Tele2 Q1 2024 Interim Report

Thursday, 18th April 2024

Introduction

Kjell Johnsen

President and Group CEO, Tele2

Welcome

Thank you, operator, and good morning, everyone. Welcome to Tele2's report call for the first quarter of '24. With me here in Kista today I have Charlotte Hansson, our Group CFO; Hendrik de Groot, our Chief Commercial Officer; Stefan Trampus, our head of B2B; and we also have our CTIO, Yogesh Malik, here, who will soon present our exciting tech journey, which is why we have extended today's call with up to 20 minutes. Let us turn to page two for the highlights.

Highlights

We had a good start to the year, with 4% end-user service revenue growth on Q1, and 2% on underlying EBITDAaL as topline growth outpaced cost inflation. We are also happy about our strong cash generation, which has pushed our financial leverage well below our target range, ahead of the first proposed dividend tranche in May, and that gives us flexibility going forward. In relation to Q4 results, we announced the launch of our new three-year Strategy Execution Programme. Through the programme, we shift focus from fixing legacy IT towards our go-to-market efforts, developing outstanding digital tools and channels aimed at radically improving customer experience and value. It will also allow us to reduce run-rate costs by 600 million. The programme kicked off in Q1, and I will soon share some details on the development so far.

In terms of sustainability, we are proud that our Climate A rating with CDP was reaffirmed, a level that less than 2% of more than 21,000 assessed companies globally received. We are also number two in Sweden and among the top 100 companies worldwide in Equileap's gender equality ranking. Finally, the long-term ownership structure of Tele2 looks set to be clarified as Kinnevik has agreed to sell its stake to Freya, jointly controlled by iliad and NJJ. Subject to the completion of the transaction, Freya will be the new largest shareholder in Tele2. Let us move to page number three, please.

Solid start to the year

End-user service revenue grew by 4% organically, with solid performance across operations, including continued growth acceleration in B2C. Organic underlying EBITDAaL grew by 2% driven by end-user service revenue growth partly offset by cost inflation. Q1 was yet another quarter with solid equity-free cashflow, and Charlotte will walk you through the details. In Sweden B2C, we saw end-user service revenue growth accelerating to 4%, by far the highest rate since the Com Hem merger. Both fixed broadband and mobile postpaid grew strongly, supported by pricing. Sweden B2B continued to grow nicely in line with previous levels. The mobile business posted 8% end-user service revenue growth supported by ASPU and continued strong IoT growth. Baltics had yet another good quarter with a largely ASPU-driven end-user service revenue growth that trickled down to underlying EBITDAaL growth. Let us move to Swedish consumer, slide five.

Sweden consumer: Strong value growth

Mobile postpaid ASPU increased by 4% in Q1, driven by ongoing pricing, and supported by churn in free mobile broadband, which largely also explains the RGU decline in this seasonally slow quarter. In fixed broadband, ASPU grew by a strong 8% mostly due to price adjustments.

The number of RGUs declined by 6,000 excluding a clean-up of 11,000 non-active group agreement customers. Digital TV Cable & Fibre remains largely stable in terms of volume, excluding a clean-up of 16,000 non-active group agreement customers during Q1. ASPU is largely flat. Next slide.

Sweden consumer: Strong EUSR growth in connectivity

Mobile end-user service revenue grew by 5% driven by continued acceleration in mobile postpaid which delivered a strong end-user service revenue growth of 7%. Prepaid revenues continued to contract albeit somewhat less than previous quarters now that the registration requirement in February ’23 has annualised. Fixed broadband delivered yet another quarter with impressive end-user service revenue growth, this time 9%. End-user service revenue for digital TV declined by 2% driven by continued decline in the legacy DTT business. Let us move to B2B, slide seven.

Sweden business: Continued solid topline growth

The macro situation for Swedish companies has become increasingly challenging as reflected in bankruptcy statistics, unemployment rate, and budget deficit in public sector among other things. However, Sweden B2B continued to grow end-user service revenue at a healthy underlying 4% in Q1. The main driver is the mobile business, which grew end-user service revenue by 8% driven by ASPU and continued strong IoT growth. Net intake was negative with 10,000 RGUs, mainly due to a larger public customer that churned during the quarter. We are also happy to see a 3% growth in our solutions area, supported by a high level of activity for Networking and Unified Communications among larger customers. Our copper decommissioning has now reached 95% completion, and we begin to see signs of stabilisation in our fixed business. Let us move to the overview of Sweden.

Sweden financials: Continued EBITDAaL growth

End-user service revenue growth for the total Swedish operations accelerated to 4%, driven by both B2C and B2B. Underlying EBITDAaL grew by 1% as the strong end-user service revenue growth exceeded cost inflation. The cash conversion of 59% is reflecting 14% capex to sales during the last 12 months. Then moving to slide ten.

Baltics operational highlights: Solid overall ASPU growth

The number of Baltic mobile postpaid customers continued to increase in all markets during the quarter. Organic ASPU continued to grow at a healthy rate, driven by Lithuania, and our more-for-more strategy, price adjustments and prepaid to post-paid migration. Then moving to the financials.

Baltics financials: Continued strong performance

ASPU growth combined with some volume growth in mobile post-paid led to 7% organic end-user service revenue growth for the Baltics as a whole, largely driven by Lithuania. When it comes to Latvia, growth has slowed down after some exceptional years, and I am optimistic about the prospects for regained growth going forward. Underlying EBITDAaL grew in line with end-user service revenue at a healthy 7%. Cash conversion remains very strong, and reached 75% during the last 12 months, reflecting 10% capex to sales due to ongoing 5G rollout.

With that, Charlotte, I hand it over to you for the financial overview.

Financial Overview

Charlotte Hansson

Group CFO, Tele2

Group results

Thank you, Kjell, and good morning everyone. We are on page 13. So, first a few comments on the group P&L. In Q1, total revenue grew by 2% organically, whereas end-user service revenue grew by 4%. Underlying EBITDA grew by 3% in SEK terms and 2% organically, whereas Underlying EBITDAaL grew by 2% organically driven by solid end-user service revenue growth exceeding significant cost inflation and continued margin pressure from product mix changes as legacy services continue to decline. In Q1, we had an 11 million headwind from energy year-on-year. As you can see on the slide, items affecting comparability increased by 120 million year-on-year, which were related to the Strategy Execution Programme.

Our net financial items increased by 40 million year-on-year, explained by higher financing costs for outstanding debt. By Q1, we had a debt mix of 67% fixed rates, and 33% floating rates, with that follows that for every one percentage point rate change in underlying market rates, our annualised financial expenses on loans with floating rates move by around 90 million. During 2024, we have some 2 billion SEK debt maturing, of which the majority is fixed and matures during Q2. So, let’s move to the cash flow on slide 14.

