Telenor Q4 2024 Results | 6th February 2025

Frank Maaø:

Good morning and welcome to Telenor's fourth quarter results call. I'm Frank Maaø, head of Investor Relations, and today I'm happy to introduce our new group CEO, Benedicte Schilbred Fasmer, and our new group CFO, Torbjørn Wist. We have quite a bit of ground to cover today, along the same lines as usual, but with some additional color on the first impressions and priorities of Benedicte and Torbjørn.

Before we kick off, a couple of housekeeping items. So as always in the presentation today, all numbers are in Norwegian kroner, and growth rates are referred to on an organic like for like currency basis. And for those who wish to ask questions in our video Q&A after our prepared remarks, please remember to turn on your camera, and please limit yourself to one question and a related follow-up. With that, I'd like to hand over to you, Benedicte.

Benedicte Schilbred Fasmer:

Thank you so much, Frank. Good morning and thank you so much for tuning into our call. I've been the CEO in Telenor for altogether nine weeks, and as new to Telenor, I bring perspectives and experiences from my background in other industries, including banking, capital markets, and the fast-moving consumer goods industry. I'm also very fortunate to have a broad experience from boards, as well as being a CEO for the last four years.

A common thread has been a passion for working with technology and people to transform and improve customer experiences and drive results. And my top priority is our customers, and from the picture on this slide, you can see me engaging with customers on the very first day at work in Telenor. I have a very strong commitment to shareholder remuneration, but also capital management, and I can assure you that return on capital will be front and center in capital allocation decisions.

In getting to know Telenor, one of the things that have impressed me the most is the quality and the competence of the people, the execution culture, our strong commitment to excellence in secure connectivity, as well as our long and proud history. And this has left me with very high expectations for the time ahead, and I'm looking forward to work with my new colleagues, to chase further potential in monetizing pockets of growth, and transforming customer experiences.

So let's take a look at our key priorities for 2025. Since the Capital Markets Day two and a half years ago, we've made good progress in executing on our strategy, and this team... This year, sorry, my team and I will have two main tasks, the execution on 2025 as the final year of our current strategy, whilst making sure we evolve our strategy for the years ahead. And we will get back to you on the outcome of this process at the Capital Markets Day in Q4.

In terms of the execution priority, I recently finalized the composition of the group management team, which now has executive with long tenure tenure from the company, as well experience from the telecoms industry and other sectors. And in 2025, we will continue to pursue the value creation strategies that are adapted to the characteristics of each of our four business areas.

First and foremost, we are a leading connectivity provider in the Nordics, and here it will be key to continue implementing our more for more monetization strategy and transformation program. We also have assets in Asia that are important for our cash flow generation and medium term earnings growth profile, and we will continue to pursue growth and profitability in Grameenphone. We will also continue to work as active owners alongside our partners in our associated companies, True and Celcom Digi, to nurture growth in order to continue to take our synergies and increase dividends flows.

On top of that, we have key assets and ambitions for our infrastructure and areas, each of which have their own distinct value creation strategies. We will continue to evaluate any good inorganic opportunities that may arise across all four of these business areas, with a view to creating shareholder return over time.

And with that introduction, let's take a closer look at a quarter. In Q4, we saw a solid performance across our businesses, even though the headline numbers were somewhat negatively affected by a few one offs, as well as the macro development in Bangladesh, which unfortunately continued to weigh on our group results. In the quarter, with fairly brisk competition and low inflation in the Nordics, we did quite well, both in terms of service revenue growth and EBITDA. Our Nordic transformation efforts were paramount to EBITDA growth of 6%. In Asia, our team in Bangladesh has shown tremendous resilience, and despite difficult macro conditions. We also saw impressive performance by our business in Pakistan and continue to receive progressive dividends from Celcom Digi. Our free cash flow was once again even stronger than we had hoped for. The total free cash flow, including M&A of 13. 3 billion in 2024 exceeded the proposed dividend payments for the year.

The progress on our ESG agenda was also very solid in 2024, and our commitment to sustainability remains strong. We made significant strides in reducing of scope one and two emissions, and a share of spending covered by science-based targets.

So let me now turn to give you a quick operation update for our Nordics area and the number one driver for our financial performance in 2024. At its core, our Nordic transformation program is about further improving the customer experience, enable future growth, and drive operational efficiencies. And in order to achieve that, we need to replace legacy technology, simplifying the IT stacks, as well as the way we work. In addition, we will align around best practices methods and leverage scale and each other's successes across the organization.

And we met or exceeded all the goals we set out for in 2024 for the four mentioned areas. So let me start from the left. Within network and IT, our progress has been running ahead of schedule and we shut down more than 68 more systems than targeted. Within shared services, we moved transactional back office activities to a new shared service hub in Portugal, also beating our OpEx savings KPI, and this will be ramped up further this year.

We also have a common program in place focusing on improving working capital. Our structural improvement initiative generated approximately 800 million in gross improvements, compared to the target of around 500 million. And then on the commercial side, Nordic TV and Nordic managed services have now become two separate cross=Nordic teams, and these efforts enable us to save costs, but also to use our scale to develop attractive solutions for our customers.

These are the Pan Nordic activities, and most of the transformation will happen on the business unit or country level. With regard to our workforce, we have on average reduced workforce by 4% per year since 2016, and we reduced external and internal FTs by 6% in the Nordics in 2024, well in line with the indications we made last year.

