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PROX.BR - Q2 2024 Proximus NV Earnings Call

EVENT DATE/TIME: JULY 26, 2024 / 12:00PM GMT

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PRESENTATION

Operator

Hello, and welcome to the Proximus Q2 Results 2024. My name is Laura, and I will be your coordinator for today's event. Please note this conference is being recorded. (Operator Instructions)

I will now hand you over to your host, Nancy Goossens, Investor Relations Lead, to begin today's conference. Thank you.

Nancy Goossens - Proximus NV - Head of Investor Relations

Thank you. Welcome, ladies and gentlemen, to the Proximus webcast. We have, today, some ground to cover. So in addition to the second quarter results, we will also spend some time on the strategic announcements of last night. We will, of course, still foresee some time for your questions.

Before we get started, let me just introduce the participants on our side. Here with me today, I have the CEO Guillaume Boutin; the CFO, Mark Reid; the Consumer Lead, Jim Castele; and the Corporate Affairs Lead, Ben Appel.

Let's now start the presentation. Guillaume, the floor is yours.

Guillaume Boutin - Proximus NV - Chief Executive Officer, Member of the Executive Committee, Director

Thank you, Nancy. And with the year now halfway, it's good time to reflect the moment on some of our major achievements. Overall, I'm very pleased with our commercial achievements so far, showing a continued strong customer growth for our main product groups.

Our residential unit, for example, added another 46,000 mobile cards over the past quarter in a very competitive market. For fiber, we activated an additional 40,000 customers and continue to deploy in at high speed to reach a fiber industry footprint of 38%. Our international segment grew its direct margin by 7% in Q2, benefiting from its unique position in the global digital communications market and ready for its growth trajectory. All in all, it has led to our group EBITDA growing by 5.3% for the second quarter, a strong result that fueled our announced guidance upgrade.

The past months also have been very eventful. Not only did we close the Route Mobile acquisition. We also centralized our B2B IT activities into a dynamic new subsidiary, Proximus NXT IT to better serve professional customers in the Benelux. And then, of course, the most recent news, the signing of the fiber MOU for collaboration in Flanders and Proximus obtaining full ownership of Fiberklaar.

Overall, our strategic progress is intended to safeguard a sound organic free cash flow generation. We'll do a deeper dive on this in a moment. I already said it, overall, we can be very pleased on our performance with all main results illustrated on this slide, I won't comment on which as we will have a closer look at it. But before that, let's first go to our strategic achievements.

Our international segment is already delivering significant profitable growth. Remember, early May, we closed a major transaction, acquiring a majority stake in Route Mobile. We have elaborated on it extensively during our international webinar now almost a month ago. In short, we have created a unique position whereby we deliver services across the full value chain of digital communications from connect to engage, to protect in this on a global basis.

We are proud of our international brands being recognized for the expertise aligning the leading position for Proximus in taking those good shares of those global markets speaking example is the recently signed strategic partnership with Microsoft. As part of this value agreement, Microsoft will use the best-in-class CPaaS and DI products of our international platforms and as such, further solidify our leadership in the digital communication space.

Turning to our domestic market, for which our fiber strategy remains a key driver of our strong commercial performance. In June, we were deploying fiber in 164 cities and municipalities, bringing the fastest Internet in Belgium as was recognized by Ookla.

Moreover, we continue to innovate and bring now for ultra-fiber customers, the latest Wi-Fi technology to further boost the in-house experience. An increasing number of customers can benefit from our gigabit speed offers with an additional 443,000 homes passed with fiber over the past three months.

In June, we are close to the 2-million-home-passed bar, a milestone we have in the meantime crossed. Just to illustrate our accelerated pace, half of this coverage we achieved over the past two years for the first million took six years to be reached. Customer traction for fiber clearly continues. Our base of activated fiber lines continued to grow solidly, now accounting a total of 481,000.

Business success of fiber ambitions, of course, does not stop here, which brings me to the next part of this presentation. We've been waiting for some news on this front from some time now, so I'm excited to share that the several months of constructive discussions we achieved some major strategic steps in the deployment of fiber for Flanders.

Yesterday evening, we announced the signing of two separate agreements. One, we signed an MOU on fiber collaboration with Wyre and Telenet. And two, acquired 100% of Fiberklaar, the Flemish fiber JV in which we own approximately 50%. With this, we not only achieved a strategic milestone for the country and the industry to create for Proximus framework for long-term cash flow generation and competitiveness through increased network utilization yielding additional wholesale income. These agreements are expected to result in free cash flow covering current dividend levels in '25, '27, supported by our divestment program, which we scale to EUR500 million. From 2028 onwards, expect to return to growing annual organic free cash flow.

Let's first take a closer look to the MOU on fiber collaboration. The intended collaboration with Wyre and Telenet stretches over approximately 2.7 million homes across the Flanders region. For the 2 million homes in the medium dense area, Wyre and Fiberklaar would build complementary fiber networks. 40% of this 2 million would be allocated to Fiberklaar, meaning about 800,000 homes passed with part of that already completed today. The other 60% would be allocated to Wyre. And of course, both companies will have reciprocal wholesale access.

For the 7,000 homes in the more rural areas of the Flanders region, Proximus would start offering services during the HFC network of Wyre. This would allow us to offer Gigabit speeds throughout Flanders. Outside of this MOU are the dense areas representing about 900,000 homes, with most of them already covered by Proximus fiber today. The MOU is a step forward towards an optimized fiber rollout in Flanders, providing a path

to maximize the utilization while ensuring broader fiber coverage at an accelerated pace. All this would be achieved with a significantly reduced overall investment.

