Event Transcript

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Presentation

Operator

Good afternoon, ladies and gentlemen, and welcome to the Proximus Conference Call on the Q3 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. Madam, please go ahead.

Nancy Goossens

Thank you, and welcome, everyone. Thank you for joining us. As usual, we will start this webcast by an introduction by the CEO, Guillaume Boutin. After that, we will be turning to your questions. And for the Q&A, we are joined by the CFO, Mark Reid; the Residential Segment Lead, Jim Casteele; the Business Segment Lead, Anne-Sophie Lotgering; Corporate Affairs Lead, Dirk Lybaert; and the CEO of BICS, Matteo Gatta. They will be taking your questions in a moment. But first, Guillaume will take us through the highlights of today.

Please go ahead, Guillaume.

Guillaume Boutin

Thank you, Nancy, and also welcome from my side to this conference call covering the Proximus third quarter results. Similar to our previous sessions, I will take you through some of our key achievements, the progress we made with respect to Inspire 2022 strategy, and of course, a quick overview of the third quarter performance.

So let me start with some of the key achievements over the past month. Overall, I'm very pleased with our trajectory, especially our Group revenue, which was up by 7.8% and direct margin up by 4.9%. Year-on-year growth rates we have not seen for a long time and the continued positive EBITDA trend in spite of inflationary cost pressures. These results emphasise a good performance of our domestic activities and our unique exposure to international markets. I will get back to this later. But overall, we have kept a strong commercial performance and have again taken some meaningful steps in our strategy, with some of these listed on the left side.

This slide sums it up for the third quarter from a financial perspective, with revenue and direct margin up for all three segments. Our Group EBITDA was also up by 0.6%, with once more BICS closing another strong quarter. The strong results prove we have been doing the right things, and we continue to progress on our strategy. To start with, I'm really proud that we set again the pace in Belgium by introducing the 10 gigabit per second fibre technology across five cities this week and nationwide by next summer. It's a CapEx light upgrade, and the network we built was already 10 gigabit per second ready. So all in all, just a smooth process on the active layer. This achievement demonstrates, without question, the technological superiority of our Proximus networks.

As illustrated by the launch of our 10 gigabit per second offer, we continue to innovate and bring adapted customer proposals. This will, in turn, further support our NPS results, for which we have already today booked a very nice progress. Earlier this year, we launched new skinny offers, with both Proximus access and the Mobile Vikings internet offer, clearly addressing the all evolving customer needs in certain segments. We have seen a good uptake for both while we are retaining these customers within our Proximus family.

Turning to our ongoing fibre rollout. Today, we are already rolling out fibre in 77 cities and municipalities. And we are right on target to reach our ambition of 22% coverage by the end of the year. Our fibre footprint continues to grow at a strong pace with end September 1,124,000 homes and businesses passed with fibre, of which 93,000 were added during Q3, a significant step-up from 12 months back.

In the context of our ambition to cover the country with gigabit networks, I am delighted that Proximus, Ethias and the German-speaking community have concluded the first public-private partnership in Belgium, a perfect solution to bring fibre towards more rural regions. The newly created JV, GO Fibre, will cover almost all 4,000 households of Belgium's German-speaking community region.

Customer demand for fibre remains high. We added 27,000 active fibre lines over the past quarter, bringing the total fibre park to 220,000 – 100,000, sorry. With these customers bringing typically higher ARPC and lower churn levels, also the migration rate improved further, with now 68% of our copper customers having moved to fibre one-year post the commercial launch.

In the field of mobile experience, we are playing a leading part in the development of 5G in Belgium. In the business domain, we successfully tested 5G network slicing in cooperation with Ericsson. This achievement further paves the way for a dedicated handling of business-critical applications in an enterprise environment. In the sustainability domain, we are taking many measures to reduce our carbon footprint, and we want this to lead to significantly lower greenhouse gas emissions and becoming net-zero across our all-value chain by 2040. Therefore, we can be proud of Proximus being the first large Belgian company and the third telco worldwide to have SBTi-validated targets.

Moving on now to our Q3 results and starting with the Domestic segment. Over the past quarter, our customer base continued to grow for internet and mobile post-paid in spite of an intensified competitive environment. For TV, we noted, especially during the back-to-school season, a lower take-up rate, while our skinny offers were showing good traction.

