

## **"Bezeq" The Israel Telecommunication Corp., Ltd.**



### **Event Transcript**

### **Q2 2023 Financial Results**

Wednesday, August 9th, 2023, 15:00 Israel Time

#### **DISCLAIMER**

This document includes a transcript of the conference call held on the above date regarding the Company's financial results for the second quarter of 2020, following the publication of the Company's financial statements at that date, as well as the publication of the Company's investor presentation filed under the Israeli Securities Law 1968 ("Securities Law").

This document includes statements made at that conference call and accordingly contains only partial information regarding the Company's financial results and the Company's periodic reports published under the Securities Law. The reports can be accessed at the Israeli Securities Authority's website, [www.magna.isa.gov.il](http://www.magna.isa.gov.il). A review of this transcript and/or the aforementioned investor presentation published by the Company is not a substitute for a review of the detailed reports of the Company under the Securities Law and is not meant to replace or qualify the full reports. The Company is not responsible for the accuracy or completeness of the information contained in this document. This transcript does not constitute an offer or invitation to purchase or subscribe for any securities of the Company, and neither this transcript nor anything contained herein shall form the basis of, or be relied upon in connection with any contract or commitment whatsoever.

## **Q2 2023 Financial Results**

**Tobi Fischbein (Bezeq Group CFO):** Welcome everyone, and thank you for joining us on Bezeq's 2023 second-quarter earnings call. I am Tobi Fischbein, the Chief Financial Officer of Bezeq Group. Joining us from the senior management team, we have Mr. Gil Sharon, Bezeq's Chairman, Mr. Ran Guron, Bezeq's CEO, and Mr. Ilan Sigal, CEO of Pelephone and yes. Before we start, I would like to direct your attention to the Safe Harbor statement on Slide 2 of our Q2-2023 investor presentation, which also applies to any statement made during today's call. We would like to inform you that this event is being recorded. After presenting our quarterly results, we will have a question-and-answer session. Let me now turn the call over to our Chairman, Mr. Gil Sharon, for his opening remarks. After his introduction, I will continue the presentation of our group financial highlights, followed by Ran, who will discuss Bezeq Fixed Line results, and Ilan who will cover the results from Pelephone and yes.

**Gil Sharon (Bezeq Group Chairman):** Thank you, Tobi. Let's start on **Slide 3**. Our growth strategy, which we have been executing over the past two years, has led us to the highest quarterly Adjusted Net Profit since 2017 and the highest quarterly Adjusted EBITDA since 2018. We are seeing continued group-level top-line growth, and this quarter revenues grew 3.3%, driven by growth in Bezeq Fixed-Line and yes. We showed strong execution in our growth drivers with robust fiber take-up in Bezeq Fixed-Line and yes, as well as consistent growth in 5G subscriber plans in Pelephone. In accordance with our dividend policy, the board of directors recommended the distribution of a semi-annual dividend of 392 million shekels, or 60% of the net profits for the first half of 2023, reflecting an annual dividend yield of approximately 5%. Lastly, sustainability continues to be a top priority for us as well. We are proud to announce that MSCI has upgraded us to an AA rating, showing our leadership and commitment to ESG.

On **the following slide**, we show our technology and business roadmap and the progress made so far. In Fixed-Line, we now have approximately 1.9 million homes passed and a total take-up of 457 thousand subscribers on our network, resulting in a 20% increase in broadband ARPU compared to Q4-2020. For the midterm, our goal is to reach 2.7 million homes, or about 85% of Israeli households. In Pelephone, 5G subscribers reached 920 thousand, representing 35% of total subscribers, which led to a 14% increase in service revenues compared to Q4-2020. In the midterm, we expect 5G users to reach 80% of all subscribers as we continue to provide excellent value for our customers. In yes, our total IPTV subscribers reached 370 thousand, or 64% of total subscribers. We remain the largest Israeli IPTV operator, and we expect roughly all of our yes subscribers to migrate to IP in the midterm, leading to significant opex and capex savings.

