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MTS Speakers

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Presentation

Polina Ugryumova, IR Director

Welcome everybody to today's event to discuss MTS's fourth-quarter and full-year 2020 financial and operating results.

Before we start, I must remind you that — except for historical information — any comments made during this call may constitute forward-looking statements. Important factors could cause our actual results to differ materially from those contained in our projections or forward-looking statements. These in turn imply certain risks, a more thorough discussion of which are available in our annual report and form 20-F or the materials we have distributed today.

MTS disavows any obligation to update any previously made forward-looking statements spoken on this conference call or make any adjustments to previously made statements to reflect changes in risks.



I also want to mention that following the sale of NVision in Q4 2020, we have retrospectively restated our group profit and loss statement for comparison on a like-for-like basis. As always, you can find our press release and presentation for this call on our IR website.

Today's presenters are: **Alexey Kornya**, President & CEO; **Slava Nikolaev**, First Vice President for Customer Experience, Marketing, and Ecosystem Development; **Inessa Galaktionova**, First Vice President for Telecommunications; **Andrey Kamensky**, Vice President for Finance; and **Ilya Filatov**, Vice President for Financial Services and CEO of MTS Bank — who will speak in Russian and I will translate.

So with that, let me turn it over to Alexey to get us started.

Alexey Kornya, President & CEO

Thank you, Polina, and welcome to everyone joining us. At a global level, 2020 was a year of unprecedented challenges. Before we begin, I'd like to thank the entire MTS team for their effort, dedication and professionalism over the past year. Our sector continues to play a vital role in keeping our customers and communities engaged, informed, and in touch.

Against this backdrop, MTS performed admirably in 2020. We proved the agility of our team, the reliability of our network, and the rationality of our long-term growth strategy. Overall, I'm happy to report that MTS closed the fourth quarter in a position of strength. We followed through on our full-year guidance target to our group revenue and adjusted OIBDA. Cash CAPEX was also in line with guidance when including the effects from derivative instruments.

Let me walk you through the headline results. For the year, group revenue was up 5.2% year-over-year to reach nearly RUB 500 billion. Core telecom services were the key driver, but we saw an additional and substantial positive impact from new areas beyond connectivity. Overall, our three non-core verticals contributed nearly a third of group top-line growth. For the quarter, revenue growth accelerated from third quarter to 7.4% year-over-year in part reflecting easier roaming comparables due to travel seasonality.

Group Adjusted OIBDA in 2020 increased 1.7% year-over-year to around RUB 215 billion. Growth was driven by core telecom services as well as the positive impact in retail, which reflected both our long-term optimization measures as well as temporary cost savings related to COVID-19. At the same time, adjusted OIBDA growth was constrained by multiple factors, primarily the decline of relatively high margin roaming revenue, as well as other one-offs and provisions at MTS and MTS Bank. For the quarter, group adjusted OIBDA grew 1.3% year-over-year to RUB 52.5 billion.

Turning to the earnings waterfall, full-year group net profit increased 13% year-over-year to RUB 61 billion on the back of service growth and improved cost of debt, and the impact from realized derivative contracts used to mitigate forex exposure. At the same time, net profit growth was constrained by a high base from sale of associates in 2019, impairment of ticketing assets, change in discontinued operations and the negative impact from MTS Bank at the group level. For the quarter, group net profit amounted to RUB 13.1 billion.

Strategically, we moved forward on the path of our digital transformation, expanding into adjacent segments, scaling our digital ecosystem, and modernizing our brand for the future. In telecom, we saw top-line growth in both wireless and wireline segments. Strategically, we continue to invest in capacity and coverage, drive fixed mobile conversions, and position



ourselves at the leading edge of 5G in eSIM technology. In retail, we optimized our footprint by over 400 stores and more than doubled e-commerce sales. In cloud and digital solutions, we expanded our customer base and saw double-digit revenue growth.

In FinTech, net interest income at MTS Bank grew by nearly a third, despite the market volatility and challenges amid the pandemic. In media, we added 1.5 million new OTT users — more than the total we had at the beginning of the year. And across our ecosystem, we caught some of the extra digital tailwinds in 2020, driving uptake of new products and services.

Overall, we delivered on the first full year of our CLV 2.0 growth strategy. As we head into 2021, I'm confident the company is well-positioned for continued success.

With that, I will hand it over to Slava for a customer experience and ecosystem update.