Overall, our Flex offering continued to do well, with an additional 49,000 customers that opted for one of our Flex packs in the third quarter. The traction of multi-play offers remains an important revenue driver for Residential unit, which closed a very good third quarter, with its total revenue growing by 3.0% from the year before. This was largely driven by an increase in its customer services revenue.

For the services part of the residential unit, we have posted in total a plus 2.8% growth, sequentially improving from 1.6% organic growth in the second quarter. The revenue increase is driven by a growing number of convergent customers, with a convergent revenue up by 8.1% year-on-year. Thanks to this ongoing move of customers convergent solutions, typically at higher ARPC, and thanks to the indexation of our prices, the over ARPC grew by 3.5% from the year before.

For our Business unit as well, we continue to see resilience, and we closed the third quarter with a plus 3.7% revenue growth. We had a good quarter for product revenue, thanks to some catch-up in previously delayed customer installations, triggered by the global supply chain issues. More importantly, our B2B unit continues to manage well the balance between growing new services and the erosion in legacy voice.

Taking a closer look at the Business Services revenue. All services combined, the trend remains roughly the same, with for Q3, a slight overall decline of 0.6%. In the mix, we achieved good growth for fixed data services, mainly resulting from a higher internet ARPU. And for Mobile Services, thanks to a growing customer base. Reflecting the ongoing transformation in B2B, we also grew high-value recurring IT services, with especially good performance in smart mobility and cloud. This was, however, offset by lower one-shot IT services revenues and the ongoing fixed voice erosion.

And finally, our Wholesale unit, for which the revenue from fixed and mobile wholesale services was up by 17.3%. This was offset by the headwinds on interconnect revenue with however no meaningful impact on margin.

This brings me to the total domestic revenue, for which we achieved a 3.6% growth for the third quarter. As for the domestic operating expenses, we continue to face a significant impact from increased inflation, especially on the wages, which were now indexed five times since October last year. As illustrated on the chart, we have been able to offset part of the inflationary effects, thanks to cost efficiency programmes. The remainder of the cost increase mainly reflects customer related OpEx and costs related to the ongoing company transformation.

Moving to the result of our international segments and starting with another strong quarter for BICS. BICS continued its double-digit EBITDA increase, driven by direct margin growth in all three service groups. Mobility and messaging but also legacy services benefited from a strong summer travel catch-up post COVID. Growth services continued to post an excellent performance in cloud services as well. Telesign continued its strong commercial trajectory of the last quarters. Commercial indicators such as the net revenue retention rate remained at solid levels with 120% for Q3 and continue to see the momentum to be supported by strong sales bookings, up by nearly 90% from one year back.

Overall, these results reflect the success of the strategic course the company has taken to reinforce its position in the Digital Identity and Communication markets.

This brings me to the Group results. With inflation being at top of everyone's mind, we have summarised the main exposures and mitigating actions on this slide, starting with our inflation-based price increase. The exposure to rising energy cost for this year was quite limited. And for 2023, we are now more than 90% hedged, with the average price level below €160 per megawatt hour. The main exposure is on our wages, which we are partially offsetting through our ongoing cost programme and a lower headcount base.

As for the CapEx, inflation effects are being well managed in the total envelope. And for the long-term debt, we have hedged the 2024 and 2025 interest rates. As illustrated on the slide, the first nine months delivered strong results, with all three segments growing revenue overall, leading to a 0.6% growth in Group EBITDA. Our CapEx remains fully in line with our projections, with the year-on-year increase largely resulting from our fibre investments.

This makes me to the free cash flow over the first nine months of 2022. As shown on the graph, the two main drivers are the lower free cash flow year-over-year remain the higher cash out for CapEx and an unfavourable year-on-year evolution of business working capital needs.

Overall, I'm very pleased with our trajectory over the first nine months of the year, and we are confident to end the year 2022 with domestic revenue, excluding terminals, to grow around 2%. For our Group EBITDA, we expect to be at the upper range of the outlook we gave end July. Our other metrics remain unchanged.