Group cash flow

Capex remained high in Q1 due to continued intense investments and increased mainly due to timing of payments. Changes in working capital were positive in Q1, mainly impacted by a reduction in equipment receivables, and increased provision for restructuring costs. However, despite the positive developments in Q1, our ambition to keep working capital and cashflow neutral in 2024 remains unchanged.

Taxes paid declined year-on-year due to a settlement of taxes paid of 93 SEK million relating to previous years. And all in all, our equity-free cashflow for Q1 ended at 1.3 billion, and above last year’s level. Over the last 12 months, we have generated 4.9 billion of equity-free cashflow, corresponding to 7.1 krona per share, and consequently, slightly above our ordinary dividend level. Let’s move to slide 15 for our capital structure.

Leverage at 2.3x

By Q1, economic net debt amounted to SEK24.4 billion, a decline by 1.2 billion compared to year-end due to the cash generated in the business. Our leverage ended at 2.3 times, which is well below our target range of 2.5 to 3.0 times. With that, I hand over to Kjell to comment on the Strategy Execution Programme.

Strategy Execution Programme

Kjell Johansen

President and Group CEO, Tele2

Ready for Next Phase of Strategy Execution

Thank you very much, Charlotte, and I'd like to take a little bit of a timeline perspective with you, and we talked a bit about this during the Q4 presentation. You will see this illustration of – showing a timeline from 2020 to 2026, and I am trying to put it into a context of the previous programme and the current programme. We have talked for many quarters about the importance of our IT migration, we have talked about how important it is to move out of third-party retail, and of course, we are making ourselves prepared for this. From 2020 up until where we are now, we have worked with consolidating our IT infrastructure, going from having multiple stacks into having one, so that we can work faster and nimbler, and also have higher quality of execution. And I am happy to say that basically as we speak now here in April, we are doing the final migrations, so that we get this all into one B2C stack. Then, of course, the work continues with building the digital interfaces, the channels, but it is a milestone for us. This is the point where all different assets Tele2, Com Hem, Comviq, Boxer, these things are coming together, and will make us more efficient going forward.

And this is what we want to capitalise on with a Strategy Execution Programme in the sense that we are going to build an interaction with customers that is more digital, less costs in third-party retail, and obviously running this new stack is going to be, in itself, a more efficient way of running Tele2. We will also create value from interactions with our customers in doing so by being much more precise in the way we approach them. I just want to show you this timeline, and that the idea is that by the end of '26, we will have completely revamped our go-to-market in Tele2. If you speak to other operators and have an honest conversation with them about these things, and which we can do, and I will not name names, and I am talking about companies outside of this market, many telcos will have a timeline, if they draw the same figure that we have here, that will take them into 2030; that is for sure. It is quite a big milestone for us, and we will return to this. Also, Yogesh is with us today to help us understand better what we are going to achieve. Let me then move to page number 17.

Strategy Execution Program (SEP) update

Here is the first update on the progress of the Strategy Execution Programme, which aims to deliver radical improvements in customer experience, and value, and operational efficiency.

On the B2C side, we have kicked off by strengthening focus and investment in our own channels, and we have also carried out a major migration relating to customer service capabilities ahead of the final large B2C migration later this month.

On the B2B side, we have established a programme for digitalisation and automation. Finally, our brand new 5G network is growing rapidly, and is currently covering close to 70% of the population despite us not using 5G in the low band. This is a higher frequency coverage in new base stations. Then let us move to page 18 for the financials.

Strategy Execution Program (SEP) update - Financials

As you know, as a consequence of the programme, we are targeting 600 million SEK of run-rate cost savings by the end of ’26. By the end of Q1, which is the first quarter, we have executed organisational changes and network optimisations worth 80 million in run-rate savings, of which 10 million contributed to our underlying EBITDAaL year-over-year.

In Q1, we have also booked some 180 million of restructuring costs, mostly related to resource reductions. A good part of the restructuring costs has not yet contributed to the savings run rate. But will start doing so in Q2.

Let us go to the even more exciting stuff. Let us hand it over to Yogesh to take us through our tech journey.

Tech Journey

Yogesh Malik

Executive Vice President and CTIO, Tele2

Recap CMD 2021 - Continuously Improving our Operating Model

Thank you, Kjell. What I am going to cover is what we had presented in 2021, that is three years ago, how we are doing right now, and what are the plans, what is the vision, and take a little bit deeper dive in network and IT, and then move to our customer priorities for this year. Starting with a recap. Now I am taking myself also three years ago. We have a unique model, unique network sharing model, which allows us to become extremely capex-efficient. We have our own TV tech, and we have our own IT, different parts of IT, which helps us faster time to market, and become more capex-efficient and opex-efficient. We have been automating processes continuously, but in some cases, we are also going deeper and addressing the fundaments on how to automate in a sustainable manner. The product of the merger has been multiple networks, whether it is backbone networks, we call that a three-bone networks, we are going to make it one, and we are on that journey, very, very successful on that, a lot of teamwork. We have two mobile networks, so two JVs, one with Telia called SUNAB, and one with Telenor called Net4Mobility. The future JV to survive is Net4Mobility where we are putting all our assets into. We had six IT stacks, as Kjell mentioned. We are on a journey of completion to two; we are currently at three. And this slide was presented in 2021 with a clear vision that we want to become the most energy-efficient operator, continuously addressing the operating model in detail, and also looking at sustainability continuously all the time. Let me take you through the tech journey now.

Our Tech Journey

Our tech journey starts with the customer, because till the customer sees the impact, it would be hard to say we are doing stuff which helps the business and the customer. I will run you through step by step. When it comes to the customer, what matters is download speeds, throughputs, latency, and we have improved that significantly over the period; two times. We are also working extremely heavily on not only adapting agility but controlling with processes on configuration and change management. We have been able to reduce incidents which are affecting our customers by more than 40%, and this is a teamwork to make sure that while we adapt agility, we have to be process-controlled as well.

Our data consumption is increasing, I am sure it is increasing in every geography, and our range is 15-20% every year fixed mobile data consumption. 5G is growing at a very rapid pace as well. At the same time, 4G is also growing very rapidly for us.