Vyacheslav (Slava) Nikolaev, First VP for Customer Experience, Marketing, & Ecosystem Development

Thanks, Alexey, and good afternoon and good morning to everyone joining us. Amid global digital acceleration over the past year, we moved proactively to deeper customer engagement and drive penetration of new products and services, and we saw real results. Today more than 7 million customers are using two or more MTS services across telecom, fintech, and media. Our MTS Cashback loyalty program now has over 9 million registered users. By the end of the year, our customer care app, MyMTS, reached nearly 24 million monthly active users, a substantial fraction of our physical user base. This is an audience that has an established financial relationship with us and has already taken a proactive step to get closer to us. They're a prime addressable market as we seek to increase our pool of multiproduct clients.

Now, a few words on media. After many years of relative stability, MTS TV reached an inflection point in 2020. Year-over-year growth in overall pay-TV users accelerated to an impressive 44% — standing at 6.6 million at year end. And the key driver was over-the-top, which saw explosive triple-digit user growth, up 142% year-over-year in Q4. These numbers indicate to us that our audience is now reaching critical mass, which makes it the right time to speed up execution on our content strategy.

Last year, we took the first step by drastically expanding our library of international titles. This year, we're adding the second piece of the puzzle by filling out a select slate of local original content. We have a lot in the pipeline for 2021. So, stay tuned.

Turning to ecosystem subscriptions. We continue to refine MTS premium to enrich the value proposition. For example, in Q4, we expanded our exclusive partnerships to include a joint tie-in with Yandex.Plus. Partnerships are a critical component for our ecosystem and these kind of one-of-a-kind benefits are a great example of how we differentiate our value proposition.

More recently in Q1, we launched a new subscription, Netariff, which is Russia's first one-stop shop subscription that combines mobile and digital services via dynamic pricing and discounts. We offer users an easy-to-use interface across a full spectrum of services from gigabytes and minutes to music and video streaming. We think this is a powerful tool to drive customer lifetime value by catering to the diverse needs of different users.



We are also continuing to revamp our mobile apps — in particular, by integrating a unified approach to client ID. Our research indicates Russian consumers prefer separate apps as opposed to a single super app, so they can pick and choose the specific services they want. At the same time, it is critical we ensure a seamless customer experience across the MTS ecosystem. We've already built our client ID model into more than a dozen apps, and we will continue to enhance cross app functionality going forward.

Overall, we are creating a unique and fresh digital lifestyle experience to delight and wow of our customers. We made some great progress in 2020 and we think we're off to a good start in 2021.

With that, let me hand it over to Inessa for a telecom and B2B update.

Inessa Galaktionova, First VP for Telecommunications

Thank you, Slava. As we've learned over the past year, connectivity is more essential than ever, and I'm happy to report, we demonstrated solid progress in 2020 across our core telecom business.

In mobile connectivity, we saw mobile revenue service growth accelerate to 6.4% year-over-year in Q4, up from 3% in Q3. That reflected both steady underlying dynamics as well as easy comps given 2019 roaming seasonality. In addition, we see promising indicators that our convergent and ecosystem offerings are helping boost ARPU and reduce churn — increasing overall customer lifetime value.

Turning to subscribers. We continue to see a restoration in our mobile subscriber base, which at the end of Q4 stood at 78.5 million — nearly returning to record levels. We're also seeing healthy cohort dynamics. According to our tracking, our share of data users exceeds our overall market share, a promising indicator for future growth. We also continue to see stable retention of loyal customers who have been with us for 12 months or longer.

In fixed-line, revenue increased 5.3% year-over-year in Q4, reflecting both solid performance in the consumer segment, as well as B2G projects to bridge the digital divide. In 2020, we had more than 350,000 net adds and according to third-party estimates last year, MTS became the largest private broadband provider in Russia by subscribers. In retail, we executed on our optimization plan whilst delivering double-digit growth in sales of handset and accessories. Moreover, online e-com sales more than doubled year-over-year. In the long-term, we expect to steadily ramp up customer acquisition and service via online channels.

Offline, we're moving forward on our plan to evolve to fit-for-purpose formats. Today, around 90% of our stores are a standard format and size. As we've told before, we plan to bring that down to around 60% overtime with the remainder being compressed into mini-formats or in a few cases expanded into showrooms.

A few words on network development. Given surging data consumption on the one hand and competitive pricing on the other, it's absolutely critical that we extract maximum value for every ruble invested in our network. To do that, we are taking an approach we call Smart Roll-out. First, we're deploying big data analytics to better understand network health. Second, we are forecasting future demand to add capacity "just-in-time" before congestion becomes critical. And third, we're targeting coverage expansion by looking at where demand will be, not just where people live. Today, we estimate Smart Roll-out has already saved us billions of rubles versus traditional underground network planning.

