



Q4 2024 Results Conference Call

February 26, 2025

Diana Várkonyi

Good afternoon, everyone. I am Diana Várkonyi, Head of Investor Relations at Magyar Telekom, and it is my pleasure to welcome you to our full year 2024 financial results conference call.

Please note that today's presentation is also available on the Investor Relations section of our website. This event is being recorded for internal purposes only and by joining the presentation, you consent to being recorded.

Throughout the presentation your lines will remain muted. Once we commence the Q&A session, you will be able to ask a question using the "raise hand" function, after which your microphone will be enabled and you will be able to unmute yourself to ask a question.

Before we begin, I would like to draw your attention to the disclaimer on the second page of the presentation. The information in this presentation includes forward-looking statements about expected future events and financial results which are subject to risks and uncertainties.

I am pleased to welcome Mr. Tibor Rékasi, our CEO, and Ms. Darja Dodonova, our CFO, who will take you through the presentation and then answer any questions you may have. Also joining us today is André Lenz, who will take over the role of CFO from Darja from March 1, and would like to take the opportunity to introduce himself later in the call. I'd now like to hand over to Tibor to open the presentation.



Tibor Rékasi

Thank you, Dia. Good afternoon, everybody.

2024 was an outstanding year for Magyar Telekom. Let me walk you through the key milestones of the year, starting with a brief overview of operational progress on **slide 3**, which we are delivering in line with our strategic priorities. Our efforts continued to be centered around our three main pillars, our networks and investments; customer servicing and a resilient and efficient operation. These three are of course strongly connected and inter-related.

During the period, we continued to advance our network investments allowing us to ensure seamless connectivity experiences for our customers and support the digitalization of Hungary. We progressed the fiber roll-out program and I'm delighted to report that 200 thousand access points were covered in 2024, resulting in a gigabit network coverage of over 3.8 million by year-end.

In December 2024 we completed our mobile network modernization program. The program was launched five years ago in 2020, and during that period we upgraded all of our mobile base stations, implementing capacity expansion and 5G rollout at most sites. This modernization will result in improved service quality and expanded capacity, meeting the growing demands from our customers and their data traffic needs.

In addition, the population-based outdoor coverage of our 5G network has reached 74%, with areas such as Lake Balaton and the Budapest underground now also having 5G coverage.

We continue to work hard to deliver solutions that respond to the needs of our customers. Fiber is one of our clear focuses. I'm pleased to report that we now have over one million customers who have opted to connect to this technology. This



means that more than two-thirds of our customer base are now using the most modern technology available.

Another key element of our strategy is to think of innovative ways to please our customers, and we now have three different streaming add-ons - MAX, Netflix and SkyShowtime, which we offer as optional add-ons to our subscriptions, and to both fixed and mobile packages.

Furthermore, as part of our efforts to make digital solutions easily accessible to our customer base, we have embedded a Perplexity Pro subscription for all our mobile users for one year free of charge. This is also part of the Magenta moments initiative, launched one year ago, which provides offers and discounts, now used by over 1.2 million customers. The available services include third-party promotions, provided through the over 200 partnerships we have, as well as our own offers. The appeal of such solutions is demonstrated by the over one hundred thousand Perplexity Pro downloads we reached in just over a 2-month period.

Finally, turning to the third pillar, I'd like to highlight that we completed the phase out of our satellite TV service just a couple of weeks ago. It was the only TV technology we offered that lacked interactive features and as we expanded our fixed network coverage, it became less useful. By shutting down this service, we will achieve cost savings while ensuring that our customers benefit from the most advanced technologies available.

With regard to IT developments, we have successfully completed a full upgrade of our CRM system architecture. The new system ensures shorter response times to customer needs, is more cost-effective to operate, and allows for faster time-to-market for our products and services, making us even better positioned to react in a timely manner to any fast changes experienced in the market or the demands of our customers.



Finally, let me also highlight that thanks to a combination of external factors and several internal measures, our profitability has improved considerably, with our EBITDA margin up by 4 percentage points year on year.

Now, moving on to our next slide, **Slide 4** I will present our full year results against the 2024 guidance. Thanks to the success of the initiatives I outlined on the previous slide, we met our guidance, and even outperformed it on all metrics. Revenue increased by 13.9% compared to 2023, which was equally attributable to the underlying growth in telecommunication revenues and the favorable impact of the inflation-based fee adjustment on the Hungarian subscription fees. The increases in equipment sales and SI/IT revenues contributed to the overperformance compared to our initial expectations.

