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PROX.BR - Q2 2023 Proximus NV Earnings Call

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## CORPORATE PARTICIPANTS

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**Nancy Goossens** Proximus PLC - Director of IR

## PRESENTATION

### Operator

Hello, and welcome to the Proximus Q2, 2023 Conference Call. Please note that this call 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.

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### Nancy Goossens - Proximus PLC - Director of IR

Thank you, and thank you for joining us. We keep our usual format, so we start this webcast by an introduction by the CEO, Guillaume Boutin, using the presentation that we have published on the website this morning. After that, we will turn to your questions. And for the Q&A, we are joined by the CFO, Mark Reid; the Residential segment lead, Jim Castele; the Business segment lead, Anne-Sophie Lotgering; and the CEO of BICS, Matteo Gatta. They will be taking your questions in a moment, but first, Guillaume will take you through the highlights of today. Guillaume, please go ahead.

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### Guillaume Boutin - Proximus PLC - CEO, MD & Director

Thank you, Nancy, and welcome to this webcast. Over the next 10 to 15 minutes, I will follow this agenda, and we'll start with some highlights for the quarter, the highlights of Q2.

First of all, the second quarter marks a really strong commercial success. We are winning in a slow-growing market across all main products but especially on mobile postpaid, closing an excellent quarter. Financially, we sustained our strong revenue growth for the group, up by 4%, with both our domestic and International segments contributing to this achievement. And similar to the previous quarter, we are still coping with inflationary impacts, leading to a decrease of 3.7% of the group EBITDA, in line with our expectations. We're now 6 months in our bold2025 strategy, and we have achieved major steps forward for both our Domestic and International segments, and let me zoom in on this part.

As you know, for domestic segment, a key factor in our strategy is the rollout of Belgium's Gigabit network. And as you can see on that slide on the quarterly updated chart, we have been further expanding our fiber works. And thanks to good progress, we have reached in June a critical footprint with 1 out of 4 premises in Belgium being passed with our fiber technology. The fiber machine is going full speed in no less than 115 Belgium

cities and municipalities, bringing Belgium inhabitants the best technology available to allow the fiber technology being made available across the country even faster including the low-dense zones. I remain convinced that there is a need for an effective and rational fiber collaboration and co-investment framework. End June, nearly 1.5 million homes were passed with fiber. On top of this, Fiberglass and Unifiber have a funnel of fiber to the street of over 300,000 homes, which will boost the fiber homes passed as soon as the POPs are activated. Our network filling rate is also nicely progressing, reaching 25% at the end of June.

This proves the traction of fiber continues to be strong and the success of our product superiority strategy. In terms of active customers on fiber, we have been growing our base with 34,000 over the past 3 months, a year-on-year increase by nearly 50%. This brings the total now to 322,000 active customers. The success of fiber is also reflected in the migration rate, which has further improved to 70%, 12 months after commercial launch. And we continue to improve our fiber offer. We once again have stamped our fiber mark on the Belgium market by making the 10 gigabit technology available in all fiber zones and by including it in our residential parks. Our 3 fiber offers on the market with speed tiering ensure also the further monetization of our investments.

For the B2B unit, we continue to execute our transformation to become the full-service technology solution leaders in the Benelux. As we elaborated in CMD, B2B is at a crossroad of 2 markets, the telco market on one side and the IT market on the other side. The boundaries between these 2 are increasingly bearing with trends such as optimization. To fully embrace this development, we repositioned our enterprise brand with the launch of Proximus NXT. It stands for us helping our enterprise customers to embrace the next-gen technologies cybersecurity, cloud, advanced workplaces, AI and the new ecosystem of partners that we continue to build.

The biggest news of this quarter was related to international activities. Last week, Monday, we announced this agreement to acquire a majority stake in Route Mobile. As a reminder, the key drivers of the deal are the following. It will allow the Proximus Group to gain significant scale as Route Mobile and Telesign will be holding a solid top 3 position in the global CPaaS market. Route Mobile operates globally with a nice regional complementarity with Telesign with Route Mobile having especially a strong position in its home market, India. This is combined with a strong complementarity in product offerings.