Separately, we announced that we are increasing our ownership in Fiberklaar going from about 50% to fully ownership now, and this for a total consideration of EUR246 million. Becoming the sole shareholder of Fiberklaar will allow us to work more closely together and further increase the efficiency and quality of the fiber rollout in Flanders. At the same time, we captured the value generated by synergies. Integration in the group will especially allow for optimized funding costs.

And in addition, we create operational synergies back both to total upto an NPV of EUR100 million. While collaboration with, for sure, bring benefits for lenders in the industry, it also would secure strong incremental cash-generating fundamentals for Proximus from 2028 onwards. While it's clearly too early to share any details. There are some key components in enhance driving value. Top of the list will have a massive CapEx avoidance, thanks to an optimized footprint for Fiberklaar.

Moreover, I just mentioned, following full ownership in Fiberklaar, we gained both operational and financial synergies, particularly regarding debt management. The high utilization of the Fiberklaar network would bring additional wholesale revenue from Wyre partly balancing how the costs going the other way. The higher and faster fiber coverage will also allow for faster decommissioning of our copper network, which is, as you know, costly to maintain. The intended collaboration would provide us access to the HFC and fiber networks of Wyre, which we sustain and enhance our retail commercial fiber momentum.

The chart of this slide illustrates our expected free cash flow trajectory. We make the distinction between two main time frames investment period running until 2027 and the time frame beyond. Starting with this year, 2024 on the left-hand side, the work illustrates how we go from the estimated adjusted free cash flow, which are in the ballpark of our company compiled consensus to the full year free cash flow estimate, including the effect of the acquisitions.

Following the 100% ownership of Fiberklaar, we will consolidate the CapEx on our balance sheet. This leads to an estimated total group CapEx for 2024 of around EUR1.36 billion. The CapEx increase replaces the expected equity injections for Fiberklaar, therefore, limiting the free cash flow impact. Expected average annual free cash flow over the period '25-'27 is already growing significantly, reaching a level that covers the current dividend supported by our divestment program. The CapEx relief offered by collaboration will keep in and we expect to return to growing annual organic free cash flow.

Besides our expectation to continue to grow domestic EBITDA, we see support from our international segment, while our CapEx levels will be coming back to normalized levels. This transaction, therefore, allows us to provide significantly longer-term visibility and derisking as we will enjoy Gigabit network coverage, with no additional CapEx required by them.

The funding of the Fiberklaar transaction will have a limited and temporary impact on the net debt-to-EBITDA ratio. For 2024, we expect this to be around 3.1 times and should stabilize around 3 times as of next year, as strong deleverage is expected to start from 2029 onwards.

In terms of process, you can expect the Fiberklaar transaction to be closed shortly. As for the intended fiber collaboration, which the final agreement is subject to regulatory and antitrust approvals. The formal investigation by the Belgium Competition Authority has just started with involvement of the BIPT and the outcome could be expected somewhere towards the end of this year.

Moving to the next and final part of this presentation with a quick overview of the second quarter results. Starting with our domestic segment. As I already pointed it out at the start of second quarter domestic operations demonstrated once more solid growth, supported by our attractive product offerings and effective multi-brand strategy. Our strong commercial results, combined with our pricing strategy led to another strong revenue growth for residential unit, up by 5.3% in total with revenue from services increasing year-over-year by plus 6.3%.

The revenue from residential services was still supported by two price indexations as well by the ongoing customer growth, especially in the conversion base. For business unit, revenue was growing by 4.8%, with revenue from business services, continuing the growth trajectory, up by

plus 2.2% for the second quarter. The growth in business services revenue was driven by a sustained positive revenue trajectory for fixed data and IT services.

Our wholesale revenue followed a similar trend as before, with the revenue decline fully related to low-margin interconnect revenue, while our fixed and mobile wholesale services were up just over 9%. This brings me to the total domestic revenue for which we achieved a sustained strong growth, up by 4.6% for the second quarter, driven by an equal 4.6% increase in services revenues.

Turning now to the domestic operating expenses, which were up 3.8% from last year and continuing the improving trend following the further moderation of the inflationary cost effects. Bringing all together, our domestic EBITDA showed a strong growth year-over-year by 5.1%, driven by the increase in direct margin.

Turning now a moment to the international part of our results. Our international segment closed the second quarter with a solid growth in its direct margin.

Before getting into detailed results, let me first frame some of the key drivers that are supportive of this. One, with Route Mobile, we now have a unique exposure to the fast-growing APAC region for CPaaS services, which more than compensate for the currently more difficult US and new markets. Two, we have omnichannel solution that allow us to recapture some of the disappearing SMS traffic with omnichannel typically coming at higher margins.

Three, the loss of SMS volumes is to a great extent, related to A2P, so application to person traffic, for which the impact on margin is limited. Four, besides CPaaS, digital identity and mobility services are also growing revenue and direct margin. And as a last point, although P2P voice and messaging is typically a decline market, which is to limit the direct margin impact of this.

Turning now to the numbers. To our three global brands, BICS, Telesign, and Route Mobile, we achieved to grow our international direct margin by plus 7.0% on a pro forma basis, driven by communications and data services. Driven by the DM growth, the international EBITDA increased year-over-year by 6.5%, again on a pro forma basis.

