

Transcription
Proximus Q2 2022
Results Conference Call

Presentation

Operator

Good afternoon, ladies and gentlemen, and welcome to the Proximus Conference Call on the Q2 2022 Results. For your information, this conference is being recorded. At this time, I would like to turn the call over to Nancy Goossens, Director Investor Relations. Please go ahead.

Nancy Goossens

Thank you. Welcome, everyone, to this results presentation. Let me just quickly introduce you to participants on our site. So we start with the CEO, Guillaume Boutin, he will open the session with an introduction. After that, we turn to your questions. So for the Q&A, we are also joined by the CFO, Mark Reid. Jim Castele, the Residential Segment Lead, Anne-Sophie Lotgering, the Business Segment Lead, the CTO Geert Standaert, our Corporate Affairs Lead, Dirk Lybaert, and Matteo Gatta, the CEO of BICS.

So they will be taking your questions in a moment. But first, Guillaume will take us through the highlights of today. Guillaume, please go ahead.

Guillaume Boutin

Thank you, Nancy. And also welcome from my side to this conference call, covering the Proximus second quarter results. Next slide. In the next 10 to 15 minutes, I will take you through some of our key achievements, the progress made with respect to our Inspire 2022 strategy, and of course, a quick overview of the second quarter performance.

So starting with some of the key achievements over the past month. Overall, I have to say I'm proud of our trajectory so far with first and again, some meaningful steps taken in our strategy. And we walk through some of them later. But two key steps for sure, have been the strong position we have obtained in the spectrum auction. And also our announced ambition to further broaden our fibre rollout. Secondly, even though the quarter was commercially less active, we continued to see a strong commercial momentum for Proximus.

And the last point we achieved over the past quarter, a strong set of financial results with Group revenue up by 4.9% and direct margin up by 4.7%. Year-on-year growth levels, we have not seen for a long, long time. And as we are closing a strong first half of the year, we feel comfortable in raising revenue and EBITDA metrics on our guidance. This slide sums up – it, from a financial perspective with the revenue growth translated into higher direct margin for both our domestic segment as well as for BICS and TeleSign. The Group EBITDA was up by 0.9%, with especially BICS closing a strong second quarter.

As already mentioned, we have made significant progress in our strategy and this has also supported Proximus in becoming much more resilient in a changing market. And I think we are very well positioned to continue winning the domestic market. The domestic market will further strengthen our mobile network, which is already today recognised as the first in terms of quality. We are turning our fixed copper network into a fibre network known to be the best technology available, and we will have undisputed product superiority on fixed mobile and convergence for customers. And you all know how important it is to have product superiority in that industry.

We have a residential customer base that is highly convergent and is addressing customer needs through different brands. This includes fully fledged premium offers, but also low cost offers for price seekers. And last, our Business segment is supported by a very strong telco customer base with strong upsell potential to IT services.

Our NPS results progressed further in the second quarter, leading to first half NPS as shown on the graph at the bottom left with a nice improvement across all three brands, the increased level of customer satisfaction also supported the price changes we have put through the year. Overall, these have landed well with no material increase in churn levels.

Turn your moment now to the outcome of the spectrum auction. Overall, we are very pleased with the amount of spectrum obtained. Out of the spectrum in which we would – we could make a difference in the auction, we obtained half of what was available. With this, we have secured over the next 20 years, a crucial asset to make a considerable difference in network quality and hence, offering the best mobile experience to our customers.

Another big step in our gigabit network strategy was taken with the announcement of our ambition to broaden our fibre coverage. We agreed an MOU with a consortium of Belgium financial partners to bring high speed connectivity to the country's low populated areas. The envisioned off-balance sheet structure has the ambition to reach 95% of the population with fibre, this by 2032. It will reinforce our position as leading fibre operator in Belgium, and it will generate financial benefits from a broader fibre scale, including also cost benefits from copper decommissioning. We aim to reach a final agreement by the end of the year.

Today, we are already rolling out fibre in 62 cities and municipalities, and we are well on track to reach our target of 22% coverage by the end of the year. In June, we crossed the 1 million mark of homes and businesses passed with fibre, highlighting the fast expansion of our fibre network. Customer demand for fibre is increasingly higher, with also the fibre price increase having landed very well.

I think we all agree, digital technology has become essential and this is certainly also true for our B2B customers for which we continue to develop innovative offers. This, through the new partnerships or through the co-creation of new solutions on 5G, we show on the right of the slide, some recent examples.

In a context where cybersecurity becomes increasingly relevant, we are proud to announce a partnership with Microsoft for the development of a sovereign Cloud solution. For smaller businesses customers, we announced our partnership with Odoo, providing our customers access to a full suite of business applications.