Thirdly, the potential revenue and cost synergies are super high, estimated to deliver at least EUR 90 million of annual EBITDA synergies post-closing of the transaction. Combining the 2 entities, which also allow us to improve the EBITDA margin to best-in-class peer level of 13% to 15%. For more information, I invite you to have a look at a separate presentation published on the Proximus website.

Having covered the strategic part, let's move to the financial and operational results of the second quarter. And we'll start with our Domestic segment. And as you can see on the chart, we delivered a strong commercial momentum over the past 3 months across all our main product groups. Looking at the first half of the year, it's clear that we are winning in the market with over 50% of the organic residential growth in the postpaid and fixed Internet markets. This demonstrates we can rapidly adapt to changes with our new mobile postpaid portfolio launched in May, clearly not missing its effect. In addition, having reached now a critical fiber footprint, we successfully launched a broad advertising campaign, "you got the fiber", which supported our Internet customer growth, showcasing the unmatched superiority of the fiber technology.

Zooming in on our residential unit. The sustained good commercial performance, further supported by price indexations resulted in another strong revenue quarter, with both total and services revenues up by 4.2%. The residential customer services revenue benefited from a strong increase in ARPU, up year-on-year by 4.7%, reflecting the effect of price indexations and the ongoing move from customers to convergent offers. With fiber alongside of first-class mobile network, we enjoy product superiority in the market, which greatly supports our value management. Price indexations clearly support the ARPC growth yet have only limited impact on churn levels. The customer trends even improved, all translating into the revenue uplift by over 4% for the residential unit. Our business unit closed also a strong quarter with revenue up plus 2.9%. We are particularly pleased with the business services revenue, which continued its positive trend in the second quarter, in line with our strategy.

Revenue from products and especially IT equipment posted a solid increase. This, while we are gradually returning to business as usual situation for IT equipment installations. The positive trending of the business services revenue was the result of a continued growth in revenue from Internet services with a 6.6% increase in ARPU and a rather stable customer base. Moreover, for the IT services, we also achieved a 6.6% growth compared to the previous year, resulting from growing revenue in cloud, security, smart mobility and smart networks. This was partly offset by legacy fixed voice for which the revenue still erodes yet the decline is stabilizing. And finally, our wholesale unit, for which the year-on-year revenue declined

by EUR 3 million is the result of the ongoing interconnect headwinds with, however, no meaningful margin impact. Services revenue was up by 6.9%.

This brings me to the total domestic revenue for which we achieved a 4.2% growth for the second quarter, with services revenue growing by 2.8% year-over-year.

Turning down to the domestic operating expenses in line with our expectations. We still faced significant inflationary cost effects on wages, electricity and other exposed cost lines. Moreover, the strong commercial momentum also drives some customer-related OpEx. And thanks to our ongoing cost efficiency program, we could partly offset this, overall resulting in our OpEx being up by 8.8% for Q2. This brings me to the total domestic EBITDA, which was down by minus 3.5%, with a higher cost in part offset by the increase in direct margin, in line with our expectations.

Turning to the International segment. For the second quarter, BICS posted revenues down by 1.1%, which reflects USD currency headwinds and the fact that BICS is returning to usual business trending post and exceptional 2022. Nonetheless, BICS core services achieved robust revenue growth up by 8.1%, driven by strong mobility volumes. I'm delighted to confirm the solid commercial momentum with Telesign, delivering robust sales bookings and continuing to post double-digit revenue growth. Moreover, the value of its customer base continues to progress with a net revenue retention rate at a very healthy 117%. Communication and Digital Identity services continue to grow with the Digital Identity segment benefiting from the expansion of the Telesign customer base outside the United States. The EBITDA reflects Telesign's significant investments into growth ambitions. These have now reached their peak and the increase in operating cost is therefore expected to moderate going forward.