Moving in for a moment on Communications and Data Services, which is a product group, including CPaaS, DI, and Mobility Services. Here, we posted a 9.5% growth in direct margin on a pro forma basis. Besides omnichannel recapturing part of the SMS transition, especially in the APAC region, the margin also benefited from new customers and large contracts going live.

Digital Identity experienced robust growth with a net retention rate at 116%. And Mobility Services did good as well, driven by higher travel volumes. In contrast, over the same period, the revenue was down by 6.2% on a pro forma basis, demonstrating that this is concerned, especially low-margin CPaaS messages. Our second international product group, P2P voice and messaging, direct margin was down slightly, all due to lower voice volumes in an enhanced declining market. This brings me to the group results.

Our traditional slide brings it all together with the group EBITDA up by 5.3% on a profound basis with both the domestic and international segments contributing. CapEx over the first half of 2024 totaled EUR585 million, which is a decline from last year, in line with the pace of the Proximus owned fiber build. Our free cash flow for the first half of 2024 stood at minus EUR114 million on an adjusted basis, with a variance from last year, mainly being timing effects in working capital needs, partially compensated by a higher underlying EBITDA and lower cash for CapEx.

In conclusion, we have closed the first half of 2024 on a high note with strong growth realized for domestic revenue and EBITDA as well as for the group EBITDA. Therefore can, with confidence, raise our 2024 guidance for these metrics as shown on the slide. Following the full ownership in Fiberklaar and the resulting consolidation on the balance sheet, we are reviewing our expectations for the group CapEx to around EUR1.36 billion for 2024. The funding of the transaction, will have a limited and temporary impact on the net debt-to-EBITDA ratio for 2024 expected to be around 3.1 times. Our three-year dividend policy, we set for 2023, 2025 remains unchanged.

With this, I have covered my presentation that we can turn now to your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) David Vagman, ING.

David Vagman - ING Financial Markets (Belgium) - Analyst

The first is on the free cash flow outlook beyond 2027. I'm a bit surprised by the ballpark figure to be slightly above EUR300 million despite the significant step-up in CapEx and then your deal, a very nice deal, Fiberklaar with Telenet, Telenet getting on your network. So is this free cash flow of EUR300 million and maybe a bit more, is it supposed to move up significantly after 2030? Or could you explain basically why is this on you being cautious because of Digi arriving in Belgium? Is it because you deduct minorities in international? Or is it simply reflecting high wholesale costs and maybe not that high wholesale revenues, or still high CapEx, so basically.

Second question, when I look again at the free cash flow and the EUR300 million plus, is it correct to say that, let's say, more than half would be coming from the international activities when I'm basically computing, let's say, using your guidance from the international day Investor Day. So the free cash flow conversion, the EBITDA margin and so forth.

And maybe last question on the CapEx post 2027, yes, should we see a significant step down? Is it correct to assume that there would be a major step down in CapEx or let's say maybe even less than EUR1 billion after 2027?

Mark Reid - Proximus NV - Finance Lead, Member of the Executive Committee

David, let me take those. So first of all, on the free cash flow, '28 and beyond, I think, again, on the presentation, we clearly stated it's an average. And I think we also have a point in there that we expected to be growing post that period because of the economics of the fiber collaboration.

So I think that's where we are. I think, hopefully, it's appreciated that we've given you that visibility. Clearly, we are in a position right now we're super happy with the agreement we've come with the regulators and Liberty. And so again, it's hopefully giving you the directional element of where our free cash flow will be.

And again, I think maybe point you to that we'll be fully organic by that point. I think in terms of the international, I think again, you can use that. I think there's no difference in terms of what we're thinking on the international business, as Guillaume pointed out. And results are very positive on direct margin EBITDA perspective for Q2, and we continue to see a great trajectory to hitting our guidance for '24 and beyond on international.

And then on CapEx, and again, I don't think we'll -- we're not disclosing exactly the years. But again, I think you can think of something around EUR900 million in terms of the period between now and 2028 in terms of the introduction of Fiberklaar. So I think that's what be.

David Vagman - ING Financial Markets (Belgium) - Analyst

Okay. Maybe a quick follow-up on the wholesale costs you were mentioning concerning so you have this HFC deal with Wyre in rural areas in Flanders. Is it correct to assume how to extrapolate that there will be a similar solution in, Wallonia? And is it included in your 2028 to 2030 free cash flow outlook?

Guillaume Boutin - Proximus NV - Chief Executive Officer, Member of the Executive Committee, Director

I think we are not going to comment on the discussions ongoing on Wallonia. I think there are two different situations. Digital Proximus in Flanders is super different from the Digital Proximus in Wallonia. So it might be that there is some also different outcomes on those discussions. So I'm not sure you can really extrapolate what's happened in the north for what could happen in the south.

Operator

Josh Mills, BNP Paribas Exane.

Joshua Mills - Exane BNP Paribas (UK) - Analyst

I have a few, please. I was going to focus on the Fiberklaar transaction because I think that's the one which is probably getting the risk pushback today. So the first question related to this is what was the rationale of reconsolidating this business now just two years after you set up an off-balance sheet joint venture? And then related to that, how do you justify the EUR160 million premium being paid for EQT based on the buyout price versus what they're putting with equity?

And finally, if we look forward, you still have a number of other joint ventures related to fiber in other parts of the country. Is this the kind of template which you would be adopting when you look to reconsolidate those? Or is there a reason why in this circumstance, there was such a high premium being paid?

