"Bezeq" The Israel Telecommunication Corp., Ltd.

Event Transcript

Q4 & FY 2020 Financial Results

Thursday, March 25th, 2021, 16:00 Israel Time

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Operator: Ladies and gentlemen, thank you for standing by. Welcome to Bezeq's third quarter 2020 results conference call. All participants are at present in a listen-only mode. Following management's formal presentation instructions will be given for the question and answer session. For operator assistance during the conference, please press * 0. As a reminder this conference is being recorded and broadcasted over the web. At this time I would like to turn the call over to Mr. Naftali Sternlicht, Investor Relations Manager for Bezeq. Mr. Sternlicht please go ahead.

Naftali Sternlicht (IR Manager, Bezeq):
Thank you, operator. Welcome everyone and thank you for joining us on the call today. With us from Bezeq Group's senior management team we have: Mr. Gil Sharon, Bezeq's Chairman, Mr. Dudu Mizrahi, Bezeq Fixed-Line's CEO, Mr. Ran Guron, CEO of Pelephone, Bezeq International and yes and Mr. Or Moses, Bezeq Group's Head of Finance and Capital Markets.

Before we start, I would like to draw your attention to the Safe Harbor statement on Slide number 2, which also applies to any statement made during today's call. The speaker's comments will generally follow the slide presentation, which is available under the Slides tab on the webcast link and may also be downloaded from Bezeq's IR website. You can go through the presentation by clicking on the arrows on the left or right hand side.

Let me now turn the call over to our Chairman, Mr. Gil Sharon, for prepared remarks. Or will then continue the presentation on group financial highlights, followed by Dudu discussing Bezeq Fixed Line results. Ran will pick up with results of our subsidiaries after which management will be available to answer questions.

Gil Sharon (Chairman, Bezeq Group): Thank you, Naftali. Let's start on Slide 3 – Our Group strategic vision has always been to be the leader of the Israeli telecommunications market, providing a full range of products and services for the residential and business markets while striving for better operating results. To ensure that we are constantly fulfilling this vision, we have implemented strategies in key areas of technology, business, regulation and human resources. On the technology front, we lead the Israeli telecommunications market by investing in high quality and advanced infrastructure as well as the provision of quality and efficient service. Currently we are focusing on fiber optics and 5G mobile network as our growth engines. We aim to optimize the balance between market share and profitability for Fixed Line and our subsidiary companies, while maintaining strong financial position and explore new business development areas. We continue to strive for regulatory removal of the structural separation, which will allow the full merger of companies so that we can improve customer service, strengthen competitive capabilities and create shareholder value. On human resources, we continue to engage and align management and employees to create value through incentives and compensation, while striving to improve managerial flexibility and response time.

Turning to Slide 4 –On the financial side, we met our 2020 guidance in all categories. Adjusted EBITDA declined only slightly year-over-year, despite the decrease in revenues of 200 million shekels, mainly from the impact of COVID-19 on roaming revenues at Pelephone. The stability in Adjusted EBITDA was due to an increase in revenues in the fixed-line business and significant cost savings at the subsidiaries. Adjusted net profit increased by 25.3% year over year, primarily due to the decrease in financing expenses in Bezeq Fixed-Line. Free cash flow amounted to 1.48 billion shekels, an increase of 110 million shekels year-over-year, allowing us to continue to reduce the Group's net financial debt.

At Bezeq Fixed Line, we grew revenues for the first time in five years while continuing to improve operating metrics. At the subsidiary companies, our streamlining measures lead to a continued decrease in operating expenses. Pelephone continued to grow its postpaid subscribers base and Yes made a significant improvement in the free cash flow . We also made progress on the regulation front: The Knesset approved the fiber optic deployment outline, and the Ministry of Communications hearings with the intention of allowing Bezeq Fixed- Line to offer unified broadband services.

The past few months marked the beginning of a strategic turnaround for the Bezeq Group, where we focused on intensive preparations due to the changes that the telecom market is undergoing. The spirit of our strategy is moving from defense to offense! Our strategic plan includes the restructuring and merger between Bezeq International and Yes and the spin-off of Bezeq International's ICT business division into a separate company, as well as the launch of the fiber project, all of which are based on our transition from a defensive position to one where we take initiative and lead the market in all areas.