On capex, and we have heard that, heavy years of investment, a heavy job to be done. This year is very critical for us to do the swap or complete the swap, abide with the regulations, and next year is critical for us to roll out the sites and switch off the JV with Telia with mutual cooperation, which is SUNAB. Here, we have also shown you that we monitor very consistently ex-5G as well, because our goal is to be industry capex-efficient, and be sustainable in the long run. And when we design networks, we want to design them for the future to improve not only the customer experience of today, not only the AI of today but the AI of tomorrow as well.

Below, you will see some key initiators over the years. So, 2022, we begun IT migration, not planning, migration, residential, creating the FMC stack which we are seeing right now, and I am very happy to say that it has gone very well, great teamwork across data centre, whether it is private cloud or public cloud, we have been extremely concerted on that while abiding to the regulation in Sweden.

Last year was the year for us to plan 2G and 3G shutdown. It is going to happen in 2025. I think 3G, everyone knows, is a little bit inefficient, if I use a moderate term; actually, it is super inefficient, and it is good that we are coming out of 3G and 2G as well. This year, full focus on swap, and full focus on not only on the swap but creating a hardware and software layer which is ready for AI for tomorrow as well, not only of today.

Our stack evolution

Then I will take you through a stack, and I am sure that there are multiple versions which can describe a telco stack. Left side, you will see an extremely colourful picture, happy, but not really that happy because we have to spend a lot of time. It is a product of the mergers. The way I would explain the stack is starting with the connectivity. It is fixed and mobile connectivity. You go to the transmission layer, which is backbone, where you transmit all your TV as well, you move to the core, which is all the way into VoLTE; you go into the data centre which hosts all the applications. You move into your applications itself, whether they're customer-facing or employee-facing, and then you go to the exposure layer, whether it is web, whether it is customer operation, retail, or personal site.

I think that we have done a lot on the legacy to keep us going, but now for us, it is the time for the new, and the new is much more homogenous. Homogenous not in terms of anything else than data and AI. Data flows go all the way up from the interface down to the data link. What is very important is that it is integrated by APIs. This would be much more secure, much more intuitive in terms of management of any troubles which are coming – affecting incidents, and, of course, cloud-compatible. This journey has not been just a piece of cake because it has taken a lot of effort from the whole organisation to think through, but we have been extremely true to the vision which we are developing. For us, what is very important is employee experience drives customer experience. The more we make it easier for ourselves, we can address more customers, eventually. Now, I am going to take a deeper dive into network and IT. Let us start with the network.

Our mobile network structure

On the network, we have a unique structure. We have two JVs, one with Telia called SUNAB, another one with Telenor, called Net4Mobility. It is extremely important for us to see what are we doing, why are we unique. You see here the areas which Tele2 operates. It is called Mälardalen area, it is in the middle, and you see the north. Those areas remain consistent, whether it is the new structure or the old structure, which helps us to serve our customers much better, much faster, and actually also address both fixed and mobile problems at the same time.

On the left side, you see an indication; indication of towers, one which is SUNAB, the other which is Net4Mobility. And this is an illustration. This is not actual. What we have seen is designing the new, we can use the whole spectrum of frequencies, 700 to 3.5. We can actually use densification. We can remove overlaps. Hence we have become extremely capex-efficient. With lower physical presence, we can address the same depth. We can reduce energy consumption per gigabyte.

What we have seen through this modernisation which we are on is that the throughput increases, which I've demonstrated before as well. It has increased two-fold, and all sites, we see it goes up two to five times. We also see very clearly that we are controlled in our capex, and not only capex here and now; long-term capex, lifecycle management, we are modernising the whole thing.

Troubleshooting becomes easier because we do not need to go through two loops anymore. We will go to one network and we see that. And given our similar areas, we are able to control our big enterprises, our customers in our areas as well on top of that. Modernised hardware; every hardware gets new functionality. So, AI-enabled across, and I do not mean AI for today, I am talking about the future AI, where AI will be embedded into much more detail, beyond deep sleep and others.

For us, it is a continuous journey, and switching off 2G and 3G is important, 3G especially, because 1% of the traffic and less is being carried by 3G, but 10% of the overall energy consumption is done, so it is really inefficient. So, we will save the environment, we'll reduce carbon emission, and we'll become more sustainable. And 4G and 5G network going forward will be one of the best.

The IT landscape

Now I take you through the IT journey, and it has been a journey. But we had to start the journey with a vision, and the vision was very clear for us, that we need two stacks; one which addresses enterprises with a solution, and the other one which takes mass market in a very, very composable manner. Why do I call that composable? Because we have to be able to see things which are not deeply connected. We can take things out, replace things in. We have been on this journey, and we are going to be finishing this journey, so it gives me a lot of pride. This would not have happened without Kjell's sponsorship, the CEO's sponsorship is extremely important, without Hendrik and Stefan, because business sponsorship is extremely important, and also to make sure that we can deliver this with our partners. We have selected partners. For example, we have replaced our charging system. We have replaced our policy management system, and we are on a very good way.

What does this new architecture give us? It gives us a clear digital enablement. Of course, digitisation will keep going on. We will go deeper and deeper, but it has enabled us from the fundament. Number two, for us, as we have fewer incidents, we can manage them very fast. Product configuration which are on the base level, and pricing configuration can be done by Hendrik's team, which is the market-facing team, and we want to make the stack market-oriented, yet very composable in design. And to be very clear, we are worried about energy consumption. So, 1,000 servers for Comviq, this will be 100 servers, because tech has moved on, space management is critical, and energy management is critical. This is building security by design, and also making it cloud friendly.

Key Customer Priorities

Then I would finish with the customer priorities, and we call that customer priorities because actually it is all about our customer and its operation first. Start with best 5G, I am a firm believer in that swap. By end of this year, it is a massive undertaking, and we will be covering 90% of the population, we are close to 70 right now as Kjell mentioned, 5G security compliance, and carbon emissions. We have net-zero target, and we have circular economic targets, and we are totally on that. We have our own TV tech, and Boxer while we are doing a lot of stuff, what we are focused on is TiVo. TiVo migration has been completed as of yesterday, and it is six months sooner than what it was. Remote PHY, we are executing, and of course, we looking at all the new tech on fixed because it is very critical for us to make sure that we are able to give that new tech in the landscape where we have a lot of fibre; quality of service, quality of experience as well.

On the own IT, I think I've gone through that, so I am not going to deep dive into it.

On operating model, we look end to end one more time that we are looking into business processes, how we can keep them running, and how we can keep them forward, change success, and severe incidents. I hope I have given you a little flavour of the whole thing. With that, I hand over to Kjell.

Guidance and Outlook

Kjell Johansen

President and Group CEO, Tele2

Thank you very much, Yogesh. Basically, a massive change in building the best 5G network – 4 and 5G network, and a complete revamp of the entire IT stack, both for consumer and for B2B. That is quite a task that we have been through.

