has been one of the channel houses, which we have supported throughout this year and distributed all their channels.

And now it turns out that going forward, they are not interested in having this kind of relationship when it comes to streaming rights. And that was at the core of this conflict. And we try to find a way to negotiate streaming rights. And I think out of the 12 days, we spent 10 days doing this. And we, at that point in time realized together with TV4, that it's not going to work. And we will have to have a different relationship going forward.

And thereafter, we tried to find the relationship, which we both felt we need to have going forward. And that is a much smaller relationship. That entails the main TV4 channel, it entails the premium offering from C More and some other smaller channels. And that we agree, that's the relationship we will have. And there we have an agreement now, which we -- and we're distributing these channels. But for the rest of the channels, we do not.

And I'm not sure we're ever going to get that agreement either on these channels. So we have concluded that the relationship we have with TV4 and Telia is not going to be the same as we have had historically. And the savings we got, which were really big, we are now spending elsewhere with the content suppliers who actually want to collaborate with us going forward and see a future together with us. And that's the direction we're going to go in. So gain clarity. We lost a good partner but we gained clarity. And we are now finding other partners we can team up with in order to build our business going forward. And it's with them, we are investing now when we go into launching Comhem Play+, for instance.

As for financial impact, in Q4, you -- I mean, there was no financial impact. There was no impact on customers either. You will see an impact in Q1. It's not material. It will be there. It will be visible, but it's not material. It won't impact our performance for this year at all. So there, Maurice, I think you have it in a nutshell.

Operator

Your next question comes from the line of Roman Arbuzov of JPMorgan.

Roman Arbuzov ***JP Morgan Chase & Co, Research Division - Analyst***

My questions are related to the launch of Penny, the new brand. So first of all, can you just talk us through, please, the reaction that you expect to come from competitors? And what gives you the confidence that there won't be any irrational reaction that would decrease the overall value of the pie? And then just secondly, in terms of the cash flow per customer, I know it's early days, but perhaps you have some thinking and forecast on that front? I mean, do you expect the cash flow per customer from these digital brands to be roughly similar to your mainstream customers today? And related to that, do you, therefore, expect any cannibalization, please?

Samuel Skott ***Tele2 AB (publ) - EVP of Sweden Consumer***

Roman, Samuel here. So on Penny, what we're seeing happening in the market are a couple of very clear things. One, is FMC that is happening and it's happening across the entire market. The other thing we're seeing is that we see 3 really clear segments. We have a premium segment. We have a mid-tier segment and we have a digital no-frills segment. And we haven't been active in the digital no-frills before. So it's -- I would say it's a natural involvement for us as the main operator in Sweden to take part of all segments. I wouldn't -- I mean no one should see it as a surprise. And I think as we've been quite transparent about, we see this as a customer experience and digital customer experience revolution. And that's the way we're going to work. So it's FMC in a new way. It's a very digital customer experience. And of course, it's going to be attractively priced but that's not the key point. So I do not expect any irrational behavior because it's really a rational behavior on our part.

In terms of cash flow, we see it neutral. Yes, the prices might be lower, but operating costs are also much lower, both in terms of sales service, but also since there are no hardware included in in any of these offers. And in terms of cannibalization, of course, when you're operating in multi-brand world, there is cannibalization, but we expect it to be low, and this is not a situation that's new to us. We've been operating in a multi-brand environment for many years and successfully manage that. And I'm sure we will be able to do it with Penny as well.

Anders Nilsson ***Tele2 AB (publ) - President & CEO***

Just one thing to add there. I mean, we're going into a new segment where we have not been present before. But we are not disrupting that segment. I think that's very important to say. We are going in there with prices which are in line and to some extent, you could argue higher at the high end in that segment. So I think this is also very, very important to note.

Roman Arbuzov ***JP Morgan Chase & Co, Research Division - Analyst***

And in terms of take up, could you share some thoughts on expected take up?

Samuel Skott ***Tele2 AB (publ) - EVP of Sweden Consumer***

I think that is way too early. We're launching the service today. It's a soft launch. And it will be a gradual ramp-up as we learn and tweak. So that is something we'll need to get back to later.