The objective of the restructuring of the subsidiaries is primarily to adapt ourselves to the changing environment in the regulation of ISP providers, as well as disruptive changes in content and TV, while adjusting the operations of the companies to the market and competitive landscape. This will allow us to provide the best response to the needs of our customers through a unified sales and service interface and the ability to offer triple play bundles. The process will yield further efficiencies that are expected to result in savings of tens of millions of shekels a year as well as an improvement in sales. In addition, the spin-off of the ICT business division will enable us to better focus on the business and to unlock value.

Now let me turn the call to Or to talk about our financial results.

Or Moses (Head of Finance and Capital Markets, Bezeq Group): Thank you, Gil. Let’s turn to Slide 6 – The Group's strong financial results continued to validate the strength of the Group operations, the diversification of sources of revenue and the ability to streamline expenses. Revenues in 2020 totaled 8.72 billion shekels compared to 8.93 billion shekels in 2019, a decrease of 2.3%. Revenues in the fourth quarter of 2020 were 2.2 billion shekels, in-line with the prior year quarter. The decrease in revenues in 2020 was due to lower revenues in Pelephone, Bezeq International and yes, partially offset by an increase in revenues in Bezeq Fixed-Line.

On Slide 7 – Group wide salary expenses in 2020 decreased by 2.2% totaling 1.89 billion shekels. The decrease was primarily due to lower salary expenses in Pelephone, Bezeq International and yes, partially offset by an increase in Bezeq On-Line and Bezeq Fixed-Line. The increase in salary expenses in the fourth quarter was primarily due to an increase in salary expenses in Bezeq Fixed-Line, due to the recruitment of new employees for the fiber project as well as expenses relating to the new employee agreement.

Meanwhile, group-wide operating expenses decreased both year-over-year and quarter-over-quarter. The decrease in operating expenses was due to continued streamlining in operating expenses of the subsidiary companies.

Turning to Slide 8 – Adjusted EBITDA in 2020 totaled 3.66 billion shekels compared to 3.69 billion shekels in 2019, a decrease of 0.8%. Adjusted EBITDA in the fourth quarter of 2020 was 887 million shekels up from 870 million shekels a year ago.

Group-wide adjusted net profit in 2020 totaled 1.14 billion shekels compared to 913 million shekels in 2019, an increase of 25.3%. Adjusted net profit in the fourth quarter of 2020 was 277 million shekels, compared to 203 million shekels in the same quarter of 2019, an increase of 36.2%.

Moving to Slide 9 – Free cash flow in 2020 totaled 1.48 billion shekels compared to 1.37 billion shekels in 2019, an increase of 8.0%. Free cash flow in the fourth quarter of 2020 was 613 million shekels, compared to 344 million shekels in the same quarter of 2019, an increase of 78.2%. The increase in free cash flow was due to the increase in profitability as well as changes in working capital.

CAPEX in 2020 totaled 1.5 billion shekels compared to 1.55 billion shekels in 2019, a decrease of 3.4%. CAPEX in the fourth quarter of 2020 amounted to 368 million shekels, compared to 324 million shekels in the same quarter of 2019, an increase of 13.6%. The increase in CAPEX was due to an increase in Bezeq Fixed-Line due to the launch of the fiber project.

On Slide 10 – We have broken down subscribers and ARPU by different business segments. Let me point out that subscribers in cellular and retail broadband segments increased during the quarter, and retail broadband ARPU grew to 102 shekels, compared to 98 shekels in the fourth quarter of 2019.

Turning to Slide 11 – We are adapting operations to evolving market conditions and continue to improve our debt profile. Of particular note this past quarter is the year-over-year decrease of 1.1 billion shekels in net debt, as well as the decrease in net debt to EBITDA leverage ratio, from 2.4 in the fourth quarter of 2019 to 2.1 in the fourth quarter this year.