As a consequence of the need to stay future fit, I foresee that the drawdowns will be at least in the mid single digits in the years ahead, in line with what we've indicated earlier.

And before I welcome our CFO to the stage, I'd like to spend a few seconds on this slide. I'm pleased to say that we delivered yet another year of strong free cash flows in 2024, well above our original ambitions. I'm also happy to present a new outlook that reconfirms our financial ambitions, covering our dividends in 2025 with free cash flows before M&A. On the back of increased line of sight for key 2025 drivers, we expect to deliver free cash flow before M&A of around 13 billion in 2025. I'm so sorry to steal you thunder there for a moment, Torbjørn, but I'm sure you have more of it left.

Torbjørn Wist:

I'll try.

Benedicte Schilbred Fasmer:

Good luck.

Torbjørn Wist:

Thank you. Thank you, Benedicte, and good morning to everybody. Delighted to be here to present the financial side of the presentation. But before I go into the financials, I would like to say a few words about my background and key focus areas coming into the role, which I have now held for five extremely engaging weeks.

First of all, I'm very excited about returning to Telenor, where I previously spent some 13 and a half years. I joined the group from Wallenius Wilhelmsen, where I was the CFO for the last four and a bit years, and where I also held the role of acting CEO for a period of 15 months. Prior to this, I was the CFO of Scandinavian Airlines, having joined the airline from Telenor. Before Telenor, my formative years were spent in investment banking, primarily covering the telecom sector. So I guess you can say that I'm returning home, perhaps unlike English football. Now, with my experience from capital intensive businesses, the following three priorities are very high on my agenda coming into the role as group CFO of Telenor. First, we need to make sure we have full momentum on a day-to-day basis to deliver on our promises for 2025.

Secondly, shareholder remuneration is key for a company like us and in our type of industry, with predictability, growth and coverage of dividends, while at the same time maintaining a strong balance sheet.

Thirdly, we need to manage capital strategically, optimizing for the long-term economic return on capital. And to do this, we must keep a strict eye on capital efficiency and scrutinize returns, in terms of how we allocate our capital. And these will also be important parameters as we evolve our strategy for the 2026-28 period, to be presented later in the year. Then, let me take you through the highlights for the quarter and the year. Starting with '24, total service revenue growth was 3.3% for the group, for which mobile service revenue growth in the Nordics of 4.6% was the main driver. EBITDA growth came in at 3.5%. CapEx to sales, excluding leases for the group, were 16%, as we sustain a relatively elevated level of investments in the Nordics. We ended the year with a strong free cash flow before M&A of 11.4 billion, and 13.3 billion if you include proceeds from M&A.

Zooming in on Q4. Service revenues grew by just over 1%, and EBITDA came in at 2% as the macro set back in Bangladesh, as well as three special items weighted on the numbers. Adjusted for these items, service revenues would have been close to 2% and EBITDA growth would've been 4.1%. CapEx to sales at 19% was driven by the pace of network rollout in the Nordics, alongside a minor catch-up effect as mild winter weather allowed us to continue rollout programs for longer. In addition, we completed 100% population coverage of 5G in Finland, and the swapping of substantially all base station equipment in Sweden in compliance with regulatory requirements. Following a strong execution in Nordics, supported by some facing effects, as well as structural improvement in working capital, we generated a strong cash flow of 3.1 billion before M&A in the quarter. This is a much stronger than anticipated, which I will cover later in the presentation.

As we dive in, let me start with group service revenues. As you can see on the right-hand side, the Nordics delivered according to plan, except for a VAT case in Norway, which dented fixed revenues slightly. However, the challenging business environment in Bangladesh continued to impact the top line negatively, despite the best efforts of the team on the ground.

Turning to OpEx, in Q4, we saw a flat development in OpEx year over year. In the Nordics, we saw a continued and substantial reduction in our operational maintenance costs, and this was partly offset by an increase in sales and marketing costs in quite a promotional quarter. In the Nordics, we reduced costs 1% in Q4, as a somewhat greater efficiency gain was masked by a one-off in Sweden.

Our group EBITDA was impacted by the two one-offs in the Nordics, in addition to a negative one-off effect from a correction of revenue items from previous years in Bangladesh, as well as the overall macro situation in the country. While growth in the Nordics contributed strongly to EBITDA, these one-offs, in addition to the negative EBITDA growth in Bangladesh, slowed growth for the group to 2%. Adjusted for these one-time items. However, the number would have been 4.1%, as mentioned previously.

Now, with 18% growth, quite a few things went Amp's way this quarter, bucking the negative trend from recent quarters, and while not completely out of the woods yet, we believe Amp will return to a more consistent growth from the second half of this year.

Then, turning to revenue growth in the Nordics. Service revenues in Telenor Nordics came in at 2.3%, and adjusted for the VAT related case that I mentioned, underlying growth was at 2.6%. The service revenue growth in the Nordics was primarily driven by mobile service revenues of 3.3%. DNA in Finland delivered another strong quarter, making the largest contribution to top line growth. And I'm very pleased to see...

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Torbjørn Wist:

... the largest contribution to top-line growth, and I'm very pleased to see that DNA delivered more than 6% mobile service revenue growth year-on-year in a quite competitive and promotional Q4.