Operator

Your next question comes from the line of Nick Lyall of SocGen.

Nick Lyall ***Societe Generale Cross Asset Research - Equity Analyst***

Just a quick one on the Phase 2 of the savings, please, Anders. You talked a lot about brands and IT, but you haven't mentioned much about other things like headcount, for example, or product cuts. Could you just give us a bit more detail on how you break down the SEK 1 billion of savings, please? And where might be those upside or the risks?

Anders Nilsson ***Tele2 AB (publ) - President & CEO***

So thank you very much for that question. I'll hand over to Mikael. He's the man here.

Mikael Larsson ***Tele2 AB (publ) - Executive VP & Group CFO***

Okay. I start and then you can fill in. So I mean, I will say that on the core of these savings that is the IT transformation. And that -- I mean, we have a very solid plan, after being worked on this for 1.5 years now, we have a solid plan for how to do an IT migration, which will entail that we reduced the number of IT systems by half over the coming years with 2018 as a starting point.

This is -- I would say, the plan is solid. Then with IT systems, there is always risk for delay when you do the migration. I think we have a solid plan. And the risk is more about timing than actually being able to execute on this.

This will lead to a significant saving in operating costs for IT. CapEx reduction might come on top, but that is more in terms of CapEx avoidance going forward. And this is further into the future. Now in the coming years, we'll continue to invest as we have guided.

Then we have a number of savings associated to the IT migration. And that is within customer service and the rest of the organization in terms of expected lower call ratios from customers, more happy and satisfied customers with improved IT system infrastructure. On top of this, there are savings to be had in the networks, network organization and also brand consolidation, which we have been clear about since the merger that overtime we'll reduce the number of brands within the consumer business here in Sweden. I would say that these are the main points...

Nick Lyall ***Societe Generale Cross Asset Research - Equity Analyst***

I'm sorry, your previous comparisons that you've made to us about Telenor Sweden and its size and things like that, have you found they're not quite as valid as you've gone through the process? Or is that still something that you're working on?

Anders Nilsson ***Tele2 AB (publ) - President & CEO***

So I mean, you should see this as a starting point. This is what we have been able to do up until today and the plan we have. And as we go along and execute, if we find more opportunities, we're going to go for them. But this is where we start.

Operator

Your next question comes from the line of Terence Tsui of Morgan Stanley.

Terence Mun-Sion Tsui ***Morgan Stanley, Research Division - VP***

I just had a question around the financial guidance for the medium term. You've always spoken about having an ambition for mid-single-digit EBITDA growth. But now we've got the new announcement today of the extra SEK 1 billion in net OpEx savings. I'm just wondering that if everything goes well, regards to streamlining the IT systems and also consolidating some of the consumer brands, whether there's potential for faster revenue growth than the mid-single-digit that you're guiding for today?

Anders Nilsson ***Tele2 AB (publ) - President & CEO***

I think Mikael and myself are going to try to answer this one together because, I guess, where you're coming from. And -- so what we have done now is that we have identified SEK 1 billion more in cost savings after the coming 3 years. It's going to be back-end loaded as we discussed.

We first have to invest into the IT stack but before we can see the synergies coming through and the savings coming through. At the same time, we are pushing for growth, as you know. And if you look at our guidance, it is a band, if you will, around -- I mean, low single digit in terms of revenue growth is a band around certain percentages. And the same goes for EBITDA. And depending how successful we're with growth, we could end up in the lower or higher part ends of that band. And it could also be so that if we execute on our revenue growth in a good way, and we execute on our new savings in a good way, we could end up higher than the current guidance. But that is too early to say at this point in time. So we're a bit prudent. We're not issuing new guidance. But we are sticking with the one we have until we see what kind of traction we get in the market.

You have anything to add, Mikael?

