

THOMSON REUTERS

# EDITED TRANSCRIPT

Q1 2020 Tele2 AB Earnings Call

EVENT DATE/TIME: APRIL 21, 2020 / 8:00AM GMT



## CORPORATE PARTICIPANTS

**Anders Nilsson** *Tele2 AB (publ) - President & CEO*  
**Mikael Larsson** *Tele2 AB (publ) - Executive VP & Group CFO*  
**Samuel Skott** *Tele2 AB (publ) - Executive VP & Chief Commercial Officer*

## CONFERENCE CALL PARTICIPANTS

**Andrew J. Lee** *Goldman Sachs Group Inc., Research Division - Equity Analyst*  
**Frederic Emile Alfred Boulan** *BofA Merrill Lynch, Research Division - Senior Analyst*  
**Fredrik Lithell** *Danske Bank Markets Equity Research - Senior Analyst*  
**Johanna Ahlqvist** *SEB, Research Division - Analyst*  
**Jörgen Wetterberg** *Nordea Markets, Research Division - Senior Analyst of Telecom and IT*  
**Keval Khuroya** *Deutsche Bank AG, Research Division - Research Analyst*  
**Lena Osterberg** *Carnegie Investment Bank AB, Research Division - Head of Research of Sweden, Head of Technology Hardware & Equipment and Financial Analyst*  
**Maurice Graham Patrick** *Barclays Bank PLC, Research Division - MD*  
**Nick Lyall** *Societe Generale Cross Asset Research - Equity Analyst*  
**Peter Kurt Nielsen** *ABG Sundal Collier Holding ASA, Research Division - Lead Analyst*  
**Roman Arbuzov** *JP Morgan Chase & Co, Research Division - Analyst*  
**Siyi He** *Citigroup Inc, Research Division - VP*  
**Stefan Gauffin** *DNB Markets, Research Division - Analyst*  
**Stephen Paul Malcolm** *Redburn (Europe) Limited, Research Division - Research Analyst*  
**Terence Mun-Sion Tsui** *Morgan Stanley, Research Division - VP*  
**Ulrich Rathe** *Jefferies LLC, Research Division - Senior European Telecommunications Analyst*

## PRESENTATION

### Operator

Ladies and gentlemen, thank you all for standing by, and welcome to today's Tele2 Q1 interim report 2020. (Operator Instructions)

I must advise you all that this conference is being recorded today, Tuesday, 21st of April 2020. And without any further delay, I would like to hand the conference over to the first speaker for today, Mr. Anders Nilsson. Please go ahead, sir.

---

### Anders Nilsson *Tele2 AB (publ) - President & CEO*

Thank you very much, operator, and good morning, everyone, and welcome to the Q1 2020 report call for Tele2. And with me, as usual, on this end, we have Mikael Larsson, our CFO; and Samuel Skott, Chief Commercial Officer. Today, we will talk about the results for the quarter and address your questions at the end of the call, pretty much as usual.

In addition to that, we will discuss how the global pandemic affects us and how we plan to mitigate the near-term effects on our business. One impact, which you may be able to notice today, is that we are socially distancing. So we are all calling in from different locations. Hopefully, we will sound yes clear and coordinated as usual, but please bear with us in case we experience any technical difficulty or delay. So let's get into it and turn to Slide 2 for an overview of how we think about the outbreak of COVID-19.

Well, first of all, I think we should take a step back and look at the characteristics of our business and how it's changed over the last few years. Tele2 is now more resilient than it has ever been, thanks to the strategic direction of the last years. We have moved our geographical footprint towards stable markets where we have scale. Our business is much less reliant on market share gains and business expansion than it has been historically. In our existing markets, we have stable subscription businesses where we get much of our growth by increasing the value of our existing customer base. We have a strong balance sheet with no major near-term need for financing or M&A to achieve our financial targets. This gives us operational flexibility in volatile times. We have an organization and staff that is able to easily adapt. This was proven over the last few weeks as we've closed down most of our offices overnight and had fully functioning remote organization the next day. I must say that I'm very proud of the dedication and professionalism of our employees in the face of these obstacles. While we are pleased with the shape of our business today and continue to see a bright future as we make progress on our strategic initiatives, the pandemic creates a degree of uncertainty in our near-term forecast. We are therefore forced to suspend our guidance for 2020 until we gain more clarity on the longevity and impact of the outbreak.



In 2020, our job is to adapt to the situation and sort out how we can best defend our EBITDAaL and cash flow in the near term, while keeping our long-term strategy intact. So what is the impact and how much of it can we mitigate? I think it is useful to look at the potential impact of the pandemic by putting the effects into 3 buckets. There is a known impact, which we can estimate from what we have seen so far. On top of that, there is an unknown impact from areas we can assume will be affected going forward. And the third bucket is our ability to mitigate the impacts and defend underlying EBITDAaL through cost control.

Let's look at the loan impact first. Extrapolating what we saw in part of March, we see a known impact of roughly SEK 50 million per month in underlying EBITDAaL which we can reasonably assume will continue throughout the duration of the pandemic. This is mainly related to international roaming and equipment margins. Secondly, on top of this, there are effects which are hard to qualify at the moment since we are still in the early days of the pandemic. This includes the impact on volume growth, pricing and B2B revenue. As you know, our business depends on both volume growth and price adjustments to reach our targets. While we will continue pricing in Sweden B2C, largely as planned, the outcome is much less certain now.

In the Baltics, we depend on pricing to achieve the type of growth we have had historically. Given the market conditions we see there now, we expect that our ability to grow through price in the Baltics will be limited. So we should expect the growth rates to come down during the pandemic. The part of our business, which is likely most affected is Swedish B2B, where we had counted on a gradual improvement throughout the year. Given the economic environment, we now have to expect delayed deliveries, fewer new sales and more churn as customers cut cost and some even go out of business. So what can we do to mitigate this impact? We have a number of levers to pull, and our #1 focus right now is to determine which ones to pull, when to pull them and how hard we should pull them. This will be informed by the developments we see over the next weeks and months. As we now pause our growth ambitions for 2020, we can shift focus away from growth and free up resources by reducing sales-driven costs, pausing or temporarily scaling down some initiatives while fast-tracking part of our planned long-term cost reduction. To maintain a financial buffer while we monitor the impact and evaluate potential mitigating actions, we are postponing the distribution of the extraordinary dividend. We intend to call for an EGM and distribute a dividend once we have more clarity on the situation. Since we have a strong balance sheet, we will distribute the ordinary dividend as planned. As we now shift near-term focus towards defending underlying EBITDAaL and cash flow, we do so to make sure that the company is in good shape once we are at the other end of the crisis, and can continue where we left off to achieve our guidance for 2021 and the midterm.