Lastly, on Slide 12 and 13 – I'm pleased to say that we met or exceeded our guidance on all three metrics in a challenging year. For the 2021 fiscal year, currently we are forecasting group-wide Adjusted Net Profit of 1 billion shekels, Adjusted EBITDA of 3.5 billion shekels and CAPEX of 1.7 billion shekels.

Now Dudu will share with you updates on Fixed Line operations.

Dudu Mizrahi (CEO, Bezeq Fixed Line): Thanks Or. In 2020, we achieved the best financial results for Bezeq Fixed-Line in many years, which attest to the significant momentum in all areas of our operations.

Despite the intensifying competition, our quarterly revenues from broadband Internet services grew 6.4% year-over-year and reached 417 million shekels. For the first time since 2014, the number of our retail subscribers increased.

On Slide 16 – Our full Wi-Fi strategy, which focuses on improving the broadband experience at home, continued to prove itself, and our revenues continued to grow. At the end of 2020, more than half a million customers were using the advanced Be router with another quarter of a million customers benefitting from Wi-fi enhancers.

All these, along with the ongoing upgrade in broadband speed, led to an increase in the average revenue from a retail broadband customer to 99 shekels per month, as you can see on Slide 17. Our Internet is the only product in the Israeli telecommunications market with a growing ARPU, while we are constantly adding new services and products for our customers.

Turning to Slide 18 – I'm excited to share that we recently launched our fiber network, and since then we have witnessed significant demand for the new service. I am convinced that we will connect customers to our fiber network at unprecedented rates in Israel, while expanding our deployment at a faster pace. Even today, over a quarter of a million households may connect to our fiber network and every month more and more Israelis can join Bezeq's network revolution all over the country. Today, we offer broadband speeds of 1 giga and we will soon launch our 2.5 giga plan.

On Slide 19 – our telephony offering saw significant increase in traffic during the year due to the pandemic, with outgoing minutes up 14% year-over-year and incoming minutes up 19% year over year. As a result, telephony ARPL increased year-over-year for the first time in many years.

Turning to the next Slide – In addition to telephony, we saw revenue growth in the transmission & data and cloud & digital services segments. Annual revenues for the transmission & data segment were up 6.6% year-over-year due to an increase in revenues from transmission services for ISPs. Annual revenues for the cloud & digital segment were up 5.1% year-over-year due to increase in virtual exchanges and cloud services for businesses. Year-over-year decline in the quarterly revenues of the other segment was due to a new pricing agreement with Hot and the Broadcasting Corporation.

On Slide 21 – In the business sector, we continued to widen the variety of our operation, while deepening integration solutions and cloud services for businesses that represent significant growth engines. We are promoting transmission networks and IPVPN Internet links between branches combined with SD-WAN technology. In addition, we are combining data hosting and IT systems solutions in the basket of business solutions using two major platforms - VMWARE technology and physical servers.

On the next slide – To provide better digital services and improved customer experience, we are focusing on 24/7 support with particularly high SLA for critical applications, while positioning B144 as "experts in digital marketing and advertising of small businesses".

On Slide 23 – Our retail operations are also doing well, with the addition of new stores in Eilat and Umm al-Fahm, rapid growth in e-commerce activities and expansion of the range of products in a variety of categories.

On Slide 24 – We completed the move of our headquarters to Holon, which is expected to save millions of shekels in operating expenses.

Moving to Slide 25 – Revenues in 2020 totaled 4.16 billion shekels compared to 4.07 billion shekels in 2019, an increase of 2.1%. This is the first time in five years we recorded an increase in annual revenues. Revenues in the fourth quarter of 2020 were 1.06 billion shekels, compared to 985 million shekels in the same quarter of 2019, an increase of 7.1%. The increase in revenues was due to an increase in most revenue items, partially offset by a moderate decrease in revenues from telephony services in 2020

Turning to Slide 26 – Expenses increased year-over-year for both the full year and the fourth quarter. The increase in operating expenses was primarily due to an increase in interconnect fees and payments to telecom operators due to an increase in traffic, an increase in sub-contractor expenses, provisions for doubtful debts and advertising expenses. The increase in salary expenses in the fourth quarter of 2020 was primarily due to the recruitment of new employees for the fiber project as well as expenses in connection with the new employee agreement.

