Türk Telekom Q2 2020 Financial & Operational Results
Conference Call

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&

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OPERATOR: Ladies and Gentlemen, thank you for standing by. I am Yiota, your Chorus Call operator.

Welcome and thank you for joining the Turk Telekom conference call for the Second Quarter 2020 Financial and Operational Results.

We are here with the Management team and today's speakers are CEO, Ümit Önal and CFO, Kaan Aktan. Before starting, I kindly remind you to review the disclaimer on the earnings presentation. Now, I would like to turn the conference over to Mr. Ümit Önal CEO.

Sir, you may now proceed.

ÖNAL U: Hello, everyone. This is Ümit Önal. Thank you all for joining us today. Before we start, I would like to highlight that we have been going through rather extraordinary times. In a quarter when the whole world has faced with crisis management, at Türk Telekom, we managed to meet urgently rising demands perfectly at the speed of growing needs in all parts of Turkey thanks to our strong and widespread infrastructure, agile management, effective decision-making mechanism and competent field teams. We adapted every cluster of our business to this challenging process perfectly by quickly switching to remote working model with our 34,000 employees at the same time. We were able to fit life into homes through our digital platform "Online İşlemler" and our many digital applications meeting wide range of needs.

It remains uncertain how COVID-19 will progress across the globe and how it will affect the world economies. Despite these uncertainties, our strong performance in the first half of 2020 and our robust balance sheet allow us to look forward confidently as we stand on solid foundations. In this context, while continuing to implement our strategies, we maintain our 2020 guidance.

We have put forward our commitment to create value for our shareholders once again by paying out 602 million lira of dividends after 3 years. Surely, these achievements were a fruitful outcome of our history, know-how and continuous investments. We are the only integrated operator that has presence in Turkey's 81 cities, every district and more than 30,000 villages.

We differentiate ourselves, not only with our balanced and rich portfolio, but also with operational excellence and superior after sales services. As Türk Telekom and its subsidiaries, we stand by our customers with our products and solutions. We will continue to create value for our customers by offering fast, effective and integrated solutions that meet changing needs.

The pandemic has tested us in many ways, but we rest assured that we stand solid and stronger than ever before. We believe in Turkey's rich potential and remain committed to continue our investments across the country. Lastly, I want to say I am so proud of Türk Telekom employees for their effort and devotion to provide uninterrupted service in every corner of Turkey during this challenging period.

Coming to our second quarter performance. Slide #3, net subscriber additions. Total number of subscribers increased to 48.7 million as of the second quarter. The fixed broadband segment continued its strong performance as seamless communication remains at the forefront. As you know, we stayed at home in April and May, and life started to normalize gradually in June. As a result, our net subscriber additions in fixed broadband climbed to 595,000 in the second quarter. This number exceeds the 458,000 subscribers we gained during full 2019.

In the mobile segment, we felt the impact of the pandemic in a negative way as people stayed immobile. Along with the increased competition too, we lost 380,000 net subscribers in the mobile segment during the second quarter. On the fixed voice side, we added 230,000 new subscribers.

Slide #4, financial performance. I will briefly go through our financials and then Kaan will share the details in the coming slides. The positive momentum in earnings continued into the second quarter of the year. Consolidated revenues increased by 21% year-on-year to 7 billion TL with the support of strong fixed broadband performance. Excluding IFRIC, revenue growth was 15.5%.

Consolidated EBITDA grew 21% to 3.2 billion TL with an EBITDA margin of 46%. Net income increased to 980 million TL with 125% year-on-year growth. Solid underlying operating performance and lower financial expenses despite higher FX rate in the quarter supported the bottom line. CAPEX was 1.2 billion TL.

Slide #5, fixed broadband performance. Our fixed broadband segment demonstrated an outstanding performance in the second quarter. The COVID-19 pandemic continues to be the main factor determining sector trends and customer needs. We continue to see significant increases in both fixed broadband subscription demand and data traffic with the changing needs and user habits. We were able to meet increased demand very smoothly, thanks to our operational capabilities and strong infrastructure with a wide footprint across Turkey.