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Finally, a brief update on B2B. Overall, Cloud & Digital Solutions revenue was up 25% year-over-year in Q4. We continue to see growing demand for enterprise and SME clients, and according to iKS Consulting last year, we were the number two player in the Russian infrastructure-as-a-service space. In IoT, subscribers grew 30% during the year and we expanded our network to cover over 70 Russian regions. In private LTE, we launched [one of] Russia's first operational private 5G-ready networks together with Gazprom Neft and we have a number of similar projects in various stages with other leading Russian companies.

With that, let me hand it to Ilya for a FinTech update.

Ilya Filatov, VP for Financial Services and CEO, MTS Bank

[via translator]

Thank you Inessa.

2020 was a challenging year for the banking industry. Following a fall-off in demand for credit products in March, we saw a recovery kick-off in mid-Q2 and by the end of Q4 monthly retail credit issuance was up double-digits versus the beginning of the year. Overall, MTS Bank was among the top-5 fastest growing Russian banks in 2020 in overall retail loans when excluding state-subsidized mortgages.

Overall MTS Bank assets increased 20.9% in 2020 to reach 217.1 billion rubles. The overall loan portfolio ex-provisions grew 24.1%. And the retail loan portfolio was up 29.7% year-over-year to 117.6 billion rubles.

On the back of loan growth, full-year net interest income increased 32.5% to 15.5 billion rubles. Net fee & commission income reached 6.7 billion rubles, contributing 30% of operating income before provisioning. We are making progress in developing stable, commission-based daily banking services. For the full year, fee & commission income accounted for just under half of overall retail operating income ex-provisions.

Among our many initiatives to develop our transactional retail business, I would like to highlight the upgrade of our smart banking app. We have added a feature that allows users to integrate data from third-party bank accounts, and in the near future we plan to add additional functionality for personalized offers, savings goals, and financial advice.

Despite the negative impact driven by significant provisioning in the middle of the year, MTS Bank delivered 1.1 billion rubles in net profit for the full year.

In Q4, cost-of-risk for the retail loan portfolio stood at 5.4%. The share of non-performing retail loans declined to 9.5% in Q4 versus 10.2% in Q3. Overall, the bank remains committed to a conservative approach to reserves with year-end NPL coverage standing at 128%.

We remain at a comfortable level of capitalization. As of January 1, 2021 our H1.0 capital adequacy ratio stood at 13.1%, which reflects a healthy safety margin above minimum regulatory requirements of 10.5%. At the same time, the Company is actively developing its Fintech vertical and the high rate of growth may necessitate additional capitalization. In the mid-term, we do envision potential further capital injections.

We continue executing on our strategy with a focus on developing digital channels and maintaining a sober approach to risk management. We plan to expand our loan portfolio, grow retail commission income, and develop digital services within the MTS ecosystem to become closer to our customers.

Now I will give the floor to Andrey for a finance update.

Andrey Kamensky, VP for Finance

Thank you, Ilya. Group Cash CAPEX for the year came in at RUB 91.6 billion when adjusted for forex-related swap contracts. This was driven primarily by sustained network investment. In 2020, we added 14,500 LTE base stations in Russia with our 4G coverage reaching around 85% of the country's population. Group Free Cash Flow in 2020 amounted to RUB 61.6 billion when excluding the impact from MTS Bank, as well as proceeds from the sale of NVision and MTS's former Ukrainian operations. The year-over-year dynamic in part reflects a high base from 2019 that included a contribution from our former Ukrainian operations. In addition, Free Cash Flow was impacted by higher CAPEX excluding Ukraine. At the same time, this was nearly entirely offset by strong core Russian performance — reflecting the health of the underlying business — as well as relatively lower tax payments and financing costs.

Turning to the balance sheet. We continued to make progress on optimizing our debt portfolio amid a favorable interest rate environment. In Q4, we took a number of notable actions, including restructuring and raising a loan with Sberbank, as well as signing a preferential loan agreement with VEB.RF to finance digital projects at a state-subsidized rate. At the end of Q4, our gross weighted average interest rate declined to 6.3%, down 136 basis points year-over-year. Overall tenure remains healthy with a comfortable repayment schedule. At the end of the year, the current portion of outstanding debt stood at less than 10% of the total and our level should remain relatively steady at the comfortable level.

Now, let me hand it back to Alexey for his closing remarks.

Alexey Kornya, President & CEO

Thank you, Andrey. I'm encouraged by our 2020 results and the solid progress we achieved across both core connectivity as well as new growth segments. Looking ahead, there remains significant uncertainty in 2021 — above all the timing and pace of roaming recovery as international travel resumes. At the same time, we have tailwinds working in our favor. Such as low roaming base, head room for ARPU growth and sustained momentum in new segments.