Mikael Larsson ***Tele2 AB (publ) - Executive VP & Group CFO***

Yes. I can comment on the 2020. I mean, as Anders said, the new program is back-end loaded. So you will not see much impact on profits for 2020. You will have a flow-through from the old integration program into 2020, the remaining -- the difference between the run rate and what the impact we had in -- on the accounts in 2019. And that is SEK 300 million that will flow through in 2020. And then on top of that, we started this year with no growth of end-user service revenue. So that's the starting point for this year. And that's why we are -- and that leads up to the guidance for this year. And then as Anders said, in the coming years, it will be then very much dependent on the trajectory of end-user service revenue growth.

Operator

Next question comes from the line of Peter Nielsen of ABG.

Peter-Kurt Nielsen ***ABG Sundal Collier Holding ASA, Research Division - Lead Analyst***

If I may just stick to the comments just made on the new SEK 1 billion program. As you're saying, you have to invest some of the savings this year. And then the impact will be back-end loaded. Could you elaborate a bit on what investments it is you have to make this year? And why you are so confident that they will disappear post this year? Obviously, this sector has a history of delays with this IT transformation projects as Mikael alluded to. So I'm just interested in why you automatically assume that the reinvestment will disappear post this year?

Anders Nilsson ***Tele2 AB (publ) - President & CEO***

Peter, that's a very good question. So the investments we are pointing to are not in the IT systems. That's not where we're using the savings. It's in Comhem Play+, our OTT service we launched and in Penny. So those are the ones we invest in right now. And I hope that answers your question.

Peter-Kurt Nielsen ***ABG Sundal Collier Holding ASA, Research Division - Lead Analyst***

Yes. Well, yes and no. Because it actually enforces it. Why would you assume that those investments would have to -- would disappear next year and onwards?

Anders Nilsson ***Tele2 AB (publ) - President & CEO***

Because we are launching Comhem Play+ as free to all our customers this year, 12 months free. And then we're going to start charging for it the following year.

Operator

And your next question comes from the line of Lena Osterberg of Carnegie.

Lena Osterberg ***Carnegie Investment Bank AB, Research Division - Head of Research of Sweden, Head of Technology Hardware & Equipment and Financial Analyst***

Yes, my question is on the price increases you planned for Q1. Could you maybe comment a little bit on if all products will come simultaneously? Or if you come -- start with maybe the mobile, which has not been impacted by the contract negotiations with Telia and then go over to TV and broadband into Q2 or should everything come out towards the end of Q1?

Samuel Skott ***Tele2 AB (publ) - EVP of Sweden Consumer***

Lena, it's Samuel here. So on pricing, this will be gradually rolled out during this quarter and the next. And we expect to start see an impact from it on the next quarter. Mobile and broadband is the significant part of this pricing exercise. TV is less than a 1/4. But you're right, TV will come a bit later. But aside from that, there are no kind of changes to the plan. So we start now and going for Q1, Q2, start seeing the impact in Q2.

Lena Osterberg ***Carnegie Investment Bank AB, Research Division - Head of Research of Sweden, Head of Technology Hardware & Equipment and Financial Analyst***

So you -- just to confirm, you will do mobile and broadband already in Q1?

Samuel Skott ***Tele2 AB (publ) - EVP of Sweden Consumer***

We will start executing according to plan and roll it out across both products in Q1 and Q2, more details than that is not something that I would like to give.

Lena Osterberg ***Carnegie Investment Bank AB, Research Division - Head of Research of Sweden, Head of Technology Hardware & Equipment and Financial Analyst***

And size-wise, it's roughly what you indicated before in terms of size?

Samuel Skott ***Tele2 AB (publ) - EVP of Sweden Consumer***

There is no changes to the plans we have had. There are only slight changes that we've pushed TV a month or 2 ahead. But otherwise, there are no changes. And as I said, TV is the small part of this exercise.

Operator

Your next question comes from the line of Stefan Gauffin of DNB.

Stefan Gauffin ***DNB Markets, Research Division - Analyst***

Yes. A couple of questions, if I may. First, just follow-up on Lena. I think you mentioned in an interview that price increases will be in line with inflation. And I believe that's a fairly low price increase compared to expectations. And I wonder if that's impacted by the TV4 conflict? Secondly, the Comhem Play is only TV series and movies so far and no TV channels. Will this be the case also for Penny? And how do you -- is it a plan to come with TV channels over time?