In Q2, we increased our broadband subscriber base to 12.2 million with strong growth in fiber customers. Fiber had 346,000 net adds in the second quarter, bringing total fiber base to 4.8 million. Thus, fiber share grew 5 percentage points annually to 39%. In line with our strategy to invest in the fiber transformation of Turkey, we increased the number of fiber homepass by 1.2 million in Q2 and reached 23.8 million.

Our fiber network reached 314,000 kilometres as of Q2. Fixed broadband ARPU increased by 14.4% annually, thanks to fiber subscriber acquisitions, upsell from limited to unlimited packages and upsell to higher speed packages. Finally, the share of our subscribers using 24 megabits and above within our total subscribers was

40% in Q2. As you know, we increased our entry-level speed from 8 megabits to 12 megabits.

Slide #6, mobile performance. As of June '20, we had 22.8 million mobile subscribers. As I mentioned, we saw a downward trend in mobile net additions due to physical isolation. Activity was at the minimum, especially in April and May. We observed consumers' data usage shifting from mobile to fixed during the pandemic. Still, data consumption of LTE users increased slightly to 8.5 gigabytes in Q2.

During the COVID-19 period, we saw a pretty slow MNP market, especially on the prepaid side. As the leader of this market, we were affected the most in acquisition performance. Also, the market continued to remain pretty competitive. Still, we were able to advance our postpaid customer base by adding 168,000 subscribers.

The difficult conditions imposed by COVID-19 in the mobile market became more challenging with the increased competition during the second quarter. Thus, we were unable to take planned pricing actions for the period. In spite of this, our ARPU growth remains around mid-single digit, both annually and quarterly. We believe the trends we saw in the second quarter were largely seasonal. We are now seeing a more rational competitive environment, and mobility is coming back, hence, our subscriber acquisition normalizing.

Slide #7, fixed voice performance. Our fixed voice subscribers continued to grow in line with high fixed broadband demand. Thanks to our successful cross-selling strategy, we have recorded the highest quarterly net subscriber increase since the IPO with 230,000 additions.

Before I give the word to Kaan, I would like to say we stand committed to creating value for our shareholders and customers. We are set to continue delivering strong operational and financial results in the rest of the year. We maintain caution during this highly challenging and sensitive period, but also stay focused to act on arising opportunities.

On the fixed broadband side, we have seen very strong demand for new connections and speed for remote working and online education emerged as urgent needs across the country. In addition, we have seen people moving to summer houses and rural locations earlier than usual and more so this year in need with isolation amid the pandemic. We think these trends will mostly stay in the coming months and continue to support our subscriber and ARPU growth.

The incremental demand is not coming from large cities only, but from all rural areas of Turkey. In this respect, we are happy to see our nationwide footprint bearing fruits. We know that fast, seamless and secure communication will be far more important going forward. Accordingly, we had shared with you that we pulled our fiber investments with quick returns forward. Our financial performance as well as the trends we have seen in the second quarter confirm the steps we have taken in this direction and motivate us for our future plans.

On the mobile side, with the physical mobility returning both in our country and in the world and with a more rational competitive environment, we expect subscriber additions to recover and revenue growth to gain momentum during the second half of the year.

Now Kaan will talk you through the details of our financial performance. Thank you so much.

AKTAN K: Thank you very much. Ladies and gentlemen, good afternoon from my side. Starting with financial performance on Slide 9. In the second quarter, consolidated revenues recorded 21% year-on-year growth to 7 billion lira. When we exclude IFRIC 12, top line growth was at 15.5%.

Fixed broadband segment was the main driver of our topline performance with 24% annual increase in this quarter. We had seen strong demand in fixed broadband net additions, mainly due to the pandemic. Fixed broadband ARPU is also up by 14.4% with the support of increased usage and demand for speed, which paved the way for upsells and higher package sales.