We are still confident in our midterm guidance, and our strategy remains intact. It is, in fact, more relevant than ever since our goal is to create an even more resilient and cash-generative assets. Our FMC more-for-more strategy in Sweden is more relevant than ever as it allows us to extract more value from our existing customer base by using increased customer satisfaction to reduce churn and increase pricing power. This creates stability and reduces the need for market share gains. We have launched several new growth drivers this year, which are intended to ramp up over several years to create growth over the long term. We are rebuilding our enterprise business in Sweden to make it more stable and profitable over time. We continue to drive our mobile-centric convergence strategy in the Baltics. We have initiated a business transformation program to deliver OpEx reduction of at least SEK 1 billion over 3 years. These pillars of our strategy remain intact and make us confident that we can deliver on our midterm guidance.

Now let's look at the summary of Q1 on Slide 3. The Tele2 group end-user service revenue was flat in the quarter as positive momentum in Sweden, B2C and the Baltics was offset by continued decline in Sweden, B2B and Germany. Underlying EBITDAaL declined by 1% in the quarter, while we expected underlying EBITDAaL growth to be a bit weaker than normal due to investments in growth initiatives and higher sales cost to drive volume in Sweden B2C. We saw a negative impact of roughly SEK 70 million due to the pandemic and higher bad debt provisions. CapEx, excluding spectrum and leases amounted to SEK 0.5 billion in the quarter, which is relatively low as we are yet to begin rolling out 5G. In Sweden, B2C, we saw the strongest quarterly mobile postpaid net intake in several years as we see continued success in our effort to drive volume growth ahead of seeing the effects of price increases to support end-user service revenue. We have continued progress on our FMC strategy with almost 80% of the overlapping mobile and fixed customers now on FMC benefits. We have thus largely completed the first phase of the FMC strategy with a solid base of loyal, full-service customers, which will provide stability and potential for growth in the customer business over the long term. As part of the next phase in the FMC strategy to grow FMC organically and cross-sell services among our customer brands, we launched Comviq broadband in the quarter. We now finally cover all 3 segments of the consumer market with FMC offers. On the back of product developments or improvements throughout 2019, we implemented back book price adjustments on part of the fixed broadband and mobile postpaid customer base in the quarter. We expect

to see the effects on ASPU starting in Q2 2020, with a full effect in the second half of the year as we execute additional batches in the coming quarters.

In the Baltics, we see continued strong performance with a 10% growth in end-user service revenue and 4% growth in underlying EBITDAaL in spite of a SEK 20 million negative impact from the pandemic. We have now launched TV services over the mobile network in all 3 countries to further strengthen our mobile-centric convergence strategy. Sweden B2B remains challenging with price pressure in the market and continued decline in legacy fixed services. However, we saw strong volume growth in the quarter with intake in both SME and large enterprise. In SME, we launched our first FMC more-for-more offers in March. We completed the sale of Croatia and received SEK 2 billion of proceeds, which combined with the underlying cash generation of the business, resulted in SEK 3.3 billion of cash coming in during the quarter. As a result, our balance sheet is very strong with a leverage that is below our target range. This gives us comfort that we can proceed with our proposed ordinary dividend, while still remaining comfortably within our range. The business transformation program is on track to deliver at least SEK 1 billion of OpEx reduction over 3 years. As you know, this is expected to be back-end loaded, and we are now in the preparation stage, but so far, everything is on track.

Now let's look at the performance of the Sweden consumer business on Slide 5. Ahead of the effects of back book price adjustments, we continue to focus on volume growth in Q1. And successfully so, with the strongest net intake of mobile postpaid in several years and continued strong net intake in fixed broadband. Net intake of digital TV cable and fiber was temporarily weak as we saw elevated churn from the temporary shutdown of the TV4 channels in December 2019. Total end-user service revenue growth was roughly flat as volume-driven growth in mobile postpaid and fixed broadband was offset by declines in digital TV and fixed telephony and DSL.

Now let's look at B2B on the next slide. Net intake was very strong in the quarter as we implemented new contracts with both -- within both large enterprise and SME. However, end-user service revenue continued to decline due to continued mobile price pressure, less roaming due to COVID-19 as well as continued decline in fixed legacy services. We also saw a slight decline in solutions where new sales did not make up for lost revenue from an expiring contract in the quarter.

Please turn to Slide 7 for an overview of Sweden as a whole. End-user service revenue declined by 1% as a slight improvement in B2C was offset by declines in B2B. Underlying EBITDAaL declined by 1% as cost savings were offset by declining end-user service revenue, investments into growth initiatives and an impact of roughly SEK 50 million from the pandemic and bad debt provisions. We continue to see strong cash conversion of 74% as CapEx spend is relatively low now in between investment cycles.

Let's look at the Baltics, and you'll find that on Slide 9. Net intake was negative in the quarter in all 3 countries due to the seasonal churn in mobile prepaid. However, continued growth in ASPU led to growth in end-user service revenue, which you can see on Slide 10. End-user service revenue increased by 10% organically, which drove a 4% growth in underlying EBITDAaL. We saw a SEK 20 million negative impact on underlying EBITDAaL due to the global pandemic. Continued EBITDAR growth and low capital intensity led to strong cash flow generation of 80%. And with that, I hand over to Mikael.

---

**Mikael Larsson *Tele2 AB (publ) - Executive VP & Group CFO***

Thank you, Anders, and good morning, everyone.

Please turn to Slide 12, where you will find a breakdown of revenue for the quarter. As international roaming is down to close to 0 during second half of March due to the pandemic, it has been reported on a separate line in this summary to show the underlying trend in each revenue bucket without roaming as it will continue to be negatively affected as long as travel restrictions remain.

International roaming represents roughly SEK 400 million in end-user service revenue and SEK 300 million in underlying EBITDAaL after lease for the Tele2 group on an annual basis. Sweden consumer revenue continued to be stable in the first quarter. Volume-driven growth in mobile postpaid and fixed broadband, both growing 5%, was offset by decline in legacy fixed services: DSL, fixed telephony and DTT TV. Cable and Fiber TV revenue, declining 5% in the quarter, was negatively affected by one-off effects following the TV4 dispute in December last year. Within B2B, mobile end-user service revenue, excluding roaming, was flat year-on-year while total B2B end-user service revenue declined due to declines in fixed and solutions services. Baltics continue to show strong growth at 11%, while our small legacy business in Germany continued to decline.

For the group, this led to slight growth of SEK 34 million in end-user service revenue in the quarter, now excluding roaming.

Please turn to Slide 13. Underlying EBITDA declined 1% organically year-on-year as SEK 150 million of net benefits from 2019 synergy program was offset by the following 3 items: a, approximately SEK 50 million investments into growth initiatives, such as Penni, Comhem Play+, expanded sales organization within SME, and increased sales cost in Sweden B2C; item b, decline in Sweden B2B fixed end-user service revenue; and c, roughly SEK 70 million impact from COVID-19 and bad debt provisions in March. As long as the negative effect from the pandemic remain, the today known effects are expected to be about SEK 50 million per month for the group, mainly related to roaming and lower equipment margin. Items affecting comparability relating to the business transformation program amounted to SEK 39 million in the quarter, which was more than SEK 200 million lower than last year. While both depreciation and amortization as well as financial costs increased in the quarter due to negative exchange rate effects as well as a noncash reassessment of financial liabilities. This all led to a net profit of SEK 822 million in the quarter for continuing operations, up 14% compared to Q1 last year.