Taking all factors into account, we're providing initial 2021 guidance of 4% or higher growth in both group revenue and adjusted OIBDA in 2021. This upbeat target is a reflection of the confidence we have that MTS will deliver in the year ahead. In addition, we expect cash CAPEX to come in around RUB 100-110 billion for the year. We recognize that this is a material increase, which should reflect several factors, including forex rates, the competitive environment, and our investment plans in new segments. We see 2021 in particular as a critical year for the execution of our growth strategy and we are prepared to make smart bets for the future.

Turning to shareholder remuneration, for the year we came in slightly above our minimum dividend policy target, on top of which we paid out a special dividend and carried out a RUB 15 billion buyback program. Overall, in 2020 MTS delivered record high returns for shareholders. Looking ahead, 2021 will be the last year of our current dividend policy. As you know, our policy

is based around an absolute per share minimum payout. While this provides a predictable baseline, we appreciate that it can also limit market expectations of dividend upside on the back of strong operational performance. We understand this issue and will take it into consideration when formulating our new dividend policy that will take effect in 2021 [corrected: 2022]. Moreover, following our buybacks there are fewer MTS shares outstanding, which provides additional flexibility in increasing the payout per share. In this context, given our strong results, cash position, and 2021 outlook, MTS management plans to recommend an increase in our per share regular dividend payout in 2021 above the level in 2020.

Two years ago, we embarked on a journey to become more than a telecom. We are now well underway. We have mapped out the road forward. We have put a strong team in place. And we have gained momentum toward becoming Russia's premier network-native with a system of digital products and services. So with that, let me hand it back to Polina for Q&A.

Q&A

Polina Ugryumova, IR Director

- Thank you, Alexey and thanks to the rest of the speakers. As we take questions, please be aware, there may be a slight delay for translation. Operator, with that, let's open up the line for questions.

Operator

[Gives instructions]

And the first question we received is from Ivan Kim of Xtellus Capital. Your line is now open. Please go ahead.

Ivan Kim, Xtellus

Good evening. Two questions from my side, please. First on CAPEX, I was wondering, the CAPEX guidance is fairly wide. So, what would prompt you to spend RUB 110 billion, let's say, over RUB 100 billion? So what [unclear] a kind of higher spending, what will it be driven by? And then also on longer term, is it safe to assume that the CAPEX will be now above RUB 100 billion mark for the next few years? That's the first question. And then the second question on just the trends that you're seeing in January-February on mobile service revenue growth. The exit growth was pretty good, strong, didn't decelerate in the domestic business. So are you seeing the same kind of 6% growth in January-February? Thank you.

Alexey Kornya, President & CEO

Ivan, thank you for the question. CapEx range will be defined by the pace as we embark on our digital investment projects [and] forex dynamics, and that is basically where we see — [also] whether there will be new initiatives on investments and new projects and ideas, which we'll face in next year — so that they will affect the overall CapEx. This year, actually. So three factors.

And with the mobile services revenue, I'll pass it over to Inessa.

Inessa Galaktionova, First VP for Telecommunications

Yes. So my answer will be pretty short. We do expect positive growth dynamics in Q1. This year, as you know, it will be some slight price increase, which was actually briefly discussed with a regulator. So we do expect the positive trend in Q1 in mobile revenue growth, but not on the level of Q4.

Ivan Kim, Xtellus

Okay. Thank you for this. And Alexey, can I just follow up on the longer-term CapEx? So do you think the longer-term CapEx will stay above RUB 100 billion now?

Alexey Kornya, President & CEO

Yes. Not necessarily. I think it will depend on the number of factors, including the need for 5G investments and Forex dynamics.

Ivan Kim, Xtellus

Okay. Thank you.

Operator

The next question we received is from Slava Degtyarev of Goldman Sachs. Your line is now open. Please go ahead.

Slava Degtyarev, Goldman Sachs

Yes. Thank you very much for the presentation. Couple of questions. Firstly, can you comment on the scope of the 5G CAPEX investments in 2021 and also the use-cases that you're deploying that CAPEX for? And also how is the economics there? Do you recover those investments in a short period of time? And my second one would be, if you can provide a few details on the benefits of the partnership with Yandex on the premium subscribers, and whether there are any early results there. Thank you.

Alexey Kornya, President & CEO

On the CAPEX, there will be no material 5G CAPEX in 2021. Since there still remains uncertainty over frequencies, as well as the local equipment requirements for 5G network rollout, no material 5G CAPEX in 2021. And for the second, I'm passing to Slava.