Now, turning to our international business, and let me start with TeleSign. Clearly, we regret that the broader economic context and impact on financial markets, hampered the envisioned public listing. TeleSign is, however, continuing its strong commercial performance and we remain fully supportive of its growth trajectory. We are considering our options and will get back to you on this, once this crystallizes.

For BICS, there was good news on the closing of a multi-year commercial agreement, signed with the international communications company, Ooredoo Group, for which BICS is now becoming the trusted partner for communication services. A great proof of the quality provided by BICS and by its team.

As a last point of the strategic part, a few realisations in the ESG domain. What I would like to highlight here is our announced ambition to provide at least 15,000 charging points for electric vehicles by 2028, which we see as a very nice and relevant side opportunity of our fibre rollout plan.

Turning to second quarter results now and starting with the domestic segment. Overall, the past quarter was not the most intense from a commercial perspective, as I said, but did not have the big promotion as we had last year, in view of the European Football Championship. So in this context, we are able to take a big portion of the market growth, which again, confirms we have been doing the right things. One of these things is the focus on convergent offers, with Flex continuing to do great job in attracting multi mobile customers, an additional 84,000 customers opted for one of our Flex offers in the second quarter, and as such, we have now crossed the 1 million mark.

The traction of multiple offers remains an important revenue driver for residential unit, which closed a very good second quarter with its total revenue growing by 4.3% from the year before. This was supported by inflation driven price indexation. The remaining two months of inorganic contribution of Mobile Vikings and higher revenue from mobile handsets.

Zooming in on the services part of the residential unit. We have posted in total a 3.3% growth sequentially, improving from prior quarters, driven by better ARPC trend. As shown on the slide, if we put aside the impact of Mobile Vikings, the ARPC was up by 3.7% on an organic basis.

Turning to our business unit, which closed the second quarter with a 0.6% revenue growth, mainly resulting from a firm revenue increase from Internet services, and also higher hardware revenue, partially one off, but we also see some of the previously delayed product contract, catching up.

Taking a closer look at the business services revenue. All services combined, we post a slight decline of 0.4%, so roughly the same trend as from the previous quarter. Revenues from fixed data, mobile and net services were up year-on-year, though was offset by the fixed voice revenue erosion, which is losing the support of the temporary vaccination centre related traffic linked to COVID 19 crisis.

And finally, Wholesale unit for which the revenue from fixed and mobile wholesale services, was up by 20.1%. This was offset by the headwinds on the interconnect revenue, which – however no meaningful margin impact, as you know. This brings me to the total domestic revenue for which we achieved 1.9% growth for the second quarter. As for the domestic operating expenses, we faced a significant impact from increased inflation, especially on the wages which have now increased four times since October last year.

As illustrated on the chart, we have been able to offset most of the inflationary effects by our cost efficiency program. The remainder of the cost increase mainly reflects customer related OpEx and costs related to the ongoing company transformation.

Moving to the results of our international segments and starting with the strong achievements of BICS. BICS closed the second quarter with EBITDA up from last year by 25.5%, driven by strong margin growth in its core services, more precisely, messaging and mobility services. And another excellent performance in cloud communication services.

Our second international business, TeleSign, continued the strong commercial trajectory of the last quarters, resulting in strong revenue and direct margin growth for the second quarter. Commercial indicators such as the net revenue retention rate remain solid at 125%, and the momentum was also supported by further geographical expansion, as well as the launch of new services within the digital identity suite. Overall, these results reflect the success of the strategic goals the company has taken to reinforce its position in the digital identity and communication market.

This brings me to the group view. As illustrated on the slide, we are closing a good first half of the year, which also segments growing revenue, overall leading to a 0.7% growth in group EBITDA. Our CapEx remains fully in line with our projections, with the increase on last year, largely resulting from the accelerated fibre investments.

This brings me to the free cash flow for the first half of 2022. As shown on the graph, the two main driver of the low free cash flow so far, are, one, the higher cash outflow for CapEx, and two an unfavourable year-on-year evolution of business working capital needs.

Our financial position remains very sound and we remain on track to maintain our full year net debt level, around 1.6 times. Also, longer term, we have secured our debt, and we have hedged our exposure to rising interest rates through 2025.

In conclusion, I am overall very pleased with our achievements over the first half of the year. Our domestic business is delivering better than expected ARPC and churn, which is very supportive for the offsetting of inflationary effects we are facing. And in addition, also, in terms of businesses, are performing better than anticipated. So hence, we are in a good position to raise our outlook for the year.

We now expect to close the year 2022 with a growth of 1% to 2% for our domestic revenue, excluding terminals. For the domestic EBITDA, we expect to land at the upper end of the guidance, and for the group EBITDA, is expected to grow up to 1% compared to the year before.

Our full year outlook for CapEx and for the net debt ratio remain unchanged.

And with this, I have covered my introduction, so we can now turn to your questions.

