

Orange Polska

CONFERENCE CALL TO DISCUSS ORANGE POLSKA FIBERCO PROJECT.

Company: Orange Polska

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Participants:

- Jacek Kunicki, Chief Financial Officer
 - Leszek Iwaszko, Head of Investor Relations
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Leszek Iwaszko, Head of Investor Relations

Hello, welcome everyone to our call regarding FiberCo project. Speaker for the call will be today Jacek Kunicki, our CFO. Let me hand the floor to Jacek.

Jacek Kunicki, Chief Financial Officer

Thank you, Leszek. Good afternoon, everyone. Thanks for finding the time to dial in into our call. What we wanted to do is to take this time to go over the FiberCo deal that was signed over the weekend, and to explain the rationale and the details of our endeavor. We've published a short presentation which we will use to assist our explanations.

The highlights of the project are laid out in six clear points on slide 2. They basically include building out 1.7 million of new households connectable in low and mid competitive areas. FiberCo will build these lines in an open access model. So, we will benefit both from retail and wholesale margins. The deal that we've signed over the weekend assumes that it will be a co-controlled joint venture with an independent balance sheet. Obviously OPL will be a core tenant and the key industrial partner for the FiberCo. We've gained attractive terms for the sale of the 50% stake. And I think this is both a success of this particular project, but it also shows the underlying value of the assets, especially for the fiber assets that we have in Orange Polska. And obviously, Światłowód Inwestycje will significantly contribute to the social development of the areas that are targeted for its footprint.

Now, let me walk you through the details of this agreement starting with the fiber rationale on slide 3. Here we are explaining what we're going to do in this fiber project. Fiber rollout was a key element of the Orange.One Strategy. We delivered on our ambition to have 5 million households within reach. But obviously, we want to continue to expand it. Why? Because penetration of fixed broadband in Poland is very low, especially if we take into account fast connectivity of more than 100 megabits per second. While centers of big cities are well covered and usually there are few competing infrastructures there are plenty of areas in Poland that rely only on inferior copper technologies, and wireless for fixed. When we built our fiber, we see big customer demand in the undersupplied areas, such as smaller cities or outskirts of big cities. This demand is obviously on the rise due to the continued digitalization and the consequences of the pandemic. So far, we're satisfied with our fiber investments, including the penetration rates, and the rate of return that we are achieving on these. And that's why we have decided to continue the fiber rollout in Poland. We see fiber as a key engine for our commercial strategy. And I'm convinced that this network will constitute a competitive advantage for decades to come. The FiberCo concept is the best way to pursue further fiber rollout, and this is our main motivation for this project.

Now, where will FiberCo operate, this is shown on the next slide, on slide 4. It will operate in first of all open access models, so it will offer services to Orange Polska but also to other competitors on equal terms, on the same terms. Why open access? The footprint of the FiberCo is located in mid and low competition areas from the perspective of fast internet connectivity. So, an open access network is beneficial for us in three points, from three angles. Firstly, it allows to maximize customer take up and consequently the project IRR. We need to know that we are satisfied with both, our retail margins in FTTH, as well as with the FTTH profitability in wholesale. Secondly, it discourages potential overbuild by other infrastructure providers of FTTH or fast internet connectivity. And finally, it allows us to make this infrastructure available to other operators on predictable terms or known terms versus the risk of less predictable regulations upon a forced opening, a regulated opening in the future. Please note that vast majority of FiberCo footprints will be on areas of low and medium competition as far as fast internet is concerned.

This joint venture gives us the opportunity of gaining additional fiber footprints, a very considerable fiber footprint without spending of around PLN 3 billion of capex. And this is only possible if we open up this network to competition. And then the risk profile from the infrastructure perspective is much lower. On this slide, you can see examples of areas where FiberCo will build. They will be located in different parts of Poland, they will include small cities not yet covered with fiber, suburban villages, residential housing districts, and densification of existing fiber infrastructure. They were very carefully selected with us using our six years of experience and know-how in building fiber; and taking into account the existing infrastructure, technical aspects, including various permissions and anticipated customer demand. These will

be in low and mid competition areas, which means that either there is none or there is low quality of high-speed broadband infrastructure.

