



Q1 2025 Results Conference Call

May 14, 2025

Diana Várkonyi

Good morning, everyone. I am Diana Várkonyi, Head of Investor Relations at Magyar Telekom, and it is my pleasure to welcome you to our first quarter 2025 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 André Lenz, our CFO, who will take you through the presentation and then answer any questions you may have. I'll now hand over to Tibor to open the presentation.

Tibor Rékasi



Thank you, Dia. Good morning, everybody.

Before we go into first quarter financial performance, I would like to briefly touch on the progress we achieved on the digitalization of Hungary, our key strategic goal. As most of you will recall, we break this down into 3 main pillars, network development, customer service, and resilience and efficiency.

In this context, during the first quarter we continued with the expansion of our fixed gigabit network, adding a further 58 thousand access points. As a result, 84% of our more than 4.5 million end-points are now capable of providing gigabit speed. At the same time, we continued to enhance our mobile network, to meet customer demand for increasing data speed and capacity across our infrastructure. By the end of the quarter, our 5G coverage approached 77%, well on track to reach our goal of nearly 99% population-based outdoor 5G coverage in Hungary by 2026.

These investments are essential to our ability to provide the service quality our customers expect and represent a core strategic priority for us. The 24 thousand new fiber broadband subscribers added during the quarter are a clear sign that we are on the right path.

When it comes to supporting our customers' lives with digital and innovative solutions, the Magenta Moments customer engagement program is a pivotal initiative. We are very happy that this app has reached over 1.4 million users in Hungary, who are enjoying the wide range of benefits offered through the platform in collaboration with over 100 partners.

Last but not least, let me reflect on an important decision we made recently, namely the topic of the inflation-based fee adjustment. As you know, we have decided not to implement the previously announced inflation-based fee adjustment for consumers



and committed to not implementing any unilateral price increases or inflation-based fee adjustments until July 2026 at the earliest. We hope that with this move we will be supporting economic recovery in Hungary and even more importantly, ensure our services are affordable to an increasing number of clients. Despite this decision, we have maintained our 2025 guidance. Our expectation is that customer growth upside, coupled with disciplined cost management, will allow us to meet our original targets.

Now let us move to looking at the operational and financial performance in more detail, starting with mobile performance on slide 4. You will see that underlying trends observed in 2024 continued into this year, namely migration from pre-to-postpaid subscriptions among residential clients and the steady increase in data usage. The decline in the number of public sector customers also continued, with an additional circa 20 thousand SIMs lost during the first quarter, resulting in the lower postpaid customer figure. However, let me emphasize that the revenue contribution of this customer group is relatively low. As such, this trend has had no material effect on our ARPU levels, which continued to grow dynamically. As shown on the chart, postpaid ARPU rose by over 15%, i.e. outgrew the 2-month impact of the inflation-based fee adjustment by circa 5 percentage points, thanks to the uplift from mobile data growth. Whilst a year ago the monthly average mobile data consumption of a retail client was around 13 gigabyte, in the first 3 months of 2025 it stood at 15 gigabyte, up by 16%. This is a very important development, which we believe will continue to be a key driver of growth going forward.

Now if we move to the next slide, slide 5, we can see the key KPIs for the fixed market. In this segment there are some signs of a slowdown in the rate of customer and ARPU growth compared to previous periods. Let me explain the different factors contributing to this. For one, we have the short-term impact of the phase-out of the



satellite TV service. However, as the rollout of our fixed network continues, we expect to attract these customers back onto Magyar Telekom's other platforms. Furthermore, these trends also reflect the pressure the overall economic environment puts on customers' willingness to spend. This is coupled with the impact of the previous fee adjustments that resulted in a significant increase in the price levels of telecommunication services. These two combined lead to more conscious customer decisions when it comes to signing up for new services. This is evident in lower new customer additions to the broadband and TV services, an acceleration in the erosion of the fixed voice customer base, as well as a slower migration rate to higher bandwidth broadband packages. We recognize these challenges and are actively working on addressing them.