And second question, just more of an operational one. On the wholesale co-investment with Telenet, have you already identified the 60% or 40% specific areas? And does the mechanism simply mean that where you build, they pay you where they build, you pay them on equal terms.

And then finally, just coming back to the CEO contract extension. It looks like there's now a much bigger focus in terms of fixed compensation on the international business, which is clearly quite small in the scope of Proximus today. I just wondered if you could comment on how that may affect your strategy? And also if you can give us any color on how remuneration targets have played out in the 2023 annual report might have been changed as well.

Mark Reid - Proximus NV - Finance Lead, Member of the Executive Committee

Joshua, let me start. So I think I'll try and put the rationale and the value on the EQT. So look, I think we've talked about this before. I think ownership is super important to us. And I think the ownership economics of a fully utilized network. I'm sure you can understand that. I think the other element is, again, as we've we're now very, very sure in terms of the alignment of incentives between ourselves, Liberty and the regulator. And I think that really gives us confidence in terms of the next period in terms of getting to the long form. I think that also helps by the fact that it's three of us.

I think if you look from a valuation perspective, again, I think if you take comparable across Europe, there's very few that will be able to networks that we'll be able to have this kind of utilization rate, surety on overbuild risk that this network will have once we get to the long form and so therefore, again, we feel economic value is worth it at this point.

And then we add on top of that the synergies that we announced today on the acquisition of the additional share. Again, those will accrue early to us. So I think that's how we think about it. But I mean, Guillaume, I don't know if you want to add anything to that on that first part.

Guillaume Boutin - Proximus NV - Chief Executive Officer, Member of the Executive Committee, Director

On the first part, no, no, I think what I would love to say is more the -- your second question is that, again, I stated just previously, but starting point and the Digital Proximus in the north and in the south and Brussels are completely different. So what happened in the north on the way we took

back control of the JV we had in the north cannot be extrapolated for the rest of the country. Neither on the German-speaking community or in the Walloon region. That's extremely clear and important to note.

Mark Reid - Proximus NV - Finance Lead, Member of the Executive Committee

And then, Josh, again, on the terms of the MOU, again, I think we've been very explicit in terms of the details we've shared with you in terms of the allocation of the footprint and how we're going to use each other's technology. We're not going to divest. We're not going to divulge any further details on the terms at this point because clearly, we're still in a long form-type negotiation. But that's a little bit where we are on that. So hopefully, as I think we've provided a lot of detail today in terms of you to be able to work out. This is going to work.

Guillaume Boutin - Proximus NV - Chief Executive Officer, Member of the Executive Committee, Director

Yes, on the new contract, obviously, no effect or no impact on the strategy of the group with the new remuneration framework.

Operator

We'll now move on to our next question from Dhruva Shah of UBS.

Dhruva Shah - UBS Asset Management (UK) Ltd. - Analyst

Two questions, please. First is, could you provide an update on the competitive dynamics in the domestic business across Belgium? And I'm just interested to hear, in particular, if you're seeing any impact from Telenet entering Wallonia at a lower price point than Proximus? And also if you're seeing anything from Digi?

And then second question, you've seen a very strong domestic growth in Q1, Q2 off the back of price rises and good commercial momentum. But just looking at the guidance and what it implies mechanically, this suggests a declining EBITDA for the second half of the year. So could you just break down for us how much of this decline or forecast decline is due to the lapping of price rises versus the potential impact for Digi's entry or if there's anything else to consider?

Jim Castele - Proximus NV - Consumer Market Lead, Member of the Executive Committee

So this is Jim Castele for consumer. So on the launch of Internet and television from BASE in Belgium because it's not, of course, not only in Wallonia, but it's a nationwide launch. So far, as you can see in the results, we don't really feel that impact. Also linked to the fact, of course, that we already have been executing on a multi-brand strategy for several years now. We're next to our Proximus brand. We also have Scarlet and Mobile Vikings as alternatives, where Scarlet is well positioned versus BASE in terms of positioning of the market.

And at the same time, over the last years, we've also been working on increasing the premium of the Proximus brand, linked, of course, to the deployment of 5G, the spectrum that we bought, the fiber experience that we bring to our customers, investments in Wi-Fi technology, digital platforms, et cetera. And so we're convinced that by bringing Proximus to more premium positioning. And then at the same time, our multi-brand strategy makes us well positioned to cope with the changes that we see today in the market.

Mark Reid - Proximus NV - Finance Lead, Member of the Executive Committee

Yes, on the guidance, so I think we're super happy with the first half of the year. I think in terms of the main components of our guidance for the second half, I think you struck the main two or three. I think price is the vast majority. We start to lap the price as you noted. We have put some

assumptions in there. Again, we're not seeing a huge amount of activity there. So that may be on the conservative side. We had a contract in the enterprise side that we're also lapping.

And in Terminals revenue, we're lapping some high comparables from last year. But I think the way I would think about it really is it's primarily the price rise annualization, a bit of assumptions in terms of the market, the conditions that may exist in the second half. But again, I'm sure Jim will say, as we've been trading through July, trading continues to be strong. So we're very comfortable with our guidance for the year.

Operator

Titus Krahn, Bank of America.

Titus Krahn - BofA Global Research (UK) - Analyst

A couple from me, please. I would have three of them. The first one, a quick one just on the 2025 to '27 free cash flow guidance, where you mentioned that your increased EUR500 million divestment program will benefit the reported free cash flow. Is there any way to kind of give us an indication how much of these EUR500 million will be divested throughout 2025 to '27 or maybe ask differently how much kind of cash proceeds have you received so far?