With regards to EBITDA After Lease, the recorded growth of 29.1% is very much driven by the strong revenue performance. Although inflationary pressure resulted in some increases in the indirect costs, particularly the employee-related expenses, the strong growth in gross profit more than offset these. Thanks to these improvements in gross profit, coupled with more favorable interest expenses, the adjusted net income rose by over 70% and amounted to 162.6 billion forint for the full year 2024, whilst free cashflow grew by 90%, to 165.1 billion forint in this period.

Now let us look at the operational and financial performance in more detail, starting with the mobile market performance on **slide 5**. The sustained growth in our customer base development was driven by the continued increase in the residential postpaid subscribers, as customers are migrating from pre-to-post plans. However, the churn of the public sector customers continued, with an overall circa 90 thousand SIMs lost by the end of 2024. But let me highlight, that although this negatively impacts the overall subscriber numbers, the financial impacts on our group results are very limited.

Another main driver of the customer base expansion is the strong uptake in M2M SIMs. This however generates much lower ARPUs, as shown also on this slide. With regards



to the ARPU of the other customer segments, prepaid ARPU remained flat, whilst postpaid ARPU was up by 17.6% year-on-year, as the increases in data demand continues to provide an uplift on top of the fee adjustment impacts.

Now let's move to **slide 6**, which highlights the KPIs of the fixed market. We are observing an acceleration in the erosion of our fixed customer base, which is a fairly natural process. Annual uptake of the fixed broadband service was at 4%, very much supported by the further expansions of the fiber optic network. With regards to TV customer trends, let me refer back to the phase out of the satellite TV offer, which resulted in a somewhat elevated churn level, offsetting most of the increases in the IPTV base. But let me stress, that given that the pay TV market itself is already shrinking quarter-to-quarter, us being able to grow despite everything is a great reflection of the true appeal of our services and networks.

With that, let me hand over to Darja, who will present our financial results in more detail as well as the outlook for 2025 and the shareholder remuneration proposal.

Darja Dodonova

Thank you, Tibor. Good afternoon, everybody.

Let me first give a quick summary on the fourth quarter financial results before turning our attention to the forward-looking topics.

Revenue developments continued to be led by the service revenue growth as shown on **slide 7**. Whilst the inflation-based fee adjustment gave a strong impetus to subscription revenues at all service lines, the continued demand for data and connectivity continued to be an important driver of our performance. As visible from the charts, both equipment sales and SI/IT revenues continued to contribute positively to revenue development in the fourth quarter, however, on a lower scale as in previous quarters. With regards to equipment revenue, increase continued to be stem from higher revenues from third-party export sales, whilst sales revenue in the underlying



operation was on broadly a similar level as a year earlier. At the same time, SI/IT revenues were again strongly supported by income related to a few major projects in the Hungarian corporate segment.

Looking at EBITDA After Lease, presented on **slide 8**, strong gross profit growth continued to be the major driver of the performance. In the fourth quarter, direct costs overall remained broadly on the same level as a year earlier, as the increases in relation to higher SI/IT and equipment sales costs were offset by the absence of the forward-looking impairment on bad debt, recorded in the fourth quarter of 2023.

On the other hand, indirect costs increased considerably year-on-year in the last quarter of 2024, reflecting both wage and inflationary pressure on these expenses as well as our deliberate intention to make some proactive steps in safeguarding our strong market positions through a more pronounced marketing and sales presence in the markets.

At the same time, for the full year, some positive tailwinds, such as the abolishment of the utility tax and lower energy expenses, coupled with sustained cost discipline, resulted in an uplift in EBITDA After Lease of 29.1%.

With regards to adjusted net income, shown on **slide 9**, we continued to witness significant growth stemming from EBITDA growth coupled with further improvements in interest costs for both the fourth quarter and full year 2024. In the fourth quarter of 2024, the downward adjustments to reported net income related to some unrealized gains on the measurement of derivatives at fair value, whilst for the full year, adjustments were a positive 4.8 billion forint, as fair value of our derivatives increased throughout 2024. This adjustment led to a record overall adjusted net income of 162.6 billion for the full year 2024.

