Türk Telekom Q3 2026 Financial & Operational Results Conference Call

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Conductors:

Mr. Ömer Karademir – Chief Financial Officer
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Conference Call Conducted by Chorus Call Hellas

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

Welcome and thank you for joining the Türk Telekom conference call and live webcast to present and discuss the Q3 2026 Financial & Operational Results. We are here with the management team and today's speakers is CFO, Ömer Karademir. 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. Ömer Karademir CFO. Sir, you may now proceed.

KARADEMIR Ö: Hello, everyone. This is Ömer Karademir, Türk Telekom CFO. Welcome to our 2026 third quarter results conference call. Thank you for joining us today. Let's go to slide number 3 financial and operational review. Türk Telekom Group closed the third quarter of 2026 with strong revenue growth and profitability. Building on this strong foundation, we are excited about the rest of 2026 and 2027 prospects.

As you all know, geopolitical tensions continued to impact global markets, resulting in higher energy prices and inflation risk. US Fed left its policy rate unchanged at its October meeting. In Türkiye, annual CPI edged up slightly to 29.77% in October from 29.73% in September. Central Bank cut its policy rate by 100 basis points to 36% in October. Turkish market experienced market volatility and investment fund issues recently. Market started to recover as regulators are taking the necessary measures. As Türk Telekom, we have robust financial risk management and capital allocation practices. We are glad to report that we had no exposure or risk related to the fund issues.

As the leader in the Turkish telecommunications market and a proud member of the Borsa Istanbul BIST 30, Corporate Governance and Sustainability Leaders Indices and many other global indices, Türk Telekom continues to leverage global best practice to protect and improve its operational and financial position and deliver long-term value for all stakeholders.

We have seen our business performing well over the third quarter and much stronger than we observed in the first half. We haven't seen any material shifts in demand or subscriber behavior, apart from those driven by usual seasonality that fell into the third quarter. Mobile data consumption growth remained robust, supported by high-quota 5G plans. Rational competition continued in the mobile sector. In fixed internet, activity was relatively stronger in high season.

Now on the Group financial results. Consolidated revenues increased by 12% to TRY 86 billion. Excluding the IFRIC 12 accounting impact, revenue growth was 11%. EBITDA grew by 7% to TRY 37 billion, with 43% EBITDA margin. EBITDA margin declined by 30 basis points YoY in first nine months of 2026. Excluding IFRIC 12 accounting impact, our EBITDA margin improved by 40 basis points YoY.

We recorded TRY 7.7 billion net profit in the quarter, down by 42% YoY due to higher net financial and depreciation expenses. Capex, excluding solar investments and license, stood at TRY 28 billion. It was higher in YoY terms due to 5G rollout and strong progress in fiber investments. Unlevered free cash flow stood at TRY 10 billion, up by 39%. Net leverage comfortably remained flat in QoQ basis and stood at 0.95x compared to 0.6x at 2025 year-end.

Let's move to Slide number 4 for Türk Telekom Group subscriber additions. Our total subscriber base reached almost 58.5 million with 905K net additions QoQ. Excluding 121K losses in the fixed voice segment, quarterly net additions would have exceeded 1 million.

Fixed broadband subscriber base expanded by 26K QoQ. Retail broadband subscriber base expanded by 83K QoQ. Our retail churn rate for the third quarter was the lowest recorded. Mobile segment added 670K subscribers on a net basis. Activation and churn volumes were lower on a YoY basis, driven by a rational competitive environment.

Let's move to fixed broadband business performance, slide number 5. We continued our strong revenue and ARPU growth in fixed internet. Due to high base impact, fixed internet revenue growth normalized in the third quarter as expected.

Nevertheless, revenue expanded by a solid 7% YoY. We had introduced retail price revisions for new acquisitions in January and June. Subsequently, we introduced a wholesale price revision effective from July 1st. We have seen other ISPs adjusting their prices in June and July. Next wholesale adjustment is to be implemented in January 2027.