And then the second question would be on your CapEx guidance, including Fiberklaar, and the actual Fiberklaar rollout throughout the period until 2027. The Fiberklaar that's going to be kind of quite equally weighted throughout the years. I'm just asking because your initial plan was for your own rollout to drop significantly, and gradually over the next couple of years. But your new CapEx envelope is basically stable for the next four years? Kind of how can I reconcile that? Will you also accelerate your initially planned rollout? Or is there some other delta within the CapEx guidance?

And then a very brief question just on the Fiberklaar transaction. If the regulator does not approve your cooperation with Telenet, can you back out -- would you back out, is that an option?

Mark Reid - Proximus NV - Finance Lead, Member of the Executive Committee

Let me take a discussion on the 25% free cash flow guidance on the divestment. So where are we on divestments. So we've increased the number to EUR500 million. In terms of the timing, clearly, these are M&A type processes. And so clearly, the timing is difficult.

But one element I can give you maybe helps you in terms of time is we're, I would say, in the advanced negotiations of around 40%. We're in the process of another 45%. And so of that EUR500 million, there's 85% of it insight, right? I think that's where we are. The remaining part is we've clearly identified and we're running -- starting to understand where the timing of that process will be. So it's difficult to call exactly, but I think the pieces that are in our control are well in under process.

In terms of how much we've raised so far, we had EUR30 million. I think that's well disclosed in our accounts where we had a EUR30 million cash in for the sale of our headquarters building in December 2023.

In terms of CapEx guidance, so I think as I mentioned earlier in the call, we're going to take on just around EUR900 million of the Fiberklaar. CapEx, again, I'm not going to disclose fully the timing of that, but there are going to be elements that we're discussing with the regulator it's about the timing and the phasing of the build, which will dictate exactly where that phasing is, and it's not fully agreed at this point. But I think, again, you can probably given our 2024 guidance and the number we gave you for '25 to '27, you can probably work fairly close to it.

And then Guillaume, do you want to take the last one? The question was --

Guillaume Boutin - Proximus NV - Chief Executive Officer, Member of the Executive Committee, Director

On the regulatory discussions with the cohort -- what kind of comfort we have that we get through that discussion with the regulator. I think we are confident. I think we have been interacting with the authorities to make sure that principles of the MOU are aligned with our expectations.

And I think that if you look at the communications issued but regulated this morning, it has been confirmed that based on that MOU, the BIPT, and the BMA are launching the investigation. So I think we are quite confident that that MOU will get to a closing moment, that where we are, if it's not happening, we are back to competition on the infrastructure, but I think this is not a healthy situation for neither the country, neither Wyre neither Proximus neither the regulator. So I think there is all incentivization for all parties to get to an agreement on the -- did based on the detailed MOU that we shared with the regulator last night.

Titus Krahn - BofA Global Research (UK) - Analyst

Okay. And in the worst case, you would still roll out on balance sheet then?

Guillaume Boutin - Proximus NV - Chief Executive Officer, Member of the Executive Committee, Director

Yes, then we continue the rollout, but there is probably no situation where you're going to have overbuilt in the country. That's for sure, it is a fully realized and agreed in between all stakeholders. So I think there is no -- (multiple speakers) on ourselves to get to a concrete of the deal.

Just to go back on the free cash flow guidance beyond 2028. I think first, we never guided on international activities beyond 2026. That's a bit where we are. So extrapolation of what is going to be those international activities beyond 206, it's difficult to say, and then it could be a fast-growing segment of first. That's the first element.

Second when we look at the free cash flow generation beyond that period, we say in the presentation, it's clearly stated that it's an annual average organic free cash flow, and we also clearly stated in the presentation that, that free cash flow will be growing from 2028 and onwards on the later years. That's something that you also need to take into account when you look at that period post 2028.

Operator

Nuno Gontardo Vaz, Bernstein.

Nuno Gontardo Vaz - AB Bernstein - Analyst

Three from my side, but I think a pretty straightforward also mostly focused on this fiber announcement. First one is in terms of the areas that will be passed by Fiberklaar, it's my understanding that Telenet will still have the cable network active in those areas. So is there some sort of incentive to make them switch, or because if you see from my perspective, that they might want to save some money and some wholesale costs. Is there any sort of incentive for each of the parties to switch to fiber?

And second question on the 700,000 homes where you now have access to wholesale to cable. I assume this is not really a technology used before. This any sort of costs of preparation in terms of customer premise equipment in terms of this new technology? Just to understand because my understanding is you do not use this technology before.

And then just the third one is a quick clarification because in the past, we used to see a lot of the target about 95% fiber coverage in Belgium. I'm assuming that target has now been pretty much dropped, but there will still be quite a few rural areas in Belgium. If you could just comment on that, if there's any developments on that.

Guillaume Boutin - Proximus NV - Chief Executive Officer, Member of the Executive Committee, Director

So the first one, I think, as you can imagine, we cannot disclose details of the MOU that has been discussed being the parties, but you can imagine that there are incentivization to build. So incentivization to migrate customers. So rapidly, decision would be that when you have one network, one fiber network, you're going to have all the customers on that network. That's the way you should look at it.