**On the next slide**, we present the Group's financial highlights for the second quarter that shows that the Group's revenues grew 3.3% year-over-year. Adjusted EBITDA was the highest since 2018 and Adjusted Net Profit was the highest since 2017.

Turning to **the next slide**, the Group's operational highlights for the second quarter showed excellent results across the board. For Bezeq Fixed-Line, fiber net adds were 73 thousand, with 44% growth year-over-year in fiber deployment. Additionally, retail Internet ARPU continued to rise, increasing 8% to 122 shekels. For Pelephone, cellular service ARPU, excluding interconnect fees, grew by 4.7% to reach 45 shekels, with cellular service revenue, excluding interconnect fees, increasing by 2.9% to 350 million shekels for the quarter. For yes, total TV subscribers remained mostly stable compared to the previous quarter and ARPU grew by 1 shekel year-over-year to 185 shekels, despite the competitive market. Looking forward, we intend to continue our progress towards upgrading our technology and fully capturing the potential for future growth, with catalysts such as cloud and AI driving another technology revolution. All companies in the Group are well-focused on their fields of activity and are actively leading growth initiatives, allowing us to continue to lead the communications market in Israel. Now let me turn the call over to Tobi to discuss the financial results in more detail.

**Tobi Fischbein:** Thank you, Gil. The **next slide** shows the Group's key financial metrics for the quarter. Our revenues and profitability metrics beat consensus with revenues up 3.3% year-over-year to reach 2.3 billion shekels, driven by an increase of 5.9% in Bezeq Fixed-Line and 6.3% in yes. Free cash flow was 238 million shekels for the quarter, a decrease of 33.7% due to changes in working capital.

Turning to the **next slide**, for a comparison of the first half results. Revenues, Adjusted EBITDA and Adjusted Net Profit all grew compared to the corresponding period.

Moving to the **next slide** where we show the key operational metrics for the past five quarters. On the subscriber side, we saw growth in both retail broadband internet and TV subscriber numbers year-over-year, with the second consecutive quarter of growth in wholesale Internet subscribers. On the ARPU side of the slide, we saw an 8% increase in retail Internet ARPU. TV ARPU also grew year-over-year, driven by our agreements with international content providers, including our partnership with Disney. Cellular ARPU, excluding interconnect fees, increased by 2 shekels.

Turning to the **next slide**, we address our continued effort to reducing debt and maintaining a strong balance sheet. Net debt decreased by 222 million shekels for the quarter, or 4% year-over-year to 5.4 billion shekels. The Group's net debt to EBITDA ratio is at 1.6x, from 1.7x a year ago, and both Israeli credit rating agencies upgraded their outlook from "stable" to "positive" in Q2-2023.

Moving to the **next slide** – We would like to highlight the upgrade in our guidance. While other items remain unchanged, we now expect Adjusted Net Profit of 1.32 billion shekel for the full year of 2023, up from the previously guided 1.2 billion shekels, a 10% increase. I will now turn the call over to Ran, who will share more detailed results from our Fixed-Line operations.

**Ran Guron (CEO Bezeq Fixed-Line):** Thank you, Tobi. In the second quarter, we posted the highest quarterly revenues since 2012, reaching 1.13 billion shekels, an increase of 5.9%. We achieved the highest quarterly Adjusted EBITDA since 2018, reaching 681 million shekels, for a 5.6% increase. Fiber net adds were 73 thousand in the quarter, and the number of homes passed reached almost 1.9 million. As of today, we have 457 thousand fiber subscribers.

**The next slide** details the financial highlights for Bezeq Fixed-Line. In addition to record growth in revenues and Adjusted EBITDA as mentioned, Adjusted Net Profit grew by 8.1% to reach 267 million shekels. Free Cash Flow increased by 22.6% to 287 million shekels, mainly driven by the improved business results.

On the **next slide**, we highlight our half year results, which are positive across the board and show the same trends that we saw for the quarter.