Mobile revenues, on the other hand, saw a moderate 9% increase year-over-year in the second quarter as mobility diminished and customers' usage shifted to fixed line services. Blended mobile ARPU increased by 5% year-on-year. Despite challenging environments, we added 168,000 net postpaid subscribers and maintained our mobile EBITDA margin at 28% in the second quarter.

Meanwhile data service revenues increased by 8% year-over-year, mainly with the support of last year's low base. Our fixed voice revenues remained flat year-over-year. Our EBITDA continued its robust performance and increased by 21% to 3.2 billion lira. Our EBITDA margin in the second quarter was 46.4%. Please let me remind you that IFRIC 12 is an accounting item, and it impacts our revenues and costs and has a dilutive impact on margin. When we exclude this impact, our margin implies an improvement compared to both last year and previous quarter.

Operating expenses increased by 21% year-on-year. Excluding IFRIC 12 cost, the year-on-year growth was 12% lower than increase in operational revenues.

Looking at the highlights in our OPEX items. Cost of equipment and technology sales increased by 164% year-on-year on the back of strong broadband net additions and project-based equipment and license sales. You might see quarterly volatility in this project-based revenue item from time to time; hence, we do not expect Q2 performance to be representative for the remainder of the year.

Network and technology expenses grew 23% year-over-year, mainly due to increased energy cost and technology, retail and maintenance costs. Personnel expense increased by 8% year-on-year, along with a high base in Q2 of last year. Please be reminded that we will be recycling and holding in the next quarters. 12% year-over-year increase in the tax expense was led by high frequency and treasury fees attached to mobile revenues. Interconnection costs increased by 10% year-over-year.

Commercial costs declined by 17%, year-over-year, mainly due to savings on sales and customer care items and lower marketing and corporate communication activities during this pandemic period. Once again, we had seen quarterly fluctuations in this item. It will be reasonable to focus on first half performance rather than second quarter alone when analyzing this cost item going forward.

CAPEX was at 1.2 billion lira in the second quarter. As we announced earlier in May, we increased our full year CAPEX guidance to 6.4 billion lira. Although our CAPEX spending in the first half is nearly 2.1 billion, plase note that the pace of our spending will accelerate similar to prior years in the second half.

Second Quarter Net Financial Expense decreased to 703 million lira in Q2 from 870 million lira in the first quarter despite higher FX rate during the second quarter. Net interest expense declined by 10% compared to previous quarter. In the second quarter, tax expense was 250 million, which implies a 20% effective tax rate. We reported 980 million lira net income in the second quarter with an annual increase of 125%, thanks to robust underlying operating performance and lower financial expenses despite higher FX rates in the quarter.

When we look into our first half financials, you see our outstanding performance even in a challenging environment. As you know, we updated our guidance last quarter with a cautious approach. I can say that we are fully on track to meet our 2020 guidance for the full year.

We are now moving on to Slide 10 with debt profile. Global pandemic created a challenging environment, but we managed the stormy times pretty well with a strong balance sheet and declining leverage ratio. As of June, our net debt remained flat on quarterly basis at 16 billion lira. In dollar terms, on the other hand, we see a decrease of 115 million. Our leverage continued its downward trend over the last 6 quarters with the support of robust EBITDA growth. At the end of second quarter, net debt-to-EBITDA ratio declined to 1.31 from 1.38 a quarter ago. We have one of the lowest net debt-to-EBITDA ratio among global peers.

Cash and cash equivalents declined to 5.2 billion lira from 6.5 billion lira in the first quarter. 77% of our cash is still FX-based. Regarding our debt composition, we have quite a diversified funding base. And to enhance this diversification further, we are increasing the share of lira-denominated borrowing. The share of lira financing moved up to 13% as of the second quarter, which was 10% a quarter ago and 4% as of the same period last year. Finally, our blended cost of debt came down to 8.6% from 9.7% in the previous quarter.