On the next Slide – Our profitability metrics increased across the board. Adjusted EBITDA in 2020 totaled 2.65 billion shekels compared to 2.6 billion shekels in 2019, an increase of 2%. Adjusted EBITDA in the fourth quarter of 2020 was 660 million shekels, compared to 615 million shekels in the same quarter of 2019, an increase of 7.3%. Adjusted net profit in 2020 totaled 1.09 billion shekels compared to 879 million shekels in 2019, an increase of 24.2%.

In summary, we continue to grow broadband Internet revenues that is driven by increases in subscribers and ARPU. Sales of BE router and Wifi enhancers is seeing tremendous success. Last but not least, the launch of nationwide deployment of fiber as well as the unified broadband Internet will drive continued growth. We entered 2021 focused on growth in all segments of our operations, and after a year of outstanding results, I am convinced that we will successfully meet the challenges we have set for ourselves this year.

Now let me briefly talk about corporate responsibility.

Last month, we published our Corporate Responsibility Report. Main subjects of the report include: corporate governance, code of ethics, employee rights and fair employment practices, dialog with customers, environmental policy, social involvement and contribution to the community, and more. The Report was prepared in accordance with the global GRI and SASB standards methodology.

The publication of the Corporate Responsibility Report is part of an ongoing and consistent move to reflect Bezeq's performance in this area and in the continuous improvement in such indicators. Bezeq, as the largest telecommunications company in Israel, is working toward long-term improvement in all corporate responsibility indicators, and the present Report marks the onset of a significant step in this area.

I would encourage you to review the report on our website for more details. Today I just want to draw your attention to a few things.

On Slide 33 – In 2020, our Scope 1 GHG emissions decreased by 15.3% year-over-year while our Scope 2 GHG emissions decreased by 4.3% year-over-year. Decrease in emissions was due to the introduction of electric/hybrid vehicles in the Company that significantly reduced fuel consumption as well as various energy efficiency measures. In addition, remote work led to reduced use of vehicles and decreased electricity consumption at the Company's offices.

On Slide 34 – our electricity consumption and fuel consumption have been decreasing for three years in a row while recycled waste has been increasing over the same time period. We will continue to reduce the impact of our operations on the environment.

With that, I'll now turn the call to Ran to talk about Bezeq's subsidiaries.

Ran Guron (CEO of Pelephone, Bezeq International and yes): Thanks, Dudu. Turning to Slide 36 - Two years into the Alpha Project, we are pleased to report that it has been a tremendous success. We appointed one unified management team to streamline the decision-making process. Our efficiency measures led to savings of 230 million shekels in salary and operating expenses compared to 2018.

Moving to Slides 37-38 - In 2020, we deepened the synergies between the subsidiary companies, continued the streamlining processes and successfully dealt with the COVID-19 pandemic. All three companies grew their subscribers while meeting financial targets and leading technological innovation in each industry - mobile, television and Internet.

Meanwhile, we achieved significant progress on technologies of the three companies, while continuing to lead in innovation: At Pelephone, we were the first to launch and operate our 5G network that constitutes a future growth engine of the Israeli economy. At yes, we completed a turnaround and recorded profits, balanced cash flow and a return to subscriber growth. Within a year, we expect to be the largest TV company broadcasting through the Internet. At Bezeq International, this month we launched our

Fiber+ plan for broadband Internet over fiber optics. We will continue to operate and ensure that we are the technological leader of the telecommunications market in Israel.

Moving to Slides 39 and 40 - Today, we are excited to announce the next phase of Alpha, in which we are examining the merger of Bezeq International into yes, in order to consolidate the service and business operations of the companies and to provide added value to our customers. In addition, we will continue to realize synergies between the companies while utilizing existing resources and personnel in the best way possible. The plan includes the spin-off of Bezeq International's ICT business division to a separate company and the concentration of head office services for all three companies in Pelephone. The process will yield further efficiencies that are expected to result in savings of tens of millions of shekels a year.