Q&A

Operator

Ladies and gentlemen, thank you for joining this Proximus Q&A session. If you wish to ask a question, please press the code zero and one, on your telephone keypad, and you will enter the queue. After you are announced, please ask your question. We kindly ask you not to use microphones or headset when asking your question.

If your question has been answered, you can remove yourself from the queue by dialling, zero two. Once again, please press the code, zero one, on your telephone keypad.

So we have our first question from David Vagman from ING. Please go ahead.

David Vagman - ING

Yes. Good afternoon, everyone, and thanks for taking my question. So, I've got two, one on fibre, and one on BICS. So, first on the fibre networks, what is your reaction to the recently announced communication from Telenet, like Telenet introduced the NetCo plans, and especially on their economy? It seems on paper at least, that is – that the NetCo was more favourable cost, compared to fibre rollout Proximus, so making it potentially, I think, more attractive commercially to access features. Is it a view that you would share or why not? And how do you hope to make a difference, to attract access seekers to Proximus standalone network, to fibre cloud? That's on fibre.

And second on BICS. So could we zoom indeed on BICS and strong performance, to better understand the sales and margin dynamics at play in this Q2, but also going forward in coming quarters and in the years ahead, when thinking about the different trajectory of legacy core and growth sales. So what is structural, what is not, etcetera? Thank you.

Guillaume Boutin

I'll start with the first one. So, you know, it was expected that Telenet and Fluvius would come to an agreement, I would obviously not comment on the agreement or their differences on the economics. But what I know is that there is no magic in rolling out fibre. You need to trench. You need to go in faster. You need to deliver the network to the end customers. And that is costly. And I don't see why they would not bear the same kind of cost that we are bearing for rolling out the network. And we have good experience now because we started five years ago, and we know what it costs to rollout the network in Belgium. And there is no experience in this context – in the new context, we have seen since a few quarters, you know, there is going to be no magic, no surprise, and they going to have the same kind of costs that we do have to rollout the network.

I have to say that, you know, for the moment, we are really driving the acceleration plan of fibre according to our plan. We are making a lot of rapid progress. Now, we have a run rate of 10% of additional New Belgium homes per year because we are starting the summer with that kind of run rate and that is going to be like that for the next eight years. So I think that's always the same, you know, strategy that we want to deliver.

We will be the first to plant our fibre flag in every city and municipality of Belgium with a view to cover 100% of the country. That's the plan we have and then we're going to benefit from a copper free company, because we want to get rid of copper by 2025. And that will create a lot of opportunities for us, to further reduce the cost to operate, and to bring, more importantly, better services to our customers, being B2B customers or B2C customers. So, we are delivering on our own strategy. I think we are, you know, we have the time advantage, still a lot of paperwork to be done for us to come to a live state, regulatory approval, talks with the community. So it will take some time. And during that time, we are accelerating and delivering more and more plugs to Belgium homes. And that's for me, a key advantage that we have.

Just one last comment on this. As I always say it, we will also be pragmatic and rational in the approach, and I think this is also the message that they convey. So we're going to be also pragmatic, we are going to have a pragmatic approach in that initiative, but with a view, at the end of the day, to own a network, to deliver a fibre solution to 100% of the Belgium citizen.

David Vagman

Maybe a very quick follow up on this one, on the fitting, pragmatic, do you view any regulatory headwinds, or have you been discussing with the regulator on the less dense area, to see what is possible in terms of cooperation with other players? Thank you.

Guillaume Boutin

I think for the moment, this is really a statement that we all make, that we have to have a rational approach in less dense area, because there is not a lot of sense or economical sense to have two networks, at the same time, there is no regulatory framework to organise this kind of discussion. So, we want to, of course, to be pragmatic, but we have also to comply to the competition framework of the country and also the regulatory framework. So, that pragmatism is going to be executed in that context. And that's the only thing I can say.

David Vagman

So you are already negotiating and discussing with the regulators? I mean, to get such a framework, a new framework?

Guillaume Boutin

I think we'll come back to you when we can –

David Vagman

Thanks.

Mark Reid

I will take the BICS question, I'll start the BICS question. David, thanks for the BICS question, I think it's great to recognise BICS. I think we, you know, we've come off of five straight quarters of growth now, top line and EBITDA and Q2 was the strongest EBITDA quarter of those five. So, as you can tell, we're super pleased with the performance.

In terms of the kind of constituent parts, the core part of the business, the mobility services, signalling, messaging, enjoyed, you know, continued growth, sequential growth. So, there's a part of that, supported by the return to travel that we're seeing pretty strongly over Q2, and that's certainly progressing into Q3 as we go into the main holiday period.