We are now on Slide 11. At the end of the quarter, net FX exposure was $376 million, including $1.7 billion equivalent of participating cross-currency swap transactions. I may also add that the net exposure on financial debt is effectively attached to debt with 4 years and plus maturities. This was a deliberate decision taken in order to enhance the capability to reduce net debt with the cash flow that the Company is generating. Assuming all else stay constant, 10% depreciation in lira is around 600 million lira impact on our P&L according to our financial statement as of June 2020. With the support of robust EBITDA performance, our unlevered free cash flow generated in the last 12-month period grew to 6.3 billion lira compared to 5.3 billion lira of last year.

Finally, our Company's General Assembly was held on July 25. Our Board of Directors' proposal to distribute 602 million lira of dividend was approved at the general assembly, and we completed the payment process by early August.

We may now move on to the Q&A session.

Q&A

OPERATOR: The first question comes from the line of Kim Ivan with Xtellus Capital. You may now proceed.

KIM I: Hi, good afternoon. 2 questions, please. First, on the cost inflation. So if you look into above EBITDA cost inflation in the second half, how do you think it will compare to the second quarter? Should it accelerate? That was the first question.

And the second question on the lira weakness and kind of protection. So you are relatively well protected by the participating cost currency swaps up to the lira of 7.5. Can you please talk about the protection after 7.5? So let's say, maybe you can provide the sensitivity to 10% foreign currency appreciation after 7.5 level, so 10% depreciation from 7.5 level? Thank you.

AKTAN A: Well, thank you very much. First part of the question on OPEX, what should we expect in the second half. I think it should be something similar to the first half performance with the exception of maybe the level of spending that we should expect, which should be higher in a way for commercial activities. Obviously, second quarter was extraordinarily low in terms of the money we spent on commercial activities. We should expect some level of normalization in that front. Other than this, we should expect, I'm excluding some extreme scenarios where we may see some macro deterioration in the economy. But excluding that, we should see something similar.

I think your question is mainly around the sensitivity of the P&L against any further devaluation of lira. As you know, we report a 10% sensitivity analysis in our disclosures. The latest analysis shows around 600 million lira pre-tax loss in case there's 10% devaluation of lira. Some of the participating swap deals came to the limits of their protection. These are mainly the ones that were acquired in earlier years where we had much lower FX and we put the threshold; at that time, at the forward rate =that are now very close or past.

In case we see better markets, especially I'm referring to the swap market, we may want to unwind those contracts and lock into new contracts. But again, I would expect to see or I would prefer to see better pricing in the swap market. Until that time, we will continue with our existing portfolio. But at the same time, we have other options like short-term protection tools like forward eals or options. So this is something that we didn't have in the past. We were looking to push full cash flow protection when we say we are hedging a certain debt instrument. So we were covering all the interest payments and the principal payments fully with the derivative instruments. But we may move to other alternatives, so that we can absorb the additional volatility that may come in case we have further devaluation in lira.

KIM I: Sure. Thank you very much for that. But so if lira...so the sensitivity of further 10% depreciation from the second quarter rate is clear, but let's say, if it goes from 7.5 to 8.2, 8.3, so how much this sensitivity increases? So let's say, now the 620 million will go to like 1 billion?

AKTAN A: Another 10% should probably bring us something higher than the first 10%. So the second part of it would be higher. I don't have the numbers right now, but it will be slightly higher than the first 10% sensitivity.

KIM I: Okay. Fair enough. Thank you.

OPERATOR: The next question comes from the line of Ibragimova Dilya with Citibank. Please go ahead.

IBRAGIMOVA D: Thank you very much for the opportunity. I had a couple of questions, please. First...both of them are actually on the costs. Just looking at the network and technology costs, if we're looking at the rate of increase in the first half of the year, it was at around 16% and including 23% in the second quarter. I was just wondering why is the cost inflation related to the network and technology, so why that the increase is so high, whether there are any one-offs in the second quarter, perhaps projects, you mentioned there were a few projects in the second quarter. Is that...is there anything that is associated with that? Is that...I think you would expect that as you improve your network quality and fiberize the network, the network costs should...you should get some leverage of that, and your network costs maybe should be growing a bit...you should get benefit on the cost side, but it doesn't seem to be happening. And maybe going forward, how we should look at this line as well?