Anders Nilsson ***Tele2 AB (publ) - President & CEO***

Stefan, so we have made no changes to our plan when it comes to magnitude or pricing since we spoke to you last time. As Samuel said before, the only change we have done is that we have pushed the timing of TV pricing a bit into the future. When it comes to Comhem Play, you should bear in mind that what we -- we already have a product, which is called Comhem Play, which is basically the TV everywhere solution. If you buy a book space, Comhem service, TV service. Comhem Play+, which we're launching now is a stand-alone OTT service, which consists of movies and series, basically. And if you are a Comhem subscriber, you will also get live TV in there. That's how it's divided. Hope that answers your question, Stefan?

Stefan Gauffin ***DNB Markets, Research Division - Analyst***

I just wonder about the Penny, which you haven't yet launched the TV streaming service. Will that be similar?

Anders Nilsson ***Tele2 AB (publ) - President & CEO***

That will be a version of Comhem Play+.

Operator

Your next question comes from the line of Abhilash Mohapatra of Berenberg.

Abhilash Mohapatra ***Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst***

Maybe just one on payables. So as Telia has obviously launched this new broadband product on the open LAN networks. So it would be interesting to just get your thoughts -- early thoughts on that, please?

Anders Nilsson ***Tele2 AB (publ) - President & CEO***

So I think this is where the market is heading, as we discussed before. I mean, Telia, Telenor and ourselves, we are moving FMC. We started with the main brands, and they're all FMC now. And now we're moving into the mid-tier. So you see Telia's mid-tier brand going FMC, you see us launching Penny today, which is also going to be FMC. So I think it's quite clear that this is where the market is heading. And we think that's a really good development and something we embrace. And it's good for the consumer and for the stability in the marketplace over time.

Operator

Your next question comes from the line of Andrew Lee of Goldman Sachs.

Andrew J. Lee ***Goldman Sachs Group Inc., Research Division - Equity Analyst***

I had a question on Swedish top line. It's obviously impressive and pretty clear cost-cutting guidance, but that now means that the greater uncertainty for vessel in Tele2 is the top line in Sweden. We didn't see improvements in trends this quarter. But you've clearly guided on the upcoming back book repricing. So the question was around, you've historically grown Swedish revenues above 1%, the combined Com Hem and Tele2. So what are the major risks to achieving that 1% plus service revenue growth again? And is there anything else you can say -- as a follow-up question or part B, is there anything you can say to allay the investor fears that your Penny product will undermine and disrupt that rational Swedish market, i.e., if you did see a rationality on the back of it, could you adjust pricing?

Anders Nilsson ***Tele2 AB (publ) - President & CEO***

Thank you very much, Andrew, for those questions. So I mean growth in Sweden consists of a couple of things. It consists of volume, volume intake. And last year, we had good volume intake, really good volume intake. We expect to have good volume intake this year as well. But what's lacking last year was the pricing component. And that we are now putting in place, as Samuel explained. We're doing back book repricing on all our products, both mobile, fixed and TV. And those 2 in combination should lead to end-user service revenue growth when they transpire.

On top of that, we have B2B, where we do think we are in a better position today than, let's say, a year ago. And that should, over time, also help the growth trajectory. Not saying that B2B is going into positive growth anytime soon, but saying that we should, over time, expect B2B to perform better year-over-year.

So I think we have a good opportunity here to go into growth once these things happens. And they're going to happen this year. So that's when it comes to growth in Sweden.

You should also bear in mind that in the Baltics, which is, I think, 20% of our business, we have great traction and performing well. And we expect that to continue this year and beyond.

When it comes to Penny, I mean, we are actually the last one into the no-frills segments. In Telenor and Telia and 3 has been there for quite some time. Telia, was the last one in before us. And so now we are entering. So we are the last one into this segment. And we are -- we don't do that with ambitions to disrupt the no-frills segment. We do that to -- by playing the game with the rules that already apply. But we do it in a, perhaps, a little bit more modern way. And that's our angle. So if we were to disrupt too much, we can always use price as you alluded to. The ambition is not to go in there and take an unfair share of market share. We're looking for a fair share of market share, and that's what we're going to go for. And -- so I don't really see the risk that you alluded to, Andrew.