The **following slide** shows our achievements in terms of broadband Internet as we reached revenues of 485 million shekels for the quarter, representing a 9.5% increase year-over-year. Retail Broadband Lines increased slightly year-over-year, and Internet ARPU increased by 8% to 122 shekels due to continued growth in fiber customer take-up.

**The next slide** details our fiber take-up, which has accelerated, both in retail and wholesale. On the retail side, the acceleration plan implemented in the second half of 2022 to improve take-up is clearly working. In Q2-2023, we achieved 43 thousand net adds, pushing total retail fiber take-up to 289 thousand as of the end of the quarter and 308 thousand today. On the wholesale side, our IRU agreement with Partner, which began in Q1 this year, continues to accelerate our wholesale take-up with 30 thousand net adds for the quarter. This quarter we began to publish the fiber take-up in yes, which totaled approximately 25 thousand subscribers as of today.

**In the following slide**, we can see that by the end of Q2-2023, we passed almost 1.9 million homes, on track to reach the 2 million homes target we set in our guidance for the full year, and we are seeing good momentum in fiber take-up penetration in homes passed. Average broadband speed, grew to 278 Mbps, reflecting a 70% increase year-over-year.

Moving forward to the **next slide**, we saw revenue growth across the board except for a decrease in telephony services. Cloud & Digital revenues grew by 7.2% year-over-year driven by virtual exchange services, and other revenues were up 40% to reach 91 million shekels, mainly due to infrastructure projects.

On the **operating expenses slide**, salaries were up slightly mainly due to salary updates and employee recruitment relating to the fiber project. Operating expenses went up year-over-year due to higher subcontractor and material costs related to fiber and other infrastructure projects, as well as timing differences in advertising spending. Moving to the **next slide**. To summarize, we had a very successful quarter in Fixed-Line. Widespread fiber deployment together with accelerating take-up drove ARPU to a new high. Growth in broadband and business sector revenues offset the impact of the MOC telephony tariff reduction. With that, I'll now turn the call to Ilan to discuss Pelephone and yes.

**Ilan Sigal (CEO Pelephone and yes):** Thanks, Ran. Pelephone posted a 2.9% increase in revenues from services excluding interconnect fees, driven by an increase in roaming revenues and growth in postpaid subscribers, including 5G subscriber plans.

On the **next slide**, we show our continued turnaround in service revenues excluding interconnect fees, which totaled 350 million shekels, compared to 340 million shekels in Q2-2022, and 332 million shekels in Q2-2019, which was pre-COVID.

The **next slide** goes into Pelephone's financial highlights in more detail. Total revenues were down 2.3% due to the decrease in equipment revenues, partially offset by the increase in service revenues. Adjusted EBITDA remained stable at 187 million shekels. Free cash flow was lower due to the upfront payment of frequency fees for 2023 and changes in working capital.

Moving to the **next slide**. Revenues and Adjusted EBITDA in the first half of 2023 were stable and Adjusted Net Profit declined 13% due to an increase in depreciation expenses, due to an update in estimated right-of-use assets for past periods recorded in the corresponding period.

Moving onto operational metrics on the **next slide**. 5G subscribers rose to 898 thousand, for a 32.6% increase. Subscribers on 5G plans were 35% of total subscribers and 42% of postpaid subscribers as of today. Pelephone ARPU, excluding interconnect fees, increased by 2 shekels, driven by an increase in roaming and the transition to 5G plans.

Moving onto **yes on the next slide**. As the largest IPTV operator in Israel, Q2-2023 was another strong quarter for us. Revenues grew 6.3%, driven by the launch of a TV

+ Bezeq fiber bundle, while TV ARPU grew due to our partnerships with international content providers, among other factors. We posted the highest pro-forma Adjusted Net Profit since 2016, reaching 17 million, compared to an Adjusted Net Loss of 1 million shekel in Q2-2022.

The **next slide** shows the different phases we have been through at yes. As you can see, we went through a period of revenue erosion and had a year of stability beginning in the third quarter of 2021. Since the fourth quarter of 2022, yes has been in a very healthy growth mode.

