

Telekom Austria Group
Results for the 3rd quarter of 2026
21st October, 2026 | 11:00 CEST

Transcript

Speakers:

Alejandro Plater

Thomas Arnoldner

Sonja Wallner

Susanne Aglas-Reindl

Susanne Aglas-Reindl

Thank you everybody for joining our Q3 results call today. I'm here with our CEO, Alejandro Plater; our Deputy CEO, Thomas Arnoldner; and our CFO, Sonja Wallner. As usual, they will lead you through the presentation now, and we are very happy to take your questions afterwards. Thank you.

Alejandro Plater

Thank you, Susanne, and good morning, everyone. Thank you for joining our call for the Q3 results. I will move into the highlights of the quarter, and you also see in the slide the first nine months results as well.

So in the quarter, we reported revenue growth of 4.6%, accelerating quite a bit compared to the accumulated first nine months of 4.3%. EBITDA in the quarter was close to 2%, impacted primarily by electricity prices and some product-related costs. Sonja will cover a little bit more details later.

Capex went up 20%. We are accelerating capex utilization. We were running a bit behind at the beginning of the year. We are catching up, and that's typical, you know, that sometimes at the beginning of the year, we are going slower and then as we are getting closer to the end, we accelerate the deployment of capex.

Cash flow was very strong in the quarter, EUR236 million went up 20 -- almost 21%. And year-to-date, we are at 8%. We're happy to see cash flow developing pretty well.

On operational highlights, we've launched in Austria what we call A1 Select. We have done this in many countries already, so we are just replicating the products across the footprint. It's a solution where, basically, you can select different components and you activate and deactivate different subscriptions directly in the app or in the shop.

There are different ways you can do it. So, you can activate HBO Max, or you can activate Netflix, or you can activate several other products, and we will keep on adding more options into this portfolio moving forward.

And this is driven a lot you know, what we call the non-core growth. Basically, the strategy is divided in core growth and non-core growth, and the non-core is part of what we are doing in the consumer segment with A1 Select.

Also, we keep on implementing our CDC strategy, where we consolidate operations centrally into one organization to serve all the different operations. We're making a lot of progress on that in terms of automation, efficiencies, but primarily simplification, with the ambition to increase EBITDA to about 40%. We are very close to that already, so we have the ambition to keep on moving forward.

There are some management changes to be announced that are not new because they were already in the media for a couple of weeks. For four weeks. As you all know, Thomas, who is Deputy CEO of Telekom Austria Group, will leave us, unfortunately, to become CEO of ÖBAG as of 1st of February, 2027.

And also Group CFO and A1 Austria CFO, Sonja Wallner, will step down in May 2027. We have already announced that Martin Schiffmann, who is currently the CFO of A1 Digital, will start as Group Finance Director as of January 2027.

We also have decided to increase our outlook. We, at the beginning of the year, guided total revenues between 2% or 3%. As you have seen, we are delivering much robust top-line growth year-to-date, of 4.3%. So, we are confident in increasing our guidance to something around 4% for the year 2026.

Also, we have decided to increase capex from EUR750 million to EUR850 million, primarily for two reasons. We have some Austrian obligations in two aspects that we want to be totally sure that we will fulfill. So, the increasing capex is going primarily to Austria.

It's one, we need to finish certain coverage requirements as a consequence of a spectrum auction of a couple of years ago, where we committed to build rural coverage, roughly 600 sites, and we want to finish that without any further delays.

And also, we want to be sure that we have enough capex to finish the subsidized fiber rollout that we also won a couple of years ago, and since the deadlines are coming closer, we want to be sure that we have enough capex to finish these two commitments with basically, with the authorities. So, that's what we are deploying this extra capex to finish these projects.

One is rural coverage as part of the conditions of the spectrum auction of a couple of years ago. And secondly is the broadband subsidy programs that we won, and we want to be sure that we have enough capex to fulfil these obligations.

If I move to the next slide, we're also happy with the customer development in the quarter. You see we are very close to have 30 million mobile postpaid subscriptions. It's a combination of three factors. Austria went up 90,000. The CEE markets or international business, excluding CEE, as

we call it, went up 454,000, growing, basically, everywhere, very strongly.

And also, something that is growing really, really quickly is our IoT business that we do with A1 Digital, close to additional 4 million SIM cards and accelerating. Of course, we don't report this as a traditional postpaid customer.