Operator

Your next question comes from the line of Mandeep Singh of Redburn.

Mandeep Singh ***Redburn (Europe) Limited, Research Division - TMT Specialist Sales***

Just got couple of quick questions, please. Just a follow-up on Andrew. Like in terms of the timing of Swedish mobile -- sorry, Swedish service revenue growth, I mean, is it something we should see more sort of back-end weighted towards 2020? Or are you not sort of thinking that Sweden can even grow in 2020? And then really, just wanted to clarify on earlier question regarding Bonnier, on the one hand, you think you made big savings, and obviously, there was a number of days in which you were dark, so you were not paying them for that period. So I'm trying to understand how there wasn't a financial impact because you're -- on the one hand, you've made big savings and on the other hand, you say there's no financial impact. So if you could just help us understand if there was any help to Q4 EBITDA from that?

Anders Nilsson ***Tele2 AB (publ) - President & CEO***

So when it comes to end-user service revenue growth, I mean, what needs to happen in order for this to be the case in Sweden is that we need to see pricing coming through, and we need to keep the volumes coming in, as we have seen historically. And we're doing pricing in Q1 and Q2, and then you will see the effect of that coming in Q2 and Q3. So that gives you some sense on timing when it comes to growth. When it comes to the financial impact on Bonnier, I'll hand over to Mikael.

Mikael Larsson ***Tele2 AB (publ) - Executive VP & Group CFO***

So -- and this goes back then to the impact in Q4. And as Anders said, this is not significant to -- for the group results. And you can't see it even in the Swedish P&L from the outside. Of course, there are minor savings from content paid to TV4 for these days when we were dark, but that is -- I mean, it's part of 1 month in 1 quarter. And on the other hand, we also compensated customers with other content during these days to mitigate the negative impact on the conflict. And on top of that, we also added a temporary personnel in the customer service organization. All in all, the net impact of this is very insignificant. Or it's not visible for you from the outside.

Operator

Your next question comes from the line of Ulrich Rathe of Jefferies.

Ulrich Rathe ***Jefferies LLC, Research Division - Senior European Telecommunications Analyst***

You mentioned during your prepared remarks that you are considering the possibility of adding fixed propositions in the Baltics. I understand this is still a review. I think this is the way it sounded. But could you outline how you would do that? And is there a possibility that you would acquire fixed assets? Or would this be exclusively on wholesale deals, if it were to happen?

Anders Nilsson ***Tele2 AB (publ) - President & CEO***

So we are -- I mean, I think the Baltic markets will go FMC or be converted over time. And we are already in that game, we do something called mobile-centric conversion, which we have copied from play in Poland, who have done this quite successfully over a number of years. The issue being that when you become really successful, it's probably not possible to do -- only use the mobile networks due to capacity constraints even with 5G. So then you have to go into the ground. And then you look at each local market and see what opportunities you have. So we could then -- we could go wholesale, the wholesale route, but that is possible. And we could then also go and acquire local fixed operators where that would be a possibility. So we will be open to all ideas and whatever makes most economical sense.

Operator

Your next question comes from the line of Johanna Ahlqvist of SEB.

Johanna Ahlqvist ***SEB, Research Division - Analyst***

Yes. One topic we haven't touched upon, what's going on in the Netherlands. You still have your 25% of the joint venture. And I'm just wondering sort of how that operation is developing and how you -- and when you see a potential exit from that fully?

Mikael Larsson ***Tele2 AB (publ) - Executive VP & Group CFO***

Mikael here. I can start and then Anders can fill in. So I mean, this is, of course, sensitive. We can't say anything about Q4 performance in the Netherlands, since they have not locally disclosed the result, and it has not been disclosed by Deutsche Telekom, the majority owner.