This brings me to the group results. And this slide sums it up for the second quarter with a strong group revenue increase, leading to a 2.1% growth in direct margin. The group EBITDA was down by minus 3.7% with mainly the Domestic segment impacted by the inflation-driven cost increase. This brings me to the -- sorry, I was a bit too fast. And for the CapEx, we remain well on track for our full year projection of around EUR 1.3 billion. Over the first half of 2023, we invested EUR 612 million. And as illustrated on the chart, the fiber-related investments accounting for 29% of the total with our own fiber builds coming down from its peak in 2022. CapEx needs to connect and activate our fiber customers on the other hand increased. Moreover, the mobile network consolidation led by Mwingz is ongoing with CapEx incurring following the pace of the mobile site consolidation.

It brings me to the free cash flow over the first half of the year. And as shown on the graph, besides EBITDA effect, the main driver of the lower free cash flow is tax-related partly offset by lower business working capital needs. And looking at the remaining part of the year, we expect the adjusted free cash flow to return to positive ground supported by our underlying business trends and the sale of our headquarters. The free cash flow move as well as the dividend payment in April is reflected in our net financial position, all in all, in line with our projections for the year.

To conclude, we are very pleased on where we stand 6 months in the year and reconfirm our guidance. And regarding the revenue growth for the domestic segment, we expect, however, to land in the upper end of the given range, this mainly following higher-than-expected revenue from terminals and IT hardware. The other guidance metrics, as shown on the slide, remains unchanged.

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

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) The first question comes from the line of Nicolas Cote-Colisson from HSBC.

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**Nicolas Cote-Colisson** - HSBC, Research Division - Head of European Telecoms Equity Product, Telecoms, Media and Technology

I've got 3 questions. First, Guillaume, you're calling for fiber collaboration and co-investment framework for the first time officially, I mean, in a press release. So now what are the next step? Can you update us on the workflow with the BIPT? And what would, in an ideal world for Proximus, the

design of such a framework? Second, on BICS and Telesign. Can you please tell us a bit more about the GDPR case? Because I can appreciate there's a lot of legal constraints on what you can say now. But there is this NOYB complaint that could be -- or could have some serious consequences. So any information around that would be great. And very last one on Telesign. I'd like to better understand why the gross margin is still going down? What is happening in terms of product mix there? I understand the company will transform dramatically within the Indian deal at some point. But I'm just curious to better understand the real value of your CPaaS business beyond the headline revenue, if it makes sense?

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**Guillaume Boutin** - Proximus PLC - CEO, MD & Director

First on the -- sorry, I'll start with your question on fiber. I guess for me, it was important to say in the name of the industry that an investment-friendly and collaborative framework has to be put in place. And again, here, to go even further and to even more accelerate the fiber rollout for the country. As you know, this is in the interest of everyone, citizen operators and also for the competitors of the country. So that's why it's important for me to state that more officially in the name of the industry. And in terms of the time line of the current work that has been performed by BIPT, I think we expect them to complete their analysis by the end of the year, beginning of next year and to see then -- to be able to then to start consultative discussion with them. And again, what is a good framework and an investment friendly framework. I think we have probably to reflect on what are the areas where you need to compete on infrastructure, what are the areas where you need to co-invest or to co-build that fiber network. But as we know, if we want to go fast and if we want to cover 100% of the country, the technology, some form of collaboration, some form of co-investment will be needed. And we are calling for that investment friendly and collaborative approach for the rollout of that needed technology for the country. So we'll -- I think this is -- next steps are that BIPT analysis to be finalized and for us to also be proactive in terms of what would be the different scenarios where we can bring that framework or put in place a framework that is, as I said, needed to go fast and to cover 100% of the country.

On the second question on NYOB. Mark, do you want to take that one?

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**Mark Reid** - Proximus PLC - Finance Lead

Yes. So Nicolas, so on NYOB, clearly, there's -- we're under legal guidance on that. But as we've kind of said to the market, we are cooperating with the inquiries. And at this point, we see no -- we believe that we have been compliant and we will continue to follow discourse with the appropriate bodies on that requirement. We do not see any risk to the business at that point. And therefore, again, we have made no provisions or anything and that sort of from a financial perspective. So that's about as much as we can say at this point. So hopefully, that helps you in some way.