In Norway, we grew mobile ARPU by 4.9%, continuing our more-for-more strategy, and this was secured by building on our strong network and security brand position and by adding new security services into our mobile portfolio, and through our separately sold digital security and safety subscriptions. Yesterday, we built further on this strategy as we announced a new mobile subscription lineup in Norway, with suspected fraud call alert and caller ID included.

Fixed service revenues in Norway were driven by broadband ARPU growth of 3.6%. Low growth in fiber connection was somewhat more than offset by a decline on the cable and fixed wireless access side in line with recent trend.

We saw a strong net addition in both Sweden and Denmark in the quarter. Mobile service revenues grew close to 5% for the quarter in Denmark. Sweden was able to drive sequential subscriber growth of around 30,000 new postpaid customers, but revenue growth was held back by a challenging year-on-year comparison and a couple of special revenue recognition items last year. We do not see the flatnesses in Sweden as representative going forward and we feel reasonably well positioned heading into 2025.

Moving to EBITDA, all businesses contributed to a solid growth of 6% in the Nordics. Adjusting for one-offs and assuming flat energy costs, the figure would've been 6.2%. Without the energy assumption, we would've been at 7.4%. Execution on our transformation agenda led to efficiencies that effectively offset meaningfully higher sales and marketing costs in a quarter with quite pronounced campaign seasonality across the Nordics.

In Asia, our colleagues in Telenor Pakistan truly knocked it out of the park in Q4 with 12% service revenue growth thanks to strong pricing efforts in a market with significantly lower inflation. This resulted in 25% EBITDA growth, which was also helped by lower energy costs in the country. However, Grameenphone, again, despite the team's best efforts on the ground, was a drag on our Asia total as we did not see any pickup in consumer spending during Q4. On top of the macro conditions, the performance was way down by a 90 million kroners revenue correction and a larger than usual bad debt provision. As usual, we also received a quarterly dividend from CelcomDigi in Malaysia of around 354 million kroners. Then let's take a look at the P&L, cash flows and leverage. In our P&L, EBITDA and operating profit were reasonably flat year-on-year measured in variable currency. However, the contribution and net income from associated companies improved by more than a billion due to improved underlying profitability in True and an impairment in True's books last year. The main special item on our side was the 411 million impairment of goodwill in our associated company, Carousell.

Our financial items were lower than usual, favorably impacted by fair value adjustments on interest rate swaps, and as we approached the bottom line, there was a loss on discontinued operations of 184 million, mainly related to accrued interest and currency effect on our residual obligations in India. This led us to an EPS at 1.27 kroners for the quarter and 13.88 for the full year, both significantly better than the year before. And as you may recall, last year was affected by write-downs that have been more than reversed this year.

Just briefly on the balance sheet, our balance sheet remains strong and has a manageable and prudent maturity profile. The sequential increase in net leverage to 2.4 was mainly driven by our payment of the second tranche of our 2023 dividends, as well as a small, unfavorable FX impact.

Now, as in Q2 of 2023, the leverage ratio ended slightly above our target range of 1.8 to 2.3, but as we have flagged in the past, this may occur from time to time depending on the seasonality of dividend payments, currency fluctuations, and other factors impacting EBITDA, such as the macro setback in Bangladesh. We expect the leverage ratio to return to the target range during the year, with EBITDA growth and increased dividends from associated companies being the key contributors. Specifically, we expect to see meaningful dividends from True in Thailand in the second half of the year.

Having generated 2.8 billion of free cash flows before M&A in the third quarter, we topped this with 3.1 billion in Q4. We had some favorable timing effects on working capital, with 0.3 billion of payments slipping into the first quarter of this year. We've also phased in a bit more than half a billion in third-party handset financing. However, we believe nearly half of the 1.6 billion improvement in working capital is of a more structural nature.

In retrospect, I think it is fair to recognize that some of the timing effects we've talked about in recent quarters indeed represent improvements of a more structural nature, rather than a series of timing effects. And this is because we've deployed a broad working capital toolbox and improvement agenda looking at accounts receivable, accounts payable and inventories. In Q4, we saw the normal seasonality of CapEx with a portion of the payments being pushed into Q1 this year. In the same quarter last year. This seasonality was somewhat less pronounced.

As mentioned, we also received quarterly dividends from CelcomDigi. And on the outflow side, as flagged in Q3, we had a residual payout to non-controlling interest in Bangladesh. Of course, once we take dividends from Bangladesh, our minority partner will also get their share.

Next I want to note the sequential increase of close to 300 million in quarterly lease payments. Parts of this increase is related to timing of payments, and part is due to increase tower leases in Asia, as well as refresh and rollout of customer equipment. We do see lease payments increasing going forward, with Q4 being a close proxy to the average level we expect in '25. Nevertheless, amounts will of course vary between quarters. We ended the year with 11.4 billion of free cash flow before M&A, aresult with which we are very, very pleased.

Now let's move to dividends and outlook. Starting with the dividends, as mentioned, delivering on our shareholder remuneration policy is very, very key to us as management and to our board, and we continue to deliver on our 15-year track record of consistent nominal growth in dividends. In accordance with our dividend policy of growing dividends per share, the board has proposed a dividend for 2024 of 9.60 per share for approval at the upcoming AGM, with payments falling due in June and October of this year.