Please turn to Slide 14, cash flow. CapEx paid of SEK 600 million was considerably lower than last year due to low investing activity ahead of the rollout of 5G as well as spectrum payment of SEK 799 million in Q1 2019. Stable underlying EBITDA and lower CapEx paid led to strong equity free cash flow from continuing operations of SEK 1.3 billion or SEK 1.9 per share, up 18% also when excluding effect from spectrum payments last year. Over the last 12 months, our continuing operations generated SEK 5.3 billion in equity free cash flow or SEK 7.7 per share.

Please move to Slide 15. Economic net debt was reduced by SEK 3.3 billion in the quarter, driven by strong cash generation in the business and proceeds of SEK 2 billion from the sale of our business in Croatia. This resulted in leverage of 2.3 end of March, which is below our target range of 2.5 to 3x. And this is ahead of dividend payment in May. Given the uncertainty at the global pandemic rates, we intend to keep leverage at the lower end or even slightly below the target range until we have clarity around the impact and length of the pandemic. Once we have more clarity, it is the Board intention to call for an EGM to approve on the earlier announced extra dividend of SEK 350 per share. And with that, I would like to hand back to you, Anders.

---

**Anders Nilsson Tele2 AB (publ) - President & CEO**

Thank you very much, Mikael.

And please turn to Slide 17 for our key priorities going forward. For the duration of the pandemic, our #1 priority is to monitor the impact and calibrate our mitigating actions to defend underlying EBITDAaL and cash flow. We will look at opportunities to fast track part of the business transformation program. We will optimize our sales effort to reduce cost and only focus on sales channels where we can get the return in this environment.

Since we cannot rely on end-user service revenue growth to support underlying EBITDAaL near term, we will look at ways to reduce spending on growth projects. While we do this, it's important not to lose focus on the strategy and to avoid actions that make us stray away from our long-term goals. Since our long-term goals are aimed at achieving stability and cash generation. It is now more clear than ever that we have the right strategic priorities to create a sustainable business long term. We will continue driving FMC in Sweden and address the remaining overlapping mobile and fixed customer base while preparing to execute on the next phase in the FMC strategy to grow FMC organically.

We will continue steering our B2B business towards more profitable segments, such as the private/large enterprise sector and SME. Our business transformation program is on track, and we will continue executing to deliver at least SEK 1 billion over 3 years. We will continue executing on our mobile-centric convergence strategy in the Baltics. We will prepare our networks for the future and upgrade both our mobile and fixed networks to the next-generation technology. All this will lead to consistently growing cash flow, while we -- which we aim to distribute to shareholders.

And with that, I hand over to the operator for Q&A.

---

QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) First question comes from the line of Lena Osterberg.

---

**Lena Osterberg Carnegie Investment Bank AB, Research Division - Head of Research of Sweden, Head of Technology Hardware & Equipment and Financial Analyst**

My question is on bad debt and the provisions you've taken in this quarter. Could you explain to us how you come up sort of with this number? Is it just based on what you're seeing in this quarter? Or is it also forward-looking, sort of estimating the COVID-19 impact for the rest of the year?

---

**Anders Nilsson Tele2 AB (publ) - President & CEO**

Lena, thank you very much for your question, which I think we should hand over to Mikael.

---

**Mikael Larsson Tele2 AB (publ) - Executive VP & Group CFO**

Thank you. This is only forward-looking. I mean in March, it was far too early to make any assessment or see any signs of customers not paying to us and also now in the beginning of April. So it's only forward-looking. What we have done is to go back to other crisis -- similar crisis like this. So we have looked back to the crisis 2008, Sweden and Baltics and look at what happens in these -- in both the consumer segment and also in B2B -- for B2B, small and large companies and separated in 3 buckets and made a proper assessment on what we could expect going forward. So this is -- and we emphasize that in the report as well. It's only provisions, nothing has been realized or written off so far. But we have -- to be cautious and prudent, we have made higher provisions for -- going forward. I hope that explains the question.

---

**Lena Osterberg Carnegie Investment Bank AB, Research Division - Head of Research of Sweden, Head of Technology Hardware & Equipment and Financial Analyst**

And just to clarify, so this is what, the full year impact pretty much based on what you think will be the impact?

---

**Mikael Larsson Tele2 AB (publ) - Executive VP & Group CFO**

This is the impact of the expected impact of what we have in the balance sheet today. So it's in the -- on the receivables we have in the balance sheet today. Then you -- and that effect is, of course, larger since we do it on the full balance sheet now. And then going forward, we will try to mitigate this. And so you should not expect us to do a bad debt provisions of these amounts every month going forward. It will be -- hopefully be much smaller.

---

**Lena Osterberg Carnegie Investment Bank AB, Research Division - Head of Research of Sweden, Head of Technology Hardware & Equipment and Financial Analyst**

And what's the average duration of your receivables today?

---

**Mikael Larsson Tele2 AB (publ) - Executive VP & Group CFO**

The average duration is between 30 and 40 days.

---

**Lena Osterberg Carnegie Investment Bank AB, Research Division - Head of Research of Sweden, Head of Technology Hardware & Equipment and Financial Analyst**

Okay. So just -- so I understand it, so pretty much we should expect that they will come -- if the scenario is bad as in 2008, there is likely to come more provisions in the next coming quarters because it's just based on what you have in the books today?

---

**Mikael Larsson Tele2 AB (publ) - Executive VP & Group CFO**

Yes, it might come more. But on the other hand, you will see that some -- if this materializes, you will see some customers go out of business in the sectors that are badly hurt by the pandemic. And of course, we -- that effect will diminish over time. So you should not expect us to make provisions of SEK 35 million per month, far from that. It's a one-off catch up of the provisions, if you say so.

**Lena Osterberg** *Carnegie Investment Bank AB, Research Division - Head of Research of Sweden, Head of Technology Hardware & Equipment and Financial Analyst*

I'm sorry, I'm -- we can take it afterwards. I don't think I understand. Because if your duration is a couple of months, then you can only take a reservation for what you have in the books now, right?

---

**Mikael Larsson** *Tele2 AB (publ) - Executive VP & Group CFO*

By then we also mitigate by being more careful on these customers going forward.

---

**Operator**

Our next question comes from the line of Andrew Lee from Goldman Sachs.

---

**Andrew J. Lee** *Goldman Sachs Group Inc., Research Division - Equity Analyst*

I had a question, just trying to get a better view on the mitigation of the COVID impact at the EBITDA level. So we've heard from a few telcos so far that have spoken on the COVID impact and have highlighted revenue pressure, but a relatively limited EBITDA impact or even not at all. With the revenue pressure at least partially offset by lower churn, in particular, maybe some cost cutting.