As a last but one point, I'm also pleased to announce to our shareholders, the Board of Directors approved the interim dividend of the accounting year 2022 with a €0.5 gross dividend per share to be paid on 9th December 2022.

And to end this presentation, before turning to your questions, something to put in the agenda for next year. Monday, 16th January, we will be holding a CMD to present you our strategy over the next years, with Inspire 2022 now coming to an end. I am really looking forward to welcome all you on 16th Jan, either in our Brussels headquarters or virtually.

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

Q&A

Operator

Thank you. Ladies and gentlemen, thank you for joining the Proximus Q&A session. If you wish to ask a question, please press the 01 on your telephone keypad and you will enter the queue. After you are announced, please ask your question. Can I ask you in order to use microphone or headset while asking your question. If your question has been answered, you can remove yourself from the queue by dialling 02. We have the first question from Ben Lyons from Credit Suisse. Sir, please go ahead.

Ben Lyons

Good afternoon. And thank you for taking my questions. The first one, I think, is just on costs. So the price of the energy hedge looks pretty reasonable for FY'23. And now given the visibility on the hedge, could you quantify what kind of step-up we should forecast for next year? And likewise, for the personnel costs, if we assume that there's another indexing at the end of the year, what should we be forecasting for a step-up in personnel costs?

And the second question would be just on ARPU. I assume there's about a 1 percentage point positive impact quarter-over-quarter on convergent and fixed-only. Are you seeing any spin down from the Mobile Vikings broadband package? Just we could see what you're seeing in the market. Thank you.

Mark Reid

Okay. Hi, Ben, thank you for the question. I'll address the question on cost. In terms of the overall energy position, yes, we're pleased that we've got up to kind of 90% hedge for 2023. You can effectively think of a kind of low to kind of mid double-digit million cost increase year-over-year in that range. Obviously, we've still got some exposure because of the unhedged piece, but that's the way I would think about it.

In terms of the wage inflation, again, the majority of our internal wages are exposed to, at this point, three further indexations of 2% on each occasion, and those will take place right now in February, May and August next year. Those can't vary in terms of the timing, depending on the level of inflation and how that clicks the index in the country. But that's basically the way I would think about it.

And then on ARPU, Jim, do you want to take that?

Jim Casteele

So Ben, thank you for the question. So this is Jim speaking. So on Mobile Vikings and the impact of Mobile Vikings on ARPC, the price points of Mobile Vikings are much closer to the price points of Proximus when you compare it, for instance, with Scarlet as a challenger brand. We also are already actively present with Mobile Vikings on the fibre network, which is also quite an interesting ARPC upside to the basic prices that we have on Mobile Vikings. And overall, even though, of course, as you have seen on TV, we do see a slight increase of cord-cutters in the base. We continue to see a very healthy traction on triple play and quadruple play offers overall. So structurally, the ARPC increase that we have been seeing over the last quarters, we are convinced that you can continue to expect them going forward.

Ben Lyons

Got it. Thanks a lot.

Operator

Thank you. Next question from Nicolas Cote-Colisson from HSBC. Sir, please go ahead.

Nicolas Cote-Colisson

Yes, thank you. First question is your strategy regarding the balance sheet because you've decided to leverage a couple of years ago with eventually, as a consequence, dividend coverage that would wait for CapEx normalisation. So my question, I think, is, what's your feeling at this stage? Obviously, it's to the Board to decide. But are you still okay with the fact that dividend coverage can wait? And I have a follow-up. I may let you answer the first one.

Guillaume Boutin

I think in the current environment, to have a healthy balance sheet is quite important. And I think this is something that we are looking at very carefully. So I think we don't want to overleverage the company, that's for sure, and we want to keep that healthy balance sheet going forward. And that's a discussion we'll have with the Board. But you know that we have that new three-year strategic cycle that needs to be presented to the Board and also evaluated by the Board and then presented to you early next year, and it will be part of the discussions.

Nicolas Cote-Colisson

Okay. And so, in the meantime, can we have an update on the network sharing with Orange Belgium? Because we see currently, you are getting more CapEx on that side of things. Any indication on how the J-curve looks like against the initial plan and when savings could be seen? Thank you.

Mark Reid

Yeah, Nicolas, so in terms of – yes, you're seeing the ramp-up. So that's normal. That's the expected progression of that programme, so that's in line with what we were expecting.