And this brings us to our financial outlook, and I'm happy to say that we partially outperformed our own expectation for the full year and the fourth quarter of 2024. But as we all know, goalposts, they continue to shift, so now let's look at our '25 guidance. In the Nordics, we expect a low single-digit growth in service revenues. As for Nordic EBITDA, we expect mid single-digit growth, while we foresee a CapEx to sales excluding leases of around 14% in the Nordics. This is down from the more elevated 17% level we had in the years from '22 to '24. And in nominal terms, this equates to a 1.5 to 2 billion step down from the 2022 level of 10 billion, depending of course on currencies and timing or project milestones.

As for the group outlook, we expect group EBITDA to grow in the low to mid single-digits, where the outcome within that range will depend on the shape, strength, as well as speed of recovery in Bangladesh. Also note that we still include Pakistan in the outlook. The regulatory approval process in Pakistan is a bit delayed, but we still expect the deal to close by late Q2. In any event, we do not expect the exact timing of closing to significantly impact our outlook.

Now as for quarterly seasonality and comparability in '25 versus 24, I would like to remind you that we had a particularly strong Q1 last year with an extra day of revenues, as well as some facing effects of marketing and sales costs to later quarters. In addition, we will face tougher comparable quarters in Grameenphone in the first half of the year, because obviously the macro conditions we're experiencing now were not present last year.

On free cash flows, we outperformed the 2024 outlook quite significantly, and this was mostly due to working capital. But we nevertheless reconfirmed our ambition of dividend coverage for 2025, with around 13 billion in free cash flow before M&A.

Finally, let me be clear on what we view to be the main building blocks for our cash flow outlook. And these remain, number one, continued growth and transformation in the Nordics. Number two, reduced capital intensity in the Nordics. And number three, increased dividends from associates. The first two are given by the outlook for the Nordics and it's of course a substantial sum taken together. The third incremental element remains our expectation of increased dividends from our associates, mostly from True, which do not pay dividends currently. And our clear expectation is that True will start to contribute with meaningful dividends from the second half of this year.

In terms of the impact of other areas, first, while we will continue to work to reduce working capital meaningfully also in 2025, we expect a year-on-year delta to be negative, given the strong 2.7 billion cash flow from working capital in 2024. Secondly, lease payments are increasing, as mentioned earlier. And finally, we do not at this point foresee a significant increase in interest and tax payments through this year as we expect to continue to benefit from tax loss carried forward through '25, as well as overall relatively stable interest rates.

In sum, while our free cash flow forecast is not without risks, we have far better visibility now on the drivers than we had when we set the ambition back in '22. And this gives us confidence in our ability to deliver free cash flow before M&A of around 13 billion this year. And with that, I will hand over to Benedicte for some concluding remarks before we open up for Q&A.

Benedicte Schilbred Fasmer:

Thank you so much, Torbjorn. I'd like to summarize our key messages as follows. We delivered a solid progress towards our midterm 2025 financial ambitions, as well as our sustainability goals in Q4 and in 2024 as a whole. Torbjorn and I, alongside the rest of the management team are strongly committed to our strategy and will seek to evolve it further. Our goal is to unlock further potential for profitable growth, while maintaining strict capital management and focusing on return on capital employed.

To do this, we need to keep Telenor future-fit, sharpen our customer mindset further, and intensify the transformation work that we are doing in the Nordics and elsewhere. We are committed to our dividend policy generating attractive shareholder remuneration over time, while maintaining a strong balance sheet. And I feel really excited to work with the organization to harness the full potential of Telenor in its next phase and to build a stronger Telenor for the long run.

And with this, I'll hand you back to Frank and to the Q&A.

Frank:

Thank you, Benedicte. We are now ready for questions from our callers. So operator, please go ahead.

Speaker 1:

Thank you. At this time, we invite those analysts wishing to ask a question to click on the raised hand button, which can be found on the bottom of your screens. When it's your turn, you will receive a prompt to be promoted as a panelist. Please accept, wait a moment, and once you have been introduced, you may unmute yourself, turn your video on, and ask your question.

As a reminder, we are allowing analysts one question and one related follow-up today. We will wait one moment to allow the queue to form. Our first question will come from Maurice Patrick with Barclays. You may now unmute your audio, turn your video on, and ask your question.

Maurice Patrick:

Oh, hi, guys. Can you hear me okay and see me?

Benedicte Schilbred Fasmer:

We can.

Maurice Patrick:

Great, that's a good start. Thank you. Yeah, thank you for the comments and introduction and remarks.

A question from my side on what's core and non-core. I'm sure you'll want to cover this in more detail in the capital market state but investors ask the question a lot, as to what is core for Telonor, what's not core. You've talked about the associate positions you have in Asia. Are you still committed to Asia? In the slide, you talk about adjacent opportunities, but you also talk about selling non-core assets in Amp. I noticed those comments around security services that you're developing, and there's also the question around infrastructure and towers.

So very keen to understand early thoughts in terms of what is core and not core for you in terms of your priorities going forward. Thank you.

Benedicte Schilbred Fasmer:

Thank you so much. I'd just like to remind you that we will answer all questions to the best of our abilities, but just keep in mind that Torbjorn has been here for five weeks and I've been here for nine. So please bear with us if we need to come back to you on some of the more detailed questions. And back to your question, and you have to fill me in, Torbjorn, as to the non-core versus core, I think the key thing for us now is actually to deliver on our current strategy, where we have four business areas with separate strategies for each area in order to deliver the most shareholder value possible. And as I explained to you during the presentation, we approached that in different ways in the four different areas and hope that was clear.