Vyacheslav (Slava) Nikolaev, First VP for Customer Experience, Marketing, & Ecosystem Development

It's very simple. MTS customers of MTS Premium can get Yandex.Plus at a cheaper price and could get also a month free of charge and it works vice versa too. So we are mutually expanding the number of customers who use services of two ecosystems at a discount. And we believe, of course, we are selecting the partners in this initiative and we think this is definitely for the benefit of MTS customers.

Current results are – it's too early to speak about current results. We see a good response when we were delivering the message to subscriber base, but it's still at the very early stage of this curve that I think will show significant results. So it's not going to be 1% or 2% of [penetration of] MTS Premium, I expect it to be closer to 10-20%.

Slava Degtyarev, Goldman Sachs

Thank you very much.

Operator

The next question we received is from Mike Standler 32:44, Venician Capital. Your line is now open. Please go ahead. Mr. Stander, your line is now open. Are you on mute maybe?

So we go on to the next question. It's Anna Kurbatova from Alfa-Bank. Your line is now open, Madame. Please go ahead.

Anna Kurbatova, Alfabank

Good evening. Thank you very much for taking my question. First question is also follow-up on the CAPEX guidance. I wonder what amount within this guidance represents maybe rollover of projects which were not completed last year? And the second question, if you could give some update on your media vertical because you established the entity one year ago more or less, and it's interesting in terms of the progress there, in terms of your plans for the in-house content development. And also if you could provide some update what's going on with the MTS Arena. So when it will go operational. Thank you.

Alexey Kornya, President & CEO

Well, on CAPEX guidance, historically, it is a high portion of rollover projects because this is time-consuming [infrastructure] investment. So [that's] usually about 30% of our CAPEX. So higher comes as a rollover. But of course, the decisions on 2021 CAPEX are usually taken [in] late 2020 or early 2021. So you have a full capability to define the level of CAPEX each year.

Vyacheslav (Slava) Nikolaev, First VP for Customer Experience, Marketing, & Ecosystem Development

And on media vertical update. First of all, we see — apart from the figures that I told you earlier which are I think impressive by themselves — we can also say that we see a major improvement in the product itself. We have an application that has much higher marks in all stores given by our customers, which is a great thing. Secondly, we have a better retention of customers because we have better libraries in the application. And most importantly, I think is that later this year, or pretty soon, I'm not saying the date, very soon you're going to see a major relaunch of MTS TV with original content and a lot of new features. So as I say, stay tuned, it's going to be interesting and it's going to be soon.

On MTS Arena, we expect it to launch in the middle of this year. It will be technically ready before that, but the main point is an ability to create the proper lineup for offline concerts, which is not an easy task now because international travel is still restricted and there are still some concerns about how it's going to match the flow of the pandemic. So the exact date is still unclear. It's definitely this year. My suggestion is that it's going to be slightly closer to autumn, but it still has to be determined.

Anna Kurbatova, Alfabank

Thank you very much for that. Maybe, just a quick follow-up on CAPEX. There are some operators that were allowed to save something in terms of Yarovaya related project last year. So, the government allowed to respond some of capacity expansion to later years, I mean, the COVID pandemic. So, could you update on what's going on there? So, if you understand something last year on Yarovaya, does it mean that this year, you will need to invest for what was initially projected for the year 2021 and plus what was the underspent for last year, or it's will be more of some kind of softer trajectory? Thank you.

Alexey Kornya, President & CEO

Thank you. The limitations or ease on our Yarovaya spend does not relate to the first phase of Yarovaya infrastructure buildup. So effectively, we'll have to build what was initially planned. So

the [ease] on future CAPEX after the initial infrastructure was provided by those adjustments that you just mentioned. However, the initial infrastructure needs to be built at the initial design and initial capacity. That's the commitment, which we identified of [CAPEX spending] of 50 billion [rubles] over the five-year period [which is] still intact.

Anna Kurbatova, Alfabank

Thank you very much.

Operator

And the next question is from Maria Sukhanova from BCS. Your line is now open. Please go ahead.

Maria Sukhanova, BCS

Good afternoon. I have three questions. So the first one, you've mentioned price increase for your existing customers. Could you please specify what was the average percentage? Second, you also mentioned that you see lower turn on convergent offers, is there any number that you could share with us, or have a better understanding of how it works. And thirdly, the words, an article in Kommersant saying that you have this experiment of free access to socially important sites and there was another question that it might be expanded into video. Is this true? Are these kinds of discussions happening with the carriers, and if they are how significant do you think they are? That's it.

Inessa Galaktionova, First VP for Telecommunications

First of all, I will answer the first question on the tariff adjustment; actually, it's very limited one. So, it's not even material in terms of the level of increase [for individual tariffs].