Turning to page 5, FiberCo will be a co-controlled entity with Orange Polska and APG having a 50% stake each. This means that neither of the equity partners will have an effective control over this entity. So, how it will be reflected in Orange Polska financials? We will consolidate it using equity method which means that it will be accounted for in one line of the balance sheet as an investment. We will not consolidate FiberCo's EBITDA and transactions with the FiberCo will be treated as external party transactions. In our P&L, we will consolidate 50% of FiberCo's net result, this will be below the EBITDA. Consequently, neither FiberCo's capex nor debt will appear in our financial statements. The FiberCo will have its own debt financing of around PLN 3 billion. And this debt will not be guaranteed by Orange Polska, this is a non-recourse debt facility. Negotiations with the financing banks were equally crucial for this transaction, as were negotiations with investors, this debt facility will cover more than 80% of the total capex planned until 2025 and it will basically cover the fiber rollout capex. Capex for the network rollout for 1.7 million households is estimated at PLN 3 billion plus some costs of connecting the customers, so typical costs of final delivery. The unit cost of rollout will be higher than it was in OPL, mainly because FiberCo will have to build some transmission network. And this capex in case of OPL was not reported as part of fiber. Also, what impacts the capex is that FiberCo will build in different regions of Poland, so, investments will be dispersed, and we envisage a significant 40% to 50% share of single-family homes, houses and townhouses.

Turning to page 6, here we show the main flows of different services between the FiberCo, its clients and Orange Polska. We have been building fiber for the past six years. and we are by far the most experienced in this area in Poland. This covers not only technical aspects, but equally important know-how regarding dealing with local authorities, infrastructure owners and many different legal bodies. So, it's natural for FiberCo to capitalize on these proven network construction abilities. Orange Polska will manage the construction of the network using our unique system of subcontractors and service partners. We will also render a variety of services to the FiberCo including service delivery, network maintenance, connection to the world internet as well as support services like IT or accounting. All these will be provided on owned land spaces. Naturally, FiberCo will offer its services to Orange Polska and other operators that will be interested in buying them in those particular areas. So, OPL will be a natural anchor tenant for FiberCo services. And here please note that what is important, there is no commitment from OPL regarding any minimum purchases of services that we would need to buy, we will be paying a variable fee per our retail clients that will be connected to this network. So, on the one hand, we will be paying a BSA monthly fee for using FiberCo's infrastructure to connect new retail customers; on the other hand, we will have new revenue streams from the FiberCo for the services that I have just mentioned. As a result, we expect the EBITDA impact of the trade between Orange Polska and FiberCo to be quite balanced regarding the impact on our EBITDA.

While we will obviously benefit from the retail margin on the additional footprint, on serving our customers on the additional footprint.

Switching to the next page and switching to the financial aspects of the transaction that we have just signed. That transaction enables us to take advantage of high valuations of infrastructure assets by executing the sale of a 50% stake in the FiberCo. We're happy and proud that our partner will be APG, which is the global leader in infrastructure investments. The valuation of the FiberCo was reached through a competitive process. It reveals the underlying value of Orange Polska assets and demonstrates strong value creation achieved through our FTTH strategy that was initiated six years ago. The proceeds will significantly strengthen our balance sheet. They are an important building block of the new strategy that we will present to you soon. We will receive almost 900 million on closing, which we expect by the end of August, the remaining part of the proceeds will be received between 2022 and 2026. And they are conditional on us delivering on the scheduled network construction, which we're confident to deliver on time and in budget.

The business case assumes that the project will require both partners to inject around PLN 300 million of equity capital to FiberCo, most of it in 2024 and 2025. That transaction will result in Orange Polska booking a significant gain in our P&L this year. Today, we're not in a position to precise this yet, we will announce this immediately as soon as we will know it.