And second is on mobile. If you're looking at the OPEX, total OPEX run rate, so it's increased to around 1.6-1.7 billion per quarter from around 1.4 billion last year in the first half, which is, again, it's quite a steep increase in the costs, including in the second quarter when the commercial activity was fairly low. Could you give some color as to what is driving cost increase in the mobile side...on the mobile side? Thanks.

AKTAN K: Thank you very much. Let me take both questions. The first one is technology expenses. That's a major item. The first one is the energy cost, which is the cost of electricity mainly. And the second part is the repair and maintenance and this specific one is where we have the highest share of foreign exchange denominateditems in our OPEX base. So the OPEX affected by FX is pretty low. I mean it's a single-digit number in terms of percentages. And most of it is coming from the repair and maintenance cost in technology expenses is in the energy cost and the FX rate;this is the line which gets the biggest hit. So other than this, so I mean going forward, you should look at it within that by making estimations on electricity prices and level of FX.

The second part, I think you are referring to the margin in the mobile business and the share of OPEX within the revenues. So obviously, we are now using more number of lines, in terms of fiber connectivity to our base stations. The good thing is we are fully acquiring those services from another company of the Group, which is the fixed line operator, Türk Telekom. So it's an inter-company revenue cost transfer. But at the end of the day, it gives us a much better service quality and capacity in our mobile network, which comes with an inter-company cost attached to that.

IBRAGIMOVA D: Thank you. That's very clear.

OPERATOR: The next question comes from the line of Cabejšek Ondrej with UBS. Please go ahead.

CABEJŠEK O: Hi, thank you for the opportunity. And congratulations on the great results. Apologies if some of these questions were asked before. My line dropped. But I wanted to ask a follow-up on the net debt or the FX exposure, just to get a sense of how you're thinking about balancing the cost of the hedging and where you are comfortable in terms of FX losses, if there's a metric that you're following, for example, like a net debt-to-EBITDA target? If you could clarify a bit more how you're thinking about this because it's...basically, this is the second time, I think, in 2 years that your exposure is up quarter-over-quarter. Can we expect this trend to sort of continue? Or will you be taking measures to reduce it further? So that's the first question, please.

And then the second one is connected. Speaking of your dividends, is there any update in terms of how you're thinking potentially with regards to the fourth quarter and catching up with the previously declared 50% pay-outs, if and when the legal limitations for the pay-outs go away? Thank you.

AKTAN K: Okay. Thank you very much. Well, going forward, I think the worst-case scenario should be that we stay around a similar exposure level. So we will go to a lower exposure level until the year-end. The good thing is, as I also mentioned in my part during the presentation, our financial expenses, our net interest expense is going down. This is also related to the deleveraging process that we have in the company. So naturally, every quarter, we are repaying some part of that the debt, and the overall debt figure is coming down, which gives us a certain room and that we can absorb the cost that may come from additional hedging transactions, through which we can lower the exposure to the potential changes in the FX rate.

For the dividend part, as you remember, our Board of Directors in the first quarter of the year proposed a 50% dividend distribution. But before we have the general assembly to approve that, there was a regulatory limitation proposed by the policymakers, which said companies can only formally agree and distribute 25% of prior year income as dividend. And this is what the company did. So we revised the Board of Director's decision and the general assembly approved 25%, and distribution happened at the beginning of August. So naturally, until the limitation is removed, it's not possible to discuss or agree for the company to anything more than 25%. So I think the best answer to your question will be that we should wait until the end of that period, which is end of September, and see whether our Board of Directors and shareholders would go back to the initial scenario. And there is also possibility that there may be another expansion for that dividend limitation, again, for which we should wait to see.