In terms of preparation to go on coax, I think it's not a technology we don't know. It's a technology we don't use. And of course, Wyre is already ready to access to wholesale customers because they have Orange as a customer. So on their side, I think they are quite ready to welcome Proximus. And for us, it will be a limited amount of investment to be made, but super limited in the context of Proximus to be able to service coax for our customers but also a fantastic opportunity to win market shares because in the areas where we're going to have access to that network, our market shares are limited in terms of size. And that opportunity to win shares will be also present in those areas compared to the situation of today. It is an upside that we think we can capture as well.

Then on the fiber coverage in Belgium, I think it will depend on the way all governments, the Belgian government will look at the subsidization of the rollout. I think as we always stated, of course, I mean, one network helps the economics of the fiber build, but to go up to 95%, you're going to have to create a framework where you need to be helped supported by subsidization to get to this kind of level. I think what we achieved with that agreement is that we will offer the possibility for Proximus customers to access the Gigabit network in Flanders as of tomorrow. That's a bit the good news for our customers.

In terms of whether we're going to be using for 95% of the country fiber of coax, it seems to be decided. And of course, otherwise, we're going to be extremely rational in the way we're going to take those decisions to use either coax or to develop fiber networks. It will also depend on the support we're going to receive from government, but we all know that to go beyond 81% of coverage, you need probably some support to bridge the gap in between 81% and 95%.

Operator

Justin Funnell, Nextgen Research.

Justin Funnell - Nextgen Research Ltd - Analyst

Could you give us any insight into how you expect the respective fiber networks that you're building into some events to be regulated. Do you think it's going to be retail minus? Or do you think it's going to be a cost model that the regulator basically requests or forces you to adopt?

And then on your leverage, you obviously have a 3 times target. Is that a hard ceiling? Or is there a scope for you to run above 3 times for a period, given that your credit rating is BBB+?

Mark Reid - Proximus NV - Finance Lead, Member of the Executive Committee

Let me take the leverage one first. So I mean, Justin, you're right, we gave guidance to 3 was we wanted to operate below 3. I think we announced today because of getting access to a path towards this collaboration deal, we're going to temporarily go above that with the inclusion of Fiberklaar.

Again, I think we were clear that we see this as a temporary elevation above that level and that we expect it to come down to around that for a couple of years. And then we see a deleveraging period once we return to the free cash flow levels that we talked about earlier in this call. So that's where we are, where there's no hard target.

Again, I think we'll be in -- we've always been in constructive discussions with our rating agencies, and we'll explain to them for this deal. But again, we feel it's a very temporary element above 3 in 2024, and we expect our conversations to discuss that in the next coming weeks.

Guillaume Boutin - Proximus NV - Chief Executive Officer, Member of the Executive Committee, Director

On the regulation and the semi-dense areas, I think what will come with that deal, and it's a good thing. It's a long-term visibility on the way the regulators will look at the different networks. So in the discussion we had with our regulations -- regulators, sorry, what is super important for us is that long-term visibility, and we get that in that agreement. So we'll get that visibility on the way they want to manage the fiber network in terms of regulation for the next 10 years, the way we look at that, so it will be regulated but with the long-term visibility, which helps navigate and maximize the value creation for everyone. So I think this is our expectations. And there is no reason why those expectations should not be heard and met by the regulators.

Justin Funnell - Nextgen Research Ltd - Analyst

Can I just follow up? I mean, in terms of between the lines, you say you expect it to be regulated, that suggests a cost-plus model. Am I reading too much into what you just said?

Guillaume Boutin - Proximus NV - Chief Executive Officer, Member of the Executive Committee, Director

I think the regulator said also that we want to change the way they look at the cost to access and the price to access the network, and they don't want to change the methodology. So I think we are seeing that rework. And I think this is a fair way to assess the economics of accessing network for sale customers. So I think we are seeing that mindset. The good thing, again, is that we're going to have visibility for a long period of time on the fees and the conditions to access the different networks of the different operators.

Operator

(Operator Instructions) David Vagman, ING.

David Vagman - ING Financial Markets (Belgium) - Analyst

Yes. Thanks for giving me again the opportunity to ask question. And sorry to come back on the free cash flow 2028 and 2030, I heard well your comment that this is an annual average, and it's growing. So do we have to understand that there is actually basically the possibility that in, let's say, you have a big discrepancy between these three years and then is it because you still have quite a bit of CapEx or any particular reason impacting significantly, let's say, 2028? And then that you would have quite a significant CapEx -- sorry, not CapEx or free cash flow exceeding this period, so let's say, 2030. So I'm trying to figure out basically what is a bit of normalized free cash flow level for the group? So that's my first question.

And then secondly, if I do the math quickly for Fiberklaar and thanks for the indication that there is still like EUR900 million of CapEx to and let's say, to invest. If I look at Fiberklaar, I have the impression that they've already invested something like, let's say, EUR450 million, something like that. It would give you CapEx per premise per household at EUR1,700. It is quite a bit above the initial CapEx guidance of Fiberklaar of EUR2 billion for 1.5 million households. Any particular reason why it was lending at a higher cost or CapEx per home pass?

Mark Reid - Proximus NV - Finance Lead, Member of the Executive Committee

Yes, David, on the '28 to '30, I mean, look, again, I don't think we're going to talk too much more or we can disclose too much more on that. I don't think there's nothing else mature. We don't have another significant investment after that period. So there's nothing there. The Fiberklaar CapEx build will be almost fully done by 2028. So that's how we should be returning to more normalized CapEx levels. And that's why, again, over that '28 and beyond period, we've said it's an average, and it's growing, right? And it's organic. So I think that's the way you should think about it.