Your commentary today is relatively light on the mitigation benefits of churn. So just -- so the specific question is, as you see the run rate today, the SEK 50 million per month headwind or slightly higher, how much of that can be offset by lower churn, i.e., sales and marketing costs and then to you to -- as a follow-up on how much can it be offset by cost cutting?

---

**Anders Nilsson** *Tele2 AB (publ) - President & CEO*

Thank you, Andrew, for that question. And I think it's going to be split between both me, Mikael and Samuel. So I mean, this situation is very unique, as you may understand. And we are only in the beginning of it. And it's quite hard to see what will happen both to churn and to customer demand. And therefore, we have to play it as it comes.

What we do see, however, is that certain sales channels are not performing the way they have done historically, and we cannot probably rely on them going forward. We see an environmental churn, especially on postpaid mobile, where you see higher churn, which is driven by the family packages, which are introduced throughout the markets and where people basically are gathering their subscriptions with their operator of choice. This may pause a bit, but we haven't seen that yet. So that could be an effect where we -- which goes in the right direction where we see a lower churn over time. And therefore, it's pretty uncertain. So what we will have to do and what we pointed to during the presentation is that we will look at all initiatives we have on the cost side, both in terms of growth drivers, to see if we think it makes sense to push them as hard as we thought initially before the pandemic, if we should scale them down a bit, if we should pause them. Also look at our transformation program to see if we should basically scale it up and see if we can do it faster and look at other possible cost savings in order to mitigate what comes our way, so we can defend our EBITDA and cash flow. So that's the general idea.

Let's head over to Samuel for some flavor on the market, if that's okay.

---

**Samuel Skott** *Tele2 AB (publ) - Executive VP & Chief Commercial Officer*

Thank you, Anders. Good morning, everyone. Well, I think the market is more of the same currently. I mean, it is a competitive market, but not more competitive than it's been before. We've seen main brands working continuously with FMC and family packages, and we see, I don't know, fringe brands continuing to work with price, but no major news there.

And I think just to comment on the churn piece, I mean, we are -- have been and are currently doing great on volumes and as we are punching well above our weight in terms of volume, that will have, of course, an impact on us. But the main thing right now is that it's a bit too early to say exactly how this will play out. But we have the levers, both in terms of growth initiatives, but also cost initiatives to play this very wisely going forward.

---

**Anders Nilsson** *Tele2 AB (publ) - President & CEO*

Maybe Mikael wants to add something on the cost side?



**Mikael Larsson Tele2 AB (publ) - Executive VP & Group CFO**

I think you described it pretty well. It will come out of different buckets where less sales cost, if you compare it to Q1 will definitely be one saving. And then in addition, try to speed up some of the long-term initiatives as well, which we have in the business transformation program, which will -- with the new direction, we will take to focus more on to defend underlying EBITDAaL, we can realize these cost savings earlier than we anticipated before.

**Andrew J. Lee Goldman Sachs Group Inc., Research Division - Equity Analyst**

I guess you probably can't answer this, but of the SEK 50 million, the known impact that you see today, look, this is not regarding -- not thinking about the extra impact you might see, but of the SEK 50 million, do you have any idea so far the extent to which you can mitigate that with lower costs? Maybe too early?

**Anders Nilsson Tele2 AB (publ) - President & CEO**

No. The -- I mean, what -- I think we should be clear here. The known impact and the anticipated coming impact, we estimate to be able to mitigate that through cost reductions to end up at an EBITDA where in line with last year. That's what we estimate currently.

**Operator**

Next question comes from the line of Nick Lyall from SocGen.

**Nick Lyall Societe Generale Cross Asset Research - Equity Analyst**

It was just a quick one on the back book price rises, please, on this. I was -- could you describe where you put the price rises in place, please, for the quarter? And what sort of effect that means for 2Q, if you can give us a bit of a steer.

And secondly, is there any sort of risk with that? I mean, it doesn't seem like the sort of environment where you really want to be doing this. So how confident are you of not creating churn by putting price rises through now, please?

**Anders Nilsson Tele2 AB (publ) - President & CEO**

Okay. Thank you very much, Nick. I think we'll hand over to Samuel to address these 2 issues.

**Samuel Skott Tele2 AB (publ) - Executive VP & Chief Commercial Officer**

Sure. So on the price rises, I think the reason we're continuing with the price rises in B2C in Sweden, is that they're on the back of a program. These are not opportunistic price rises just because. They come on the back of us improving customer satisfaction, utilizing the more-for-more principle. So the customers that are getting a price rise have also gotten something more before. It could be more content, could be more data, higher speeds. So that's why we're confident in continuing with this. Due to the sensitivity of these price rises, of course, we're not going to guide specifically on what would happen in Q2, but you will see an effect in Q2. And of course, and there is more uncertainty now on the price rises. But given that we're doing them on the back of something really good we've done for our customers, we feel confident to continue.

**Nick Lyall Societe Generale Cross Asset Research - Equity Analyst**

And sorry, which products were these specifically on, if you don't mind me asking?

**Samuel Skott Tele2 AB (publ) - Executive VP & Chief Commercial Officer**

So we are doing price rises mainly on mobile and broadband, some on TV, but mainly on mobile and broadband.

**Operator**

Our next question comes from the line of Maurice Patrick from Barclays.

**Maurice Graham Patrick Barclays Bank PLC, Research Division - MD**

It's Sam here -- Maurice here from Barclays. Just picking up on the price increase question, following up from Nick's question. So my understanding is that in Q1, much of the price increase was on the mobile side; Q2, probably more on the fixed line side. You say in the release less anticipated impact from price increases. Is that because you see customers -- well, I guess, why less? I mean it seems from



your commentary now, you still target and still anticipating putting for the price rises you had planned at the start of the year? Or is your view you're just not sure yet, hence the slightly more cautious terms?

---

**Anders Nilsson Tele2 AB (publ) - President & CEO**

Thank you very much, Maurice. So I mean it's a new environment and therefore, we are not -- it's very hard to predict whether we will have the same effects now as we thought we would initially. So we're a bit cautious and that's in the light for how you should read the commentary. When it comes to the sequence of pricing, I'll let Samuel discuss that.

---

**Samuel Skott Tele2 AB (publ) - Executive VP & Chief Commercial Officer**

Yes. So I mean, in Q1, we did both mobile and broadband predominantly, so no big change in the mix going into Q2. And I think it's exactly like that. These things we've started to implement late Q1 has worked very, very well, at least that was sort of the initial findings. But it was also during that period that is pandemic hit. And we're now in new, uncertain times. So that's why we're saying and being prudent to say we cannot know exactly how this would play out. But we're confident to continue giving that we're doing it on the back of good things were done for our customers.

---

**Operator**

And the next question comes from the line of Terence from Morgan Stanley.