Before turning to shareholder remuneration based on this net income, let us quickly look at capex and free cashflow development on **slide 10**. Free cashflow progressed similarly to net income, with growth stemming from the EBITDA uplift, and the



somewhat increased investment levels offset by the lower interest outpayments. With regards to capex developments, the 7.8% year-over-year increase was driven by higher network related investments in Hungary, especially towards the gigabit network, whilst CPE related payments and capex in North Macedonia was moderately lower than in 2023.

Slide 11 gives a visual summary of the shareholder remuneration developments. As we announced yesterday, the Board of directors proposes a dividend payment of 90.9 billion forint corresponding to 100 forint dividend per share. I am extremely proud that the Company delivered such strong results that allows us to propose this record high dividend level for approval to the AGM. In addition to the dividend, the Board envisages a share buyback with the value of up to 39.1 billion forint which is planned to be executed ahead of the Annual General Meeting to be held in spring of 2026, of course subject to the necessary authorization granted by the upcoming AGM. The combined value of the two elements, i.e. both the dividend payment and the share buyback correspond to up to 80% of the adjusted net income generated in 2024. This reflects the Board's intention to increase shareholder remuneration to potentially its highest level, as set out by the currently applicable shareholder remuneration policy.

However, on this note, let me also highlight the important development with regards to the future of the Company's shareholder remuneration policy. Yesterday the Board of Directors also decided to establish a new shareholder remuneration policy, effective for results generated in 2025 and beyond. In light of Magyar Telekom's strong operational and financial performance and its outlook, the new policy from 2025 onwards will continue to combine dividend payments and share buybacks, with total annual remuneration now expected to be in the range between 60% and 100% of the Group's consolidated annual adjusted net income from the preceding financial year. With this approach we intend to reaffirm our commitment to delivering value to shareholders while supporting sustainable growth.



And let's now look at the growth prospects for 2025, **shown on slide 12**. While some of the tailwinds will stay with us, some will no longer support the growth of the Company. Namely, fiber roll-out will continue to be a priority with an even higher coverage increase targeted, which will help us to expand the broadband base further, however, the rate of the inflation-based fee adjustment will be considerably lower than in the past 2 years. The upcoming portfolio re-shapes will allow us to better serve the different customer needs with a more easily customizable tariff structure, which is expected to help us boost subscriber growth developments despite the slowdown we are experiencing at both the pay-tv and the mobile markets. So all in all, as a result of these different factors, revenue is expected to increase by 1 to 3%, with this forecast also incorporating lower SI/IT and equipment sale trends.

With regards to profitability, we remain committed to seeking opportunities through AI and digital solutions that can create value for our customers as well as add efficiency to the operation. For example, Vanda, our AI customer service assistant has already handled 25% of the incoming customer contacts on its own in 2024 but we aim to increase the share of the different online channels in customer transactions even further. At the same time, with the phase-out of the supplementary telecommunication tax, we once more will gain some additional sources of growth. These, together with our sustained focus on cost discipline means that we now foresee an annual increase of 12 to 15% in EBITDA After Leases, whilst adjusted net income and free cashflow for 2025 is expected to increase to 190 and 180 billion forint respectively.

This concludes the formal part of the presentation, but before we start our Q&A session, let me say a few personal words. As you know, I am leaving the Company in just a few days, and as such this is my last results call here. It has been a great privilege to serve as CFO of Magyar Telekom for the past 5 years and I am very proud of the achievements we reached together in this period. It has also been a real pleasure to engage with all of you in the analyst and investor community and I wish you all the very best for the future.



I leave the role of CFO in André's capable hands. It has been a pleasure working with him in our handover period, and I wish him and everyone at Magyar Telekom, every success in the years to come. With that, let me shortly hand over to André to say a few words.

André Lenz

Thank you Darja for your kind words. Good afternoon ladies and gentlemen. I'm André Lenz and as you know from the announcement in December, I will be joining Magyar Telekom as Chief Financial Officer as of 1 March. It is a great pleasure for me to be here and I very much look forward to my new role and delivering on the commitments we made. I look forward to getting to know you all in the coming weeks and months, but for now I will pass the call back to Dia ...

Dia Várkonyi

Thank you very much André.

We are now happy to take any questions you may have. Please use the "raise hand" function, following which your microphone will be enabled and you can unmute yourself to ask a question.

(Take questions)

Thank you again for joining us today. Please note that a transcript of this conference call will be available on our website shortly. If you have any follow-up questions, please don't hesitate to contact us.