Looking at the key financial highlights for yes in the **next slide**. Revenues increased for the third consecutive quarter, by 6.3% to 336 million shekels, mainly driven by the TV + Bezeq fiber bundle launch, and agreements with leading international content providers. Adjusted Net Profit was up significantly, reaching 17 million shekels, compared to a net loss of 1 million shekel in the corresponding quarter. CapEx rose 24.5%, which was impacted by timing differences between the first and second quarter of the year.

**Turning to the next slide**, the half-year results reflect the same trends in revenues and profitability. Free cash flow increased due to improved business results as well as changes in working capital.

Moving onto the **following slide** on operational metrics for yes. Total subscribers were up 2.1% year-over-year, and 64% of yes subscribers are now watching IPTV. STINGTV subscribers reached 111 thousand at the end of Q2-2023, an 18.1% increase year-over-year. ARPU grew 1 shekel year-over-over despite the intense competition and we are seeing continued growth in fiber subscribers for yes, which reached approximately 25 thousand as of today. With that, let me now turn the call back to Tobi.

**Tobi Fischbein:** Moving on to Bezeq International – The first half results showed growth in profitability with Adjusted EBITDA growing 23.5% to 100 million, and Adjusted Net Profit growing from 11 million shekels to 33 million shekels due to cost savings and our continued focus on expansion in the B2B market.

On the **next slide**, let me highlight the increase in Adjusted EBITDA, which was up 6.5% for the quarter, mainly driven by lower expenses from reduced consumer ISP activity. Free cash flow totaled 28 million, compared to 1 million shekel in the corresponding quarter, mainly due to changes in working capital.

**The next slide** details the financial highlights for the first half of the year. As mentioned, we saw a positive trend in profitability, with significant growth in both Adjusted EBITDA and Adjusted Net Profit. The increase in business service revenues was offset by a decrease in consumer ISP revenue following the regulatory reform. Free cash flow was

lower due to payments for retirement plans in the first half of 2023, as well as changes in working capital.

Turning to the **last slide**. We had a terrific quarter and we are focused on maintaining sustainable growth, powered by technological upgrades to meet the demands of a rapidly evolving world. The execution of our strategy continues to be successful, evidenced by revenue and profitability growth.

Lastly, I would like to remind our listeners that after this call in English, we will hold an earnings call with Israeli investors and analysts in Hebrew. With that, I will open the Q&A session. If you would like to ask a question, please raise your hand virtually using the "Raise Hand" button in the "Participants" tab. In the mobile app, you can raise your hand by tapping the "Raise Hand" option in the "More" tab. As you hear your name, please be sure to unmute your microphone, and ask your question. For the benefit of the people in the room, please introduce yourself and share the name of the company you represent. We will address questions as we see the hands raised. If you later change your mind about raising your hand, you can lower it by clicking "Lower Hand." I will now pause to poll for questions. The first question from David Kaplan. Hi, David.

**David Kaplan (Psagot):** Hi. David Kaplan from Psagot Securities. First question I have is on yes. On a pro-forma basis, the OpEx was relatively flat this year and revenues were up, ahead of our expectations. How do I think about that going forward? Is that a sustainable result for yes going forward? Was there a specific marketing program that ran in the quarter? There was significant revenue growth over last year, but sequentially, a little bit less. And when I look last year at Q3 versus Q2, we also saw relatively flat growth. So, what should we be thinking about for yes the rest of this year?

**Ilan Sigal:** Thank you, David. There is a significant amount of work that was done in yes in the past year. We see a few growth engines. First is the yes plus Bezeq Fiber that helps grow revenues, and the partnerships that we have with Disney, Netflix and Discovery. In the last year, our subscriber base grew by 12%. I believe that those metrics will continue with us in the next few quarters.