---

**Terence Mun-Sion Tsui Morgan Stanley, Research Division - VP**

Can you talk a little bit more around the trends that you're seeing in B2B? Just being based in the U.K., it's interesting to see the Swedish approach to the lockdown, but it does seem that business continues as usual, more so in Sweden than say, elsewhere in Europe. I'm just wondering like what sort of range that you see for the trajectory in your B2B business going forward, depending on the various stages of the global pandemic?

And then related to that, just one clarification around your equipment revenues and -- I'm sorry, equipment sales and yes, why they are lower margin now than in previous quarters?

---

**Anders Nilsson Tele2 AB (publ) - President & CEO**

Okay. Thank you very much, Terence, and good morning to you as well. The equipment question, we're going to go to Mikael for. But first, a couple of words on the B2B sector. And I think you're right that Sweden has not gone into kind of a lockdown mode in the same way as has happened in many other countries. This is more of kind of an informal lockdown where the government and authorities give recommendations. And people tend to follow them to quite a large degree, which means that many companies have actually closed their offices. And many companies are working from home. For instance, we started, many weeks ago, to work from home and did the transition overnight, and that went very well.

This has also meant that we see a lot of business coming in actually from companies who need new type of IT solutions and telco solutions while they move their businesses from offices to home. So this is positive. Another thing which we historically have seen as negative, which is our big exposure to the public sector, now actually becomes a strength because they are, obviously, not very likely to go out of business and become bad payers, whereas the private sector may be more in that camp.

I think that the business sector in Sweden will be hit by the pandemic, but possibly not as much as in other countries, but we'll have to wait and see.

So that's what I can give you in terms of flavor now, Terence, on that one. Let's go over to Mikael for the equipment sales and why the margin is lower.

---

**Mikael Larsson Tele2 AB (publ) - Executive VP & Group CFO**

Yes. And there are 2 different explanations for this. The first one is B2B Sweden, where we have had to replace some equipment sold to larger customers by more expensive equipment due to delivery problems from Asia and this we saw already in Q1 after the lockdown in China. This is probably part, let's say, temporary effect since it was unexpected, and we had to continue to deliver to B2B customers. This

is, of course, something we address and work on continuously to ensure to minimize this negative impact going forward.

The second effect is the Baltics, where we -- I mean, if you compare the say, Baltic countries to Sweden, we have closed down all our shops in the Baltics, while they are open in Sweden, and as a result, you have seen -- we have seen lower equipment sales, in general, in the Baltics. And this usually comes with -- or normal accounts with a positive margin, of course. So those are the main explanations.

---

**Operator**

Our next question comes from the line of Peter Nielsen from ABG.

---

**Peter Kurt Nielsen ABG Sundal Collier Holding ASA, Research Division - Lead Analyst**

Yes, Mikael, you've just commented on the equipment sales. So you actually have positive margins on those, even for consumers.

Anders, you suspended your outlook this morning, but you are saying that you are targeting a flat EBITDA this year versus last year? Is that sort of official guidance we should assume. And along the same lines, would you -- one of your measures to preserve cash flow, et cetera? Could you envision keeping further back on your CapEx for this year than planned?

---

**Anders Nilsson Tele2 AB (publ) - President & CEO**

Peter, thank you for your questions. So I mean, what we are saying is that we are targeting to defend EBITDA as of last year and that is our target. And whether you call that guidance or target, I don't know, but it's what we're aiming at. And if we deliver that, then we think we have done a good job operationally, given the circumstances. But as you know, I mean, we're at the mercy of the pandemic here. So it depends pretty much how that develops. I mean, if it becomes less -- if it's not as long as we may anticipate, then we can do better. And if it's longer, then we'll do worse. So it's kind of a moving target. But that's what we're aiming at right now, given what we know at this point in time.

When it comes to CapEx, I mean, we do want to keep on investing in building for the future of the company. We have no idea or thoughts right now of scaling down CapEx when it comes to key initiatives, such as 5G rollout and Remote-PHY in order to build the networks of the future, both fixed and mobile, that we're going to do. We are going to continue to transform the company into the telco of the future by taking out legacy IT systems and all these good stuff, which will make us a better operating company and drive out a lot of cost. We have the target of SEK 1 billion over years. All of that is intact. And in the scenario we operate under now, we have no idea of cutting CapEx. So I hope that answers your question, Peter.

---

**Peter Kurt Nielsen ABG Sundal Collier Holding ASA, Research Division - Lead Analyst**

It does. That's helpful.

---

**Operator**

Next question comes from the line of Johanna from SEB.

---

**Johanna Ahlqvist SEB, Research Division - Analyst**

Just a follow-up question. You mentioned less sales cost to mitigate. I fully understand that. But I guess what I'm looking for is the confidence in cutting sort of the longer-term initiatives. Because as you mentioned, SEK 1 billion program you stated before, it's 3 years and it's back-end loaded. So now I'm just wondering what are the real possibilities here to sort of take parts of that and do it already this year? That's my first question.

And then a second question relates to TV. I guess one of your main competitors seems to be acquiring, it's not confirmed yet, but potentially acquiring sports rights and having a different sort of approach to TV also owning content. So I'm just wondering how you look upon the competitive landscape on the TV side going forward?

---

**Anders Nilsson Tele2 AB (publ) - President & CEO**

Thank you very much, Johanna. So when it comes to cost savings here, I mean, the long-term initiatives, the transformation program, the SEK 1 billion cost-saving program or transformative program, which will lead to SEK 1 billion in cost savings over 3 years. That, we're



going to try to fast-forward or fast track it. It's not clear right now to what extent that can be done. So I -- my gut feeling tells me that it's going to be pretty much as laid out before.

But what we'll do then is that we'll turn every stone and look at all the other initiatives we do to see whether we should go ahead as planned now or if we should pause them or discontinue them. We also look at our general setups to see if there are improvements to be made there. And our initial estimate is that we think that we can -- or we're confident that we can mitigate the shortfall in revenue and defend our EBITDA for this year and come in at the level of roughly last year. That's what we estimate right now. And I think we will be able to give you more flavor on this as we go along. I have to stress that this work is ongoing. It's not finalized. It's something that we are working on right now. So therefore, I cannot give you much detail on it.

When it comes to TV, yes, I understand that are rumors that one of our competitors have bought sport rights. Yet to be confirmed. Our stance remains the same. We believe that we should stay out of owning content as long as we get access to content we think we need in order to deliver good service to our customers. If that turns out not to be the case, then we'll have to revisit this question of owning content. But right now, that's not the case. Rather the opposite. We are pushing full speed ahead on our Comhem Play+ initiative, which is our own OTT service, which we launched in Q1. It's doing very well. It's going according to plan. And that's where we put our focus. We believe that this is our TV product of the future. So that's what I can give you right now, Johanna. I hope that helps you a bit.

---

**Operator**

Our next question comes from the line of Roman Arbutov from JPMorgan.

---

**Roman Arbutov JP Morgan Chase & Co, Research Division - Analyst**

Yes, I am on mute. I'm sorry. I'm here. I'm calling from Skype and unfortunately, I believe that I'm on the 59th minute of the call, and I've got a feeling that it may be cut off at 60. But I'll ask the question and hopefully read the transcript in case I do get cut off.