Financial outlook (unchanged)

Let us then move to slide 25 for the guidance and outlook. To make it short, we reiterate both our guidance and the midterm outlook. As said in the Q4, our EBITDAaL guidance includes an estimated energy cost headwind of around 90 million, of which 35 million relate to the energy support received in '23, and given the outcome of Q1 and the current benign price levels, the headwind could be lower than 90 million. As a reminder of our capex profile, in 2025, we expect 13-14% of capex to sales driven by the final stage of the major 5G expansion and rollout ahead of the 3G network closure at the end of the year. From '26, capex to sales is expected to come down to historical levels at 10-12% as our network expansion will return to being demand-driven. With that, let us hand it over back to the operator.

Q&A

Operator: Thank you. As a reminder, to ask a question, you will need to press star one and one on your telephone and wait for your name to be announced. To withdraw your question, please press star one and one again. We will take our first question. Our first question comes from the line of Ondrej Cabejsek from UBS. Please go ahead. Your line is open.

Ondrej Cabejsek (UBS): Good morning. Congratulations on a very good quarter and thank you for the question. Two please. One is just for management in general, if you have had any conversations already with the new reference shareholders, and what are some of the changes in focus or strategy, or just execution that one might be expecting going forward from Tele2. That is one question.

The second question, you have had really improved set of trends around Sweden B2C, I think it is quite a material step up compared to basically a more gradual expectation by the Swedish. If you could maybe walk us through the dynamics there and what kind of the outlook is in terms of trends, because you also mentioned in the previous calls that some of the pricing that you have done, for example, would be only hitting from 2Q onwards, so in terms of the run rate of Sweden B2C EUSR, could we expect a further improvement throughout the rest of the year? Thank you.

Kjell Johnsen: Thank you, Ondrej. I will start with the iliad question. Yes, of course, we do have contact with iliad. At this stage, they are sort of in the middle of a transaction that needs regulatory approval. They are not insiders at Tele2. That limits the dialogue we can have to more generic. I cannot say more to them than I can say to you. But that will, of course, change by the middle of May when we expect these things to come through. We are quite excited about getting them in. Kinnevik has been a fantastic shareholder at Tele2 from inception all the way up until now, very supportive, and a very professional shareholder. Now we are getting a new shareholder that has pretty much the same kind of challenger mindset that we connect with Kinnevik and Jan Stenbeck. We get it now with Xavier Niel and iliad, who have been challengers in multiple markets in Europe with success. I would say this is early days. We typically do a strategy review once a year. We look forward to their input, which, of course, we'll be listening very much to and discussing with them. We also are keen to learn more about how they run their operations, for example, in Poland, where they have Play and UPC, which are similarities with us. Who knows, maybe a few of the things we do here are pretty good so maybe they can learn a little bit from us also. That would be a good, a nice dialogue for all of us. Very excited about that.

I am sure that Henrik is happy to speak about good results in the Sweden B2C. He has worked hard for that for a couple of years, so maybe you can take that.

Hendrik de Groot: Sure. Hi, Ondrej, and thanks, Kjell. Yes, it is a continuation of our journey, basically. We still have a bit of a difficult market that the consumer market is in with device sales down 9% also in this quarter. However, we have been able to build the strength in the underlying foundations, and I think some of that you can really see come to fruition at the moment. Last year, basically built on the things we have done around Tele2 mobile, making it more stable in terms of moving Tele2 mobile together with devices and handsets and doing all the steps in the portfolio at that time with the new unlimited portfolio has really built some good strength in our mobile business that sort of we are benefiting from today.

Also, as part of our strategy execution, we have moved to a new pricing model that we have talked about in previous quarters, and that is been quite substantive. The pricing model that we have now moved to from more for more is an annualised pricing model, and there are quite big changes in that, where in the past it would take cohorts of customers spread out through the first half of the year that we would then price up. We have now taken an approach that all of our customers will receive pricing, and with all of the customers, I mean all those customers that are not in a binding relationship with us. They have all been communicated to at the beginning of the year. They will all be receiving their first bill in March and April, and that is quite different to what we have done before. Basically it front-loads the pricing, and that is, from a year-on-year comparison effect something to take note of in particular for this year versus last year because last year we were still in the old model where you saw that the pricing effect came in more towards the end of the year. We are now having a pricing model that comes in more front-loaded. Only some of the pricing sits in the first quarter, and the second quarter we'll see the fuller effect of it.

Then as customers run out of their binding relationships, during the year, they will also be priced onto the new front books because part of the pricing strategy has been that also from January we have, actually across all of our services, introduced new price front books, and we have taken that across all of our BTL prices as well. All of our underlying BTL prices, Save-desk, everything has been receiving the same price treatment. It is quite a different approach to what we have done before. If you want to translate that into an outlook, I would say this quarter has benefited from an effect from last year and the first month of pricing in March. The full effect will come into the second quarter and will take its way through the year, but on a year-on-year comparison basis as we go to the second half of the year, of course, you will see the effect of last year's pricing come in from a year-on-year comparison point of view.

Ondrej Cabejsek: Thank you very much, Hendrik. Just one follow-up, please. In terms of the majority of the lapsing price increases last year, when exactly would that be kind of happening? I guess, what you're saying is one month of 1Q then full Q2 benefiting from an overlapping set of price increases, but then when exactly in the second half is that lapsing, the majority of that?

Kjell Johnsen: If you look at our pricing last year, I think we also guided on that during last year that we would see the effect of price increases fully into the last quarter Q4, which we have also seen in the ramp up of the growth rate in the B2C business in the fourth quarter. If you take our pricing effects for this year, you will see the full effect in Q2 and in Q3, of course, also, taking it through to Q4, but your year-on-year comparison, of course, you will need to take into account that we had a ramp up in the fourth quarter of last year, if you compare it year-on-year.

Ondrej Cabejsek: Thank you very much, both.

Kjell Johnsen: Sure.

Operator: Thank you. We will take our next question. Your next question comes from the line of Oscar Rönnkvist from ABG Sundal Collier. Please go ahead, your line is open.

Oscar Rönnkvist (ABG Sundal Collier): Morning, thanks for taking my questions. So, just the first one on the consumer outlook, I think we saw some comments from you, Kjell, that we could see or could hope to see an improvement throughout the year, so I just wanted to get any comment on the full-year guidance and what is incorporated in that, please, if the consumer environment is maybe a little bit better than you initially expected. Thanks.