Until Q3, the company has performed very well. They are executing on the integration program similar to the one we go through here in Sweden. We see cost take out, and you also see that they are growing top line, in particular, growing mobile end-user service revenue. So very good operational performance there, I would say. In terms of timing for a potential exit, we don't really comment on it. As you might recall, when we announced the merger some years ago, then we have certain exit provisions in our agreement. But that is after a couple of years. And any events before that, we can't really -- potential events before that, we can't comment on. And there are still years to -- left on the -- until we have these exceptions in the agreement.

Johanna Ahlqvist ***SEB, Research Division - Analyst***

But just a follow-up on that. I guess, you previously stated that it would be too early to expect the joint venture to pay out dividend for 2020. So I guess, you forecast like 2021, then you probably should see dividends from the joint venture, is that a fair assumption?

Mikael Larsson ***Tele2 AB (publ) - Executive VP & Group CFO***

That's a fair assumption. But also being dependent on the upcoming spectrum auction in the Netherlands, which will happen later this year.

Operator

Your next question comes from the line of Henrik Herbst of Crédit Suisse.

Henrik Herbst ***Crédit Suisse AG, Research Division - Research Analyst***

I had 2 quick ones. Firstly, on -- in terms of convergence, I think you launched Com Play benefits on Comviq just before Christmas, I don't know if it's too early, and maybe if you can say anything about the take up there and what the interest spend, and if you actually flagged this whole of 2 customers. And then on your Comhem Play+, I was just wondering how important the negotiations with Telia on over-the-top rights for Bon broadcasting is in that? And if you don't get access to do over-the-top content on your terms, does that change your view on whether you need to own content or not?

Anders Nilsson ***Tele2 AB (publ) - President & CEO***

So on convergence, well what we've done for Comviq is based on the learnings we have with Tele2 and Com Hem brand that has shown positive results on churn, we have extended it to Boxer and Comviq. And we've done it to all the customers that are on an overlap between Com Hem and Boxer or Comviq.

So everyone has gotten these benefits, but it's still too early to say anything about it. But of course, we expect the same positive results as we've seen on the overlap between Tele2 and Com Hem.

On the Comhem Play+ product, since it is a video-on-demand streaming product it's very much independent from our negotiations with Telia. And there are plenty of studios and partners out there who are willing to work with us. And we see that as a very, very positive. We're not in the game of doing our own content, and we don't see the need to be in that game, either going forward. Even with this change of strategy from Telia and TV4 perspective, we see plenty of positive partnerships out there to leverage it on. I mean, to be honest, there is only one partner who doesn't want to team up with us for the future.

Operator

Your next question comes from the line of Siyi He of Citi.

Siyi He ***Citigroup Inc, Research Division - VP***

Just a quick question on CapEx, please. I noticed that you haven't changed your midterm ambitions of SEK 2.8 billion to SEK 3.3 billion CapEx. And despite that and having almost 2-year delay on your CapEx budget. So I just want to clarify whether there is just a timing issue? Or you see some potential savings from some of your CapEx projects? And if you can -- just a follow-up on 5G. I just wonder if you can give us some update on your negotiation of choosing the 5G vendors? And how do you see 5G CapEx develop?

Mikael Larsson ***Tele2 AB (publ) - Executive VP & Group CFO***

It's Mikael here. I will try to answer and Anders can fill in. For the CapEx guidance, there is no change in amount over time. It's just that the 5G investment will be made later. So it has been pushed. The whole project is pushed into the future by a couple of months or quarters. That is the only change. In terms of selection of vendor, we are still in -- we have still not selected vendor, or we are in the process to do that together with Telenor in the joint venture here in Sweden. I hope that answers your question.

Operator

There are no further questions at this time. Please continue.

Anders Nilsson ***Tele2 AB (publ) - President & CEO***

Okay. So then that concludes this presentation and the Q&A session. And I would like to thank you very much for joining this call and for your interest in Tele2, and wish you all a great day. Bye-bye.

Operator

Thank you, ladies and gentlemen. That does conclude our conference for today. Thank you for participating. You may now disconnect.