In terms of the cloud communications, the growth part of the business, again, we've seen double digit growth in that business with particularly strong demand for Cloud comms from our enterprise customers. And you can see that in the earnings presentation in terms of our exposure to enterprise customers versus telcos, is significantly ramping. And then legacy business that, you know, has been declining. We had growth in the quarter, again, destination mix of where the legacy voice has been delivered and the return to travel is helping there. So, you know, and I'm sure we're going to get guidance questions on that, but I think, you know, the business is performing really well. And but, you know, as you know, there is some volatility in some of that traffic mix. And so, you know, we're cautiously optimistic for the rest of the year, but that was one of the parts of where we got to, in terms of upgrading the good guidance. Matteo, I don't know if there's anything else you'd add to that.

Matteo Gatta

Not really much to add. Just to say that if we compare to prior to the COVID, basically, BICS performance has reached the same level as '19. But the mix is very positive, because more structure, more recurring business compared to the past. So, growth has replaced basically part of the legacy voice. So that is the underlying message.

David Vagman

And on the margin mix, could you make just a comment on the difference between growth legacy and core?

Mark Reid

David, we haven't gone to that level of disclosure, so we won't. But it's positive. You know, in terms of, as I said, the overall business is outperforming our expectations. And, you know, as Matteo said, the recurring nature of that business, specifically on the growth side, we're particularly pleased with so.

David Vagman

Okay. Thank you. Thank you, guys.

Operator

So we have another question from Nicolas Cote-Collison from HSBC. Please go ahead.

Nicolas Cote-Collison - HSBC

Hi, everyone. My question is on the TeleSign. Obviously, the IPO didn't happen and the funds were to support the expansion. So, should we assume lower growth and maybe less ambitious gross margin or EBITDA margin forecast, now that the process is aborted? I also wondered, if you were to face any legal or fees, legal cost, I mean, or fees, after the cancellation of the IPO – I've got another question, but I may let you answer this one first.

Guillaume Boutin

Okay. Yeah. Thank you, Nicolas. Yeah, clear. I think as you saw in Q2, TeleSign continue to perform right in line with what we told the investment market back in November where we were going through the preparation for the IPO. So, you know, we've seen again, international, we're super pleased with the way the businesses are progressing. TeleSign has you know, has really matured from a management perspective, from a strategic and execution perspective. And you can see that coming through the numbers. The company was, you know, ready for IPO. The market just wasn't there. And that's clear.

So, in terms of, you know, do we see any slowdown in that – the business is executing exactly as we expect it, to in terms of – you'll see some of the EBITDA primarily better in the first half, primarily because the ramp up OpEx is more phased to the second half of the year. But again, you know, we don't we see any material issue in terms of the performance or execution of the growth plan without the public listing at this point.

In terms of fees, there's nothing material, so everything was success based. And yeah, there's no material element kind of pushed in the closure of the process.

Nicolas Cote-Collison

Okay. Thanks for that – but if I remember on the slides, the IPO slides, the 2026 revenue of \$1.1 billion was quite aggressive. So obviously, it's a long time from now, but so should we keep in mind the same kind of growth profile, not just for H2 or 2023, but beyond?

Guillaume Boutin

I think the objective to get to 1 billion company stays, and that's really the commitment of the management team, and that also of us – we want to get there, and to grow that business towards that 1 billion threshold, you know, by 2026. So that commitment is still valid.

Nicolas Cote-Collison

Okay. Thanks. So, maybe just a quick follow up on the market. Obviously, it's been a supportive market in Q2, but still, I noticed a spike in churn in your four-play stats. I was just wondering if it was just a one off or if it was saying something about affordability and people trying to cut the cord a bit, amongst their products?

Jim Castele

So Nicolas, on the four-play, three-play and the related churns, this is the continued pressure that we see on fixed voice, which, quarter-over-quarter, continues to impact the movements from four-play to three-play. And we indeed see structurally, a better market traction on our flex triple play offer rather than the Flex four-play offer. So that part is going to continue to go into the numbers going forward.

Nicolas Cote-Collison

Okay. That's all I got. Thank you.

Operator

So we have another question from Ulrich Rathe from Jefferies. Please go ahead.

Ulrich Rathe - Jefferies

Thank you. Maybe one follow up on the fibre question. Is this – in the big picture, is this now essentially a rat race where you roll out and somethen else roll out and then sort of see what happens? Because it's a bit difficult from the outside to see how two networks can be rolled out to at least 80% of Flanders and both of them making proper returns. So, I suppose the question, you know, in simple terms is, can you envisage a situation where there would be two networks covering 80%, both making returns? Or is it more a question of who wins in the in the way to get there now?