And to your very specific-

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Benedicte Schilbred Fasmer:

... and hope that was clear. And to your very specific question as to core, non-core, we have a focus, for instance, in AMP to focus on IoT and cybersecurity. And having said that, we also try to develop the companies we have in the portfolio to the extent we can. In the Nordics, it is obviously quite core all across the board, whilst in Asia we also have a long-term view developing the assets we have in Asia to the best of our abilities through somewhat different structures depending on the country and geography. So please talk and fill me in.

Torbjorn Wist:

Yeah, no, absolutely. If I could maybe just jump to the associate question in Asia. We all think that simplification, it should be a noble goal, but at the same time our main focus with respect to our associate positions is to drive value within those. They are merged entities which have clear plans for taking out merged synergies and deliver value over time. So our role is mainly as an active owner to ensure that we drive the value and in a way strengthen the positions of those assets. But we will of course look at any inorganic opportunities that comes across our table. But for now our main focus is to ensure that these companies deliver and they have strong teams on the ground that are working very hard to deliver on the plans and we want them to continue to do so and to pay meaningful dividends up to us as well as other shareholders. So that is our primary focus with respect to our associate positions today.

Maurice Patrick:

Thanks guys.

Speaker 1:

Thank you. Our next question comes from Keval Khiroya with Deutsche Bank. Please turn on your video, unmute your line, and go ahead with your question.

Keval Khiroya:

Thank you for taking the question and also good luck in your new roles, Benedicte and Torbjorn, as well. So in 2025, the Nordics will see a decline in OpEx and CapEx. Based on just your very initial impressions, can you share how you think about the scope for continued OpEx and CapEx declines beyond 2025? Thank you.

Benedicte Schilbred Fasmer:

As mentioned in the presentation, I think our responsibility is to keep Telenor future fit and in order to do so, I think that the focus on cost and efficiencies will be very important to us also beyond 2025. And when it comes to the outlook, I'll leave it to you, Torbjorn, to go a bit more in detail.

Torbjorn Wist:

Yeah, I'm going to be careful to start talking about stuff that is beyond, call it, the current strategy period. We have kick-started all the strategy work that we will continue through the year and report on in the CMD later in the year. But clearly we have now come off, call it, a peak CapEx cycle. So those are of course things that are helpful in terms of our cashflow drivers, but I'm not going to comment on CapEx to sales beyond '25 at this point. I'd like to have a few more weeks in the chair.

Keval Khiroya:

That's clear. Thank you.

Speaker 1:

Thank you. Our next question comes from Ondrej Cabejsek with UBS. Please turn on your video, unmute your line, and go ahead with your question.

Ondrej Cabejsek:

Hi, good morning everyone and also all the best to Benedicte and Torbjorn in their new role. I have a couple of questions focused on free cashflow please. So obviously you've laid out very helpfully, I think, the key building blocks, which is your EBITDA growth, your CapEx growth. You made some comments on things like leases interest, et cetera. I wanted to follow up on two things. One is the Asia assumption. So the previous management had a goal from the previous capital market, which was for Asia to contribute at around 5 billion NOK in terms of upstreamed already free cashflow in 2025. I don't think, with maybe the Bangladesh situation or the assumption that you sell Pakistan at mid 2025, we can get to 5 billion. But just a clarification in terms of what generally is the expectation for the Asia contribution.

And second one on networking capital, if I can follow up, Torbjorn? So you laid out, hopefully, that 2.7 billion was the number for this year as a total contribution. You said that 800 was part of the structural efforts which the previous management introduced. And then you said you would continue with the structural efforts into 2025. So just looking at the math, it seems like there's a 2 billion delta that could be reversed. So the 2.7 minus the 800, but then you would be adding another, call it, a billion in terms of structural benefits. So in terms of the overall drag from working capital for '25, should we expect something like a billion negative in that number because you made a comment also in the presentation that networking capital overall would be negative? So just those two elements within the free cashflow guidance and in color would be helpful. Thank you.

Torbjorn Wist:

[inaudible 00:37:29]

Benedicte Schilbred Fasmer:

Please.

Torbjorn Wist:

With respect to working capital, clearly when you're working with structural initiatives over time, at some point the deltas you will have taken out a lot of the efficiencies. However, without going too far into the details, what I experienced is that there is a very strong focus and commitment within the BU management teams to work consistently and structurally with working capital. When I say we expect it to be slightly negative into '25, and that is more driven by the fact, I think we've taken out a lot of the structural, I still think there is more to go. And then depending on the year, how it flows and how working capital develops, sometimes you will get timing effects. So I'm going to be a little bit careful about saying a quantum of how much less we expect working capital to be, but some more muted and hence a little bit negative year over year would be expected.

Benedicte Schilbred Fasmer:

I think, Frank, maybe you would like to comment on the 5 billion question on the Asian ambitions.

Frank Maao:

Yes, I can do that. So in round terms, the 5 billion that we have communicated since September, 2022 still stands. There was never a huge assumption on Pakistan in there for that period. And depending exactly on when the closing could be, that will not change material as well. But there are several swing factors as you know, NCI and so on in there. So let's see where that ends up. But that's our ambition as part of this outlook.

Benedicte Schilbred Fasmer:

And I think last but not least, true it's not paying dividends at the moment, but we have expect that to happen towards the end of this year that they will start to pay dividends.