CABEJŠEK O: Thank you for that. And maybe a follow-up on the dividend question? Assuming your deleveraging continues as it has been, you get to somewhere around, call it, 1 time net debt-to-EBITDA next year. Cash generation year-over-year, obviously, should be up because potentially CAPEX is down. You keep growing. Is it rational to assume that you do get back to the previous policy payouts, i.e., around 100% or 92%

based on 2020 profit, of course. Is that a rational expectation?

AKTAN K: It's really...for the time being, it's a question for the shareholders and the Board of Directors, starting from Board of Directors. It will be a bit early for me to have a clear view for next year, which should take us again towards the year-end and early next year when we announce the guidance. So there will be a better picture of what we should expect for 2021, which will be a driver for the dividend decision. But for the Management, what's more important is really to make sure that we have our balance sheet ready for any type of dividend distribution decision that may come. I think we are on the right track for that. Our cash flow generation is healthy and seems to be sustainable, looking at the you know, basic drivers of the business. Our leverage is coming down. That you know, dividends payment of 600 million that we've just realized, it's just creating 0.03=0.04 with reference to our impact, with reference to our leverage ratio. So it is any any level of such dividend payment is very much affordable for the company. That's really the first priority of the Management.

CABEJŠEK O: Thank you and sorry, one very short follow-up. Here you said Management is on track to a level where you are comfortable with any sort of payouts. Can you just clarify what more or less that is?

AKTAN K: I mean as you started the question with that 100% scenario which was the case for many year in the past, so obviously it's really a question for the shareholders.

CABEJŠEK O: No, I am sorry…I meant in terms of the balance sheet, you were saying the Management is on track to being comfortable with the balance sheet. What the ratio would be that you're comfortable at?

AKTAN K: I mean we are comfortable, so that's what you are saying...we have been saying for many years anything below 1.5 is very much acceptable for the company. And we saw that even in volatile periods in terms of macro parameters, we can manage the healthy P&L and balance sheet, where the leverage stays below 1.5 as is the case right now.

CABEJŠEK O: Alright. Thank you very much.

OPERATOR: The next question comes from the line of Demirtas Cemal with Ata Invest. Please go ahead.

DEMIRTAS C: Thank you for the presentation. One of my question's already been answered. My other question is generally about regulatory environments and you know, the tenders going forward maybe in the following years. Do we see any new developments in that front at least you know, if you could give us some update about time line…possible time lines for the future, it will be helpful. Thank you.

ÖNAL U: This is Ümit Önal.

To tell you the truth related to 5G, we don't expect anything in the short term other than the use cases. It is very early to make a prediction related to the tender date, because regulatory authority has not completed to gather opinions from the operators related to 5G.

Also, we are not sure about the model of the possible tender, so we don't have any visibility related to that. We don't know if it is going to be like the previous ones or there will be a revenue sharing model about it. So you know, there are so many different models in the world. In Turkey, we also haven't come up to its last shape yet.

No, it's not possible for us to say anything, at least certain, related to 5G tenders for us now.

DEMIRTAS C: Thank you.

OPERATOR: Mr. Demirtas, are you done with your questions?

DEMIRTAS C: Yes. I'm done. But maybe about 2G, as far as, I remember, the operators were expected to renew 3G license, as far as I remember. Well, is it going to be connected to 5G, just maybe as a follow-up, if I am not mistaken?

ÖNAL U: As of now, I mean, we cannot say anything related to that as well. My personal opinion is that both will not be made together at the same time.

DEMIRTAS C: Thank you.

OPERATOR: We have a follow-up question from the line of Ibragimova Dilya with Citibank. Please go ahead.

IBRAGIMOVA D: Hi, thanks very much. I just had 2 follow-ups, please. One on the network cost. As you mentioned there is an FX element in that. Could you maybe give a bit of more color, is that related to the maintenance of the mobile network that comes maybe with the vendor contract or is it a combination of both fixed and mobile? And also whether the costs are based on the consumption patterns, or the more services and maintenance you consume the more you pay or is it more on fixed per term? And also maybe on that, how often does it get rebased, the cost? Is it monthly or as the exchange rate moves?