Last but not least, let me underline that this transaction fits well into Orange Polska strong focus on environmental and social aspects. We believe that the telecom industry has an important role to play in helping consumers and business alike to reduce carbon emissions. Development of very fast and efficient broadband network which drives the shift into digital fits well into this task. These processes are obviously additionally accelerated by the pandemic. We're convinced that FiberCo project will contribute to the development of the local economies in its footprint. This is digital infrastructure of Poland and will help us to further minimize digital exclusion.

Thank you for your attention. We're now ready to take your questions.

Operator

Thank you very much for the presentation. [Operator Instructions]. Our first question comes from Ivan Kim from Extelus Capital. Please go ahead, Ivan. Your line is open.

Ivan Kim, Extelus Capital

Hi, thank you very much for the opportunity. I have three questions, please. First of all, on dividends. When do you think we'll know whether this transaction paves the way to resuming

dividends? Secondly, on capex on '21. Can you just remind us what the capex would have been in '21 ex FiberCo, so ex whatever capex will be deconsolidated now? And then secondly, what do you expect for the wholesale rate and take up rates, long term for this company? Thank you.

Jacek Kunicki, Chief Financial Officer

Thank you very much for your questions. I think starting with the dividends, obviously, this transaction is significantly strengthening our balance sheet. And that is one of the conditions that is very helpful towards us getting back to the dividend someday. We will address the precise question of dividends with the strategy that we plan to disclose in the second quarter of the year. However, since the very beginning, we've noted three developments that need to be monitored with regards to the dividends. They obviously include the FiberCo project, and its positive impact on our balance sheet. And here, by being able to tick this box, it is an important development. They also include the 5G spectrum auction, and its conditions. And as of today, we don't have the knowledge on the conditions and on the precise timing of the 5G auction; I will remind you it was expected to take place last year and it's continuously being moved forward. We are eagerly anticipating what will be the conditions of this auction. There is the pace of economic recovery, post-COVID crisis. Obviously, we know that we are in another wave and another lockdown and the crisis is far from over. So, we're monitoring all of those, we are monitoring the economic impact on us, short but also medium term. We're monitoring the spectrum conditions; these are not known yet. Definitely this is a positive development, it allows us to strengthen our balance sheet. But we will precise and address the question of dividends in the strategy day, which will be somewhere towards the end of Q2.

Now, your second question on capex. It really depends how you look at that. The original Orange .One strategy had assumed that we would stop fiber rollout post 2020, did not assume fiber rollout after 2020. So, it was a choice of do we continue to invest heavily into fiber, and at the same time do we need to fit in our capex the costs that inevitably will come with the 5G rollout; or are we able to finance it in a different way. This transaction was already envisaged by us when we have guided for the e-capex for this year to be between PLN 1.7 and 1.9 billion. This guidance does assume that we will invest still quite heavily into fiber this year. So, you can expect the fiber capex of Orange Polska this year to be not so much different from the amount that we've spent last year. Yes, it will be lower on the bills that we realize by ourselves. On the other hand, we have the project with the European subsidy, POPC, the digital Poland project, which is basically in its peak this year. And our fiber capex always included, it does include still the capex for the B2B, which stays on the Orange Polska side and the capex for CPE and delivery which stays on the Orange Polska side. So, for this year, I would say it's comparable. For 2022, obviously, we will get the full benefit of the FiberCo. So, here the benefit will be much bigger, I would say in comparison to 2020. It's on the fiber side could be a benefit of around 280 up to 300 million. But then we need to remember that this will be a year where we will most likely

start rolling out 5G network on a significant scale. So, I will refrain from guiding more precisely regarding the capex for 2022 now. And we will address it in the strategy day. But I think we need to remember that on one hand, we will invest less into fiber, but we will start rolling out 5G.

And then in terms of the wholesale rates, I think it is fair to say that these will not be --the precise rates have not been published yet, I think it's fair to say that they will not be much different than the regulated rate that you see for the BSA on fiber footprints right now. So, it will not be a surprise or a shock neither for us nor for other wholesale clients of the FiberCo to see those prices published, when we will be in a position to publish them, when the FiberCo publish them.

Ivan Kim, Extelus Capital

Great, thank you Jacek.

Operator

Thank you very much. Our next question comes from Mr. Pawel Puchalski from Santander. Pawel, your line is open.