Vyacheslav (Slava) Nikolaev, First VP for Customer Experience, Marketing, & Ecosystem Development

On the second question, I can answer that, there are different convergent offers, and when we're talking about mobile plus fixed, usually the churn rate is less by 1.5-1.7 times. So, it's already significant. When we have more products in one convergent offer like for Netarif [subscription], if the client gets three and more services, then it's lower to up to three times.

Alexey Kornya, President & CEO

And on the accessible internet project, the discussions right now are in place [ongoing]. So, it is too early to say, what will be the final constellation of this initiative from the government.

Maria Sukhanova, BCS

Thank you.

Operator

Before we take the next question, let me remind you, if you would like to ask the question, please press zero one on your telephone keypad. And the next one is a follow-up of Ivan Kim. Your line is open again. Please go ahead.

Ivan Kim, Xtellus

Hi, again. Just two quick questions on buyback. So, do you foresee conduction buyback this year? And then secondly, on the MTS Bank capital injections that you mentioned before. So,

what sort of a range shall we expect there above RUB 5 billion? Could you give us any guidance on that? Thank you.

Andrey Kamensky, VP for Finance

Yes, Ivan. Thank you. I'll take both questions. On the buyback program, actually, based on the very good results of 2020, I think that we are going to very soon announce another buyback program. It's not defined yet. But most probably, it will come. In terms of MTS Bank capital injection, actually, it will depend on the dynamic of the bank. So far, we see that it's growing quite rapidly based on the first month of this year. So of course, it will depend on that, but so far the estimation is a bit less than RUB 5 billion.

Ivan Kim, Xtellus

Great. Thank you very much, Andrey.

Operator

The next question is from Henrik Herbst of Morgan Stanley. Your line is now open. Please go ahead.

Henrik Herbst, Morgan Stanley

Yes. Thanks very much. I have a few questions please. The first one, just if you can now, talk a little bit about the cash flow expectations for 2021. I know you can you help us with EBITDA and CAPEX, but below that, is there anything in particular we should be aware of maybe, you can help us at least with how we should think about working capital going into 2021?

And then secondly, when you think about the investments in content, how do you think about that business? You start to think about it as a standalone business, with content investments and a TV business generating sort of standalone returns or is it part of the returns essentially coming from lower churn, et cetera, in the mobile business. So, how do you think about the investments in that business? Thanks very much.

Andrey Kamensky, VP for Finance

Henrik, thank you very much. In terms of the cash flows for 2021, I think you have all the components actually; we gave guidance on OIBDA and on CAPEX. In terms of the working capital usually, it's not that material on the cash flow, although we are constantly working from one year to another to optimize it. So, I think it would be more or less comparable [for] this year.

Alexey Kornya, President & CEO

As far as the content investment concerns, we are not looking at a certain particular content production. Of course, we are following and doing all the analytics of what is the activity with this specific content being our own production or partners' or acquired and so on and so forth. However, of course, we are considering it in a more complex way. We're chasing effectiveness. But as far as the return on investments, we are looking at these convergent offers, the bundling of this product into our packages and effectiveness of overall, our media business, which includes also satellite TV, IPTV, cable TV. So, it is not only online media platform, it's all the complexity, where our content will be delivered. And we quite a scale, which allows us to do those content investments. Because right now, [we have] more than 5 million customers in our media business. That includes all means of delivering content, which I just mentioned, mobile, OTT, satellite, IPTV, and cable.

Henrik Herbst, Morgan Stanley

Thank you very much.

Operator

And the next one is from Mike Stander again. Your line is now open. Please go ahead. So, Mr. Stander, we still cannot hear you.

So, we'll take the next one from Nikhil of HSBC. Your line is now open. Please go ahead.

Nikhil Mishra, HSBC

Hi, thank you for the presentation. Just one question, integration revenues were quite strong in Q4. Can you give a bit of color on what were the key drivers and also some outlook for 2021?

Alexey Kornya, President & CEO

We apologize. Could you repeat the question? We didn't get it fully.

Nikhil Mishra, HSBC

Yes. So integration revenues were quite strong in Q4. So, can you give us a bit of color on what were the key drivers and also any outlook for 2021?

Alexey Kornya, President & CEO

You mean what were the drivers of revenue growth and what is the...

Nikhil Mishra, HSBC

Integration revenues.

Alexey Kornya, President & CEO

Integration revenue, okay.

Nikhil Mishra, HSBC

Yes.

Alexey Kornya, President & CEO

Honestly speaking, not fully getting which line you're referring, because this year this quarter after a deconsolidation of NVision, we are showing the figures already without integration services revenue. So, to what you might refer is the cloud business, where we had some growth and positive strong dynamics. Also, we have quite good dynamics on sale of equipment. We'll check, I suggest to take it offline, we will check and you connect with our IR team to specify what exactly line of our P&L you refer, so that we can specify.