Ondrej Cabejsek:

Thank you very much. Thank you.

Torbjorn Wist:

Thank you.

Speaker 1:

Thank you. The next question comes from Andrew Lee with Goldman Sachs. Please turn on your video, unmute your line, and go ahead with your question.

Andrew Lee:

Yeah, good morning both and look forward to meeting you in person soon. I had a follow-up question just on Maurice's question earlier around your strategic thinking regarding M&A. Helpful, Torbjorn, to your comments about, I think simplification should be a noble goal, but you also mentioned, and it may just have been wording, you'll see what inorganic opportunities come across your table. So the question really was, your predecessors were actively pursuing a route to simplification in Asia, which is clearly putting a sizable discount on your share price. So the question really was, do you anticipate actively pursuing routes to deliver more shareholder value through simplification, given it's a major block to your value? And also do you see the scope to pursue in market consolidation, given we're seeing potential openings in the opportunity to consolidate European markets? So active pursuit on Asia portfolio simplification and active pursuit on in-market consolidation. Thank you.

Torbjorn Wist:

Shall I start with Asia and then you do-

Benedicte Schilbred Fasmer:

I do Nordic afterwards?

Torbjorn Wist:

Yeah.

Benedicte Schilbred Fasmer:

That's fine.

Torbjorn Wist:

If we start with Asia, and I've noticed that there is a general fear of massive discounts in Asia and our role as an active owner is to ensure that we build value, drive value creation within those business units, and if we see inorganic opportunities that gives us a value creation potential, then we will of course consider those. As you would expect in a large global telco, there are inorganic opportunities and discussions at any point in time. But our main premise is we want to make sure that we drive value within this business, not walk around with a cloud of suspicion of accepting bad deals hanging over our heads. So hence the focus is now to ensure that our Asian associates deliver on the plans that were laid at the time of the merger, deliver on dividend upstream to the owners. And that is the main focus. And then we will of course consider any strategic opportunities. We have good people that of course look at things here, but main focus is to create value.

Benedicte Schilbred Fasmer:

I think we will communicate it as soon when we have something to deliver and we have to keep in mind that the deals that have been made to date in Asia have taken several years in order to come into play. So we expect it to take some time in the case we do structure in inorganic things. But I think my reflection on the Asian portfolio is the fact that we've actually moved into becoming number one, both in Thailand and Malaysia, with the two big mergers there. Actually, it gives us a much better market position and better quality assets in those two countries, which also is a big benefit to us. Coming a little bit back to your Nordic or European question, we certainly hope that the regulatory constraints will be less heavy going forward and that it will allow us to actually look at some industrial or in-market consolidation. For us that would be particularly relevant in Sweden and Denmark.

Andrew Lee:

Thank you, that's really helpful.

Speaker 1:

Thank you. Our next question comes from Joshua Mills with BNPP Exane. Please turn on your video, unmute your line, and go ahead with your question.

Joshua Mills:

Hi there, and hopefully you can hear me. Thanks for taking the question. My question relates to Sweden and just looking at the quarterly service revenue growth, it's slowed down a bit in the fourth quarter. I understand there was a tough comp versus last year, but perhaps you could give a bit more color around how you expect the service revenue in Sweden to normalize out in 2025 and some commentary on the pricing environment in light of comments made recently by Teletoon TV would be helpful. Thanks very much.

Benedicte Schilbred Fasmer:

Your question on the broadcasting is also Sweden or is that more Nordic question?

Joshua Mills:

I was looking at Sweden, but if you're happy to expand it out to Nordics, that would be very helpful as well.

Benedicte Schilbred Fasmer:

Fine. All right. As you remember, the year-over-year growth in Sweden was somewhat lower than the underlying growth and actually we are quite comfortable with the outlook also in Sweden. Would you like to comment also, Torbjorn?

Torbjorn Wist:

I can comment on that. As mentioned there was a little bit more for comps last year and then of course the competition in Q4 with campaigns, et cetera, was stronger, which that of course muted the year-over-year comp. And also keep in mind that we did have VAT case that also impacted the numbers. So I think we feel more comfortable going into 2025 in respect of the outlook for Sweden. We of course don't guide on, call it, individual BU level, but now that we're putting a few things behind us, we continue to deliver on our strategy in terms of pricing. We feel good about the performance potential for the current year. And I also think, just to add, we also saw that quarter-over-quarter, Sweden also delivered very well in terms of quarter. There were net ads in the quarter, which of course shows that it has a solid competitive position.

Frank Maao:

And if I may just, on your final part there, expanding the answer a little bit, you can just say that on the Nordic service revenue growth, we have 2.3%, that if you adjust for the VAT case in Norway, it's like 2.6 as Torbjorn mentioned. And also there was a year-on-year, a tough one-off revenue comp actually in the numbers in Sweden that we broke out separately in the reconciliation sheet for last year. So if you adjust for all of that, actually the underlying pace is more at the 3% level in Q4 for the Nordics.

Joshua Mills:

Great. Thanks very much.

Speaker 1:

Thank you. Our next question comes from Adam Fox-Rumley with HSBC. Please turn on your video, unmute your line, and go ahead with your question.