Pawel Puchalski, Santander

Hello, congratulations on the deal. A few questions from me. Just to confirm if the transaction has been made on the first of January 2021, what would be impact on EBITDA? What kind of loss if any EBITDA loss should be included in our models? That's my question number one. The other question relates to -- well I read in your communique that Orange Polska will guarantee construction of the network within a predefined budget. Shall I read it as you guarantee that the capex for the total 1.7 million to be built fiber will not exceed certain amount? That would be my other question.

Jacek Kunicki, Chief Financial Officer

Thanks for your question. Starting with the EBITDA, I think it is fair to say that if we had started the EBITDA on January 1, so the full-year impact of EBITDA, I would call it rather neutral. Because we both have services that we will need to buy from FiberCo, which we on a normal basis would have not needed to buy, because we need to buy access for the 160,000 clients that we have in the footprint that we are moving to the FiberCo. On the other hand, we have various services that I've mentioned that we will render to the FiberCo, and so the balance of those, I would call rather neutral for the EBITDA.

And then your second question concerns the committed capex. Yes, we have included in these agreements, the commitment to guarantee basically, the prices at which we will build. Obviously, this means that if everything goes well, if we're able to build on time and at budget, then Orange Polska will earn a fair margin. And then on the other hand, if we were to be in a situation of a capex overrun, we would need to reflect this in our profit and loss statement, it means we will be building with a loss. We believe that looking at the areas where we are building and having paid sufficient attention to the topologies, we believe that we've assessed the cost to build in a safe way. We obviously have taken into account the growing costs linked with inflation pressures. And we do believe that we will be able to deliver this network on budget, at time and being able to earn a fair margin.

Pawel Puchalski, Santander

If I might expand because, my fear turns real. So, what is your -- of course, you will not give me any precise guaranteed capex per line, per household, but what is the CAGER of capex per household assumed by Orange Polska? Because then we will be roughly able to recalculate whether you are on the safe side or not.

Jacek Kunicki, Chief Financial Officer

As I mentioned, Pawel, you're able to calculate the capex and the unit re-capex albeit on a very average basis by dividing the capex facility of 3 billion by 1.7 million households that the FiberCo will build. You will see the capex that is at stake, you will see that this is higher than what we've been reporting and what we've been spending in Orange Polska due to the transport the transmission network that I've mentioned, also due to the topographies, and the fact that we all assume that costs will grow over time; and this is a five-year capex facility. So, you will need to take your own assumption how safe this is or how safe this is not. I do believe that we have structured this in a way that will allow us to deliver this on budget and to earn a reasonable margin on delivering this capex. It's one of the services that I have mentioned within the EBITDA flows that I was explaining. Because when we are building this capex for a third party, it will be part of the EBITDA equation and the EBITDA flows. So, you will be able to on a recurrent basis see the effects of this.

Pawel Puchalski, Santander

You will receive PLN 0.9 billion when the transaction is closed, and the other PLN 500 million depends on the pace of development of the network. Who is deciding in your venture on the pace of development of the network? Because it looks like it might be crucial whether you will see those PLN 500 million sooner or later. And additionally, if you fail to deliver on certain number

of new households in one year, is the payment to Orange Polska delayed until the next year, or it is lost?

Jacek Kunicki, Chief Financial Officer

Thank you for your question. I think first of all, we've mentioned the total amount, the pace of this deployment has been agreed in the business plan. So, there is an explicit agreement on the pace at which we will want to run it. And we are quite confident that we will be able to deliver this network within the scope, budget and timing.

Pawel Puchalski, Santander

Okay, the most of PLN 500 million, shall we expect it in 2025-2026? Or shall I assume it will be allocated proportionally by some PLN 100 million per annum?

Jacek Kunicki, Chief Financial Officer

I don't think you should expect that we will build the entire network in the last year of the rollout. So, I think if you are modeling for yourself and if you're assuming a proportionate allocation, it's probably the safest way for you to model.

Pawel Puchalski, Santander

Got it. Thank you very much.

Operator

Thank you very much. Our next question comes from Mr. Dominik Niszczyński from Trigon. Please, go ahead Dominik. Your line is open.