**Tobi Fischbein:** I just wanted to add that on the financial metrics, sometimes in certain quarters, there are specific things that have an impact. There was a small content sale in yes that contributed to revenues this quarter. On the other hand, we have revenues from our partnership with Disney, which we didn't have in the corresponding quarter, as well as, the bundle of yes TV and Bezeq Fiber, which we didn't have in the corresponding quarter. Some of these activities are, obviously, profitable, and will contribute to yes going forward. yes is definitely doing a great job improving their performance, both business-wise and profit-wise.

**David Kaplan (Psagot):** Great. Just also one more quick one on yes. The timing of the CapEx and the working capital there. How should we think about CapEx going forward on an average basis? what we saw last year? Somewhere between 45 and 50 million shekels a quarter?

**Tobi Fischbein:** We don't give specific guidance on the various companies. But, when you look at it over a twelve-month period, you shouldn't see a significant increase in CapEx over time as they are making great progress in migrating their subscriber base over to IP. Along with that, they should be able to generate both OpEx and CapEx savings, some of which will come later.

**David Kaplan (Psagot):** Great. And then, one quick one on Fixed Line, on the broadband wholesale revenues. Wholesale revenues in general, I think, were relatively flat, Q on Q. Last quarter we saw a big bump. I think that that was largely driven in part by the recent IRU agreement with Partner. What are you seeing on that front? Part of me would have expected to see continued growth trends this quarter, but those seem to have stopped.

**Tobi Fischbein:** Wholesale revenues in Fixed Line include, of course, not just Partner, but all the wholesale activity, which includes both copper and fiber, and also includes revenues from non-Partner fiber operators. We are seeing continued growth in wholesale subscribers for the second consecutive quarter. On the other hand, as you remember, we have slightly reduced the wholesale tariff after reaching the IRU agreement with Partner, which is currently 72 shekels for the rest of the operators.

**David Kaplan (Psagot):** Great. Thanks very much.

**Tobi Fischbein:** Thank you. Next question is from Ondrej, of UBS. Hi, Ondrej.

**Ondrej Cabejsek (UBS):** Hi, everyone. Ondrej here, from UBS. Thank you for the presentation, and for my questions. So, three questions for me, please. One is on the fiber homes passed, you're already at 1.9 million homes and your target is two million. If you continue the run rate that you've been doing in the first half, you'll be getting, easy, to, like, 2.2 or more. So, I was wondering, because you're not upgrading your CapEx guidance, what that actually means in terms of homes passed in the second half of the year. Are you going to slow down, or are you going to, maybe, increase the CapEx guidance, or are you able to do more homes, with the same CapEx envelope that you've been guiding for? That's one question. Second question is on working capital. What kind of evolution do you expect for 2023? You've had a negative year to date. So, what is the outlook for the full year? And then, third question, please, just how



the three factors that you highlighted have led to the increase in net profit guidance? Are they expected to continue in 2024 and beyond, or not? Thank you.

**Ran Guron:** I'll take the first one. This year we'll reach more than two million homes passed. And this will be done approximately at the same level of CapEx that you are familiar with. We will not increase CapEx. It's because we have very strong execution, and the company is able to do so while using the same resources. So, we will reach two million without any major changes in CapEx, and we see that continuing for the following years.

**Tobi Fischbein:** I will take the other questions. Ondrej, on the second one, on working capital – we expect to have solid free cash flow year in 2023. What you see in a specific quarter or even in the first half of the year is not necessarily representative of what we will see in the full year. From time to time, there are certain timing differences in working capital. For example, Pelephone paid for some of the frequencies in advance, in the second quarter, for the rest of the year. That's why you see an increase in CapEx year over year, that was close to 70 million shekels. On the other hand, compared to the corresponding quarter, we had a big change in the way we do the acquiring with the credit card companies at Pelephone and at yes, and that resulted in a reduction in free cash flow in the second quarter. So, overall, we expect to have a very solid, I would say even a very good, free cash flow year in 2023, despite the fact, that we are not giving specific guidance on this metric. On the adjusted net profit guidance, correct me if I'm wrong, but you asked whether we can extrapolate from the increase in the guidance to 2024?