In terms of when the savings come through, we started to – I think we said previously that we start to see some of those savings come through '23, '24. And that's still generally the direction we expect those savings to come in.

Nicolas Cote-Colisson

And when you say 2023-2024, so it means it's not completely sure it can be 2023, right?

Mark Reid

It will be minor in '23. They'll start to see some benefits in '23, but the main savings programmes will come through '24, '25. That's probably the way I would model it.

Nicolas Cote-Colisson

Okay. And sorry, if I take a bit more time. On the 10 gigabyte offer, can you tell us a bit more about the pricing? And how do you plan – or in another way, I was a bit surprised that you were launching a 10 gigabyte offer now and not trying to milk a bit more the possible progression in the packages in the coming years. So what's the rationale to be so fast at offering the full-fledged fibre?

Guillaume Boutin

Jim will come back on the way we want to monetise that speed, and you're going to see it's really well thought through, and we're going to monetise that speed advantage. But it's really to be perceived as the undisputed product leader as it comes to internet connectivity. And we lived 15 years without a product superiority on the internet. We had product superiority in mobile but not on the internet. So 15 years, it's a long period of time. And now we can prove to everyone that the best internet connectivity with the fastest connectivity is with Proximus. And I think there is no reason to wait for that, as we want.

As you know, we are a challenger in the north of the country, and we want to win shares, and this is what you see in the momentum of the company. So it will be, of course, monetised, but we want, in terms of perception, in terms of branding, to be considered as the best product, especially in the north of the country, where we used to be lagging behind in terms of product quality, speeds and capacity.

Now this is the opposite. We are leading. We are 10 times faster than our competition. And that is here to stay for a long period of time. So I would not – on the other side this is time. And I think it's super important to claim that superiority and to, of course, to monetise it. And Jim will come back to that. But I think in terms of perception, in terms of branding, this is super important to claim that type of speed.

Jim Casteele

So maybe on the monetisation. So of course, this 10-gigabit offer has been announced as a preregistration offer. So we're not disclosing price points at this moment. But just to give you an idea on how we have been looking at this in the past, and I think it will also give you on hints on how you can look at it in the future.

Today, on copper, our maximum speeds are 100 megabits per second. The first price points on fibre are €5 more expensive than on copper. And there you get 350 megabit per second speed. When you want to go from 350 to one gigabit, which is, for the moment, the top commercial speed available, you have to add another €11 on top of that. So that already gives you an idea on how you are currently monetising the different capabilities that technology is bringing. And of course, as Guillaume says, we will continue to do this going forward. And so, we will definitely also monetise the 10 gigabit offer that we're going to put on the market later.

Nicolas Cote-Colisson

Okay. Thank you very much.

Operator

Thank you. Next question from Emmanuel Carlier from Kempen. Please go ahead.

Emmanuel Carlier

Yes, hi. Good afternoon. Thanks for taking my questions. The first one is on pricing. Could you share your thoughts on pricing moving into 2023? The second one is on the TV losses. Is this something that you see continuing in October? And in other words, do you believe this is a structural trend? Or do you believe it is a kind of cyclical element due to the soft macro environment? And then the final question is on the fibre rollout. Could you just give an update on the number of fibre homes you expect to build in 2022 and 2023? Because it looks like the speed is a bit slower than initially expected?

Guillaume Boutin
So on pricing, I'll start. So value management, as you can see in our numbers, is something we know how to do. I think we did two price increases this year, one on 1st June and one on 1st May. And at the same time, you see that our ability to continue improving NPS is still there and also to limit the churn effect on those price increases. So I think we have very good skills to pass, to land those price increases. And I think you could expect us to continue in that direction depending on the evolution of the macroeconomic environment.

On TV, Jim will answer the question.

Jim Casteele
So in TV, Emmanuel, indeed, we continue to see pressure on digital TV going forward. This is, on the one hand, a combination of a changing customer behaviour in a small segment of the market but also the more difficult economical context. And as you know, to capture this new demand in the market, as Guillaume already mentioned as well, we launched this year our Flex XS offer combining internet and mobile on the Proximus brand, but also with Mobile Vikings, we are present in that market.