Key areas of future savings include continued streamlining in employee headcount, structural and organizational unification and related savings in real estate and overhead costs, joint procurement as well as savings in investments and costs of support through switching to one CRM system.

Turning to Slides 41 through 45, let’s briefly look at some key financial metrics for the subsidiary companies as a whole and then we will look at them individually. We continued to lower salary expenses during the year. Since 2017, salary expenses decreased by 20%. Revenues went down year over year for the full year 2020 as well as the fourth quarter due to a decrease in roaming revenues as a result of the pandemic. Expenses declined across the board due to continued streamlining in operating and salary expenses as well as COVID-19 labor union agreements that partially offset the decrease in revenues. Adjusted EBITA decreased year over year due to the pandemic’s impact on roaming revenues, which was partially offset by improved results in yes and by adoption of measures to adjust expenses. Adjusted net profit was up year over year for the full year as well as the fourth quarter.

Turning to Slides 46 through 49. At Pelephone, for the next generation of cellular in Israel, we are looking to provide our customers with diverse handsets, record speed, private broadband and wide-coverage 5G services. Leveraging new and improves services, we have grown the number of postpaid subscribers since 2017. During the year, Bezeq International posted growth in its core business services of data centers, connectivity, international data and IT projects. The company is prepared with extensive services and IT solutions to enable it to increase its operations.
In 2020, the company restated its financial statements due to errors discovered in past reports. As a result, the board of directors appointed an independent examiner who issued his report in January 2021. We are actively working to implement the recommendations of the independent examiner's report by the time of the publication

of the first quarter results. In addition, in 2020, we recorded an impairment of assets of 307 million primarily due to the impact of regulation.
Moving to Slides 51 through 53 - At yes, we returned to subscriber growth in 2020 while customers continue to migrate to IP. The success of IP migration is manifesting itself through improved financial metrics, including significant improvements in operating and free cash flow. This concludes our prepared remarks. Operator, let's begin the Q&A session.

Operator: Thank you. Ladies and gentlemen, at this time we will begin the question-and-answer session. If you have a question, please press star-one. If you wish to cancel your request, please press star-two. If you are using speaker equipment, kindly lift the handset before pressing the numbers. Your questions will be polled in the order they are received. Please stand by we poll for your questions. *[pause]* The first question is from Tavy Rosner of Barclay's. Please go ahead.

Tavy Rosner (Barclays): Hi, good afternoon. Thanks for taking my questions. I have a couple. First, with regards to the potential resumption of dividends. If my notes are correct, I believe you can technically do so starting in Q3 this year. Have you guys given any thought with regards to the timing and the scope of a resumption?

Gil Sharon: This is Gil. Yes, you are correct. On the third quarter, hopefully, it will be possible, and it is on our agenda to discuss it at that time.

Tavy Rosner: Okay. Understood. Thanks for that. Moving on to the potential merger of Bezeq International into yes. I wanted to ask, what approvals are required from the MoC, if at all? And then, I guess, looking at it from a broader perspective, Gil, in your prepared remarks you mentioned, continuing to seek the removal of structural separation. Given that the Supreme Court asked you to withdraw your request, what are the alternate ways for you guys to kind of seek that lifting?

Gil Sharon: Okay. So, first of all, the mergers that we're planning at Bezeq International and yes and the spinoff of the ICT business – well, the merger itself does need the approval of the MoC. But we believe that since we are already operating these companies under one management, and we are allowed to market products together in these companies, we do not believe there will be – I would say, rejections. But of course we will have to apply for their permission, and we will immediately after the holiday start working with them to receive this approval. As you know, we are still not allowed to merge the companies with Bezeq because of structural separation. As I said, it is our goal, or the end game, to reach the removal of structural separation. The Ministry and the regulators know that this our intention, and this will bring better service, response time, and quality to Israeli households. I think at the end we will get it. But in the meantime, we want to do as much as we can. So we see this merger as a good strategic move on its own. And also, if and when we will be allowed to further merge into Bezeq, then this new merged yes, will later on, when possible, be merged into Bezeq. So we see it as the right strategy today, and as a piece of the puzzle of tomorrow. Also, the spinoff of the ICT business, we think there's sort of, I would say, a hidden treasure there at Bezeq International. And we think that by spinning it out and putting more focus on it, we can unlock value.