And the second question is on regulation. Just maybe fiber regulation is something that is being discussed. Well, I'm just wondering whether you have any color or update in terms of timing when that it says likely to come out with the decision or proposal, how they're going to look at the whole fiber regulation and whether they are going to regulate it or not? And then second, whether internally or how you are thinking about this, whether there's likely to be kind of a minimum level if there is a price regulation…wholesale price regulation, whether there will be a minimum level or maybe a minimum level that is acceptable to you? Any color would be appreciated. Thank you.

AKTAN K: Yes, first part of the question. This is Kaan. The network and technology expenses, I mean, it's a combination of all networks. So it's the licenses, you know, maintenance contracts and mainly those are important infrastructures or systems which requires us to pay the maintenances fees in dollars or euros.

So is it fixed? It's basically fixed, but as we grow the network or we increase, let's say, number of servers or that kind of additions to the IT systems is also increasing the total maintenance fee that we are paying. But it's not totally a function of the revenues or number of subscribers. It's a different formula.

Well, within the short-term plans, to be honest we don't expect to see an impact on our operational performance or for the financial performance that would come from the changes, if any, on the regulations covering fiber. So at the same time, we are also continuing our investments, as you remember. And we also mentioned we also increased the CAPEX guidance for the year and with a certain motives to increase the investments on the fiber infrastructure, which are mainly the money that we spend for better fiber connectivity in the country. And I think there is also really a good return from it, which was also proven by the performance during the pandemic period. I think that will be the answer for the question for the time being.

IBRAGIMOVA D: And I mean just to follow-up on this, on the latter. Do you maybe see it as an opportunity that could help you accelerate take-up rate of the fiber? So for example, at the moment, it's just you commercially pushing for the fiber connections. But if the wholesale was to open up with the...and the regulation, I guess, provides some certainty. Would you see that as an opportunity to accelerate monetization of the fiber footprint that you already built?

AKTAN K: Well, it's kind of a hypothetical question in the sense that we don't have a full coverage or full regulation that will cover both the use of existing networks and the way the parties will participate for building the new extension to the existing networks. Especially, second part of it is still not there. So we see being the biggest investors for fixed line in the country that second part which means the money incremental investment that is required for providing better connectivity or higher number of households to be covered with fiber seems to be kind of a burden for the company or that's where we spend the money. So sharing it with other operators, so that all operators, contribute the money that we should spend for extending the current network…combined network with all operators involved. I think that will be a good thing for this Company.

IBRAGIMOVA D: Alright. Thanks very much. That's clear.

OPERATOR: The next question is a follow-up question from the line of Cabejšek Ondrej with UBS. Please go ahead.

CABEJŠEK O: Hi. Thank you. I've got 2 follow-up questions, please. First one, if you could give us your sort of year-end plans in terms of homes passed with fiber for both 2020 and 2021, just so that we have a idea of how far down the road of these targets you are? And second question, more of a high level one. Do you see scope now in the market or potential in the market for more joint ventures in terms of co-investments or network sharing now that you and your competitor share...or have the same shareholders? Thank you.

ÖNAL U: Because of the pandemic, there is an increased demand in the first half of 2020. So for the second half of 2020, we know that maybe it is not going to be, as much as, we recorded in the first half, but we believe, definitely, the second half of 2020 will be more than second half of 2019.

For your second question, our current budget that we have shared and our targets and all our guidance allow us to manage this issue, these investments all alone. So as of now, we don't have any plans to be a part of JV or any other partnerships in terms of infrastructure investment.

CABEJŠEK O: Thank you. And if I may, just on the first one, my question was more of you now currently passed almost 24 million homes with fiber. Is there a target in terms of homes passed that you have for this…end of this year and end of next year, that you could share with us?