Nikhil Mishra, HSBC

Sure. Thank you.

Alexey Kornya, President & CEO

Okay. I think we got this [answer]. In Czech Republic, we have a plant with some equipment production – and because of forex dynamics with quite good growth [of the] Czech crown, we had strong positive impact from our Czech business, but it wasn't that material.

Nikhil Mishra, HSBC

All right. Thank you.

Operator

The next question is from Alexander Vengranovich of Renaissance Capital. Your line is now open. Please go ahead.

Alexander Vengranovich, Renaissance Capital

Yes, good afternoon. Two questions from my side. So, first one on your mobile retail. So, we've seen that over fourth quarter, there was some slight increase in the number of the stores, which kind of contradicts the previous trends we've seen through the whole year. So, I'm just wondering how should you look about your store counts this year, whether you continue to plan the reduction of the number of the stores and how do you see your competitors reacting on that? Is that a market trend, which continues this year?

And second question is on your – probably M&A strategy in your B2B business. So recently, there was an article in the press that you might be potentially looking at an acquisition of the MTT, which is focusing on different types of the B2B products in [unclear]. So I'm just wondering whether these types of the services, is it a focus for you, for your B2B segment? Do you continue to plan to enrich your product offering for B2B clients and whether you have any aggressive plans maybe, for the development of your cloud business, because obviously, you are a number two player on the cloud market. You also have quite strong presence in terms of the data storage capacities. So, can you also please provide some more color on what are your plans with regards to the development of this business segment this year and going forward? Thank you.

Inessa Galaktionova, First VP for Telecommunications

Okay. I will take the first question regarding retail. So, first of all, we have the stable situation with a number of retail stores. In 2020, we optimized 600 of stores [by H1 2020] and in Q4, we neither [significantly] increased nor decreased any stores. In 2020, actually, we are not already taken into our consideration any further retail optimization – footprint optimization – because we don't see the number of stores already as a big factor for any distribution, as any kind of a big influence for the self-distribution. So, in the current phase as well, we don't see any competitive dynamics happening in the retail footprint optimization. So as well – we don't plan to do any steps in that area.

Alexey Kornya, President & CEO

And as far as our M&A strategy concerns, yes, we do look at non-organic opportunities for expanding our business in our existing verticals, as well as beyond those verticals. And speaking about existing businesses, yes, we see interesting technological opportunities, we are considering them. They need to be complimentary. They need to be positive business case of internal development versus non-organic growth. And also we need to have positive [prospects] for the market growth in particular segments.

If we talk about B2B segment, which is a slightly different topic. We believe that we have a very good and strong potential in B2B segments, especially with the development of 5G era, which I think will be even more important, because it is internet of things. And those things will be very much delivered to customers and will be brought to the market through the corporate segment. So, B2B is becoming more of our focus in [terms of] importance. And in this context, we think of developing our B2B ecosystem. For that reason, we [are building] a separate digital B2B and cloud vertical. And that helped us already, as you rightly mentioned, to become [the] number

two cloud provider in Russia although a year, two, three years ago, we were not visible in this market. And cloud is one of the most promising segments — including potentially edge cloud — and in cloud businesses we will be investing. And this is one of the most interesting areas in corporate segments which we see and where we will have active investments.

Alexander Vengranovich, Renaissance Capital

Thank you.

Operator

The next question is from Anna Kurbatova of Alfa-Bank. Your line is now open. Please go ahead.

Anna Kurbatova, Alfabank

Thank you very much for taking my follow-ups. Basically, the first one is just a clarification. You mentioned in the introductory speech that the Q4 EBITDA was impacted by provisioning, so, is it possible to share with us a rough estimate, a rough number for the amount of provisions. And the second question, also to double check the timeline [of] the new dividend policy. So, would it be correct to assume that the board of directors will make a decision maybe, in April-May? And the new dividend policy will be applied from 2021. So, the interim dividends, which you normally announced in October-November already will be paid that amount in line with the new policy. Am I correct? This is the question. Thank you.

Andrey Kamensky, VP for Finance

Yes, Anna. Thank you very much. I'll take the first question. In terms of OIBDA dynamic in the fourth quarter, as we mentioned actually, besides all the positive factors that we saw in the fourth quarter, it was constrained by a number of factor: some provisions on the bank caused by the pandemic. And also, some provisions that we made and we booked that in our judgment were prudent to make and the biggest part of them are related to operational provision concerning specific business activities. So, there's not something specific in that, that's a [part of our] regular core of business that we're making.