Tavy Rosner: Thank you, that's very good color. Last one for me, if I may, probably for Dudu, with regards to fiber. So, obviously, that's great news, that you finally got all the approvals and started the project. I just wanted to get your thoughts on the competitive landscape. Because as you know, you have competition, and they are being quite active, both on the rollout side and on making sure they have the right financing. So how do you look at the Bezeq offering in that context? And, then a follow up on that as regards to the fact that you will be charging customers installation fees, which is something that's not being done at the moment. So, do you believe the competition will match your fees? Or conversely, that potentially you might have to face pushback from customers on that end?

Dudu Mizrahi: Hi, Tavy. Well, bear in mind that our project is totally different than what's been going on currently by Partner and Cellcom and IBC, due to the fact that our rollout will be much, much higher. We'll be reaching most of Israel in a very short period of time. As we said, we will reach one million households by the end of the year, which is more than what's been done in the market for the last 5-6 years. And then we'll continue aggressively deploying. So, we'll meet a much, much larger amount of households in Israel than what the competition has to offer currently. And of course, we will offer our network on a wholesale basis to the other players. I think that our offering is very competitive now, bearing in mind all the qualities that Bezeq brings with that offering in terms of service level and all the other qualities of the Bezeq offering. So we think that our offering is very competitive, and we expect to see very, very high penetration of our fiber services very, very soon.

Tavy Rosner: Thanks for that. That's all for me. I appreciate it.

Operator: The next question is from Ondrej Cabejsek of UBS. Please go ahead.

Ondrej Cabejsek (UBS): Hi, thank you. A couple of questions from me. And so, maybe one follow up on the dividend. I assume that your net debt EBIDTA will be one of the factors in determining the scope of the dividends. Is there a level that you, as management, would be targeting, or comfortable with, for the medium or long term, at which point we could kind of think that that that's a level you were going to target, and assume that from our end, what the dividends will be accordingly? That's one question. Second question, if you could just give color in terms of, you're now hiring new employees, because of the fiber project. Is there a run rate, in terms of costs either OpEx or CapEx, that you can give us, what impact these new hires will have on the free cash flow. And third question, please. In terms of regulatory issues over the next 12 to 18 months, clearly we've got the fixed voice conversations around the rates. Is there anything else that you would highlight, that's likely to take place? And one of the areas where I think, where I'm targeting clearly, is the wholesale rates which have been adjusted to the higher traffic. So can you give us an update in terms of, do you still see that higher traffic, or as people start returning to work, to school, etc., do you still see that this would have a negative impact on your wholesale corporate revenues? Thank you.

Or Moses: Hi Ondrej, it's Or. Regarding the dividend, as Gil said, the board will discuss it when it will be relevant in the second half of 2020, and of course Bezeq's financial stability will be one of the key components of this discussion. But we don't have a target to give you right now.

Dudu Mizrahi: Regarding the employee recruitment, so I don't think it will have a very substantial effect on our results or on our CapEx. We are recruiting roughly around 200 employees, mainly on the deployment side and technicians, which solves the customer premises services issue. I don't think it will have a very big effect on our CapEx, But you could see our CapEx prediction in our financial results, and you can see that the effect of that is quite moderate. Regarding telephony, obviously, we expect traffic to decrease once the pandemic is over and people return to work outside of the home, and children go back to school. We are also seeing more and more people returning and taking a fixed line, installing a fixed line on the premises, even with the decreased usage. So that's two trends we can expect. One is to see reduced traffic, and then again see more and more people taking a fixed line back to their homes.

Operator: The next question is from Omri Lapidot of Leumi Partners. Please go ahead.

Omri Lapidot (Leumi Partners): Hey, guys, thank you for taking my question. Even though 2020 was a difficult year due to the Coronavirus, the group managed to retain its adjusted EBIDTA. However, for 2021, a year that we assume will drive some improvements in the Corona effects - your forecast for the adjusted EBITDA represents a decrease of over 100 million shekels. What are the main drivers for this assumption? Will the revenues suffer a significant decrease, or does it come from an increase in expenses? What should we expect in the following years?