My question is, just firstly on the flat EBITDA. I just wanted to make sure that you're not assuming some pretty gloomy scenario. I just wanted to make sure that it's not ultra-conservative. For example, in targeting flat EBITDA for 2020, you're not assuming that the SEK 50 million monthly impact carries on right through December, for example. Or that the lockdowns extend until the end of the year, something like that.

And then also, I just wanted to check whether the mitigating measures, are they already in place? Have they been in place since March? Are they in place since April? When -- as we think about the second quarter earnings, clearly, we're going to have the 3 months of COVID impact, but what happens to the mitigating measures. Will -- does that kick in April or...

---

**Anders Nilsson Tele2 AB (publ) - President & CEO**

I don't know what you think, but it sounds like Roman was cut off there by Skype. 59 minutes is up, I guess. So I'll answer the questions, which -- the 2 questions he asked it before being cut off.

And the first one was about flat EBITDA. Do we have a super gloomy scenario where the COVID-19 effects will go on for a very, very long time in our estimates? No, we don't. We do not have a super gloomy scenario. We think that the situation will gradually become better during the fall. That's what we expect in our scenario currently, in line with what we can read from the experts and from the market. That may change, as we all know. We don't know how this is going to end, but we do expect things to gradually become better during the fall.

And then the question is -- second question was, are the mitigating actions in place already or when will they come in place? And they will come gradually in place during Q2, I think, is the answer.

But for more flavor on that one as much as we can get, we should probably go to Mikael. This is Mikael's territory, so I don't say anything stupid or you can give even better information.

---

**Mikael Larsson Tele2 AB (publ) - Executive VP & Group CFO**

I don't think we should go much more details. But you are right. If we are -- they are being put in place have been put in place now during April, and then it will follow in May and possibly June as well.

**Anders Nilsson Tele2 AB (publ) - President & CEO**

Okay. So that's what we have for you, Roman. And thanks for placing the questions.

**Operator**

Our next question comes from the line of Siyi He from Citigroup.

**Siyi He Citigroup Inc, Research Division - VP**

Just have a question on special dividend. And you think -- you have decided to postpone it, and I was wondering when do you think could be opportunity for you to rethink whether to pay out a special dividend? And whether you think that the pandemic could potentially change your mid- to long-term view on the leverage targets?

And also, I want to ask whether on your mitigating factors, will you consider to take the furlough plans for employees? And if so, would that impact your ability to pay out a special dividend?

**Anders Nilsson Tele2 AB (publ) - President & CEO**

Thank you very much for your questions. So the special dividend, I mean, we -- our estimates, given the forecast we have right now and the outlook we have, is that we can pay out a special dividend. So this is just a question of being prudent in our mind, currently. And I would envision us to look at the situation post-summer again. And then if the outlook then looks as we think right now, I wouldn't be surprised if the Board calls for an extra general meeting during the fall and then possibly pay out the special dividend at the same time as the second tranche of the ordinary dividend, which is scheduled for October. But as I said, things can change, so we have to follow this very carefully. But I do have to stress, it's not canceled, it's postponed, and it's a question of being prudent.

Then when it comes to leverage targets, so as Mikael said before, we operate now below our leverage target, 2.3 at the end of Q1. Our target is 2.5 to 3. We're going to operate at the lower end until we have certainty on where the pandemic is heading. We do not entertain any questions of -- or ideas of changing our leverage zone at this point in time. Then when it comes to the mitigating factors, do we anticipate taking -- using furloughs? No, we're not. We have a composition of our staff where we have lots of consultants, which means that we are not eligible for these kind of schemes, so that's not in place. Mikael, anything you want to add?

**Mikael Larsson Tele2 AB (publ) - Executive VP & Group CFO**

No, nothing more.

**Anders Nilsson Tele2 AB (publ) - President & CEO**

Okay. So I hope that answers your question.

**Operator**

Our next question comes from the line of Jörgen from Nordea.

**Jörgen Wetterberg Nordea Markets, Research Division - Senior Analyst of Telecom and IT**

I have 2 questions, one related to the fixed mobile convergence. You added quite a lot of new customers there and have 80% of your overlapping base. Could you tell us a little bit about the progress in -- outside the overlapping base and how that relates to your long-term strategy goal for B2C?

And the second question is relating to CapEx in Sweden, how we should think about the -- either ramp up or ramp down of CapEx relating to the 5G spectrum auctions? Would you consider starting before the spectrum auctions? Or should we think that it happens after the auctions that are now planned for November?



**Anders Nilsson Tele2 AB (publ) - President & CEO**

Thank you very much, Jörgen. And let's go to Samuel for the first question on FMC and Mikael for the second one on CapEx in Sweden relating to 5G.

**Samuel Skott Tele2 AB (publ) - Executive VP & Chief Commercial Officer**

Yes. So on FMC, I mean, the focus for the last year have been twofold, you can say. One is to start loyalizing the overlap with the benefit program we have. And there, we're now in a situation where we have 80% of that overlap on the benefit program, and we can see clearly that we have -- it has a loyalizing effect on all products. So that's very good.

In the meantime, we've also been working on the initiatives of getting FMC drivers in all segments of the market, so where we can cross-sell and bring new customers into FMC. And that's the next phase, I would say, to use these levers. So Comhem mobile was first out, you could say, and that's been successfully running according to plan or actually slightly better than planned. We worked with selling Comhem, fixed Comhem products in Tele2 channels, and that has been ramping up as well in the period. We have launched Penny, which is a no-frill FMC offer. And now lastly, then also introducing broadband for comber.

So you could say that the first phase is over, which has been loyalizing the majority of the overlap. We'll continue to work with them. And introduce FMC drivers across the brands and segments. And the next phase now will be utilizing these new drivers in order to drive FMC even further.

**Jörgen Wetterberg Nordea Markets, Research Division - Senior Analyst of Telecom and IT**

So just a follow-up on that. Have you seen any material subscriber additions from those initiatives or is that too early?

**Samuel Skott Tele2 AB (publ) - Executive VP & Chief Commercial Officer**

No. We definitely see, I think the clearest example is Comhem mobile that has been very well received, selling fixed products in Tele2 channels, has taken somewhat more time. But we're seeing -- pre the pandemic, we saw that picking up really well in both customer service and stores, but that takes a bit longer time, and we knew that in beforehand.

But we're absolutely seeing positive results of all these initiatives.

**Anders Nilsson Tele2 AB (publ) - President & CEO**

Good. Thank you, Samuel. Mikael let's talk CapEx and 5G.