ARPU growth remains solid at 7% YoY, thanks to a combination of solid upsell and re-contracting performance, along with price revisions. We expect normalization to continue in the fourth quarter, while full-year ARPU trajectory to remain strong.

Average package speed of our subscriber base increased by 59% YoY to 137 megabits per second. 45% of our subscribers now use 100 megabits per second and higher speed packets

compared to 30% a year ago, showing customers' preference for higher packets.

Moving on to next slide number 6, mobile business performance. Prevailing improvement in mobile revenue growth became more visible in the third quarter. Mobile revenues expanded by 2% YoY in the third quarter, compared to flattish outlook in YTD terms.

Rational competitive environment visible by the end of 2025 prevailed throughout 2026. Mobile ARPU, excluding M2M, declined by 1% YoY in the third quarter. ARPU growth, excluding M2M, turned positive YoY in September. We expect this improvement to continue at an increasing pace going forward.

As our 5G tariffs continue to perform strongly, we observe that they contribute to ARPU growth by supporting upsell in the re-contracting process. We implemented postpaid price revisions in January, April, and July. Ratio of postpaid subscribers rose by 2.4 percentage points in YoY terms and reached over 80%.

Now we can go to Slide number 8 for revenue performance. We recorded real growth in all our business lines, except fixed voice in the third quarter. Operational revenues exceeded TRY 79 billion, up by 11%, thanks to strong growth in ICT projects, fixed Internet, and corporate data.

Driven by the acceleration in fiber investments, IFRIC 12 revenues rose by 24%. Fixed internet and mobile revenues together accounted for 73% of operational revenue. They added TRY 2.3 billion in YoY terms. Other segments, including ICT solutions and equipment sales, made the largest contribution to growth with TRY 4.6 billion higher revenues in YoY terms.

As the technology master partner, Türk Telekom will provide the end-to-end communication and technology infrastructure of COP31, which will take place in Antalya next week. This is a major example of many private and public sector digital projects that Türk Telekom Group is undertaking.

Corporate data and international revenues added a further TRY 1 billion. Despite macro developments and upward revisions in inflation expectations, we continued our strong growth in Q3. We sustain our growth expectation for the last quarter and maintain our full year 2026 operating revenue growth guidance at approximately 8% as previously shared.

Let's go to slide number 9, EBITDA performance. Q3 EBITDA increased by 7% YoY to TRY 37 billion, with an EBITDA margin of 43%. EBITDA margin was impacted by higher revenues from relatively low-margin projects and IFRIC 12. Excluding the IFRIC 12 accounting impact, EBITDA margin is 46% in the quarter. Direct costs rose 33% YoY, mainly due to increase in cost of equipment and technology sales, in line with increase in ICT solutions and equipment sales.

Commercial costs rose 16% YoY, while other costs increased by 4% YoY. Increase in commercial cost was driven by corporate communication expenses supporting our brand and visibility, especially in international areas and projects such as COP31, NATO summits, etc.

Within other costs, network expense increased by 14% YoY on higher technology maintenance and repair costs. 2% YoY decline in personnel costs can be explained mostly by reduction in headcount at our call center subsidiary due to project completions in the second half of 2025.

The increase in interconnection cost was driven by higher international voice revenues. Overall, EBITDA margin in first nine months remained within the 41-42% guidance range that we shared earlier. We maintain our 2026 EBITDA margin guidance.

Let's go to next slide, number 10, net profit performance. We recorded a net income of TRY 7.7 billion for the period, which implies an increase of 22% QoQ. Overall, our strong operational and financial performance resulted in robust profitability; YoY decline in net profit resulting from acquisition of long-term assets (i.e. 5G license and concession renewal) and related investments, was partly offset by monetary gains.