That's why we are always differentiating what is a true traditional postpaid SIM card versus an IoT that is, by definition, postpaid, but with an ARPU that is so much small that we put it separately not to dilute ARPU and give you more transparency on the growth areas.

And internet@home, that in our definition includes BBI plus FMS or cubes, we also see a strong growth, slight decline in Austria if you put these two markets together, minus 53,000 in, basically, low-speed DSL lines, but an increase in 40,000 of cubes. I think we are getting almost close to zero now as the strategy is being executed.

And in the international business, very strong performance in both, adding, in total, 274,000 lines, 157 traditional broadband fixed accesses and 117 mobile cubes. Where we have this strategy, as you know, that we try to sell fixed infrastructure where we have fixed infrastructure, and we try to sell cubes where we don't have fixed infrastructure.

With that, I will hand over to Sonja to guide us through more details on the financial results.

Sonja Wallner

Thank you, Alejandro, and hello also from my side to the financials of Q3 this year. You see a solid growth of 4.6% on total revenues in the whole group, and again, the strong revenue driver that's coming from the international operations, that you see total revenues growing with 8% and Austria flattish on the year-over-year development.

And on service revenues, you see also the very strong growth in the international business and still a decline in Austria. The drivers of this revenue growth is still the ICT business and especially also the retail mobile side.

Where does it come from? It comes from continued up and cross-selling and the strong demand for high-speed broadband and again for solution connectivity that we see, and picking up of B2C non-core revenue portfolio that we are focusing among this.

You also see that in Austria, the decline became smaller than in the previous quarters, and we're going to have a small view on that on the following pages. Group EBITDA, as you see here, grew by 1.9% on excluding restructuring,

whereas also international business was the big revenue contributor, and every country in the international business was a contributor to this positive EBITDA development.

In Austria, you see the decline in the revenue and still decline in the opex. But we were investing into the market and in changing the portfolio structure, and therefore, the opex execution in Austria has been very strong also in this quarter.

Going to the next page, where you see what I announced already before. This is the service revenue growth, and for this time, we can show, except fixed voice, an increase on the revenues of the entire group from 1.1 billion to 1.2 billion, showing a EUR45 million increase, which is 3.9%. You see here, mobile core, fixed broadband, and solutions and connectivity are the biggest drivers of this increased trend.

Going to the next page, here you see the development of the Austrian service revenues. Here you see the decline that we faced in Austria in the year 2025 and then it's an improvement quarter-over-quarter in '26, where the third quarter showed a very significant improvement in comparison to the previous months driven especially by ICT solutions.

Going to the next page on the EBITDA development, and you see here that we grew in total by 1.9%, 11 million. And the growth of the EBITDA was driven by the revenue development that we see and we see that the service revenues are a positive driver and that they compensated the higher opex costs that we've seen.

And Alejandro already mentioned that before, that there are two big reasons for this opex development. On the one hand side, the electricity development that we face in the entire group. And on the other side, that there is the product-related costs that we need to change in the product portfolio and that were higher than the opex measurements that we did in the first quarter.

Focusing especially on Austria that really showed a very strong opex development in this quarter. And, as already said, the EBITDA was growing in all international markets also in the third quarter.

Then going to the next page, which is the free cash flow. And we were able to generate free cash flow of EUR571 million in the first nine months. What were the biggest drivers of this development? On the one hand side, the substantially improved operational results that we had. We

were funding social plans lower than in the previous years, and we had higher interest received.

These positive effects were partly compensated by working capital development that we've seen, and it's very important that we know that, at the moment, we have higher mobile equipment on stock, and we did strategic intakes in the expectation of increasing costs for CPUs and for devices, and therefore, over the time, we will save on price increases there.

Following some questions in the capex guidance we gave just before, naturally, capex is consuming free cash flow that we produce, but we are very confident that with the operative performance and with the activities we do, especially on the working capital development, we will achieve our free cash flow goals that we have.

Having said that, I would hand over to Thomas with the focus topics.

Thomas Arnoldner

Thank you very much, Sonja. We have again prepared two focus points. The first one, I think, was very well explained already by Alejandro on the first slide. So, I just want to repeat here the highlights, which I think are important for us and for you.

You know we're talking so much about growing beyond our core business connectivity. In the past, we have given you some examples how we do this in the B2B segment with our ICT services. And here, with the launch of A1 Select in Austria, you see a very good example from our consumer business, as Alejandro already explained.