With that, let me hand over to André, who will present our financial results in more detail.

André Lenz

Thank you, Tibor. Good morning, everybody.

Let me first give a quick summary of the first quarter financial results before we turn our attention to our expectations for the future.

Let us start with revenue development on slide 6 which continued to be driven by service revenue growth. This was due to the growth in our underlying performance, coupled with the positive impact of the Hungarian inflation-based fee adjustment implemented back in March 2024. The underlying revenue increase was fueled by the continued growth in demand for mobile data and fixed broadband services. Mobile



data revenues increased by 15.7% year-on-year thanks to rising usage levels. Fixed broadband was up by 15.9% year-on-year driven by the positive impact of continued customer base expansion. This is reflective of our collective efforts aimed at facilitating the digitalization of Hungary, which Tibor referenced earlier. Equipment revenue was down by 1.1 billion-forint, reflecting lower sales volume in the Hungarian mobile segment while the fixed equipment sales remained broadly stable. Lastly, thanks to higher revenue from major protects in Hungary, System Integration and IT revenue rose by 10.9% year-on-year.

Moving on to **slide 7**, the higher EBITDA after leases was a result of strong revenue performance and a consequent increase in gross profit, supported by the absence of the supplementary telecommunication tax charge. In the first quarter our EBITDA after lease increased by 20.5 billion forint or 26.7% year-on-year. The absence of the supplementary telecommunication tax offset the increase in our employee related expenses resulting from the wage increases in Hungary in May 1, 2024 and March 1, 2025. Thanks to our resilience, cost management and reduced energy expenses, our other operating expenses remained stable despite inflationary pressure across several cost categories.

EBITDA growth was a key driver of the sharp rise in first quarter net income and adjusted Net Income, as you can see on **slide 8**. In addition to higher EBITDA, growth was also attributable to a reduction in overall debt levels, lower average interest rates and higher interest received related to the liquidity balances. All in all, our net financial expenses improved from a loss of 7.8 billion forint to a loss of 5.2 billion forint in the first quarter of 2025. Income tax was up by 2.6 billion forint or 39.3% year-on-year due to the higher profit level.



Adjustments of 0.4 billion forint in the first quarter were a result of unrealized losses related to the measurement of derivatives at fair value and the positive impact of unrealized FX gains.

Turning now to slide 9, let me provide an update on free cash flow developments in the first three months of 2025. As the chart illustrates, Magyar Telekom's free cash flow increased by 29.4 billion-forint as a result of strong growth in EBITDA and a positive change in the working capital. The latter was driven by a combination of factors. Firstly, the favorable change in customer related receivables in the amount of 5.3 billion-forint. Secondly, different project seasonality in SI/IT projects which yielded an additional 5.2 billion forint. And thirdly, the positive change in the net portfolio of the installment receivables to the tune of approximately 4.6 billion-forint. These positive working capital trends contributed significantly to the strong free cash flow generation. The positive change in interest and other financial charges paid reflects the lower level of the loan portfolio and different timing of interest payments. The aforementioned positive changes offset the somewhat higher network-related investment levels.

Finally, let me give you bit of a background to our financial outlook for the rest of the year shown on slide 10. As Tibor mentioned, we have kept our guidance for this year unchanged despite our decision not to implement inflation-based fee adjustments this year. We remain confident in our ability to meet our targets based on a number of factors. Firstly, as you'll be aware, we take a cautious approach when setting targets during volatile times, to allow for unexpected developments. Some of that caution was clearly warranted, for example our assumptions related to equipment sales and market dynamics. However, in other areas, such as SI/IT revenue and customer retention, performance has been above our expectations. We expect such positive



developments to offset the absence of revenue upside the inflation-based fee adjustment would have delivered. With this in mind, we will continue to work towards delivering on our original commitments for 2025 during the remainder of the year and remain confident in our ability to meet our goals.

And with that, let me conclude our presentation and hand back to Dia to open the Q&A session.

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.