Our total FX and hedge expenses declined slightly QoQ, and total net financial expenses increased slightly QoQ, as a result of currency movements and relatively lower returns on financial market instruments. Hedging expenses declined in parallel with QoQ decrease in hedging costs and volume, while this effect was largely offset by higher FX expenses. The decline in interest income, on the other hand, resulted in higher net interest expenses QoQ. We booked TRY 1.5 billion net interest expense in the third quarter compared to TRY 447 million in the second quarter.

Monetary gain declined by 18% QoQ to TRY 14 billion due to lower inflation rate compared to the previous quarter, while our asset base remained at similar levels.

Moving to slide number 11 for CAPEX. CAPEX spending rose to TRY 28 billion in the third quarter compared with TRY 23 billion of last year on the back of 5G rollout expenditures and strong progress in fiber investments. As usual, fixed line capex, most

importantly, the fiber access and core network investments, took the higher share in total with 50% weight. 31% of spending went to mobile, while another 7% went to IT and data center project investment, and the rest goes to other investments.

In summary, our capex intensity for the first nine months realized at 30.3%. With the expected increase in capex in the final quarter, we expect this ratio to reach a level in line with our year-end guidance of 34%.

Moving on to next slide, we have debt profile. Türk Telekom Group's cash and cash equivalents totalled TRY 30.4 billion. The FX exposure included US Dollar equivalents of 3.3 billion of FX-denominated debt, 2.8 billion concession and mobile license liabilities, 2.5 billion of total hedge position, and 307 million of hard currency cash.

Net debt/EBITDA increased to 0.95x from 0.6x as of 2025-end on the back of 5G and concession renewal payments. Net debt/EBITDA remained flat on QoQ basis. Just to remind you previous payments, in January, we paid the first instalment of 5G license, USD 365 million + USD 219 million VAT, and the VAT amount of concession extension worth of USD 500 million. By the end of the year, we will pay the second installment of 5G license and the first installment of concession extension. Let me also remind you that VAT payments will be net off eventually, and we already started netting off of the payments.

Let me highlight that the increased FX liabilities are driven by long-term investments in 5G spectrum and concession. For concession extension, future payments are extended over a long-term horizon until 2035, and all settlements will be made in Turkish lira equivalents. Additionally, we actively mitigate our

currency risk exposure through targeted hedges in line with our financial risk management policy.

Please also note that concession and 5G assets are revalued under inflation accounting and hence result in monetary gains, which as a result balances P&L impact overall.

Most recently, Türk Telekom signed USD 1 billion long-term club loan agreement with the participation of 14 global banks on October 26th, 2026. This transaction came after the Q3 closing. This successful financing represents one of the most successful financing transactions in our sector and in Türkiye, in line with our track record, and it supports our strong financing structure and liquidity position.

We are now on slide 13, our cash flow and FX exposure. We recorded USD 3.3 billion short FX position compared to USD 100 million as of year-end due to booking of USD 2.8 billion 5G and concession renewal liabilities. Excluding those liabilities, our net short FX position would have been USD 508 million.

Finally, we generated TRY 10 billion of unlevered free cash flow in Q3 compared to 7.2 billion TL in the same period of last year. YoY expansion is mostly attributable to higher operational cash flow generation in third quarter of 2026.

This concludes my presentation. We can now open up the Q&A session.

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

DEMIRTAŞ C: Thank you for the presentation, and congratulations on the good results. My question is about, of course, your FX position, and your hedging strategy on that front, and the outlook for fourth

quarter and also 2027. What kind of a picture will we face next year, at least in association with the inflation trend? What are the key risks ahead for you? Thank you.

KARADEMIR Ö: Thank you, Cemal. Excluding our concession and 5G license payments, we were in a long FX position of USD 300 million in Q2. For the Q3 again excluding 5G and concession payments, the future payments I'm referring, our short FX position was USD 508 million.

With geopolitical risks subsiding, we expect the confidence environment established by the CBRT's monetary policy framework to remain in place t this year and also next year. The CBRT will continue this inflation policy. For this year, there is a deviation from the Central Bank's year-end target. That is mainly because of the tension, the conflict in the region. And as they stated, it deviates from their original year-end target almost 7 percentage points for inflation target.