So as a consequence, we do see some pressure on the TV volumes. But at the same time, for us, it's, of course, very important that we are also present in that part of the market so that we can capture customer demand in that segment as well. I think at the same time, let's not forget that digital TV remains a very, very relevant product for the big majority of the market, and we remain convinced that everything we do with BICS and our Android TV decoder approach, where we are combining a strong local TV offer with OTT bundling, remains the best strategy to keep customers on our local TV platform.

Operator
Thank you. Next question from David Vagman from ING. Sir, please go ahead.

David Vagman
Yes, good afternoon, everyone. And thanks for taking my questions. So first is on costs, let's say, cost savings for next year. How should we be thinking about cost mitigating measure that you could take? And I mean on top of what has already been announced. And could you be quantifying what is doable or new programmes that you might have?

And then second question is also on pricing for 2023. What is, generally speaking, your philosophy, let's say, compared to inflation? So do you put yourself a bit at a discount or in line? And then on the ARPU evolution, so next to, let's say, a price increase. Could you give us, roughly speaking, how should we be thinking about, let's say, the success of your skinny bundles, Mobile Vikings, Scarlet? You mentioned cord cutting. How could this play out, so the price increase on one hand and then maybe the down spending on the other hand? Thank you.

Mark Reid
David, let me take the first question on cost. So in terms of outlook for next year, we're clearly not guiding or giving that at this point. We'll come back to that in January in the Capital Markets Day. I think we've talked a little around what we've got in kind of our sight already, and in terms of our €400 million gross cost saving programme. And we continue to look at that in ways that we can expand the scope, speed the realisation of that. And the kind of areas that we continue to look at that as in the energy space. So in terms of the kind of the network usage, the office usage, the building, the phasing of the building infrastructure that we have, the building footprint.

So we obviously have our headquarters building change programme beginning to start. Discretionary spend is clearly something that you would expect us to look at. In terms of HR levers, we continue to be very focused on internal and external, and you've seen our kind of FTE numbers continue to progress south. So I think that's something that we're very specifically kind of managing.

And then continually looking at the efficiencies and the speeding up of efficiencies in terms of the customer journey, transaction-type cost savings. And again, you'll see that in our deck. We've been very successful with that. But in both ways in terms of reducing those transactions, therefore, taking costs out but also making those transactions digital in a way that they're more valuable to the customer. And the customers are returning us very, very favourable feedback through NPS scores. So I think we've got a number of programmes. Those programmes will continue to look at this pace of rollout, the scope of rollout to help us mitigate the inflationary pressures that everyone is feeling.

Guillaume Boutin

On the price, 2023 pricing strategy for the future, of course, I won't disclose anything for 2023. But I think I tried to answer the question just before. I would try to say it again. I think we know how to do it, but we do it the right way because we value manage, but at the same time we increase the satisfaction of our customers. And this is the way we look at it.

I think if you can value manage, but at the same time increase your NPS, I think this is the right thing to do. So you can expect us to continue in that direction.

Jim Casteele

And then, David, maybe to finish with your last question. So as you know, Scarlet has been part of our multi-brand strategy for several years now. So I don't expect changes in that respect. And for Mobile Vikings, as already explained, the price points of Mobile Vikings are much closer to the price points of our Flex range. And especially when you think about the opportunities of monetising fibre in the segment of Mobile Vikings, which are typically the more tech data lovers really creates opportunities to further drive value as well.

So when you think about ARPC, we are convinced that we're going to be able to continue to grow as we have been doing over the last quarters.

David Vagman

Okay. Thank you very much, all.

Operator

Thank you. Next question from Joshua Mills from BNP Paribas Exane. Please go ahead.

Joshua Mills

Hi guys. Thank you for taking the questions. The first one I had was just related to the working capital. And you've been quite upfront about talking the unfavourable impact referring to business working capital. I'd just like to get a bit more information about what that headwind is actually coming from in real terms. It looks like it hasn't improved year-on-year. Is this something which is more structural and we should be thinking would be another incremental headwind for 2023? Or is it just related to the specific projects this year, which may fade away? That was my first question, please. Maybe we'd stick with that one.