It's a flexible extension to our existing connectivity contract. It's very asset-light because it centers on partnerships with companies such as Disney, Netflix, HBOs, but also from other areas like fitness or learnings, where customers can swap monthly between the services. We have launched similar services already in other operations, starting with Bulgaria in '21 already, and then North Macedonia, Serbia, Croatia following.

And, again, we believe it's a very good extension of our existing core business to upsell our customer, to deepen the customer relationships, and strengthen the loyalty, and to expand our business without requiring a very capital-intensive content model as it is based on partnerships.

On the next slide, we wanted to give you a brief update on what we call the competence delivery centers. Our initial CDC program is progressing as planned. As you know, we consolidated the activities from seven core markets plus

additional markets which we serve into one group-wide competence delivery center across our markets, where we moved multiple local organizations towards one international team, which drives simplification, which allows us to implement an AI-based, AI-enabled operating model based on group-wide standardized platforms, process ownership, end-to-end processes, etcetera.

In order to achieve that, we first have to simplify, standardize, and optimize processes, but with the reduced complexity then, it's a great basis for further optimization and especially, in these times, for broad implementation of AI.

On the right-hand side, you can see that we are very well on track with our own ambitions. We are aiming at a cost reduction which is referring to the addressable cost base of above 50%, and we have, in 2025, already achieved about, or by now, we are on about 25% of the savings.

Now we're moving to the next phase, which will address primarily the finance areas, but also previously unaddressed areas in IT, technology, security, and HR. And, as Alejandro has pointed out, this is a key pillar stone for our ambition to drive our EBITDA margin, excluding restructuring, above 40%, where we are already getting very close.

And lastly, as always, our outlook. As Alejandro said already, we raised our guidance for 2026 on the revenue side, probably not very surprising given the strong results also in the first half of the year, where we now expect a total revenue growth of around 4%, which is up from the previous 2% to 3% which we had, which is reflecting the strong performance in our CEE markets, which you have seen, supported by mobile upselling, the robust demand for connectivity and ICT solutions across the board.

But also solid fixed-line growth, also a bit better than expected currency development in Belarus in the first half year, and equipment revenues support this and mitigate to some extent a bit slower than expected recovery in the Austrian service revenue.

And as it was also explained already, we are also using this opportunity to spend even more for especially our network, and hence, we're increasing our capex guidance, which is always excluding spectrum and M&A activities, from EUR750 million previously to around EUR850 million, primarily driven by fiber and mobile rollouts in Austria, a number of IT projects, and broadband rollouts in CEE.

As there were some questions, I want to reiterate what Sonja also said regarding the free cash flow. Of course, higher capex will have some impact on the free cash flow in Q4, but our underlying cash generation remains very strong. And hence, we remain comfortable with the full-year free cash flow development, and our capital allocation priorities have not changed.

With that, thank you very much, and we open the floor for questions.

Operator

We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their telephone. You will hear a tone to confirm that you've entered the queue. If you wish to remove yourself from the question queue, you may press star and two.

Questioners on the phone are requested to disable the loudspeaker mode while asking a question. Anyone who has a question may press star and one at this time. Once again, to ask a question, please press star and one on your telephone.

The first question comes from Bojan Djurickovic from ODDO BHF. Please go ahead.

Bojan Djurickovic

Good morning, all. Thanks for the slides. Congratulations on the results. I would actually have two questions, but we'll go one-by-one. The first one is on the capex guidance. So, it comes quite late in the year, so EUR100 million on top of already EUR750 million. So, I was wondering if there is any regulatory change or a new environment from the government when it comes to the fiber rollout, a subsidized fiber rollout program?

Alejandro Plater

No, no regulatory changes. We are facing two topics. One is that, you know, we need to deliver these projects by certain specific dates, and we are getting close. So, of course, at the beginning of the program, since you have so much time to roll out, you take things a little bit easier.

But then you start to get a little bit more sense of urgency when you see that the deadlines are coming up, and you see how long it takes to get these projects executed in terms of permissions and, you know, taking so much time. So, we got a little bit concerned that we were taking unnecessary risks. So, that's reason number one.

And it's applicable to both. It's applicable to the subsidized areas, where actually when we did the applications, we were assuming a cost, and now we see that the costs, you know, three, four years later is not the same that we had planned

at the beginning. So, that's topic number one, or number one and a half.

And the other topic is also that we are struggling a lot to get permits to build these towers that by the conditions of the auction, we need to build. It's very remote sites, and we have been struggling to either find a location where we could get a permit or find a location where the permit that we get actually delivers the coverage that we committed in the auction.