Kjell Johnsen: That was more of a macro comment from my side, and, in a way, your guess is as good or maybe better than mine. I am just reflecting on the fact that it is been a bit tricky for years; we went out of COVID, we had inflation, we have had higher interest rates, and people's pockets have, of course, been impacted by inflation and higher interest rates. If we now see interest rates start coming down, which seems pretty clear, at least in Sweden it definitely will, I am thinking that towards the end of the year people will maybe have a little bit more money in their pockets. So, this is not something that I think is going to have a significant impact necessarily on our development this year, but it could. I think we see that the trend should start becoming supportive at some point towards the second half of the year.

Oscar Rönnkvist: Perfect. Thank you. I think just sort of on what to extrapolate from this Q1 also; I think that you, I believe you guided for flattish EBITDAaL growth now in Q1, came in at 2%, and maybe would assume that it is top line driven with an acceleration in the Swedish consumer growth as the previous question highlighted as well. Just on, what sort of drove the 2% sort of beat versus your expectations, maybe it is a little bit on the lower side to fully extrapolate. However, have you experienced a better customer response from the price increases that you did in the early part of the year, or how should we think about the better than expected Q1, please, in terms of what we can extrapolate?

Kjell Johnsen: I think we still see some effect, although not that much, of course, of the pricing we have done this year. It played out well with the last price adjustments last year. Lithuania has been off to a very good start, which is also helpful. I am glad we could come in a little bit above. Maybe we were slightly conservative looking at the first quarter, but it is nice to come on this side of the equation, so to speak. Please, if you want to add something.

Hendrik de Groot: Yeah, I think just to add. I think we should also just take into account that we had a pretty good run in the years, particularly the second half of last year, so some of the benefit is coming through pricing but also we have been able, in particular on the mobile side, to have a good base growth, and that, of course, we are benefiting from as well. I think it is a combination of the two. I think for the year, let us not forget the device market, the handset market is still down even versus what it was last year, so consumers are still a bit careful, although, of course, things seem to be stabilising. I think it has mainly been a good sign of resilience to a market that is expected and got used to price increases over the last period.

Kjell Johnsen: Yeah.

Oscar Rönnkvist: Got it. Thank you very much.

Operator: Thank you. We will take our next question. Your next question comes from the line of Andrew Lee from Goldman Sachs. Please go ahead. Your line is open.

Andrew Lee (Goldman Sachs): Good morning, everyone. I just wanted to build on some of the questions and answers that we just had, and also around the operational gearing. As people have alluded to, you delivered 4% service revenue growth and 2% EBITDAaL growth this quarter, and that is sort of mid to upper end of your full-year guide. And as the last question said, you have been sort of guiding to flat EBITDAaL this quarter. If we build on what you just said through this call, you have just made meaningful and relatively early Swedish price rises that haven't fully impacted yet. And I think you suggested previously that energy headwinds will be greatest earlier on in the year. Plus, you said the restructuring costs would contribute more to EBITDAaL from the second quarter and that maybe energy headwinds could be lower than the 90 million that you guided for the year anyway.

The first question is, would it be erroneous to say that your service revenue growth should at least be sustainable from here, probably be better in second and third quarter, and that your EBITDAaL growth should accelerate through the year? How you can give in what is wrong, or what is going in the wrong direction to make those statements incorrect, at least flat to accelerating service revenue growth from here and accelerating EBITDAaL growth.

Secondly, just again on operational gearing, do you think we can reach the point in H2 or by Q4 where EBITDAaL growth exceeds service revenue growth for Sweden and the group? Thank you.

Kjell Johnsen: Yeah, Andrew, this is a very interesting discussion. First of all, we are not going to change our guidance on revenues, but nice try. When it comes to EBITDAaL, I sometimes get the feeling when we have these discussions that people look at the company on mobile and the broadband, and then extrapolate from that. If that were the case, I would have promised you operational leverage without any hesitation. The thing is we do a couple of other things also. We have the TV side that we have to deal with, and some of the things that we are doing technically, for example, we talked about TiVo, and Yogesh mentioned that we have finalised it, actually quite a bit ahead of plan.

These migrations of customers over to new standards involve risk. We are also now in the process of doing some upgrades around Boxer, so some of our customers are getting cards and these things. This is normal, it happens all the time, but they do have risk elements to them. There are elements of our business that do not automatically benefit from the price increases we do. We are working towards operational leverage as a whole, but then in order to deliver that, we need a substantial over-delivery on a couple of our categories to be able to get to that for the whole company.

You see, we can do it in the Baltics; that model is simpler in the positive sense of being easier to understand and easier to run. With the bigger complexity and stability of the Tele2 Sweden business, we need over-performance in mobile and broadband, in particular, in order to lift the whole ship up to operational leverage. However, I am not telling you something you don't know, Andrew. I am just kind of rehashing it.

Andrew Lee: I think that is very helpful. Can I just ask a follow-up question on what you just said, Kjell? You have built in kind of risk around TV and TiVo migrations to new standards, and Boxer upgrades. If those go well, I guess then maybe we could see operational gearing. However, when do we know whether those have gone well or not, and what's the timeline of getting insight into that?

Kjell Johnsen: Well, TiVo, we said to you that that has happened. Of course, that gives its little contribution to the overall picture, and we are all happy with the performance in Sweden B2C. That is one of the elements, of course, into it, and then others. We have said to you that our ambition is to come up to mid-single-digit EBITDAaL growth in the medium term, and that involves getting all these things more or less completely right, and TiVo is an indicator that it can be done right; there other things that go very well. We just need to continue to execute on our plan. You see the SEP is here, that is an element of it, not only for the cost benefits, but also for the improvements in the go-to-market. We just need to be very disciplined about delivering quarter by quarter on these plans and then we can get back to those levels.

Andrew Lee: Thank you.

Kjell Johnsen: I wish I had a simpler story, but it is going to be like that.

Andrew Lee: Getting there. Thanks very much. Cheers.

Operator: We will take our next question. Your next question comes from the line of Andreas Joelsson from Carnegie. Please go ahead. Your line is open.

Andreas Joelsson (Carnegie): Thanks a lot, and good morning, everyone. Perhaps a little bit more long-term questions. A couple of quarters ago, Kjell, you spoke about the convergence, and the importance of convergence and that it will increase in importance. I just want to know how far you have come in your view on that subject, and also how important is it for your mid to long-term outlook that you actually accelerate on the convergence.

Secondly, you mentioned 70% coverage of high-frequency 5G; first of all, when or how will you utilise that position more commercially that we will more see 5G offerings and 5G solutions in your view? Thanks.