Dominik Niszczyński, Trigon Brokerage

Hi. A question on the cost of services from the point of view of FiberCo. You said that in 2021 the EBITDA could be close to zero, as I understand. So, this means that the cost of services that Orange offers is quite high, right. Can you say what are the fixed costs in the FiberCo? I guess they are quite low. Could you say in the long-term, in 5-6 years, what percentage of revenues of FiberCo could be spent on services provided by Orange, a rough view on this?

Jacek Kunicki, Chief Financial Officer

I will not go into the details of the long-term EBITDA of the FiberCo and the dealings. I think what's fair to say is first of all, from the perspective of Orange Polska, I did mention that that the EBITDA upon the trade with the FiberCo should be relatively neutral. And of course, there is an opportunity for us to earn additional margin because we will have retail services that we will sell to our customers in those areas, whenever we sell retail services of FTTH, we're usually able to upsell a lot of mobile on top of that. So, we do anticipate to have a positive impact on the EBITDA from the entire project. While the intercompany settlements should be around neutral between us and the FiberCo. Regarding the EBITDA of the FiberCo, obviously, these types of infrastructure companies tend to have a very high EBITDA rate in the future. But this is part of the business plan, and I will not elaborate on that extensively right now.

Dominik Niszczyński, Trigon Brokerage

Okay. And one more question. So, this capex savings of PLN 200-300 million in 2022 you mentioned, it refers to this year investments versus 2022, right?

Jacek Kunicki, Chief Financial Officer

You could say this is more or less the benefit that we can get by not pursuing the pace of rollout as we had it in 2020, so, I'm comparing to 2020. However, you do really need to take into account that on the other hand, we will be beginning the rollout of 5G which will consume considerable amounts of capex. And this was one of the considerations when we were thinking about this project. The consideration was that, in fact, doing this project allows us to simultaneously roll out 5G network and expand the fiber footprint. So, you can imagine that the financing all of this from our own balance sheet would have had an impact on the capex versus 2020. And we were able to limit that by financing a lot of the fiber capex outside of the balance sheet and financing it through this cooperation in the JV.

Dominik Niszczyński, Trigon Brokerage

Apart from the FiberCo and POPC you expect very limited increase in homes passed in the next five years.

Jacek Kunicki, Chief Financial Officer

Well, that's I think, to be addressed by the long-term strategy that we will publish. I am referring to more automated impact of the FiberCo on to our capex spending in comparison to 2020. And I think that's all right now.

Dominik Niszczyński, Trigon Brokerage

Because it is shown on the presentation, this figure over 7 million, right versus 5 million currently, 1.7 in FiberCo and 0.3 POPC. So, that's why I ask.

Jacek Kunicki, Chief Financial Officer

This is what the FiberCo is enabling us to achieve. When you're thinking about opportunities for further fiber footprints increase, obviously, there will be a lot of opportunities to further increase our fiber footprints. I will start with the POPC you have, what you don't have is POPC of other operators, and further fiber build of other operators, which will most likely be also opened up to the telecom competitors. And we will benefit whenever there is such a chance to connect a third-party network, we will do it. So, I would expect that our fiber reach in the future will be greater than what we show here. What we do show on the slides is what the FiberCo is already enabling us to do. So, it's almost, I would say bankable, assuming that we do deliver the rollout. But it doesn't limit the options. I think there will be more options and a wider fiber reach or footprint potential in the future.

Dominik Niszczyński, Trigon Brokerage

Okay, thank you very much.

Operator

Thank you very much. Our next question comes from Mr. Jacob Bluestone from Credit Suisse. Please go ahead, Jacob. The line is open.

Jacob Bluestone, Credit Suisse

Hi, thanks for taking the questions. I had a few questions. First of all, can you tell a little bit more about how you came to your valuation that this was an attractive deal from your point of view. So, what were some of the things you looked at? Was it sort of the long-term EBITDA of the business? Is that kind of long-term EBITDA or how did you approach the valuation aspect of this transaction? And secondly, I'd just be interested in understanding any minimum volume commitments you've got, and if there are any differences in the wholesale rates that you pay versus what other parties would pay? And finally, I don't know if you can comment on any sort of long-term assumptions around uptake that you expect from the or at the JV. Thank you.