AKTAN K: I think we were very clear in our guidance and the follow-up revision on the guidance that we will continue investing in fixed line, and fixed line it's really mainly getting a fiber connectivity in the country. I think the plan for the full year stays the same. So anything that you saw as new additions to the fiber connectivity in the first half of the year, we would continue at a similar level.

CABEJŠEK O: Alright. Thank you very much.

OPERATOR: The next question comes from the line of Demirak Kayahan with İş Investment. You may now proceed.

DEMIRAK K: Hello. Thank you very much for the presentation. I have a question on your guidance. As far as I see, you delivered very strong results in the broadband in this quarter, and you see that there's still a clear trends for the demand. So in order to maintain your choice of guidance, you should be very cautious about the outlook in the mobile for the second half of the year. I mean, what do you see in the mobile in the second half of the year? I mean, do you expect the rising competition you mentioned in the beginning of the presentation to prevent you from increasing prices, for instance? Thank you.

ÖNAL U: As you know, we revised our 2020 guidance with our first quarter results. Of course, we are very happy with the developments that we have registered in the first quarter, and it seems it's possible that we will be actualized beyond our guidance and our numbers stay like that.

However, with the pandemic, we have been going through an intense learning process altogether. And yet, it is still very early to say that this process has ended.

Therefore, as of now, we prefer to preserve the guidance we have shared with you previously as 13% revenue growth and 12.4 billion to 12.6 billion lira of EBITDA.

We have already realized half of our EBITDA guidance. If we see more certainty in the coming period, we will be reviewing it in the coming period.

As you know, we always prefer to have a balanced growth in ARPU and subscriber growth. So in line with the developments, if we need to revise our guidance, it will be shared with you in the coming period.

Allow me to speak a little bit about mobile side as well. Starting with the second half of 2019 and continuing through the first half of 2020, we have been seeing an irrational competitive environment in the market, which has started to be normalized right around now. As Türk Telekom, we don't want to disrupt the market and bring the prices down. But hopefully, about the year-end, we are going to see exciting mobile ARPU growth in Türk Telekom.

OPERATOR: Mr. Demirak, are you done with your question?

DEMIRAK K: Yes. Thank you very much.

OPERATOR: The next question comes from the line of Mandaci Ece with Unlu Securities. Please go ahead.

MANDACI E: Hi. Thank you very much for the presentation and opportunity to ask questions. I was wondering about your view on potential share buybacks, as far as, I remember, at the AGM, it was approved for the...you provided or gave authority at the AGM to the Board of Directors for a share buyback decision, if necessary. So, do you think that there could be such a decision going forward if we see a pullback in shares in the near term? And given your deleveraging efforts, how much cash would be allocated at maximum or at what level would you feel comfortable allocated for share buybacks…potential share buybacks? Thank you.

AKTAN K: Well, thank you very much for the question. So the rationale behind the decision that we take it from that…so we have been seeing a significant improvement in our operational and financial performance in the many quarters of the past. So...and there were times when those improvements in the overall performance were not reflected to the share price. And we felt like the Company might have an opportunity if we have a program in place for share buyback, which will at least address to that asymmetry between the share performance and operational performance of the Company. And the first prerequisite for that program is obviously to have a decision from the General Assembly, so that we can have an easy and fast execution when...or if we see that this is something to be done for the benefit of the Company. This was the...this is how we started, and we now have a decision from the General Assembly. Again, within that rationale, as I just mentioned, that rationale of not having an asymmetry there, so we may come up with a plan that will be obviously disclosed beforehand to the investor community that would address any such potential issue in the future. So before we come to that point, I think it will be difficult to give you a number for the size of the program or how it will impact with the leverage. So those are the questions for…to be answered when we announce the program in the future, if we announce it.

MANDACI E: Thank you.

OPERATOR: Ladies and Gentlemen, there are no further questions at this time. I will now turn the conference over to Türk Telekom Management for any closing comments. Thank you.

AKTAN K: Well, thank you very much to all for their participation. And thank you very much to the operator.