Adam Fox-Rumley:

Thank you. Thank you very much. I think there's a reference in the release to an improvement in Bangladesh, or hope for improvement in Bangladesh, in the second half, and I just wondered if you could talk about the leading indicators that you are watching for there to see, to give us a sense of how much hope is in for that versus expectations of improvement. And then a brief follow-up on return on capital. I can see in your associated files, the return on capital in Finland is just at 4% at the moment. The EBIT margin in Sweden and Finland are pretty similar. So I appreciate this is a bit of a detailed one, but is there anything you can call out in particular on the return on capital in Finland? Thanks.

Benedicte Schilbred Fasmer:

I'll start with Bangladesh and then you can pick up on Finland if that's all right.

Torbjorn Wist:

Yeah.

Benedicte Schilbred Fasmer:

Yeah.

Benedicte Schilbred Fasmer:

Right?

Torbjorn Wist:

Yep.

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Benedicte Schilbred Fasmer:

Yeah. We hope that the situation in Bangladesh will improve, and there is good signs as to that coming into play. However, the situation is still vulnerable, and the current administration is positive. We met actually some weeks ago with the current prime minister, and they hope to have a new election at the end of the year.

So we're crossing our fingers that that will actually happen, and that will be very important for all the foreign businesses in Bangladesh to have a more predictable framework in the business community in Bangladesh. And that goes also for Telenor, of course.

Torbjorn Wist:

Yeah. And I think, of course, in terms of what we follow internally, we look at sort of daily performance in the country, so those are some of the indicators that we will, of course, follow closely through the year.

But as highlighted, the speed and the shape of a recovery in Bangladesh is, of course, an uncertainty in terms of how we fall out or turn out in terms of the ranges that we have guided on. And, of course, we will have considered all these parameters in sort of setting our outlook for the year. But clearly in markets like Bangladesh, we follow very closely the daily performance. Maybe you can cover ROIC Finland.

Frank Maao:

Yes. Obviously, as you might remember, we acquired DNA back in 2019, and obviously there's a bit of more of a different situation with regards to the goodwill on the accounts for Finland as part of a capital employed base, which is mainly the explanatory factor for the figure you mentioned.

Adam Fox-Rumley:

Thanks very much.

Speaker 1:

Thank you. Our next question comes from Felix Henriksson with Nordea. Please turn on your video, unmute your line, and go ahead with your question.

Felix Henriksson:

Hi, guys. Thanks for taking my question. It is on Nordic service revenue growth and the visibility you have for 2025.

Could you perhaps describe where you see particular pockets of strength and weakness when it comes to your main geographies and the product clients? And perhaps describe a bit how the growth that you're seeing in your key markets relates to both the ability to raise ARPU as well as to gain net subscriber ads. Thank you.

Benedicte Schilbred Fasmer:

I can start off and you can fill me in, Torbjorn.

I'd like to start with Denmark where we actually had a quite good development and growth in a demanding market and which has been demanding for quite some time. In Finland, the same, strong growth and an increasing market share. We just covered Sweden, so I think that's kind of... I won't repeat that. And in Norway, we also see a very good development and with, again, that's also across the four countries, but the more-for-more strategy where we actually widen out the deliveries to our clients, in addition to connectivity and particularly around the security services, and we expect to be able to follow through that strategy also going forward.

Would you like to add something, Torbjorn?

Torbjorn Wist:

No, I think that covered it well. I think clearly the more-for-more strategy of offering more value to our customers based on the services that they're looking for is a strategy that we believe is a good one. And, of course, that has a positive effect on ARPU, and we will, of course, continue to look for ways to develop that going forward.

Felix Henriksson:

Got it. Thank you.

Speaker 1:

Thank you. Our next question comes from Ulrich Rathe with Bernstein. You may now unmute your audio, turn your video on, and ask your question. We will just wait one moment for Ulrich to come through.

Our next question comes from Ulrich Rathe with Bernstein. Please turn on your video, unmute your line, and go ahead with your question.

Ulrich Rathe:

Thank you very much. Can you hear me? There seems to be some problem here.

Benedicte Schilbred Fasmer:

It's okay.

Ulrich Rathe:

Yeah. [inaudible 00:52:56]

Torbjorn Wist:

We assume it's on your end, not ours.

Ulrich Rathe:

I'm sure it is. Thank you. Right.

So a couple of questions already been asked, but just coming back to Nordic service revenue, I mean a big driver of that has been the pricing during the period of high inflation. How do you see the pricing potential specifically in the four markets, if you could run through that?

And then my follow-up would be [inaudible 00:53:27] actually commented yesterday on increased investments in Norway to upgrade the cable infrastructure because they saw, or not yesterday, last week, because they felt that there is a real risk of customers ditching cable in favor of fiber. They argued mostly for reasons of perception, but still, they saw the need to put incremental capital in there.

Now you're cutting CapEx, you're obviously a large cable operator in Norway as well. So how do you see that question? Thank you.

Benedicte Schilbred Fasmer:

On the Norway service revenue growth, we have, as mentioned, follow the more-for-more strategy, and the composition of the revenue is increasingly value-added services on top of the connectivity.

We are coming out of a high inflationary period, and which is the inflation is at a much lower level. But we still expect to be able to deliver service revenue growth as guided in the... You have mid-single digit?

Torbjorn Wist:

No, low.

Benedicte Schilbred Fasmer:

Low middle digit, sorry, going forward.

When it comes to fiber, would you like to answer that question, Torbjorn?

Torbjorn Wist:

Yeah, I can do that.