Jacek Kunicki, Chief Financial Officer

I will start with the minimum volume commitments. We do not have minimum volume commitments. As Orange Polska, we will buy access to the services or to the network of the FiberCo whenever we will have a retail customer on the end of each line.

Second, the wholesale rate, as I mentioned, FiberCo has not published its price list yet, but you may expect it not to be that much away of the regulated pricing that we see at the moment, so, it's moderate rates. We will be paying; we will have the same price list that will apply for Orange Polska and for any other operators that will want to participate as a wholesale customer. So, there will be no discrimination and absolutely equal treatment of all of the operators.

In terms of the long-term assumptions, these networks are in areas of medium or low competition. So, if you take a very long-term view on these investments, you can imagine that the penetration from an infrastructure perspective, so ignoring will it be an Orange Polska client or a client of any other retail operator, the long-term penetration rates can be very close to the broadband penetration rates that we have or will have in the future. So, you can assume well in excess of 60%, this is a long-term horizon. And then I will not comment on the valuation itself. This was achieved through a competitive process. We think it's a fair valuation, we're satisfied with having this partner. We think it's a great opportunity for us to build value as it enables us to take benefit from this. I think what's important when you will be making some comparisons between this FiberCo and some of the other FiberCos that are being set up in Europe, is that this one is mostly about new build. It's not a FiberCo where there is awful number of clients on the copper appliance, on different technologies and we're just swapping the technology. It's not a sale and leaseback, it's in fact, a project where we really extend the footprint of fiber. And we really extend footprint of fiber into areas that are not benefiting from this. So, it's a true joint venture with both risks and rewards shared between the partners of this joint venture. Thank you.

Jacob Bluestone, Credit Suisse

Thank you. That's helpful.

Operator

Thank you very much. Next question comes from Mr. Rohit Modi from Citi. Please go ahead, Rohit. Your line is open.

Rohit Modi, Citi

Thank you. Just one question from my side. Sorry, correct me if I'm wrong, you mention about IRR and WACC in the slide after JV, given as you mentioned, the transaction is going to be a bit

unusual for Orange, I believe whatever you will be earning will be from third party. Could you give us more color on the JV level, how that IRR and WACC works out? What are the key assumptions you have on that?

Jacek Kunicki, Chief Financial Officer

Thank you for your question. We don't disclose the detailed assumptions regarding the FiberCo value. I think what's fair to say and we did say it in the slides is that when we look on our existing fiber projects, though the different projects, it's rollout that we have done on our own, it's rollout in the rural areas, which we are doing together with European Union funds, so-called POPC, digital Poland program; it's fiber investments that we do for our key accounts, for our business customers. In all of those areas, we see that the internal rate of return is significantly above our weighted average cost of capital. And we've tested it and proven this right, time after time. So, it is underscoring the value creation that we can achieve with this kind of projects.

Operator

Thank you very much. The next voice question comes from Mr. Marcin Nowak from Ipopema. Please go ahead, Marcin. Your line is open.

Marcin Nowak, Ipopema Securities

Good afternoon, gentlemen. Few questions from my side, I will go one by one. You mentioned that you will earn a reasonable margin on the capex services provided by OPL; so, shall we understand that entire FiberCo's capex will go through Orange's P&L, I mean PLN 3 billion of revenues over the next five years?

Jacek Kunicki, Chief Financial Officer

No, we will not disclose the full PLN 3 billion of this capex in our revenues. You are right to ask this question. But this is not going to be accounted for in such way. The FiberCo will use the system of capex deployment that we have been able to set up over the years in Orange Polska. But it does not mean that the FiberCo will buy all of the services from Orange Polska. It will be able to buy a lot of those services directly from our suppliers and subcontractors while we will have the revenues and the fees from coordinating, managing, supervising and guaranteeing this capex rollout. So, it's a fair question and definitely you should not assume that the whole PLN 3 billion will go through the revenues.