And the second question is, you are talking much about the staff costs in the context of inflation, much more than energy costs on slide 39, it's sort of showing that the energy cost inflation is very minor. Could you talk a little bit about the outlook into 2023 for that? And if I may squeeze in a third one, when you mitigate the wage cost, I suppose one lever, is to get the headcount down. Are you increasing early retirement offers at the moment? Is the cost of those offers going up or are these things essentially in place and you are counting on the sort of gradual take up as it has happened in the past? Thank you.

Guillaume Boutin

So, on the fibre, the fact that Telenet and Fluvius did announce a partnership last week, it was not a new news or a surprise to us. In our ambition to deliver 95% of coverage of the country, we, of course, took into account the probability that, to see some of the builds coming from other players. Does that mean that you're going to see over builds in all parts of the country? Probably not, because this is not something that is rational. And I don't think that over-build is going to be fully there, especially in the less dense areas. That's why I think the speed to roll out in those – also in those geographies is important.

Are you going to see some over build in the more dense areas? Probably yes, because this is something that is happening in every market. But again, we are at full speed. We are rolling out 500k project this year, it's going to be even more next year. So we are delivering 10% of digital homes every year with good partners, with a fully funded plan and with – outside, the ability for us to become a copper free company, which is super important for us in order to also transform the operating cost of the group. So, you know, with those kinds of ambitions, we are super enthusiastic about the prospect of putting in the ground the fibre network, as a key element for future growth for the group.

Mark Reid

You're going to take your energy costs – so, in terms of as, you know, 2022, we're fully pretty much fully hedged. So we have no material impact there. In terms of 23, I think last time we spoke, we were around 50% hedged, we're now up to 75% hedged for 2023, and we're monitoring it every day in terms of kind of opportunities to buy. In terms of the overall exposure, it's probably a kind of low double-digit impact for 2023. But as I said before, we continue to kind of look at various ways from our efficiency program to mitigate those things. In terms of the overall workforce, you're right, we continue to be very focused on the overall number of internal workforce in terms of, you know, we still consider, you know, customer supporting and directly billable FTE very carefully. But the overall number is going down.

In terms of any program, we don't have any program to accelerate, you know, pensions or any additional costs associated with that, in the plan. So, that's where we are right now. And clearly, we also have a significant external workforce, which we're also very carefully managing to mitigate the overall costs.

Ulrich Rathe

Thank you very much.

Operator

So we have another question from Roshan Ranjit from Deutsche Bank. Please go ahead.

Roshan Ranjit - Deutsche Bank

A great afternoon, everyone. Thanks for the questions. Got three, please, hopefully, very quick. You've seen the pricing support come through, which is driving your top line guidance increase. That's clearly indexation-led but is there a consideration to maybe put the underlying price of the fibre product up, given that you've seen good take up in the areas, and as you're rolling out, you are seeing higher kind of penetration in certain areas. So is there a case of, I guess, increasing that fibre premium?

Second question, on the enterprise or the business unit side is, we've seen a number of peers this week, cite a weakness in enterprise, that's clearly different from what you guys are seeing. Is that a case of maybe the corporates in Belgium or your end kind of customer? Or are you guys further through the mix of that legacy versus new products, which I think a couple of years ago, you were embarking on that big shift within the Enterprise segment.

And thirdly, just touching on some of the previous questions. On fibre, you announced these two future JVs, and that extends the fibre coverage. Was there a consideration to maybe accelerate the coverage? So you still got this 70% target by 2028, was there a consideration to say, I don't know, 70% by 2026, did that either come up in discussions or not? Thank you.

Guillaume Boutin

We will let Jim answer the last part of the first question. But the good top line on consumer, is, of course, the result of the price indexation. But it's way more than that. It's just like – it's not like you decide to do the price increase, and everything is suddenly happening as a miracle, and landing in there – on the revenue of the residential segment. This is way more difficult than that. You have to remember that there is no contract in Belgium, so there is no commitment. And so, you can leave Proximus tomorrow if you want to. So, it's way more than just that, it's the product superiority in which we are putting a lot of effort and investments on fibre and mobile. This is – the improvement of the NPS. You see the trends on NPS that are favourable and that are continuing to bring better customer satisfaction, despite the fact that you – that we value managed during the quarter. And of course, we are – we have some – also some good volumes in a market that was quite not that active in Q2. But you know, if you look at the performance of Proximus, we are clearly winning the vast majority of the customers on mobile and half of those in Internet.

So, just to put a bit of context, it's way more than just, you know, deciding to increase prices, this is way more than that, that is driving the good performance of the residential segment. And last, and then I will really let Jim answer that question, also, the

strength of a brand. Usually, if you look at the Proximus brand over the last three years, we improved a lot of perception of the brand. And that will continue to pay off in the coming quarters, that's for sure.