But just briefly on the service revenue, I think we're operating with one of world's best networks. We have customers that demand security services, and then we see increased potential from additional services layered on top. And clearly a key way of driving value on the service revenue side is by adding things that the customer wants, as evidenced by yesterday's announcement by Telenor Norway. So I think this is going to be a key thing going forward. And as like with anything, if you are adding features, it's natural that you will be charged a little bit more for that.

With respect to the increased investment in fixed infrastructure, a lot of the sprints that we did towards the end of the year was in fixed infrastructure. We continue to invest in it. We added customers in terms of our fiber connections, but we do have people who are switching off or moving out of the traditional HFC cable infrastructure.

So net effect, it was not a growth, but we invest in fixed infrastructure. We will continue to do so. But we also need to be mindful in terms of how we deploy it because if too many people are deploying too much capital in the same areas, there's a real risk of overbuild. So yes, we allocate capital to fixed infrastructure, but we also need to do that in a strategic way.

And then final comment, we also are following the whole regulatory debate and about open access of fixed infrastructure closely to ensure that one does not build up network in areas that you can have access to through other means in the future.

Ulrich Rathe:

Thank you. Looking forward to your capital markets day.

Benedicte Schilbred Fasmer:

Thank you.

Frank Maao:

Thanks.

Speaker 1:

Thank you. Our next question comes from Christoffer Wang Bjornsen with DNB. Please turn on your video, unmute your line, and go ahead with your question.

Christoffer Wang Bjornsen:

Yes, good morning. I hope you can hear me.

So just following along the lines of fiber, so in that CapEx ambition for '25, it would be great if you could help us understand how much is fiber in '24 and how do you think about that into '25?

And my follow-up is more along the inorganic lines on fiber. I think there was some commentary last month in local press from a mid-level manager that you kind of looking to acquire both customer portfolios and fixed assets in the fiber space in Norway. We'd just love to hear what you think about that, amid the change in the regulatory environment of fiber in Norway.

Benedicte Schilbred Fasmer:

I think I'd like to start with the last question first. I think if and as and when we have something communicate on the inorganic side, we'll come back to you on those.

And then with the CapEx ambition on fiber, I don't know to what extent we detail that out.

Frank Maao:

Yep. We have said to go into [inaudible 00:57:50] would be somewhere short of 2 billion in '24 and that's one and a half to two, and that's where it kind of ended up. And I think we'll also have significant investment in that range this year.

Christoffer Wang Bjornsen:

Yeah, just quickly on the inorganic, it was not kind of trying to get how much you'll spend or when or who you'll buy, but just like kind of the rationale behind potentially consolidating that space when you can actually go after those customers on other people's networks. That kind of question.

Benedicte Schilbred Fasmer:

Yeah. And then you're kind of linking it to the potential regulatory changes, I guess. So that's where your question is.

We hope that the regulatory changes will come into play, which will make it possible to have interoperability across network owners obviously. How exactly that is going to pan out is not yet clear. But what we do see is fiber is a strategic part of the infrastructure, not only to household but also to businesses. And it's extremely important to have fiber alongside mobile strategically.

Torbjorn Wist:

Yeah. But just very quickly, in terms of the inorganic opportunities, I think we've said that earlier. We will look at inorganic opportunities across our portfolio and that, of course, includes fixed and mobile, et cetera. So that is a natural part of being a player with sort of four distinct business areas. And you'll at least be one of the first to know once it is taken out to the market.

Christoffer Wang Bjornsen:

Appreciate the color. Thank you.

Speaker 1:

Thank you. Our next question comes from Oystein Lodgaard at ABG Sundal Collier. Please turn on your video, unmute your line, and go ahead with your question.

Oystein Lodgaard:

Good morning, and thanks for taking my question, and congrats to both of you on the new jobs.

Just a question on OpEx, how should we think around OpEx development in the Nordics going forward? Of course, ARPU growth has been the key driver of EBIDTA growth in last few quarters, but how should we think about OpEx contributing potentially to that going forward?

Torbjorn Wist:

Yeah. Maybe I should just-

Benedicte Schilbred Fasmer:

Sure.

Torbjorn Wist:

... very quickly. We've obviously given guidance on the Nordics, both in terms of the revenue growth and EBITDA growth. And the EBITDA growth clearly will benefit from our initiatives within sort of operational transformation within the Nordics, and that will, of course, continue this year with full force. So OPEX efficiencies will continue to have clear and demonstrable effect on the EBITDA development of the group.

Then I guess I'll leave it to you to work your magic calculators around the difference between revenue growth and EBITDA growth.

Oystein Lodgaard:

Okay, thank you very much.

And the potential for OpEx reductions in the years to come, what are your thoughts there? Or is that something you want to wait until the CMD?

Torbjorn Wist:

We have a strategy process now. As we said in our introductory remarks, we're extremely committed to delivering on the promises for '25. We have started the process now with the laying in the foundation for the future and pockets of growth, transformation. All of these things will be part and parcel. So you have to hold your excitement a little bit later this year.

Oystein Lodgaard:

Okay. Thank you very much.

Torbjorn Wist:

Thank you.

Speaker 1:

[inaudible 01:01:43]

Benedicte Schilbred Fasmer:

I think that was all we had time for, Frank.

Frank Maao:

Yes, I think we're...

Benedicte Schilbred Fasmer:

So thank you all for listening in and thank you very much for very good questions. Looking forward to seeing you again when we present our second, sorry, first quarter results.

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