**Ondrej Cabejsek (UBS):** Yes, whether any of those factors that are contributing can be extrapolated into next year?

**Tobi Fischbein:** When we issued the updated guidance, we commented that it was driven mainly by changes in depreciation and amortization, as well as financing expenses. I should also add that it was also partly driven by improvement in the business across the Group, as you are seeing now in the Q2 and first half results. However, financing expenses is something that is more difficult to guide more than a year ahead. Because it depends on the inflation rate, interest rates, and also on some other elements such as fluctuations which are not under our control. In terms of the changes in depreciation and amortization, we definitely expect to keep benefiting from those changes going forward. Business-wise, I think that there are good reasons to believe that we will continue to deliver solid results, despite the fact, that, again, we are not, at this point in time, guiding specifically into 2024.

**Ondrej Cabejsek (UBS):** Thank you very much. And just one follow-up on the first question. What I meant is that, if you continue in passing hundreds to a few more thousand homes per quarter, by the end of the year you should be significantly above two million homes passed. So, my question was, will you slow down the rollout in the second half? Or, if you get to, say, 2.2 million under the current capex rate that you're doing, is that still, kind of, something that you can do with the current CapEx in the loop?

**Ran Guron:** Based on our calculations, we won't be significantly above two million homes passed. 2.2 million is too high. So, I suggest you take it offline with the team, but it will be approximately two million homes passed. I would also like to mention that we will have CapEx that is not related to the fiber project. We are building some data centers and other investments, which will be in 2024, maybe, as a one-time investment. But, in general, we'll keep the same pace, and we don't have any intentions to slow down next year.

**Ondrej Cabejsek (UBS):** Thank you very much.

**Tobi Fischbein:** Thank you, Ondrej. Next question is from Tavy Rosner, from Barclay's.

**Tavy Rosner (Barclays):** Hi, thank you for the presentation. I wanted to ask about regulation. I think, a couple of months ago, we discussed a potential new regulation that would allow the Israeli institutions to own more than 5% in Bezeq. Has the new regulation been passed already? Or, what is the expected timing, as far as you know?

**Gil Sharon:** It's almost there. It's just waiting for the Prime Minister's signature. The Minister of Communication has already signed on it, and it's now just waiting for the last signature.

**Tavy Rosner (Barclays):** Okay, thanks for that. And then, also on regulation, foreign investors often ask us about the political landscape, and regulation comes up often. Especially these days. Is there anything that worries you? Any specific angle that you think would be detrimental to Bezeq? I can think of pricing, I can think of all kind of different aspects. Is there anything concrete? Or – are you comfortable?

**Gil Sharon:** As far as we know, there is nothing concrete right now. As we said in the past, wholesale tariffs are on the table, for quite a while. So, there could be some decision on that, we discussed that in the past. It could have an impact on us, but not very significant. And there was the issue, as you remember, of examination of the business sector, on the fixed line, although we don't know of any progress made by the

regulator on that, either. So, as far as we see right now, we do not see something very significant on the agenda for the near future.

**Tavy Rosner (Barclays):** Thank you. And then, last one, on dividend. If we assume flat CapEx going forward, and revenue growth, you will generate free cash flow. When will you revise the current payout policy?

**Gil Sharon:** As we said, recently our policy was upgraded from 50 to 60% of net profit. We will examine going up to 70% next year.

**Tavy Rosner (Barclays):** Great, thank you.

**Tobi Fischbein:** Thank you, Tavy. Next question is Yi Hsin Yeoh from Jefferies.

**Yi Hsin Yeoh (Jefferies):** Hi, thank you for taking my questions. I have two. Could you just give a bit more color into the nature of OpEx savings, in subsidiaries, specifically Pelephone and yes, in the quarter. And whether this is a sustainable trend? And secondly, the potential for an upgrade in EBIDTA guidance? Or do you see a slowdown in EBIDTA in the next couple of quarters, coming?