Marcin Nowak, Ipopema Securities

Okay, speaking of reasonable margin, it should be above your current EBITDA margin or below?

Jacek Kunicki, Chief Financial Officer

I think really, you should not compare the margin of a telecom operator, EBITDA margin of a telecom operator with the EBITDA margin of a construction business. I think this is probably the easier comparison to be made, because the type of activities that we're providing, is in fact delivering a network rollout, it's not providing telecom services. So, it's a different magnitude of the margin, I will not disclose the margin in detail, also because as we discussed earlier with your colleague, with Pawel, it will really depend on the cost, because we are guaranteeing the maximum prices. So, we will need to do a true up of what we are able to get. But even if everything was to go according to plan, it is definitely not margin of a telecom operator.

Marcin Nowak, Ipopema Securities

Sure, I am investigating this issue, because, as you said you are expecting the neutral EBITDA impact but rather short-term, I'm wondering how this impact will look like in few years' time after the end of the capex space, that's the reason why I'm asking. So, how large impact on the EBITDA will you expect to see from FiberCo in five-years' time?

Jacek Kunicki, Chief Financial Officer

I think it's reasonable for us to expect that we will not suffer EBITDA loss due to this cooperation, even if you take the long-term perspective. I think it's not just the capex rollout, which is being rendered by us to the FiberCo, it is many other services that we have described; it is lease of critical network infrastructure, it is connecting the FiberCo to the world internet and to other operators. And that's one of the reasons why we don't expect that even in the long term, we will have a deficit of EBITDA due to this cooperation. I would say we will have a positive impact thanks to this endeavor, because we will be able to sell on additional footprint to our regular clients.

Marcin Nowak, Ipopema Securities

If I may clarify, shall I understand then, that you are not expecting any changes in your ARPO evolution from fixed services over the next years versus this scenario of no FiberCo deployment, no FiberCo deal.

Jacek Kunicki, Chief Financial Officer

I think what you can expect is first of all, there will be a larger footprint of fiber. So, regardless of ARPO, because this is not retail pricing that we are assessing right now, we will be able to sell to more customers, because we will have a larger footprint that we will be able to address versus the scenario of no further fiber rollout. And this is what will provide us with opportunity for additional clients and additional margin. The ARPOs that we are reaching on the retail front are in excess of what we will be paying to the FiberCo. So, every time we will have customers, we will have a positive margin on this. And this ignores the fact what I've mentioned is that on the settlements between the FiberCo and Orange Polska we don't assume a deterioration because of the FiberCo launch. We assume a rather neutral EBITDA impact.

Marcin Nowak, Ipopema Securities

Thank you, I understand. Another thing, with how large penetration on FiberCo households you will be satisfied in a retail business versus targeting long term 60% takeup of entire FiberCo?

Jacek Kunicki, Chief Financial Officer

This will be a market in which we will be competing with other operators. And I'm confident that over the past years, we've developed sufficient marketing, pricing, brand awareness, customer loyalty and customer appreciation of Orange Polska as a synonym of delivering fiber, as well as a distribution, sales network that I believe is unmatched today for selling fiber. So, I am confident that we will have a high penetration rate within the footprint of the FiberCo.

Marcin Nowak, Ipopema Securities

Thank you very much.

Leszek Iwaszko, Head of Investor Relations

Let's now switch to the questions we received online. First question from Jakub Viscardi from BOŚ. Should we expect that after execution of an option to buy 1% in SPV and gaining control you will change accounting methods to full consolidation and a few billion zloty of debt will come back to OPL balance sheet? And then next, what are the conditions under which you will be allowed to increase your stake to 51%?

Jacek Kunicki, Chief Financial Officer

Well, this is the question that we will answer in few years. What I think is important today is that, today this entity is co-controlled, it's neither of the party will have full control. And I could not tell you honestly, whether we will exercise the 1% option or not in the windows that we will have, it

will be a decision that we will need to make at that time taking into account all the knowledge that we will have about both the FiberCo endeavor and about the prospects of Orange Polska at that given time. So, I am not able today to tell you what the line of will be thinking in those few years' time.