Jim Castelee

So, Roshan, maybe adding on that – on the fibre part. So, fibre indeed is bringing a better experience, of course, to customers than on copper technologies. And that's already reflected in, I would say, the base pricing of our fibre flex versus the flex that we are delivering on copper technology. Next to that, also, thanks to fibre, we can introduce a new kind of tiering that we didn't have on our copper technologies, which is a tiering based on upstream and downstream speeds. So we already have today next to our standard offer a one gigabit solution in the market, which is tiered at a higher price, it's €12 more than – on copper. And then next to that, as you know, by the end of the year, we're also going to launch the ten-gigabit solution on fibre, which is, again, going to be a way to increase the value that we're getting out of fibre customers. So, we're really also there already today, indeed, leveraging the quality of fibre to get as much value as possible for our customers. And this is reflected in the pricing, of course, as well.

Anne-Sophie Lotgering

So, maybe, I should take the enterprise question. So this is Anne-Sophie Lotgering, I'm responsible for the enterprise business. So thank you very much for your question, Roshan. I think there's a couple of highlights I could provide you. So, as you know, we're in the midst of our transformation and our strategy to become an ICT convergent player. So, really, benefiting from our telco DNA, but also with our IT expertise.

And we're offering our solutions to our customers in an end-to-end way, i.e. completely correlated with the network or in over-the-top play, which is completely independent of whatever infrastructure our customers have. And to do that, we also have a very segmented approach, which of course goes more and more into package industrialised offer, but lower down, you go into the market towards the SMEs. Now, I think it's by focusing on our convergent solutions that we're able to mitigate the telco decline. And if you look at our results, we continue to keep our good momentum and fixed data, thanks to both Park and ARPU growth within Internet, but also within data connectivity.

And within data connectivity, we have a good balance, between, on the one hand, our growing fibre Park, and on the other hand, our legacy out-phasing and migration towards SDWAN offers with an attractive customer connectivity pricing. So overall, I think we see here the results of this ICT convergent strategy, really paying off so far. Thank you.

Guillaume Boutin

And on fibre, the new agreement we have with our partners to get to 95%, as we said in the announcement, is going to be in parallel. So it will go in parallel compared to what we have previously announced with an acceleration, of course, in the later years. So it might be indeed, but we want to first to finalise the discussion. It might be indeed that 70% is going to be more than 70%, as a mechanical effect of rolling out more plugs with new partners during the timeframe between 2023 and 2028. But we will come back to you once the agreement is finalised with more clarity on the ramp up of that additional fibre initiative.

Roshan Ranjit

Great. Great. Thank you. If I may just follow up there. So whilst we wait for the details on the additional point, was there a discussion to bring forward, I guess, the original plan, which, if I remember correctly, you gave back in 2020, i.e., the 70% being brought forward earlier. Could that be the case?

Guillaume Boutin

No, no. We will stick on the original plan as far as the Unifiber, Fiberklaar, and Proximus own development are concerned. And on top of that, we can have the new agreement in between Proximus and its new partner for the less dense areas that will come up. But the initial plan is not going to be affected by the new agreement.

Roshan Ranjit

Okay. Understood. Thank you very much.

Operator

So, we have another question from Polo Tang from UBS. Please go ahead.

Polo Tang - UBS

Thanks for taking the questions. I have two. The first one is really just about the spectrum auction. Now that's over, what are your latest thoughts in terms of the impact of a new entrant and the range of outcomes? So do you think that Belgium could become the new Italy, for example? Second question is really can you talk through the phasing of your domestic EBITDA growth through the rest of this year? So for example, should we expect it to accelerate as you benefit from price rises, have easier comparables, and realised synergies from the Mobile Viking acquisition? Alternatively, are there offsets and headwinds to consider? Thanks.

Guillaume Boutin

On the new entrant, I think what we can say, that we're going to be fully prepared for that new entrant, when entering the market. The rest, you should ask digi, because we don't have the plan of digi, so it will be a bit depending on the way they want to position themselves. But what I can say, because I've been there before, we're going to be ready for it, both on the Enterprise segment but also on the customer segment.

Mark Reid

On the phasing of the EBITDA, clearly, the guidance we've just given, which was, you know, implied acceleration of the EBITDA in the second half, I think the key component you had, the price rise, you know, we're pleased with how that's landed. The churn has been positive. We continue to see commercial momentum, so that we expect to continue, Mobile Viking synergies will, you know, fully annualise in the upcoming quarters. We've got effectively the inflation, you know, offsetting by the efficiencies that we're putting through from a management perspective. And then we are going to face some easier comps in Q4 on an OpEx perspective. So, I think, you know, I think that's the way you should think about it in terms of the phasing for the rest of the year.

Polo Tang

Thanks.

Operator

So we have another question from Ben Lyon from Credit Suisse. Please go ahead.