Alexey Kornya, President & CEO

And speaking about dividend policy, as I mentioned in my speech, we will not revise [the dividend policy] this year. So the timing for new dividend policy will be spring next year. And we will take into consideration that the current dividend policy is limiting an understanding of upside or following the good and strong results which we are traditionally delivering. And taking this into consideration, this year we will recommend a higher than our fixed figure of dividend in our dividend policy. We will recommend to the board a higher figure. So demonstrating that there is an upside, if there are strong results and good guidance.

Anna Kurbatova, Alfabank

Thank you.

Operator

And the next is the follow-up of Henrik Herbst [Morgan Stanley]. Your line is now open. Please go ahead.

Henrik Herbst, Morgan Stanley

Yes. Thanks very much, I realized that it's getting little bit late. Just a quick follow up. In the last call, you were expressing some concern around mobile competition. I guess, I just wanted to check whether anything changed. I mean, arguably your decision to raise pricing would suggest you're not too concerned about competition, but I just wanted to double check. Thank you.

Vyacheslav (Slava) Nikolaev, First VP for Customer Experience, Marketing, & Ecosystem Development

You know we see that pricing environment in Russia is pretty healthy now. I agree we've seen some movements from different operators in the fourth quarter, but it seems that especially given that our new propositions are mostly convergent. Some of them really couldn't be compared to those of our competitors. We saw no real impact on our figures by those movements. And in the first quarter we don't see any continuation of that. So we strongly believe that the pricing environment is going to be healthy in 2021.

Henrik Herbst, Morgan Stanley

Great, thank you very much.

Operator

And again, as a reminder, if you would like to ask a question, please press zero one on your telephone keypad. And the next question is a follow-up of Alexander Vengranovich. Your line is now open again, please go ahead, Sir.

Alexander Vengranovich, Renaissance Capital

Thank you for taking the follow-up. And just one question on MTS Bank. So, if you look at the number of the customers during 2020, obviously there was no big increase in that number. And we haven't seen any visible impact on the improving number of the consistent customers at MTS Bank. So can you please share with us your plans or maybe whether this stable number of the customers is a concern for you and you want to accelerate customer acquisitions this year. You mentioned plans to launch and use intact products, and also provide an indication that the bank might require additional capitalization. Are these things connected between each other, so the main idea is actually to drive the number of the new customers of the bank? Thank you.

Ilya Filatov, VP for Financial Services and CEO, MTS Bank

[via translator]

Thank you for your questions. Obviously, the number of active clients at MTS Bank is one of the most critical methods for the bank development. Looking back on 2020 performance and on 2020 environment, we can confirm that the pace of the new sales growth was below what we expected in the beginning of last year. That's why the current dynamics of the active customers at MTS Bank looks more or less okay for us. When we addressed our [ambition] to get to 10 million Bank clients back in November, 2019 at our strategy day, we were referring to the overall number of clients which are Bank clients as well as FinTech clients.

Our expectation by the end of 2021 is that we are targeting to achieve close to 10 million clients if accounting together active MTS Bank clients as well as FinTech clients, which are non-bank clients but still using financial services within the MTS Group.

And when we talk about the potential capital injection in the MTS Bank, we first of all are thinking about this injection as a support to maintain MTS Bank growth above the market average growth, rather than thinking about being compliant with regulation. Regulation is not a problem.

So the main goal for the capital injection is simply to maintain the bank growth rate above market average. As an example, last year the overall industry in the retail loan segment grew 8% to 12% and this is significantly below the around 30%, which was performed by MTS Bank. Sasha, have we answered your question?

Alexander Vengranovich, Renaissance Capital

I think, yes. I think the key issues that it's probably difficult to define this 10 million of clients. I mean, in terms of the usage of the services, obviously the client which has a bank account and the client which just uses whatever one money transfer service during the month, obviously the value of this clients might be dramatically different to your overall ecosystem. This is just my concern on this. So I can't add more to that. So we'll be looking at your dynamics in that business segment. Thank you.

Polina Ugryumova, IR Director

Thank you, Sasha. We have taken your concerns, we'll definitely get back to you offline from IR side.

Alexander Vengranovich, Renaissance Capital

Thank you.

Operator

As there's no further questions, I'll hand back to the speakers for closing remarks.

Polina Ugryumova, IR Director

Ladies and gentlemen, thank you very much for listening. As usual, we will make a replay of this call available on our IR web page in the near future. If you have any further questions, please do not hesitate to reach out to MTS Investor Relations at any time. Our inboxes and phone lines are open. In the meantime, we appreciate your interest in MTS and wish everyone a pleasant day. Thank you.