Leszek Iwaszko, Head of Investor Relations

Another question from Ekaterina Biris from NN Investment, what percentage of these new households that will be connected via JV are already connected to fiber by competitors?

Jacek Kunicki, Chief Financial Officer

It's an interesting question. Obviously, we have our clients that are on this footprint. So, we have about 160,000 retail clients within this 600,000 to 700,000 footprint, that will be moving to the FiberCo. With regard to the rest of the footprint, here the footprint has been chosen in a way that ensures that either there is no fiber infrastructure in those areas, or the fiber infrastructure in those areas -- high speed broadband infrastructure in those areas is not of tremendous quality. So, we do expect that even if some customers will be connected to other operators in those areas, the FiberCo's offer for those customers who will be offered superior quality, and those customers will be incentivized, and they will be willing and wanting to migrate onto this fiber infrastructure over time.

Leszek Iwaszko, Head of Investor Relations

I think we'll switch now to the last question.

Operator

Thank you very much. I will just pass the line now to Jeremy Dellis from Jefferies. Please go ahead. Your line is open.

Jeremy Dellis, Jefferies

Good afternoon. Thank you for taking the question. I was just interested in how you think about the cable stretching in Poland, presumably cable is not overlapping the footprint envisaged by today's transaction, but in general terms as you think about your competitive position, and your ability to deploy fiber further, how does the presence of cable otherwise, play a role in your decision making. Thank you.

Jacek Kunicki, Chief Financial Officer

Thank you for your question. Well, it always plays a role in our decision making. Every time we deploy fiber, we analyze all other infrastructure in those areas. We have a history of deploying fiber in cities that are occupied with also cable infrastructures, we have deployed fiber in Warsaw, we've deployed fiber in other big cities, we have been able to acquire significant number of customers there. And what's important, these were win-back customers. So, in those big city cities and agglomerations that we've been investing in we have had very little market share the time that we started to roll out fiber; so, we have proven over the years, our ability to take market share away from cable operators. It's less relevant for this particular endeavor as the FiberCo project, is rather in areas with not so much cable footprints, and when we have and we will have cable footprint, this will not be the top-quality fiber like footprint of the cable operators. So, overall, cable development is a considerable variable that we analyze each time that we decide where to invest and how much to invest. This time I think it's rather a variable that we've assessed, and we've decided to go outside the areas of the very good quality cable infrastructure, targeting quite specifically, the areas where the infrastructure of this FiberCo will be a very dominant force from the infrastructure perspective, not to mix this up with retail market share, because obviously, this infrastructure will be open to all market participants. However, from the infrastructure perspective, we've chosen the areas for this to be a very, very strong force in those local geographies.

Jeremy Dellis, Jefferies

Thank you. Could I just ask one very quick follow up please? Are you aware in the new footprint of competing fiber projects, which are either already underway or are at some close stage of planning? In other words, was there a particular urgency to act in these areas? Or is it simply a matter of the commercial opportunity?

Jacek Kunicki, Chief Financial Officer

What we have done to the best of our knowledge and ability is we've tried to make sure that we choose the footprint of the FiberCo in such a way that we will not have an overlap with other fiber projects. Of course, this is a five-year plan, so the FiberCo itself will be evaluating, re-evaluating and precising the areas of the fiber rollout in the given quarter or in a given year to avoid overlap of infrastructure. We cannot be sure that everywhere where we roll out, we will have no overlap with other infrastructures. But again, as I say, to the best of our knowledge and ability we have tried, and we will continue to try to map the footprint of the FiberCo in such a way as to minimize the overlap with other fiber infrastructure.

Jeremy Dellis, Jefferies

Thank you very much.

Jacek Kunicki, Chief Financial Officer

I guess Leszek is showing me that this is the last of our questions. Thank you very much for your attention. I hope we've been able to explain our rationale and the impact that this will have on Orange Polska. I'm sure we will have an occasion to talk about this a little bit more during the Q1 results conference which is soon. For now, I wish you a very good day.

Leszek Iwaszko, Head of Investor Relations

Thank you. Bye