Mark Reid

Josh, thank you. Yeah. I mean in terms of business working capital this year, the vast majority of the year-over-year change is related to timing, primarily the 2021 phasing, which was significantly favourable in terms of various payment timing. And so that's really the way you should look at it. I don't think you should think of an additional structural headwind that flows into the future years. So I think that's the way I would look at it, if that helps.

Joshua Mills

Very clear. Thank you.

Operator

Thank you. Next question from Roshan Ranjit from Deutsche Bank. Please go ahead.

Roshan Ranjit

Afternoon, everyone. Thank you for the questions. I've got three quick ones, please. Firstly, on the B2B segment. I think you have another quarter of, as you mentioned, the catch-up from supply chain issues, which drove a nice improvement in the top line for the unit. When do you see that, I guess, unwinded? And should that continue into Q4? Or have you kind of, I guess, caught up now with that demand?

Secondly, Mobile Vikings, you previously said that synergies should start contributing from Q4. Is that still the case? And I guess is there a scope to bring forward some of those synergies?

And lastly, just looking at your fibre rollout. And again, I appreciate there is clearly volatility from quarter-to-quarter. But if I look at the implied, I guess, CapEx per home, this quarter has seen, I guess, another pickup in that cost per line. Are you seeing any upward pressure on the CapEx, I guess, maybe probably likely in terms of wages and civil works, but anything on the equipment side, which you can point to? Thank you.

Mark Reid

Hi, Roshan. Let me take the Mobile Vikings question. It's fairly straightforward. The majority of Mobile Vikings synergies are already in the numbers. We migrated the customers to our network in late Q1. So the synergies have been flowing through since Q2. So we continue to kind of optimise that business, but I think the material value of those synergies are already in our numbers.

In terms of fibre CapEx, I think we've talked a little bit about this before. The Proximus build has – we've got long-term contracts with our suppliers, both on the securing that capacity and securing materials. Now we have been in negotiations with them over the summer. And yes, there's some augmentation of those costs, but it's not anywhere near the inflation levels that we're talking to because, again, we're in a long-term partnership with these companies. So certainly, that's the way we're seeing it at the moment.

But we are aware that those inflationary pressures have not fully gone away, and we continue to kind of work with our partners to make sure that we have a long-term relationship that works for both of us.

Anne-Sophie Lotgering

So good afternoon, Roshan. Anne-Sophie Lotgering, responsible for the Business segment here in Proximus. So to your question about the supply chain and the top line improvement, so indeed, as you've rightly said in the previous months, we have been impacted by the global supply chain chipset issue. And this quarter, we have seen a significant yet partial catch-up of that backlog linked to those delays.

Now what we see as well is the timing of the product delivery is still extremely volatile. And as you can imagine, it depends on multiple factors beyond our control. What we've noticed as well is that there are different deliveries and catch-ups across different business lines. And depending on the products that we've sold with our customers, this translates to very different backlog catch-ups when comparing countries linked to the difference in product lines.

As you can imagine, we're in constant communication with the suppliers, and we try and mitigate wherever possible. But I would say that given the positive evolutions in the past months, we are cautiously hopeful to see a continuation of this positive trend to materialise in the coming months.

Roshan Ranjit

Great. That's helpful. Mark, if I could just quickly follow-up. You mentioned a small augmentation of cost. Is that both on the labour side and on the equipment side? Or is that more focused on what?

Mark Reid

Yeah. The main negotiation has been on the labour side that we've seen some discussions. And again, on the equipment side, again, we had longer-term contracts. And so, as I said, the benefit of having these contracts is that we have those contractual rights, but it's a negotiation at the end of the day, given the inflationary headwind everybody is feeling. So we're trying to manage that the best we can. So far, you see no impact in our kind of 2022 numbers.

I think the other thing you can think about in terms of the fibre deployment is that there's an ongoing programme to look at the deployment efficiency and making sure that we're optimising that. And as we're now at scale, we're learning all the time again, in partnership with our JVs as well, in terms of the best way to deploy a certain area, and that kind of gives us better ways to deploy at lower cost, so we get effectively scale synergies of being able to, and those can help us offset the inflationary impact or help solve year-to-date so far.

Roshan Ranjit

Understood. Thank you very much.