Dudu Mizrahi: I think there are two or three major effects on the EBIDTA this year that are hard to predict. One is the telephony pricing reform that was published by the Ministry of Communications a few weeks ago, which we are still having a tough time to predict what will be the exact effect of that on our results. The second big effect coming from regulation, is the decrease in the wholesale pricing that was implemented in the beginning of the year. And the third, of course, we still expect to see some effect on the pandemic map, mainly, I think, on the roaming side. All three are very hard to predict, and I think, being very cautious in our predictions, we took a conservative approach, and published the number that you see.

Or Moses: Just to add to Dudu's remarks, there is also the universal fund, that is also part of the regulation.

Dudu Mizrahi: All telecommunication companies in Israel must contribute to the universal fund that will subsidize deployment of fiber in uneconomical areas.

Omri Lapidot: Okay. Thank you.

Operator: The next question is from Jerry Dellis of Jefferies. Please go ahead.

Jerry Dellis (Jefferies): Yes, good afternoon. Thank you for taking my questions. My first question is whether you can provide us with an outline on the timetable towards developments on the structural separation topic. My second question is, when you're making investment decisions about how hard to go on fiber deployment, how do you marry those against the reality that you must be a little bit uncertain about the composition of the Ministry of Communications going forwards, and perhaps also the industrial policy that they might be seeking to follow? And then my third question, please, is, be interested in any color that you're able to provide us about competitive reaction to your fiber – commercial fiber launch in the last couple of weeks. Thank you.

Gil Sharon: On the issue of the removal of structural separation, as I said, we do not know if and when it will be removed. It's an issue that we're continuously talking with all regulators. And once there's a new government in place, we will discuss it again with the new Ministers, both of Finance and Communications. Meanwhile, as I said, we're taking steps that we believe will be approved, as I said, the restructuring at the subsidiary level, as I mentioned before. Dudu?

Dudu Mizrahi: Hi, Jerry. Regarding the fiber deployment, the regulation has been published. Israel was divided into three thousand districts from which we need to choose in which areas we want to deploy or not. We are doing the analysis based on where it's economical for us to deploy. Of course, the fact that the Ministry of Communications announced that they are going to abolish the separation between the infrastructure access and the ISP is helping us to further increase the deployment. Regarding what the other competitors are doing or will do once we start offering fiber services, I think like everyone else, we read in the newspapers that some of the players are talking – Partner and IBC are talking of using each other's network. I think that it is fair to assume that deployment will be slower now, or even stop, once they see that Bezeq is very aggressively deploying, and they can use Bezeq's network on a wholesale basis. So I think it is fair to assume that we'll see some changes in the deployment of several of these smaller networks that currently are deploying.

Jerry Dellis: Thank you.

Operator: If there are any additional questions, please press star-one. If you wish to cancel your request, please press star-two. Please stand by while we poll for more questions. The next question is from Tavy Rosner of Barclay's. Please go ahead.

Tavy Rosner: Yes, it's a follow up on Pelephone, please. Just wondering, what are your thought with regards to pricing in 2021 in the context of the kind of decrease in the number of competitors that we're seeing during the quarter. Do you expect that to have any potential impact on pricing across the industry?

Ran Guron: Hi, Tavy. We did not make any statements about prices. But I can say that we see price stability during this year. And we believe this will continue because the number of players is decreasing, and we hope to see this stability will continue.

Operator: There are no further questions at this time. I would like to remind participants that a replay is scheduled to begin in a period of 3 hours, on the company's website, at www.bezeq.co.il. Mr. Or Moses, would you like to make your concluding statement?

Or Moses: Thank you. 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 Relation department. Management looks forward to speaking to you on the First Quarter of 2021 Earnings call. Thank you, and happy Passover.

Operator: Thank you. This concludes Bezeq's Fourth Quarter and Full Year 2020 Results conference call. Thank you for your participation. You may go ahead and disconnect.

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