Although this deviation from their year-end target, we are not changing our revenue or EBITDA guidance. So we are very confident in the current macroeconomic policy and strategy. So if I come to our FX position and hedging policy, we anticipate, with the help of the government's economic policy, a gradual and orderly depreciation of the TRY in line with its natural trajectory, alongside a continued decline in hedging costs.

We think that next quarter, as we have also seen in this quarter, the hedging costs are declining. We are also reducing our hedging volume, so our hedging cost has declined compared to last quarter. If the current levels continue to decline, we can expect more decline in our hedging costs.

Let me give you our hedging transaction cost levels. It was 33-34% in second quarter. But it was in 30-31% in Q3. And as I stated, by reducing our hedging volume, we can expect it will decline. In addition to that, we are also extending our hedging transactions maturity.

Now we are targeting long-term cross-currency swaps. We have started to make cross-currency swaps with longer maturities. We have initiated these transactions, and it will also help to decline the cost of new hedging transactions, of course, based on market conditions.

DEMIRTAŞ C: And as a follow-up, you know, how much did you pay for the concession so far as a cash outflow? You know, we had some numbers, planning numbers, but like, say, for concession plus 5G license overall so far, how much you paid and how much you are going to pay in the last quarter? Thank you.

KARADEMIR Ö: Okay, thank you. For the concession, we have paid just the VAT. It was USD 500 million. For the 5G, we have paid first installment and also VAT. First installment was USD 365 million, and the VAT was USD 219 million. As a total, approximately, we have paid USD 1.1 billion in the first quarter.

For the remaining of the year, we are going to pay the second installment of 5G. It is again USD 365 million, and we are going to pay the first installment of concession. It is USD 500 million. As a total, we are going to pay USD 865 million in December.

For the full year, it will come to USD 2 billion. In addition, VAT will be net off, and it has started to be net off from our VAT payments. As a total for 5G and concession VAT, we have paid USD 719 million, and we started to net off this VAT amount. Thank you.

OPERATOR: Mr. Demirtaş, have you finished with your questions?

DEMIRTAŞ C: Yes. Thank you.

OPERATOR: Thank you. The next question comes from the line of Yasin Sarıhan with Yapı Kredi Yatırım. Please go ahead.

SARIHAN Y: Thank you so much for your presentation. I have two questions. The first is about the mobile ARPU. You noted that excluding M2M, mobile ARPU turned positive in September YoY. How did it trend in October? I know that it is too early for November, but is it the same? Do you see a positive ARPU growth in November as well?

My second question will be related to fixed broadband segment. In third quarter of this year, ARPU growth slowed to single digits. So should we view high-single digit growth as the new normal, or do you expect a re-acceleration in the fixed broadband segment? Thank you so much.

KARADEMIR Ö: Thank you, Yasin bey. For the mobile ARPU, yes, we have stated that we have recorded positive ARPU growth in September. Although, as you have said, it is too early to speak, but we can say that October was also positive. For the last quarter of this year, we are expecting a positive ARPU growth, and it will continue in the next year.

As the market became more rational towards the end of 2025, pricing actions were taken in January, April and July, and relatively attractive price portfolios were discontinued. For this year, we have revised postpaid prices by 30% in January, 13% in April, and 16% in July, respectively. Subscribers continue to move to higher-quota data packets, while upsell and

recontracting volumes remained strong in the third quarter of 2026.

Our high quota 5G portfolio introduced in March has begun to support ARPU performance as well. So mobile ARPU growth is improving in line with our expectations. We expect this trend to continue and deliver positive growth in the period ahead. We target a meaningful ARPU growth in 2027, supported by the cumulative impact of pricing actions and strong upsell performance driven by 5G.