Operator

Thank you. Next question from Yemi Falana from Goldman Sachs. Sir, please go ahead.

Yemi Falana

Good afternoon. Thanks for taking my questions. It appears that the dividend and long-term strategy will wait until January. So I look forward to that. So my first question would be on the weaker economic backdrop. It seems that that's driving some consumer spin down. So are you seeing any effects in the rest of the business, higher levels of bad debt, for example?

Secondly, on the FTTH cost advantage, given you're at nearly 20% country coverage on fibre, are you already beginning to realise some of that structurally lower network costs? And when do you expect the lion's share of that benefit to be captured within financials?

And then thirdly, maybe if I wrap up on the international business with Telesign. Growth here continues to impress. And it appears that that's more than just market growth in Digital Identity, for example. Maybe if you could touch on some commercial initiatives that are driving traction amongst your customer base. And given you're still investing in R&D and the go-to-market, how do you think about the durability of the growth that you're seeing, given you're at kind of 20% plus on a constant currency basis at present? Thank you.

Guillaume Boutin

So I think on the dividend and long-term view, I think I give you – so you have noted the dates on your agenda. It's the 16th Jan next year. So I'm also looking forward to the discussion with you. On the bad debt, I think we don't see much at the moment. We have weekly interaction with the teams to look at that because that is something that we have to watch and to monitor. But for the moment, I think we are quite confident on the trends, both on the Consumer and the Enterprise segments.

I think you will see, at some point, some customer adaptations to the macroeconomic evolution. But in Belgium, we are a little bit more protected. Because of that indexation of salaries, people are probably, compared to other markets, sometimes helped. Of course, the shield for the energy is not the same compared to other countries. So there is a good thing and bad thing about indexation and the way the country is managing the macroeconomic environment.

But for the moment, we don't see a material effect or significant effect of increasing bad debt levels. And as Jim said, I think we are confident that we can manage and continue to see the nice evolution that we see in ARPC for customer base.

I think on the fibre, on the 20% coverage, and do we see today lower cost? Can we already capture that in the financials? I think this is something we will fully share during the Capital Markets Day because I think this is really the way you should look at the fibre investments that also needs to be fully explained. And that would be one of the main focus of the discussions around the Capital Markets Day. So I think we will give you way more information at that moment.

On Telesign, I think, again, if you look at the slide deck that we issued in late last year, I think we are fully on track on all business drivers. So we are exactly executing on the plan that we shared, and there is a lot of details in that plan. The only thing that is not tracking according to plan is the peak funding because that we – we see that we can deliver the results at – with a way lower peak funding for the company.

And then we're going to be able to deliver the same kind of growth but having less investment to be made. So that's really the good news about the way we are executing of Telesign plan. You see a lot of investment. We expand geographically. We hired a lot of people. We are launching in new geographies. The go-to-market traction is there. We are also making some investment in the R&D, in the product, in the platforms. So as planned, I would say, we are investing in the go-to-market, in the products and then in the geographical expansion. What we want to deliver is really the plan that we shared during the IPO process.

Yemi Falana

Very clear. Thank you.

Operator

Thank you. Next question from Martin Hammerschmidt from Citi. Sir, please go ahead.

Martin Hammerschmidt

Yeah, thanks for taking my question. I'd like to come back to the shareholder remuneration topic. And I know you'll give us much more colour on the 16th. But maybe in the meantime, could you just walk us through your thought process and deciding on the level of the dividend for the next three years? So do you factor in sort of the current share price and the current yield? Or are you more inclined to say, well, yield is just a function of the share price, and, fundamentally, there might not be a reason to touch it, given you have like low leverage? And in that context, how do you think about share buybacks at these levels?

Then my second question would be coming back to free cash flow. I think in the last few calls you mentioned that working capital and cash CapEx together should have a flat to marginally positive impact this year compared to sort of last year. If I look at the working capital offer in the first nine months now, they imply that in the fourth quarter, we need to see sort of a massive inflow in working capital even if you assume sort of slightly lower cash tax for this year. Is that still the thinking? Or has sort of the third quarter seen somewhat lower working capital benefit than you initially anticipated? And then maybe related to that, so how should we think about working capital from next year, given sort of the last three years have seen quite substantial working capital benefits on the cash side? Thank you.