Ben Lyon - Credit Suisse

Hello. Thank you for taking my questions. I have two. The first one is on the rural fibre JV. It seems like the economics are a little bit more difficult given the rollout cost. Could you give us an idea of whether you are having to offer higher wholesale rates or if you're expecting others to join you in that – to attract the third-party capital?

And my next question would just be on the fibre adds. Can you give us an idea of how many of these are win backs versus migrating the current customer base? Thank you.

Guillaume Boutin

I think on the rollout cost, again, I'm going to repeat what I said. There is no magic. If you want to roll out fibre network, you're going to bear the same kind of cost that we are having today. So there will be no difference, except from the fact that we have started before, that we have long term commitments with construction partners. That includes also the effect of inflation. And, you know, launching this kind of initiative today in high inflationary environment, is probably more difficult compared to the recession we experienced four years ago when we started to accelerate massively the rollout of the technology, of this new technology.

Geert Standaert

Maybe as an addition to that, in fact, we have been tuning our topology to the specifics of the area where we roll out. So in the high dense, we're rolling out in point to multipoint, which makes the – due to the fact that we can optimise better for less trenching, more on façade, in fact, that topology should bring highest efficiencies than doing it in P2P. And so, we have as well, a combination of trenching, facade, but now as well pilots and we make the combination of those three to get tuned per geographical area, really the best costs and the highest efficiencies.

Jim Castele

And then on the on the fibre net adds, that – so, as you know, we are indeed doing better in terms of acquisition in fibre zones, at the same time, we also know that we have lower churn in fibre, and then we also migrate our existing customers and this is indeed bringing the net – we're not disclosing, of course, the details of how much acquisition we're getting in that in that fibre

net. But you can assume that we are able to migrate about 65% of our customers in the first year after we deploy fibre in a certain area.

Ben Lyon

Thank you. That's really helpful. If I could just have a follow up on the fibre JV. I mean, if I just look at the €4 billion that's committed, kind of implies a more than €2,000, a home cost, I mean, just in terms of that, I mean, would you have to charge the same kind of wholesale rates that you're charging on the other builds, which are much closer to €1,000 a home? Or is that the wrong way to think about it? Thank you.

Guillaume Boutin

I think I think at the end of the day – the market is not going to be regional. You could have one price for fibre in every part of the country. So you're going to have to do some perequation at some point. And that's why we also believe that having an active access to the network is also a good way to get access to the fibre block that we're going to have – rolled out. But that's another story. But, indeed, at some point, we going to have to manage globally, nationally, the effect of having different costs to build a network, is super cheap in Brussels, is less cheap in less dense part of the country, but there are going to be only one price for accessing the – at the retail side, the fibre technology. So that's not unusual to do, to deal with that different cost of building a network in different geographies. This is, you know, the story of the telecom industry, and we're going to manage that in the same way we have managed mobile cost and copper costs.

Ben Lyon

That's really helpful. Thank you.

Operator

So we have another question from Joshua Mills from BNP Paribas Exane.

Joshua Mills - BNP Paribas Exane

Hi, guys. Thanks for the question. I hope you can hear me. I just wanted to ask a bit more about the working capital. So obviously, we saw another – a big negative outflow this quarter. And I think on the Q1 call, you talked about the fact that working capital outflows were partly to do with phasing. Now, you're talking about unfavourable year-on-year impacts on business working capital. So my question is, could you give us a kind of soft steer on where you expect working capital to land at the end of the year? I think consensus is expecting it to be a positive contributor to your free cash flow 2022, so it'd be great to know if you think that sort of case.

And then somewhat related to that, Mark, I think on the last call, you made the point that whilst you don't give a clear guidance on free cash flow, explicit guidance, you are comfortable with the 200 million or so, that consensus is that currently, we'd just like to understand how that may or may not have changed given the high EBITDA guidance on the one hand, but potentially some of these working capital headwinds if they don't unwind in the second half. It'd be great to hear your thoughts there. Thanks.

Mark Reid

Sure, Joshua. Thank you for the question. Yeah. So look, I think, again, continuing, there are timing differences continues into half one, right? So, I think, if you look at our 2021 working capital, you know, it's specifically positive related to the timing of some expenditures in 2020 and 2021. So, I think we're still cycling against some comps from a working capital perspective that that made H1 from a working capital perspective, look, you know, more difficult.

I think what I said on the first call was that, overall working capital and tax payments would be, you know, net positive for the year, still kind of, in that place. And we're just going to see the benefit of that come out in the second half of the year. I think the way you should think about it, though, is, you know, we're also, you know, thinking through the overall supply chain constraints that we're seeing. We continue to see some of that. And therefore, there will be some inventory build up as we kind of make sure that we've got the right equipment for customers in the second half of the year and into 2023. So, I think that's possibly, you know, a little bit of something we would continue to consider and may weigh, you know, marginally on consensus. But as you know, we don't give overall free cash flow guidance, but that should possibly help you get to what we're thinking on.