Kjell Johnsen: Yogesh talked a little bit about the technology part of convergence. Obviously, the whole work that has been done over the last few years of going to one stack is a prerequisite for being efficient in building convergence. Then I have said a couple of times that I think that the converged market – the FMC market is going to be built throughout the whole of 20s in the Swedish market. It is not going to happen over a few quarters. You can do offerings, and this and that, but I think we, and at least one more player, will be building convergent solutions throughout the 20s. That is one of the key things that Hendrik is working on, and maybe you would like to expand on that.

I will just take the one on the 70% first. When we launched the new 5G pricing plans for Tele2 in Sweden, we were the first in the market that treated 5G as a broadband product, and which it obviously is, and in terms of the pricing structure, and we see that the market is clearly moving in that direction, which is good. That gives us the opportunity to do more on the kind of pricing that Hendrik talked about here earlier. We are at 70% now of high-frequency, and we will be around or close to 90% by the end of the year also with high-frequency real 5G experience, not a 4G plus experience. That is a good prerequisite for building these services.

Then final thing before I hand over to Hendrik. I think building FMC is going to be important for us because it is a way to isolate part of the market for us who have those capabilities so we can have less of this froth that is going on in the no frills that we see around us today which basically is not moving anything forward in terms of keeping people happy over the long-term.

Hendrik de Groot: Absolutely, Kjell. Andreas, I mean, you know, FMC is the foundation of our Tele2 brand. At this call, we need a number of things to be at our disposal. First of all, we need to make sure that we have a customer 360 at our fingertips, and Yogesh just talked you through the tech journey, and I am so happy that we are at a position now that we truly see at all of our touch points at customer 360, that, by the way, we can also start to bring recommendations to in terms of next best action and next best offer.

We also need to be able to really expose a complete digital journey to our customers, and that is still a number steps that we need to do and we can accelerate on, and within that also include a seamless multiproduct and multi-service experience to our households. Those are things that we are working on, and Yogesh talked you through on the technology side.

What we are doing today is, whilst we are sort of seeing these capabilities come to us, we are already, with Tele2, very much into what I would call an FMC journey. So, if you look at all of our channels and the way we run the business, we basically always look at the customer through the lens of mobile and a lens of broadband.

And I think, you know, probably if you look at our growth numbers in the core, in our core connectivity that you have just been seeing today, some of that is delivered basically through our FMC approach. Thus, on all of our touch points and the way we offer our services, we constantly look at what does a combination mean for our consumers. There is a lot of cross-selling going on in all of our touch points. Actually, we see that our customers are quite interested and open to that. We have, at the moment, propositions and offers in the market around what we call connectivity combinations, and we are very much looking forward to combining our entertainment suite into those type of offers as we go on in the year and into next year. There is a lot happening, and we already have quite a proper penetration on our broadband and mobile base of what I call FMC households.

Andreas Joelsson: Thank a lot. I appreciate it.

Operator: Thank you. We will take our next question. Your next question comes from the line of Nick Lyall from Bernstein. Please go ahead. Your line is open.

Nick Lyall (Bernstein): Yeah, morning, everybody. First question on churn, please, Kjell. It looked like even with the clean-up, your churn was up a little bit this quarter. Could you just tell us how much is due to the price rises, and then how much the value strategy, and maybe how much competition just to give us a rough idea? Is there a risk the second quarter gets worse given Henrik's comments on the timing of the price rises?

Then secondly, gearing looks very low now at 2.3. I think even with the divvy, you are seeing 2.5 for the gearing. Presumably, it is going to be below the guidance range for the full year now. Could you just remind us of your options on that, and what the current thinking is about prudence on the balance sheet and what your options might be? Thank you.

Kjell Johnsen: On the churn, clearly, we laid out that some of these were related to group agreements, so really, the P&L impact is close to zero; very little. Hendrik can explain that more.

Hendrik de Groot: Yeah.

Kjell Johnsen: So, bring that with you. And maybe you want to elaborate a little bit more on that?

Hendrik de Groot: Sure. Then I can take you through, let us say, sort of the churn of the net intake position in the first quarter. I will also take you through all of the products. First of all, if you look at on mobile, as we said, it is very much driven – I mean, first of all, just to step back on all products, typically the first quarter is a bit of a softer quarter, given that we have always a busy Q4. That is a seasonal effect if you want to call it like that. Then secondly, yes, we have done quite significant amount of pricing, but in particular also pricing communication to all of our customers that I was explaining before and that, of course, has its impact.

However, underlying, if you look at mobile, we have stated that a lot of that is also driven by the free MBB. You will probably recall that we have launched a broadband service with mobile fallback. In the early version, we joined an MBB with the service that later on and we launched it last year, we integrated into our router, which now then therefore the mobile MBB becomes a component, not any longer an RGU, and some of that is sort of just life cycling out, and we have, therefore – if you on net look at the numbers, the net intake position between Q1 this year and Q1 last year on core mobile post-paid is pretty much at the same level. There's a little bit of pricing effect in there but it is actually not too bad. It is really tainted by the free MBB effect.

If you look at our TV and entertainment position, then we are pretty much, you know, year-on-year where we are again, but first quarter is a bit of a slower quarter. I would actually say, given that we have done the TiVo migration, that we have completed, which is over – it is nearly 100,000 customers that we have been migrating with actually very little churn effect. There's quite, you know, I would say actually quite a strong number on that net intake position.

And lastly, if you look at the broadband, on the broadband, you could say even if we take the clean-up out, we are a little bit weaker. And I think that is probably valid. A lot of that is also again driven by pricing. However, as I said, we have taken through the pricing all the way through all of our BTL and on to our Save-desk. We have also done some cost-passing, and in particular on to the OLAN customer base. Throughout last year, we have seen that a lot of the network operators have been pushing through quite large price increases, and we have taken those price increases and cost passing to our customers, and some of price rises have been quite substantial.

From a margin perspective, by design, decided not to save all of our customers. You can see that we have a little bit of a margin management dimension here if you look at the net add position on broadband. Then maybe last but not least, whilst I am talking anyway about the net intake position, if you look at our prepaid. Just to touch on that, also on the prepaid, we have a specific position in the first quarter with a little bit of a higher churn year-on-year, and that is due that when preregistration entered for all customers in first quarter last year, we saw a run of buying basically prepaid cards of those customers that – you know, preregistration moment, so you can see a little bit of that fallout now. However, that gives you a little bit of a colour on churn and net intake.