Guillaume Boutin

So if I answer to your first question, I'm doing the Capital Markets Day a little bit before Jan. So we will have to wait first to explain the strategy and then to see how it translates into the capital structure of the company. So I think for those questions, I think it's important to wait until the beginning of next year.

Mark Reid

Martin, let me take the free cash flow. And I think what I said last time was the business working capital and the tax would be neutral to positive, and that's what we continue to see. So in Q4, we do expect that to be significantly positive, given the position we're in today. So that's the way to think about it. So the timing of tax payments will be favourable in Q4 this year.

In terms of '23, again, look, we're going to come back in the Capital Markets Day and give you a view there. So I think it's not the right time to comment on that at this point.

Martin Hammerschmidt

Thank you.

Operator

Thank you. Next question from Nuno Vaz from Société Générale. Sir, please go ahead.

Nuno Vaz

Thank you. Good afternoon. I just had three quick questions as well. I think most of the questions I had has been covered already. Firstly, on the joint venture that you've recently announced in the German-speaking communities. It's, of course, a small one, but I was curious about this €1,000 per household subsidy that you've managed to agree with the municipalities and that involves the European recovery plan. The question here, of course, is what’s – if you're trying to extend this subsidy to other potential areas, what sort of work are you doing in the background? What sort of potential is there for subsidies in other regions of your rollout?

Then second question on B2B specifically because you're also doing price increases in B2B. For example, you mentioned a broadband ARPU increase of 4% year-on-year. But B2B tends to be a bit more aggressive about cost controlling, especially entering what might be a more recessionary period. And we've seen the other telco peers have issues with their B2B revenue. So just curious to see what's the competitive environment in B2B and how much price increases you think you can push through in B2B specifically on telco before getting some fightback from the companies.

And finally, I think you'll probably tell me to wait for the Capital Markets Day, but I was curious about the mobile rollout, so the 5G mobile rollout. We think Telenet mentioned that they expect to take around 3.5 years' time. So I was asking for any colour you could give us on the 5G rollout would be interesting. Would you expect a similar timeframe with a pickup – with an acceleration in 2023? And would we expect an increase in CapEx related to this 5G rollout? Or would it not be so significant? Thank you.

Guillaume Boutin

So I'll start with the last one. I think we already shared that we wanted to have Belgium covered by the end of 2024. But the amount of capacity for that is not that significant. So that's a bit where we are. On 5G, as you know, we want also on mobile to be a market leader and to have the product superiority also for mobile, not only on the fibre. So it's really a centre for us, and this is the heart of the strategy of Proximus.

On the subsidy on the German-speaking community, we like that model. I think this is a very interesting model. We're going to own at the end of the day, 70% of the network, subsidy from the regions, subsidy from Europe. And I think that's a model we would love to see a little bit scaling in other parts of the countries. And we are clearly in favour of this kind of initiative to be taken by other regions or other part of the country.

On B2B, Anne-Sophie?

Anne-Sophie Lotgering

So good afternoon, Nuno. So, on B2B, you're right. The market has a certain volatility indeed due to the different trends that we see in the market, of course, the technological evolutions but also the inflation. So this being said, we do apply price increases in B2B, but we do it in a very specific manner. We don't have a blanket price increase approach. What we do is we look at the legacy offerings. And especially the ones that we're migrating away from, we propose price increases. So that also enables us to push customers to new solution. So smart pricing is possible in those specific areas, and that's our strategy. So it's not an overall blanket price increase approach, but it's very much a targeted price increase approach.

Nuno Vaz

Okay. Understood. Thank you very much.

Operator

Thank you, ladies and gentlemen. We have no more questions by phone. Maybe a little reminder. Ladies and gentlemen, if you wish to ask a question, please press 01 on your telephone keypad. No more question by phone.

Nancy Goossens

So if there are no more questions, we can close the call here. Thank you all for joining. Thank you for your questions. If any follow-up questions, you can send them to Eline or myself. Thank you very much and have a nice weekend. Bye-bye.

Operator

Thank you. Ladies and gentlemen, this concludes the conference call. Thank you all for your participation. You may now disconnect.