**Tobi Fischbein:** I'll take those questions. Thank you. On OpEx savings at yes and Pelephone. Regarding Pelephone, OpEx in Q2 decreased due to the decline in handset sales. They go together, when handset revenues go down, the handset costs go down as well. So it's mostly related to that. At yes, there is a continued cost rationalization program. Although, it doesn't kick in every quarter in the same manner. Also, the timing of content expenses is not necessarily linear throughout the year. This specific quarter, there were less expenses related to content, than in previous quarters. But, again, it's timing differences. Second question, would you just repeat that, please?

**Yi Hsin Yeoh (Jefferies):** Yeah. Do you see any potential for an upgrade to EBIDTA guidance with the current EBIDTA trajectory?

**Tobi Fischbein:** Right. So, when we just updated our guidance for adjusted net profit, our adjusted EBIDTA guidance remained unchanged, despite the fact that you see now that our adjusted EBIDTA for the first half of the year has been quite strong. I would say that there is slight upside to what we have guided, but remember that as of July 1st, we had the second and last step down of the telephony tariff reduction reform. So, our EBIDTA in the second half of the year will not necessarily be the same for Bezeq Fixed-Line as in the first half. There are some other elements that could impact that as well.

**Yi Hsin Yeoh (Jefferies):** Okay. Thank you so much.

**Tobi Fischbein:** Thank you. Next question is from Sabina, from Leader. Hi, Sabina.

**Sabina Podval (Leader):** Hi. First of all, congratulations on the quarter. I have two questions. The first one is regarding the fixed-line segment infrastructure. When I examine the subscriber base, I see that your retail subscriber base is going down, and the wholesale is going up. I was wondering – because you do have additions of fiber subscribers, but the copper is going down rapidly. So, I was wondering what should I estimate regarding the trend going forward? And also, in the mid-term, what will the breakdown between retail and wholesale customers look like? The second question is regarding Pelephone. I was hoping to get some additional color regarding equipment sales, which were relatively weak for the quarter. And also, the contribution of 5G to the improvement of ARPU, which doesn't seem very significant still, even though you have 40- 42% of postpaid subscribers with 5G packages. I always ask this question, because every quarter I'm looking to see more improvement in this field, but I still do not see it. So, I was wondering, when should we see results. Thank you.

**Ran Guron:** I'll take the first one. The Internet customer base is relatively stable. In my view, going up 3 thousand or down 3 thousand doesn't mean a lot. So, you can say that Bezeq's retail internet customer base is stable. Wholesale is stable as well, if you take it in general terms. So, yes, we see a lot more fiber, both in wholesale and in retail, replacing copper, and driving ARPU up. But the customer base is stable. If you take it to the Group level, yes is growing rapidly. We just revealed the figures for yes - it's around 25 thousand internet fiber customers. So, if Bezeq is stable, and yes is growing, while Bezeq International is losing some customers because of focus in the business segment, in general, the Group is stable. But one day in the future, Bezeq International will stop losing customers, yes will continue to grow, and we are very optimistic on the prospect that the Group will grow in the number of total internet customers as well. But for the fixed line, we see it as a stable and healthy change between copper and fiber.

**Ilan Sigal:** Hi, Sabina. About the equipment in Pelephone, this is a global trend. We see a decline in handset sales around the world. Samsung and Apple showed a decrease in shipments, and it's also happening in Israel. The microeconomic environment, also, reflects this. We do expect new handset launches in the second half of the year, iPhone 15 and another Samsung launch. About the ARPU, you're right. We see a very positive contribution from the 5G subscribers, as well as roaming services. Israelis travelled a lot this quarter, and I believe in the next quarter too. On the other hand, we see changes, one is the end of the Ministry of Education project that was last year, and that impacted ARPU. I estimate that you will see the impact of the ARPU in the next quarters.

**Sabina Podval (Leader):** Thank you.

**Tobi Fischbein:** Thank you, Sabina. If there are no further questions at this time, I would like to thank you all for taking the time to join us today. Should you have any follow-up questions, please feel free to contact our Investor Relations Department. We look forward to speaking to you on the Third Quarter of 2023 Earnings call. Thank you all.

[END OF TRANSCRIPT]