Kjell Johnsen: Then, Nick, on your balance sheet question, yes, of course, it is clear that we are now actually below the range. We have said over the last quarters that we would like to be a little conservative, but it is also clear now that if we forget for a moment about the Red Sea issues, that supply chains are more predictable definitely. We see that inflation is starting to get under control, interest rates probably coming down, so you can say that the need for being conservative is luckily going to be lower than it was before. We also have a new shareholder coming in, so the options are quite straightforward.

If we are consistently below and we don't buy a bolt-on asset that would be very good for our business, then we would look at that in terms of our shareholder remuneration policy and see what's the right level for us. That is, of course, a dialogue for the board to have. Of course, the new shareholder can have opinions about that. I do not know what they would think about that, but that is a future discussion. However, we have a policy, of course, and over the long run we should definitely follow it.

Nick Lyall: That is clear. Thanks very much.

Operator: Thank you. We will take our next question. Your next question comes from the line of Stefan Gauffin from DNB. Please go ahead. Your line is open.

Stefan Gauffin (DNB): Yes, hello. A few questions. First on cost savings. I think you said in Q4 that the new transition programme would happen gradually, and now you take quite substantial restructuring charges already in Q1. I would say that is indicating that the cost savings could be more front-end loaded than at least what I interpreted off the Q4.

Second question is just on pricing in the Baltics. You have negative asset growth in Latvia and flattish in Estonia, and you also comment that competitors have raised prices in both markets during the quarter. Is there room for you to do further price initiatives in coming quarters?

Then just thirdly. Viaplay, which you have cooperation with, is losing content, so part of Premier League matches goes to Amazon, Disney is taking over Europa League and Conference League, and these are part of your current TV packages. Does this affect your content cost, and do you need to do adjustments on pricing in these packages? Thank you.

Kjell Johnsen: I will start on the programme. Within the first quarter, we have done restructuring inside the company here in Sweden. That means that we have reduced the amount of employees and consultants by around 240, of which around half were consultants. Of course, that is part of the reasons why we are doing a restructuring charge here in the first quarter. I think that kind of answers the question. Of course, that will give a cost benefit as we progress going forward.

The Baltics, well, Lithuania goes super well. Let us look at Latvia, which is the second biggest, and they had two price increases in ’22, the last one in December ’22, and they were at some point up at around 20% EBITDAaL growth, so it was almost like in the good old days. They are in between price adjustments, but without being explicit on things, I am quite confident that they will be back into a cycle there again later in this year. Thus, positive on that. There is room for manoeuvring in the Baltics. Viaplay?

Hendrik de Groot: Yeah, Viaplay, Stefan, you know, our customers, as you know, they have, what I call, hybrid packages, most of them, so that means linear and both content based on Viaplay. They continue to enjoy it, I think we are getting very good feedback, and we do not see a reason for them to have a feeling that they are getting less. So, there’s no changes in that sense to how we look at consumers and also the feedback we are getting. Of course, with regards to our relationship, we have continuous contact with our key partners, and we have ongoing discussions about how we move the business forward.

Stefan Gauffin: Okay. Thank you.

Operator: Thank you. We will take our next question. Your next question comes from the line of Erik Lindholm-Rojestal from SEB. Please go ahead. Your line is open.

Erik Lindholm-Rojestal (SEB): Thank you, and good morning everyone. A bit of a longer-term question to start with. Can you talk a bit about the sort of the visibility you have in clearly lower capex from 2026 and beyond here? Then you talked about the new setup with only having Net4Mobility, et cetera. However, do you think capex to sales could be even lower than the long-term average of around 10% beyond 2026? I will start there. Thank you.

Kjell Johnsen: The visibility is very strong because what we do in ’24 is 100% linked to the regulatory decision that we have to swap out Huawei, so that it is very easy to identify. What we do in ’25 is very much linked to the closure of SUNAB, which has to happen end of ’25 because that spectrum doesn’t exist anymore. It has been resold by regulatory authorities, so SUNAB will have zero spectrum from the 1st January 2026, that will all rest with Net4Mobility. The visibility on that is total. Of course, we are into commercial development. But, then since we already will have a massive coverage, we are then talking about capacity increases here and there, and some coverage sites here and there, so it is going to be back to normal run rate.

However, I wouldn’t get your hopes too high up on getting further below the 10% number. You should remember that a lot of the capex that we spend is also in terms of running our own development. We are not in the pockets of any of the big integrators, so we have the freedom to make our own decisions, and that means that we do development ourselves. We also build out Remote-Phy, we do upgrades. 5G is a very important part of our capex, but I would not get your hopes up high on getting below 10. I would even say that if you go back in time, there probably were times when capex was artificially low in parts of the business, and that is not a smart thing to do.

Erik Lindholm-Rojestal: Then a more of a short-term follow-up here. You talked about your new pricing model here in Sweden and some earlier price hikes to normal, but what sort of pricing moves and promotional activities have you seen here in Sweden from your competitors? Are they following you in your pricing activities here at the start of the year? Thanks.

Hendrik de Groot: Erik, I will take that one. In general, we do see that across the board that the prices have been adjusted also beginning of the year by competition, so I think that is the good news. Then of course the other side is what happens next once you have done the pricing. That is where we, as an industry, need to keep each other hopefully in a good balance around value and volume. That I think is more the key equation. Everyone is moving, but what happens next? I think what we are seeing at the moment is to an extent quite a competitive environment out there, and in particular towards the latter end of the first quarter. We see, you know, highly discounted offers, for example, coming in. I think we all need, as an industry, just to be mindful how we continue to drive value in the market and towards our customers.

Erik Lindholm-Rojestal: Excellent. Thank you.

Operator: Thank you. We will take our next question. Your next question comes from the line of Siyi He from Citi. Please go ahead. Your line is open.

Siyi Hi (Citi): Hello, and good morning. Thank you for taking my questions. I have two questions. The first one is on the B2C. I just wonder if you can just walk us through the decision-making process. The magnitude of the price increase you push through every year, I guess maybe a majority, part of them, is based on the consumer acceptance. If, let us say, by the end of this year we see improvement in consumer confidence and the wallet, would you think that there could be a bigger headroom for price increase next year assuming that is the competition also remains benign? Also, I wanted to understand if you have thought about price indexation on your MBU group contract as well.

My second question is on the B2B mobile. It has been growing quite strongly for many quarters and close to high single digits. You did mention that the competition is intense over there but you're still outperforming. I am just wondering how should we think about the B2B mobile trend going forward. Thank you.