**Mikael Larsson Tele2 AB (publ) - Executive VP & Group CFO**

CapEx. Yes. CapEx on 5G. This is a delicate balance because, on the one hand, we don't want to invest into equipment, which will -- yes, we need to have a license in order to build the 5G network. On the other hand, we continue, of course, to invest into building capacity right now. So we build capacity now. We invest into 5G-ready equipment, not to waste anything, but still to build capacity for the customers, which is needed now, especially in these days. And then we will -- after the auction is done, then we will continue and ramp it up, ramp up the rollout. I hope that answers the question. But the delay -- the conclusion is that the delayed auction has an impact on CapEx for the year, yes. It's somewhat delayed, but we still build capacity.

**Operator**

The next question comes from the line of Keval Khuroya from Deutsche Bank.

**Keval Khuroya Deutsche Bank AG, Research Division - Research Analyst**

Just for the question on the Q1 Swedish B2B trends. You obviously saw quite a sharp deterioration from minus 2% year-on-year in Q4 to minus 6% in Q1. And you did talk about some of the impacts, including, for example, roaming, which I think was about a 1 percentage point drag. Could you just help explain a little bit more on just how much of this deterioration was COVID-driven and how much you think was really driven by trends getting weaker in the overall division?



**Anders Nilsson Tele2 AB (publ) - President & CEO**

Thank you very much. Mikael, you want to take a stab at this one?

**Mikael Larsson Tele2 AB (publ) - Executive VP & Group CFO**

Sure. Sorry, I missed the beginning of your question. Can you please repeat it?

**Keval Khuroya Deutsche Bank AG, Research Division - Research Analyst**

Yes, sure. So when we look at the Swedish B2B trends in Q4, they're minus 2% on revenue year-on-year and Q1 was minus 6%. You did talk about some of the impacts at roaming, which is a 1 percentage point drag. But could you just help split out how much of that deterioration you think was COVID driven? And how much of it was driven by actually the B2B trends getting worse on an underlying basis?

**Mikael Larsson Tele2 AB (publ) - Executive VP & Group CFO**

Sure. Sorry, I thought I missed the first part of the question and then was lost. It's mainly related to -- the rest of the deterioration is due to first one, we have not on service contract within solutions, low margin, and it's a one-off.

And then secondly, there are -- we -- the deterioration is due to fixed services within the B2B. So mobile, if you exclude the effects from COVID-19, roaming -- less roaming, mobile was actually flat year-on-year within B2B. So it's fixed and partly solutions.

**Keval Khuroya Deutsche Bank AG, Research Division - Research Analyst**

Okay. And what's driving the fixed deterioration?

**Mikael Larsson Tele2 AB (publ) - Executive VP & Group CFO**

It's both price pressure in the market, and then we lost some contracts. But it's mainly price pressure in the markets.

**Anders Nilsson Tele2 AB (publ) - President & CEO**

I could note on the other hand that we have seen quite a good order intake during Q1 in large enterprise. However, that is not yet seen in the P&L, obviously, because you have long lead times. So the effects you see in the P&L for Q1 is probably not a leading indicator to as how this business would have delivered or fared over the medium term if we didn't have COVID coming in.

**Operator**

The next question comes from the line of Ulrich from Jefferies.

**Ulrich Rathe Jefferies LLC, Research Division - Senior European Telecommunications Analyst**

So you have sort of suspended the guidance. You're giving some indications, which you call target. I was just wondering what was the thinking behind keeping that degree of flexibility at this point? Is it really just the uncertainty that you simply cannot quantify the impact with any degree of certainty, even further down towards free cash flow, where, obviously, you have a lot of levers between revenues and delivering free cash flow? Or is it that you are storing up maybe some ammunition if every hunkers down, if you might -- there might even be an opportunity for you? Is there any other consideration why you're not willing to sort of -- maybe not guide on leverage, I think everybody would understand it, but when you're giving some indications, sort of really set up official guidance further down the line. That's the thinking behind that would be of interest.

**Anders Nilsson Tele2 AB (publ) - President & CEO**

So thank you very much, Ulrich. So what we have done here is to really think about what we can do which is best for the company. So we can come out on the other end of this in as strong shape as possible and continue the journey and deliver on our midterm guidance. And then the first realization is that during the pandemic, we don't think it's reasonable that we can grow and use a service revenue. So that's the first realization. Then that will have some impact on our EBITDA targets and our EBITDA performance for the year. And then the conclusion -- logical conclusion is to defend the EBITDA as much as we can. And then we have set a target for that. We think it's reasonable, that we should achieve a flat EBITDA-ish versus last year, provided that a scenario plays out as we have anticipated it, and we do not have a doom-and-gloom scenario, and we do not have an over optimistic scenario. Somewhere in between. Life goes back



slowly goes back to some form of new normal during the fall.

And then obviously, we have not changed our CapEx guidance. But what you see here Mikael talking, you'll hear him saying that 5Gs somewhat delayed and I would not be surprised if we, during Q2 or when we release Q2, come up with some sort of update on our CapEx guidance. Now I would assume that it is within the range we have guided it to, possibly then towards the lower end of the range.

And when it comes to cash flow, I don't see any reason why we should not be able to defend the cash flow either. So that's where I come from. Mikael, I am happy to hear your perspective on it as well, if Mikael is around.

---

**Mikael Larsson Tele2 AB (publ) - Executive VP & Group CFO**

Yes, here. Sorry, I was on mute. I mean, we have given one number today, which is very specific, and that's the roaming impact. And if you look at that impact on an annual basis and compare it with our -- the detail, we have a rather narrow band on EBITDA growth in our guidance. And that also implies that the length of this pandemic and how long it will take for things to go back to normal, if roaming will come back to the same levels again that creates a lot of uncertainties. And given these numbers, I think it's prudent of us to suspend guidance. And then once we have more clarity around it, the situation and how the next phase of this pandemic when we go back to more normal lives again, how that develops, then we come back with new short-term guidance. Over the midterm, this doesn't change anything.

---

**Operator**

Next on the line is Steve Malcolm from Redburn.

---

**Stephen Paul Malcolm Redburn (Europe) Limited, Research Division - Research Analyst**

Yes, guys. It's a question on your roaming. I mean, I was taken by the fact that it looks like you've got a 75% gross margin on your roaming revenues. Is that right? Is that roaming revenue of SEK 400, is that across Europe and the rest of the world? And I guess your sort of European roaming is broadly neutral. And does it include inbound in Sweden as well? So just curious as sort of the phasing of that through the year where you're particularly exposed and where you see the biggest impact?

And just to clarify, I know we're all sort of guessing here at the moment and trying to figure out exactly how the pandemic plays out, but do you expect Q2 to be -- perhaps see a more severe impact than Q1 before you begin to see a recovery in Q3 and Q4?

---

**Anders Nilsson Tele2 AB (publ) - President & CEO**

Thank you very much, Steve. I think we'll go to Mikael to start with for the roaming question and also the phasing one. I think that's what we should do.

---

**Mikael Larsson Tele2 AB (publ) - Executive VP & Group CFO**

And then for the roaming, it's a bit more complicated than just taking the margin, the SEK 400 and SEK 300 since we also have inbound roaming. So please don't calculate the margin on that.