On the Fiberklaar mark, I think there's a couple of things. I think it highly depends on the footprint. That footprint the medium dense is a difference in where it is in that medium dense. And I think the other element you need to kind of work into is we have fiber in the street, which we disclosed, which is not just fiber home pass build and ready for service. And so that also has to play into your numbers. So I think that's probably the way to think about it.

David Vagman - ING Financial Markets (Belgium) - Analyst

Okay. And will you say, Mark, that the CapEx will be done by 2028, you mean down in 2027, little CapEx in 2028.

Mark Reid - Proximus NV - Finance Lead, Member of the Executive Committee

David, I'm not going to pick a year. But I think hopefully, you can get directionally where we are on that '28 to '30 number.

And as I said, look, we're going to come back once the long form is done and will be -- hopefully, you understand that there's only certain amounts that we can disclose at this point, and we're still need to finish the long form. But we're super happy with the fact that we've got to this step. This is a major step in terms of aligning the three parties and creating value for the regulator, society, Liberty and ourselves. And so hopefully, you think guys can get that and understand that on (inaudible).

David Vagman - ING Financial Markets (Belgium) - Analyst

Sure. Thanks, Mark. I think you also understand why I basically want to understand whether there is potentially a big upside in free cash flow down the road also for this period. Thanks.

Operator

Siyi He, Citi.

Siyi He - Citi - Analyst

I just had one question on just another qualification. The question I have is on your asset disposal. I think you announced a plan at the beginning of 2023 and now we're almost 1.5 years. And I think the proceeds has been achieved is EUR30 million. Just wondering if you can just mention with us what's the learning that we'll have on your assets disposal? And should we still think that the initial EUR400 million achieved by end of '25 is still a valid timeline?

And the second question is how is the cash CapEx that you're adding from Fiberklaar. Are they in your cash -- in your CapEx? I mean, what I'm trying to understand is that for next year, should you expect this EUR160 million consolidated would potentially have doubled in size (inaudible)?

Mark Reid - Proximus NV - Finance Lead, Member of the Executive Committee

Sorry, the line was really bad. But let me try, and if I don't get the question. In terms of disposals, as I said earlier, I think to your question, we are in process for 85% of the now uplifted EUR500 million, right? And so that means almost half of it is actually in what I'd call a negotiation phase. The other 40% is in a process. And the remainder, a small part of it is in planning and it's not going to take three years to execute. So I think in terms of -- and I'm sure you understand, running these processes can take time and the ability to forecast when they will close is difficult. So I think that's what I would say on that first part.

On the Fiberklaar, again, the Fiberklaar cash CapEx, I think the question was around the EUR160 million a year? And was that an appropriate level for the next few years. And I think the answer to that is yes.

Operator

Joshua Mills, BNP Paribas Exane.

Joshua Mills - Exane BNP Paribas (UK) - Analyst

A couple of quick clarifications. On slide 18, I just want to triple check. So there is a difference, if I'm correct, between the free cash flow definitions on the middle chart, which do include asset proceeds and then the one on the right-hand side, which exclude any M&A and asset proceeds. If you could just confirm to the right-hand chart doesn't include anything M&A. That would be helpful.

And secondly, I know you gave some disclosure on how many of your fiber lines are built through JVs in the presentation on slide 10. Could you maybe just give us an update on how many homes have been built by Fiberklaar already within I think 280 million-odd, which the 12% of that 2 million would suggest. That would also help us do some math on the CapEx.

And then finally, if I come back on the initial question about the reason for reconsolidating the joint venture at this point. I'm more interested about whether you'll do this again? And if so, what would the justification being how do you weigh up the benefits of consolidating these fiber builds as you clearly sort of strategy two, three years ago versus buying them in now? Is it simply a change of control clause and something to do with the relationship between you and Fiberklaar, which meant when you did this do with Telenet, you had to do this. Or has something fundamentally changed in your thinking about the benefits of fully owning these networks rather than doing the joint ventures? I just really want to understand whether this is something that will come back with Wallonia and some of the other rural areas.

Mark Reid - Proximus NV - Finance Lead, Member of the Executive Committee

Yes. So Josh, let me talk about this slide in the earnings. So I think on the slide on the left, we clearly provide a walk from our adjusted free cash flow in 2024, which, again, includes divestments, right? And we've had this discussion several times, so that includes divestment. And then we walk that from the inclusion of Fiberklaar and then the eventual acquisition of Route Mobile, which gives us our reported free cash flow.

On the right-hand side, again, two nuances there. The free cash flow '25 to '27, as we said in the notes, it includes the divestment clearly says that scale-up divestment programs from EUR400 million to EUR500 million to support the free cash flow level.

And then again, it's why we're so confident in being able to kind of meet the dividend coverage is that we've got, as I said, 85% visibility of the divestments to support that free cash flow. And that free cash flow, clearly, because we're taking Fiberklaar on the balance sheet during that period is why you're seeing it being negatively affected and then offset on the '28 to '30, we have no divestments in there. It's purely organic. And again, I think I mentioned that earlier in the period, from that period onwards, we purely have organic free cash flow growth from the business. So hopefully, that's clarified that point.

The other questions were on the house pass on Fiberklaar joint ventures, again, we haven't disclosed that number. Again, I think you can from our -- see the total joint ventures. And again, Fiberklaar probably the lion's share is probably the way to think about it. So hopefully that points you in the right direction. And then on the reconsolidation of others, Guillaume, do you want to take that question?