So, there has been a lot of work done by the teams to basically, solve these two problems in one. So, those are the two reasons, basically. And our cash flow is so strong that we said, "Why are we taking this risk? Let's anticipate a little bit capex now. Let's get this done. Let's not run any risks, and let's give the organization the resources to finish these very specific projects."

Bojan Djurickovic

Thanks. That was helpful. Thanks for clarification. And maybe just a small follow-up before my next question. Would this EUR100 million incremental be enough to fulfill the deadline?

Alejandro Plater

Well, the plan, of course, is done in a way that we will finish everything according to what the promises have been. We are having a debate with the regulator on the coverage requirements because we don't agree fully on the way that the measurements are done.

So, we are having a small dispute or debate with the regulator. Depending on that dispute, we might need to add one site more here and there. But we are confident that we will convince the regulator that we need to measure this in a reasonable manner. We are putting coverage in very isolated areas.

So, we are confident that with this capex allocation, we will be able to manage to deliver on our commitments, assuming that we can agree with the regulator on these mobile sites, how coverage should be measured.

Bojan Djurickovic

All right, thank you. And the last one is on Belarus. Last time, you told us there is a progress, a little progress on repatriating dividends from Belarus. So now the question is, what has actually changed if it could be explained in simple terms when it comes to dividend repatriation process?

So before, you could not repatriate dividend back. Now you're doing a little-by-little. So what has actually changed? What's the essence of that change, and why it's little by little and not by, I don't know, certain lump sum? Thank you.

Alejandro Plater

Well, every country has their own legislations, and we need to adapt our operations to the legislation of every country. So, Belarus has a list of countries that are under sanctions, and a list of countries that are not under sanctions.

So, we had to, basically, change our organizational structure to be in a way that we are not under sanctions. That's why we moved the operations from Cyprus to Dubai, basically, to comply with that law, so the operation is not under sanctions.

Not A1 Belarus is not under sanctions, but the other end was under sanctions because was within the EU. Now it's in Dubai, which is outside the EU, and United Arab Emirates are not under sanctions on Belarus. So, that was the change on the legal framework, let's say.

We are paying dividends slowly because that has been the strategy of the group since the beginning. We have been always doing small payments. Before we encountered this problem of having to stop temporarily to pay dividends, we were always doing small payments every month, two months, quarter.

So, this has been the strategy of the group from the beginning, and actually, it's the strategy that we implement in every country. We do dividends constant with small tranches, you know, because you need to keep in mind that we are a big company in the countries that we operate, and when we do big transactions, you know, the whole economy suffers if we are not well coordinated.

So, basically, we want to be a good citizen in every country that we operate, and we do pay dividends in tranches, in a predictable way, so all the stakeholders can, basically, see what we're doing and they can forecast what we are doing in every place where we operate. We do the same in every country where we operate. Serbia, for example, we're also paying dividends in tranches, and you know, that's the policy of our group.

Bojan Djurickovic

Thank you, Alejandro. Just using the opportunity to wish Thomas all the success in the new role, and what will be his last quarter. Thank you, Thomas.

Thomas Arnoldner

Thank you.

Operator

As a reminder, if you wish to register for a question, please press star and one on your telephone. Ladies and gentlemen, that was the last question. I would now like to turn the conference back over to Susanne Aglas-Reindl for any closing remarks.

Susanne Aglas-Reindl	Okay, thanks a lot. Thank you for the presentation and also for the questions. Before we close, I just wanted to take the opportunity to also thank Thomas and Sonja, and thank you both for your commitment to the company and your engagement with capital markets. It was a pleasure to working with you and wishing you all the best.
Thomas Arnoldner	Yeah, thank you, Susanne, and also thank you on building on what Bojan just said. On a personal note, as you know, it will be, for me, the last call as a Deputy CEO. I want to thank you for the good conversations which we had, your open, sometimes challenging questions. I valued it a lot. I want to thank, especially, Alejandro, Sonja, and the entire team for the great collaboration. It was a great experience for me. As you know, I will somehow remain in the family as I will move as the CEO to ÖBAG. So, I will follow the future success of A1 closely, and I will do everything in order to support it. I wish everybody here lots of success. It was a great pleasure, and I assume I will remain in close contact with many of you also on the call. Thank you very much.
Alejandro Plater	Thank you, all.
Sonja Wallner	Thank you.
Susanne Aglas-Reindl	Thank you. Okay, thanks, everybody for joining our call and wishing you a great day. Bye.