Hendrik de Groot: Right. Let me take the first part on the levels of pricing. It is, of course, clear that consumers love their services, and there is always a level of pricing acceptance. We try to very much have an orientation towards overall cost of living price development, and that is what we also have reflected in the pricing we have done this year, at the same time, of course, we keep a good eye on how our NPS is developing because there is, of course, a relationship between the level of pricing and the level of satisfaction and customer lifetime you get. I think it is a careful balance and we will see as we go along what we feel is the right level. However, I would not conclude automatically that there is a lot of further pricing upside because there is always a ceiling to what you want to do, and we are here for the long-term customer relationship and not for the short-term gain in that sense. And I think that was mainly sort of on the consumer pricing level, Stefan.

Kjell Johnsen: And group agreements.

Hendrik de Groot: Group agreements in general, you know, they also have price increase clause just as part of the contract; they are more like contracted customers, and group agreements are typically, you know, longer-term relationships. As they come up for renewal, they will renegotiate it, but they have price increase clauses within them. However, that is very much related to the contract length so that you cannot sort of run that on an annual basis except, of course, the price increases that are inherently included in the contract as such.

Kjell Johnsen: Now we get to hear you, Stefan.

Stefan Trampus: Perfect. Thanks for the B2B question, and let me elaborate a little bit to give you some colour on how we see the development from a B2B perspective. Kjell mentioned this in the presentation, and some of you stated that in your reports as well that we have good growth on the mobile part, 8% in the quarter, similar to the previous quarter. We also stated in the report that we lost a public customer, and this is the main driver of the negative – the big driver, I would say.

However, if we look into the context, to put that in a context, in the last four quarters, we have lost one larger private customer and two public customers, and this last one, and how it works in the public domain, it is a little bit of a hit and a miss event. There's no negotiations, we have put in a tender and either it gets accepted or not. Actually, these two public customers that we lost in the last four quarters, we will make up for already this month actually where we have won a new larger public customer.

In the larger segments, I would say that there is no big shift from a market competitive perspective. Furthermore, if we look at the situation we are in, we are in a recession; we have been in that for some time, and this has prompted our customers to address their cost base, which, of course, includes the personnel costs, and that has led, we see that in our base that we have seen less growth in existing customers on RGUs, but also that some of our customers have done customer or personnel reductions and employee reductions, which led to less RGUs. I think those are the main drivers.

Then looking forward, and I was alluding to this already in the Q4 call, I think it was Keval who asked me about, 'Where is B2B going in '24?' And I said, well, the ambition is to be on the same levels on the end-user service revenue growth as we have seen both in '22 and '23. The unknown for us is the customer demand and the customer buying power. When I talk to customers, we still see that they have a cost-conscious perspective, they look at their travel, they have travel restrictions, et cetera. We see as Kjell was alluding to bankruptcies still increasing, we see that newly started companies is less than last year. Let us see how it plays out on the coming quarters. However, the ambition is clear, and the ambition is also to grow our RGU base this year as we did for the full-year last year. I hope that gives some colour, Siyi.

Siyi Hi: Thank you very much.

Operator: Thank you. We will take our next question. Your next question comes from the line of Usman Ghazi from Berenberg. Please go ahead. Your line is open.

Usman Ghazi (Berenberg): Hello, thank you very much for the opportunity. I have got two questions, please. Firstly, just on the network side, on the mobile network slide that you had shown where you're going from around 12,000 sites as of today to just above 9,000 despite rolling out kind of 5G mid-band to 90% of the population. The question was, you know, my understanding is 5G mid-band spectrum has roughly half the propagation of 4G mid-band spectrum, right? Can you explain how is it that you are able to deploy 5G mid-band coverage to pretty much the same coverage layer as 4G and yet reduce the number of sites by the extent that you have indicated? That was the first question.

Then second question was just going back to the working capital. Obviously, Q1 has had a good development, but why is it that you are maintaining a flat, still a neutral guide for working capital? Is this conservatism or is there something else to be expected, whether it be capex, et cetera, through the second half? Thank you.

Kjell Johnsen: I think Yogesh did also better than me on the network. I guess we are talking now about the population coverage and area coverage, but please, you can do it much better than me.

Yogesh Malik: Thank you. I think we have to look from a point of view when we say the target network, Golden Grid, in a way that we have to use all the frequencies, low frequencies; 700, 800, 900; mid-band, 2,100, 2,300. But also, I think we have to think about 1,800. And if you then layer 35, then everything put together, we design the grid. It is depending upon the areas. And as you saw in the slide, we want to densify the urban areas, and we want to utilise the spread of the spectrum in other areas. Today, SUNAB is 2,100 and we have other frequencies in network. We are consolidating, and hence we can both rationalise and densify. With densification, we can, eventually, prepare the network for deeper private networks at a later stage, so that is the rationale behind it.

Kjell Johnsen: I think one thing that we very often do not talk about is that when it is 5G, everyone is excited about that. For many of our customers, I would say probably still more than half our customers, they don't have a 5G-enabled phone. What we are doing at the same time when we build 5G is that we are doing a massive upgrade of the 4G capabilities.

Yogesh Malik: Absolutely.

Kjell Johnsen: A lot of our customers who don't have a 5G phone are getting a massive improvement of their services from us even before they join the train. However, okay. Working capital, Charlotte?

Charlotte Hansson: Yes. Thank you for the question. I think that, of course, we are happy with the Q1 results, but it is very much a temporary or a seasonal result you could say as well, and we do have this restructuring cost that we took in the quarter, and, of course, that is something that was paid out during the year. That is very much a timing. I think that is the one that really moves it.

Kjell Johnsen: So, regarding the flat for the year on working capital.

Charlotte Hansson: Yes, flat for the year.

Kjell Johnsen: Yeah, because of the timing differences here. We just want to be very transparent about this, not to create any illusions. Still, with the Tele2 model, a great cash flow coming through anyway. Was that the last question?

Operator: Thank you. There are no further questions. I would like to hand back to Kjell Johnsen for closing remarks.

Kjell Johnsen: Thank you very much to all of you for joining. I hope it was helpful to you that we extended a little bit extra time to talk about our network and IT. That is a super exciting journey where we are really at the front when it comes to both consolidating IT and building a brand new 5G network. Many people use overlay networks. Many people try to do a mix. We are going all the way with a clean new network, even including how we link up the base stations. That is cool. We have a good first quarter. We think many of these trends are strong and sustainable, and a Tele2 model with a shared network resources shows again that it can deliver good cash flows, filtering all the way through, hence our balance sheet is really strong. We look forward to the next round, and thank you very much for taking the time with us today.

Operator: This concludes today's conference call. Thank you for participating. You may now disconnect.

[END OF TRANSCRIPT]