Guillaume Boutin - Proximus NV - Chief Executive Officer, Member of the Executive Committee, Director

I think I try to give you a bit where we are. I think, again, what happened in the north cannot be extrapolated on the south and why we wanted to gain ownership of Fiberklaar in the north because you have that's splitting between the two players, splitting between the Wyre on one side and

Proximus on the other side. And we wanted to make sure that we control our fair share of the network because we believe that the value creation of controlling that network going forward is going to be massive for us. And that's why we decided to control 100% of Fiberklaar.

In the south, again, the situation is fully different. We are in a situation where we have a share of network ownership that is already quite significant. And it might not be that we want to come to the same conclusion in terms of where next to own 100% of the Fiber JV in the south because we already are in a very sound situation in terms of network ownership.

As you know, network ownership for incumbent is important. Mark said it as well. So we want to make sure that we own a large majority of the fiber networks of the country, including the part of the country where we can compete on infrastructure. So including on A and B and the C, we want to own a strong majority of the network for our customers. That's the plan we are rolling out.

There is a situation in the north. We decided to get 100% ownership because we wanted to secure the right ownership for Proximus in the long term in terms of Fiberklaar in the south. If you take the ownership we already have today, we are in a very good situation. I'm not sure that we want to increase that or to improve that situation. I think at least it is not something that I foresee in the near term.

Operator

Justin Funnell, Nextgen Research.

Justin Funnell - Nextgen Research Ltd - Analyst

I suppose it's the same question that I was asked, but in a slightly different way. Just can you explain why you're buying Fiberklaar now why you're buying the 50% now and not wait for the regulatory review to be completed? It feels like there was some sort of technical reason why you had to buy it in, but maybe that's wrong. And secondly, on the asset disposals, the EUR500 million, I guess some of these assets are going to be leasing once you've sold and might be perhaps the data centers. Is there a lease cost that we should be thinking about versus the EUR500 million of cash in.

Mark Reid - Proximus NV - Finance Lead, Member of the Executive Committee

Justin, let me take the first one. I mean, there are different flavors of that, obviously. So maybe let me take the headquarters building. I think we've talked about this before. The plan for the headquarters building is to dispose of 100,000 square meters and shrink to 42,000 square meters, something like that. So clearly, we get that type of transaction we get a cash in, but we also -- because the operational synergies, we actually end up in a total cost of ownership with the lease that's actually there or thereabout in terms of the actual operation of that entire building prior to. So there's elements where there are clearly operating costs or lease costs that come back in. There are also elements where that's not the case where there will be clear straight disposals and no leaseback.

So I think in that EUR500 million, there is a mix of that type of activity. And again, in the free cash flow projection we've given you, that has all worked in. So I think there's no additional lease costs that you should think of on top of these free cash flow projections given the EUR500 million divestment on Fiberklaar, Guillaume, you want to take that?

Guillaume Boutin - Proximus NV - Chief Executive Officer, Member of the Executive Committee, Director

I can take it. So I take ownership on networks is important for us. I think for us, because of that deal, which is likely to happen, very likely to happen because we've got a good conversation with the regulator because we've got a good conversation with Liberty because we think that it makes sense for all parties to get there. I think this is something that we trust is going to be related in the coming months because at the end of the -- there is not a lot of options for all players to get to that collaboration situation. And then if you step back, if we look at the complexity to get to this kind of outcome. I think it made a lot of sense to have three partners around the table, Liberty, Proximus and regulator with 100% aligned incentives.

I think the chance of a better outcome for us was and is higher in that situation. And the step where we are today, where we have publicly announced MOU where you have support for that deal coming from all angles of the country, from politicians, from regulations from also from Wyre and Telenet that we are also extremely pleased by the announcement of yesterday.

I think we are creating something unique, but we want to get long-term benefit from that situation. So for that, we want to be exposed as network owners to the benefit of the deal. That's why we wanted to secure the fact that we get the right ownership of the fiber networks in the north of the country. Again, situation is different in the south, and I will repeat it. There is no starting points are different.

So outcomes might be also different and there is something that you should really consider leaving that call. So that's a bit what I wanted to see. And we think we have a good deal. We are well positioned to meet the value creation that we have set a target that we have set to ourselves. The fact that we own Fiberklaar today is also a good thing for leading the discussion. And you can see obvious reasons for that. And again, the deal is something good for everyone, our customers, and that's something that we don't talk a lot about today, but that deal is also a way for us to secure access to Gigabit networks for all of our customers.

And today, if you look at the situation we have today, that was the case. So now we have secured that for our customers in Flanders. If we can, it's good for the country and politicians, I think, of all parts of the spectrum, of the political spectrum are behind that deal. It also creates a condition to discuss whether the collaboration could be even broader.

And do we need to also over build in other parts of the country. That was a question that could be asked also and by positions at some point because we have opened the way for fiber collaboration why limit that collaboration to on the part of the country, a question that needs to be also discussed in the coming months. And as I said, it's also a win for our partners. So I think this is something which creates -- that maximize audiences to extract a lot of value from our fiber investments.

Operator

There are no further questions, so I'll hand back to your host to conclude today's conference. Thank you for joining today's call.

Nancy Goossens - Proximus NV - Head of Investor Relations

Sorry to interrupt. So I just wanted to say thank you to all for your questions. Should there be any follow-up as usual you can reach out to the investor relations team

Operator

Thank you for joining today's call. You may now disconnect.

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