Joshua Mills

Okay. So, just to be clear, Q1 was still that – could be a tailwind depending on what you do with managing supply chains. That may not be the case now, but maybe, could you just give us a practical example? I think as I understand it, you're doing things

like paying bills in early to try and avoid price rise in the future, maybe buy in some handsets, is there anything else going on here that you could draw attention to and explain why managing that working capital in this way, could be a positive?

Mark Reid

Yeah, I mean, I think, you know, I mean, interest rates are changing. So the way that we think through, you know, the cash management is clearly something that we're considering. And, you know, this time, versus this time last year, is – we're in a bit of a different environment. I think in terms of the inventory, you know, handsets is one way of thinking, but also, you know, customer equipment for our consumer business, and also our enterprise businesses and other things that, you know, making sure that we – have adequate supply so that we don't have any disruptions on the commercial side.

And, you know, we feel very positive being able to do that. But we're being thoughtful about how we do that in the second half of the year. And that, you know, has the possibility of some, you know, as I said, small, small-ish, medium effect on working capital.

Joshua Mills

Got it. And sorry, just one final one – if you decide that maybe – and obviously, you're upgrading EBITDA guidance, which would imply a tailwind to the free cash flow this year of maybe 18 – 20 million, 30 million. Is that the kind of delta we should expect maybe of additional working capital investment? Or are we talking about an even bigger amount which might be coming in the second half?

Mark Reid

As I said, we don't guide, but the EBITDA guidance group will not be added to the free cash flow consensus. So, I think that's the way you should think about it. And as I said, I think, you know, we've still got to make the full decisions on any inventory. So, you know, we'll see that as we go into the second half of the year.

Joshua Mills

Great. Very clear. Thank you.

Operator

So we have another question from Yemi Falana from Goldman Sachs. Please go ahead. Mr Yemi Falana from Goldman Sachs, your line is open, you can ask you question.

So, we are going to the other question from Martin Hammerschmidt from Citi, please go ahead.

Martin Hammerschmidt - Citi

Thanks for taking my question and apologies, some of them – my line dropped at the beginning. So, the first question is on TeleSign. In your presentation, you basically stated that TeleSign is ready to be publicly listed when the time is right. Would you also consider just having an outside investor and keeping it within the Proximus perimeter? I mean, you would have done that within SPAC, but do you need to take it public or are you looking at other alternatives as well?

And then the second question is on the dividend. I mean, you're running against the end of a three-year cycle and the dividend yields is somewhere like 9%. Can you share with us, sort of how you think about the dividend? And I know that it might be a thing for the CMD at the end of the year, but do you feel comfortable, so, they're not fully covered for a couple of years knowing your CapEx would come down too and then the leverage is rather low, compared to some of your peers? So just your latest thinking here would be greatly appreciated. Thank you.

Mark Reid

All right. Let me – thank you for the question, let me take on the TeleSign one, first. So, I think, look, I think, you know, the ambition to create a currency for TeleSign, for, you know, the various reasons for whether M&A or for internal staff, talent attraction, you know, all the benefits of being public, you know, still are very attractive to us. So, I think that's, you know, and I think, you know, 12 months on, the company is ready, the strategy is being executed, you know, the company is performing.

In terms of the various routes that we can look at, you know, I think we've got, as you know, the earlier question, we're free of any obligations from the Naac process, the SPAC process, and so we have various options that we can explore down there. And as you'd imagine, we are, you know, looking at what the best option is, and there can be a combination of options over time. So I

think that's the way that we're thinking about the overall TeleSign asset. I think, you know, net-net, we're just really super pleased with the change we've enacted and the management had acted in that business over 12 months.

So, that's really where we are on the future. We've got optionality, you know, but the IPO was, you know, there was a reason for why we were thinking about that.

In terms of the dividend, I think, you know, I think you answered your own question. I think, look, you know, we've always had this view of being, you know, comfortable being back to dividend coverage over the medium term. We're super pleased with the progress of the business as we kind of exit half one. And that's why we've taken, you know, the guidance up. And look, we're currently in the middle of our kind of next three-to-five-year planning cycle, and that question you're asking is one that we'll, you know, give due consideration of, given the strategy that we're putting together.

So, I think, you know, that's where we are. You absolutely get an update the capital markets day in December, and, you know, look forward to talking to you about that at that point.

Martin Hammerschmidt

Thank you very much.

Operator

So there are no more questions in queue. We will therefore hand over the call to Nancy Goossens, Director of Group Investor Relations, for closing comments.

Nancy Goossens

Just a big thank you to all of you, for your questions and joining us. And as always, should you have any follow up questions? You can send those to Eline or myself. Thank you very much. Bye.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you all for attending. You may now disconnect.