Coming to fixed broadband, for nearly two years, we have been seeing the positive effects of pricing actions and contract duration changes on ARPU growth. As TTNET, we recontract nearly half of our retail subscriber base each year. We recontracted more than half in 2025, and the volume was concentrated in the second half. For this reason, the first half of 2025 provided a low base for ARPU growth, while the second half provided a high base.

In line with our expectations, we are seeing ARPU growth normalizing in the second half of 2026. We revised retail activation prices by 21% in January and 29% in June. We revised our wholesale tariffs by 37.6% effective July 1st, 2026. In addition, digitalization and speed upsells continue to be significant ARPU drivers. The average speed also.

And with all these improvements, we are targeting high-single digit real ARPU growth for 2026 full year, supported by pricing actions implemented through the year, continued speed upsells, and strong re-contracting performance.

We will continue to take pricing actions in 2027 by taking market conditions and macroeconomic indicators into account. We

expect the increasing share of FTTH infrastructure and speed upsells to continue to provide support.

In addition, as a consequence of our contracted structure, our re-contracting volume will again be higher in 2027, and it will be concentrated in first half. Supported by these factors, we expect strong real ARPU growth to continue in 2027.

OPERATOR: Mr. Sarıhan, are you finished with your questions?

SARIHAN Y: Yes, operator, I finished. Thank you so much for the answer.

OPERATOR: Thank you. The next question comes from the line of Mahadev Singh with HSBC. Please go ahead.

SINGH M: Yes, hi. Thanks a lot for taking my question. I may have missed some part of the presentation, but I am keen to know your view on the current condition of the user behavior in Türkiye, especially given that inflation seems to be ticking up again.

SO do you think they have the capacity, let us say, to keep increasing uses or paying up for the same uses when you increase prices? So that's the first question. And the second question is on your 5G rollout. What is the response so far, and what kind of coverage have you already reached? What percentage of, let us say, the user base is already on 5G and percentage of traffic on 5G? Thank you.

KARADEMIR Ö: Thank you. For your first question, we have seen our business performing well over the third quarter and much stronger than we observed in the first half. We have not seen any material shifts in demand or subscriber behavior, apart from those driven by usual seasonality that fell into the third quarter.

Mobile data consumption and growth remained robust, supported by high quota 5G plans. Rational competition continued in the mobile sector, and in fixed internet, activity was relatively stronger in high season.

For your second question, given the high data traffic growth with the digitalization, the additional frequency capacity provided by 5G is crucial for maintaining a high-quality customer experience.

The 3500 megahertz and 700 megahertz frequencies were auctioned as the primary bands. Decisions regarding 5G investments were made with a focus on the quality of the customer experience. We initiated 5G rollouts with an optimal investment strategy in 2025 that prioritize high-traffic locations.

We are prioritizing C-band coverage in heavy data traffic areas and DSS coverage in lower traffic areas. We aim to reach a significant portion of consumer subscribers within a few years. We estimate that 5G-compatible device penetration across Türkiye is around 25-30%. And we also observed that 5G began to support our upsell and ARPU performance.

We are working to track and analyze its contribution to our mobile business across a range of metrics. We believe the transition to 5G offers additional ARPU growth, and for the rollout, we can say it will take 2-3 years of time from now. Thank you.

SINGH M: That's helpful. But in terms of, let's say, the user behavior change, have you seen people actually going out and buying the 5G devices now, given that 5G service is available?

KARADEMIR Ö: Yes, we are witnessing an increase in 5G-compatible mobile phones and a significant number of subscribers moving to, let's say, 5G tariffs.

SINGH M: Understood. Thank you very much.

KARADEMIR Ö: 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.

KARADEMIR Ö: Thank you. In summary, overall, we had a very good quarter delivering strong operational and financial results. We remained robust with our strong balance sheet and risk management practices amidst global macro challenge and local market volatility.

We are excited about continuing our solid growth into the fourth quarter and also in 2027. Thank you again for your participation and wishing you all the best for the rest of the year.