---

**Stephen Paul Malcolm Redburn (Europe) Limited, Research Division - Research Analyst**

Okay. Does the SEK 400 include inbound roaming now?

---

**Mikael Larsson Tele2 AB (publ) - Executive VP & Group CFO**

Yes, that is the total -- no, it doesn't. No, it doesn't.

---

**Stephen Paul Malcolm Redburn (Europe) Limited, Research Division - Research Analyst**

Okay. So inbound roaming is on top of that?

---

**Mikael Larsson Tele2 AB (publ) - Executive VP & Group CFO**

Yes.

---



**Stephen Paul Malcolm Redburn (Europe) Limited, Research Division - Research Analyst**

So presumably, impact would be bigger? Because you're getting no inbound roaming, right?

**Mikael Larsson Tele2 AB (publ) - Executive VP & Group CFO**

Yes.

**Stephen Paul Malcolm Redburn (Europe) Limited, Research Division - Research Analyst**

Okay. Great. But your gross margin on international roaming from your largely -- well, from all your customers is 75%. Seems like a high margin.

**Mikael Larsson Tele2 AB (publ) - Executive VP & Group CFO**

Yes. The margin is SEK 300 million, that's correct. And then some seasonality is roaming, but rather even throughout the year. But you have -- due to international travel to our countries, then, of course, it varies somewhat, but it's rather even.

**Stephen Paul Malcolm Redburn (Europe) Limited, Research Division - Research Analyst**

But is it right that you'd be sort of neutral in Europe given roam at home and stuff like that, but implying that the gross margin is even higher for your business customers going to China, South America, North America, stuff like that?

**Mikael Larsson Tele2 AB (publ) - Executive VP & Group CFO**

Yes. It's rather neutral in Europe. That's correct.

**Anders Nilsson Tele2 AB (publ) - President & CEO**

Then on your second question on Q2 versus Q1. Obviously, in Q1, we had roughly 1 month of impact of COVID-19. In Q2, we'll have 3 months. Or hopefully, not 3 months, but as we estimate 3 months, so that will obviously have a big -- will have a bigger impact in Q2. And then hopefully, life will go slowly go back to normal during the fall. But we have to wait and see.

**Stephen Paul Malcolm Redburn (Europe) Limited, Research Division - Research Analyst**

And just on the equipment margin and the profile, I mean, obviously, a lot of that is in the Baltics. Is the margin on handset sales higher in the Baltics than the rest of the group? Is that curiosity? Or is it fairly normal?

**Anders Nilsson Tele2 AB (publ) - President & CEO**

Mikael?

**Mikael Larsson Tele2 AB (publ) - Executive VP & Group CFO**

It's Mikael here. Yes, it varies between countries in Baltics and between customer segments, but in general, it's higher in the Baltics and in Sweden B2C, yes.

**Operator**

Our next question comes from the line of Stefan Gauffin from DNB Bank.

**Stefan Gauffin DNB Markets, Research Division - Analyst**

Most of my questions have already been answered. But just a clarification on the equipment margin. You said that you have been replacing some equipment for your B2B customers. Can you quantify that impact?

**Anders Nilsson Tele2 AB (publ) - President & CEO**

Thank you, Stefan. We'll go over to Mikael.

**Mikael Larsson Tele2 AB (publ) - Executive VP & Group CFO**

I mean it's -- if you should start with the SEK 70 million impact we have had so far, and then half of it is bad debt provision roughly, and then this is a smaller portion of the remaining SEK 35 million. I don't think I want to be more specific than that. And this is also more of one-off nature since we try to avoid this going forward, of course.

**Operator**

The next question comes from the line of Frederic Boulan.

**Frederic Emile Alfred Boulan BofA Merrill Lynch, Research Division - Senior Analyst**

It's Fred of Bank of America. Just on your 2020 guidance. So you gave us an update on EBITDA CapEx, good color on where we could end up. Just on the revenue side, so you're suspending the existing 2020 guidance. Can you give us a bit of color on the parameters and where we could end up versus the current guidance, if you have anything to share?

In particular on business, just a follow-up on the previous question after the drop we've seen in Q1. I understand some of that is a bit one-off in nature. But if you can help us on where we could see that business developing in the next few quarters?

**Anders Nilsson Tele2 AB (publ) - President & CEO**

I do understand your question, sympathize for the need of clarity, but I don't think we're in a position to give that to you right now. Not that we don't want to, but it's too uncertain, I would say. So it's something we will have to come back to you with over time, I would say, as we see more the progression of what's happening in B2B, for instance. And that's exactly why we are not giving any guidance on sales or revenue or end-user service revenue for 2020. It's too uncertain. And so I think we should leave it there, unfortunately.

**Operator**

Next question comes from the line of Fredrik Lithell from Danske Bank.

**Fredrik Lithell Danske Bank Markets Equity Research - Senior Analyst**

Can I just ask a little bit on prices? First and foremost, on the business-to-consumer side, have you seen any indications that the consumers want to trade down in order to sort of save some money if we are seeing unemployment rising, all that stuff?

Or -- and then on the business-to-business side, have you seen any of your clients reaching out to you in order to try and sort of renegotiate a little bit? And how would you sort of meet that kind of action?

**Anders Nilsson Tele2 AB (publ) - President & CEO**

Okay. Thank you. That's a very good question also. So we'll go to Samuel for the first one, the trading down question in B2C. And then to Michael for B2B and if customers have contacted us for renegotiation.

**Samuel Skott Tele2 AB (publ) - Executive VP & Chief Commercial Officer**

Yes. So on B2C, I mean, of course, we were contacted by some question looking over their kind of economic situation, but no big changes, yet on this small portions of customers. So let's see. But right now, not much.

**Mikael Larsson Tele2 AB (publ) - Executive VP & Group CFO**

It's Mikael here. For B2B, renegotiations, of course, the -- some customers have contacted us about payment terms, and these are customers which are heavily affected by the pandemic. And then we try to -- these are few customers within large enterprise, and then we try to work it out in the best possible way for both of them and also -- which gives us -- to ensure us that the long-term relationship continue with these customers. So it's a discussion which has to benefit both of us. And then I would say, for the -- for some B2B customers, they are upgrading in these times since they need more capacity, mobile and fixed services, from us. So it's -- these are mainly the kind of discussions we have so far with B2B customers.

**Operator**

Thank you. No further questions at this time. Please continue, Mr. Nilsson.



**Anders Nilsson Tele2 AB (publ) - President & CEO**

Okay. Thank you, everyone for participating in this call today, and I wish you all a very good day, and above all, let's stay safe. Bye for now.

---

**Operator**

Thank you. And that does conclude our conference for today. Speakers, please stand by. Participants, you may all disconnect. Stay safe. Thank you for joining.

---

**DISCLAIMER**

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Briefs are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT BRIEFS REFLECTS THOMSON REUTERS'S SUBJECTIVE CONDENSED PARAPHRASE OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT BRIEF. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2020 Thomson Reuters. All Rights Reserved.