On the overall Telesign, question on margin, I think you got to look at it a little bit on -- it's primarily CPaaS margin that is moving a little bit. There are some foreign exchange headwinds there. There's some mix of countries and mix of customers that is playing a little bit on the CPaaS business. The direct -- the DI margin continues to be strong and the mix of that business continues to move in the right direction. Given I'm saying that the bookings we are very, very pleased with in terms of that. But CPaaS still is a major part of the overall margin mix. And again, we continue to see the value of that business going forward. And clearly, with the Route Mobile acquisition, we see a very bright future of those 2 businesses together.

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**Nicolas Cote-Colisson** - HSBC, Research Division - Head of European Telecoms Equity Product, Telecoms, Media and Technology

Okay. Got it. And maybe just a follow-up, I get your point about the revenue that it will eventually slow down on the revenue growth. So how should we see for the next couple of quarters, the contribution in terms of direct margin from Telesign because should we think about a stable margin? Or should we think about kind of a stable view point?

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**Mark Reid** - Proximus PLC - Finance Lead

Nicolas. no, no, no. I mean, look, I think we've got guidance out there on international direct margin. As I said, I think we've come off of a nice first half with the business to continue to deliver as we want them to deliver. That momentum follows from a booking perspective and net revenue retention KPIs forward into the second half. So I think from a Telesign perspective, I think we're on course. I think BICS, again, the summer is very important from a mobility perspective. We'll have better visibility of that by the time we come out of Q3, but certainly, early July numbers are

proving well. So at this point, from an international perspective, not the way we kind of want to look at it, our guidance is where we think it should be.

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**Operator**

The next question comes from the line of David Vagman from ING.

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**David Vagman** - ING Groep N.V., Research Division - Research Analyst

First, a quick one on the strong commercial momentum in Q2, in particular, in mobile. So could you explain in more detail the dynamics when you're looking at your own brands and also in terms of region? And how much of that momentum can you carry forward in Q3? Then on the fiber rollout, it seems like the JVs started the rollout in a much, much slower fashion than what they were supposed to do when I'm looking at the CMD targets. Is this strictly for technical reasons? Or is there a bit of a conscious choice, let's say, a decision from you and your JV partners to slow things in order to wait for the BIPT to take a decision referring here on the -- to the regulatory framework? And then on this rollout, any financial impact to expect? So let's say, on termination CapEx or lower rollout cost, slower commercial momentum? Then finally, third question, on BICS and Telesign, it seems you've become so quite active in terms of transaction. And I'm also referring to recent press report about a possible acquisition by BICS. Should we expect more deals going forward a bit, let's say, bolt-on or frequent deals or some transformative one, certainly one more? Do you see the need for more transactions, that's a bit my point here for BICS and Telesign strategically? And could this then lead to the need for a possible change in capital structure at BICS, let's say, to finance this external growth?

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**Jim Castele** - Proximus PLC - Consumer Market Lead

David, Jim from the Residential segment. So on your first question, I think, indeed, we are very happy with the excellent results that we had on mobile postpaid for the quarter and even on the full semester when you look at it. I think at the end of the first quarter, we updated our Mobile Vikings portfolio than in July, we also launched our new Proximus portfolio, and we also upgraded the mobile specs in our conversion Flex offers, which allowed us to address the competitiveness issues that we had over the last months. And you have clearly seen the result of that on our numbers. And also, the joint offer market continues to perform very well. So I think on all the dynamics, we have the right offers in place. Now what does that mean for the future? Of course, it's always difficult to predict how the future is going to look like. We have, as of August, our back-to-school campaigns that are going to start, but we are convinced that we have the right offers in the market to continue on the traction that we've been having over the last 2 quarters. And then looking at the different brands, I'm really happy to see that the results of Q2 and S1 are driven by the 3 different brands in their respective segments.

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**Guillaume Boutin** - Proximus PLC - CEO, MD & Director

And at the end of the day, in telco when you have more spectrum, better fixed technology, you win. And that's all the good work of Jim, but also the fact that we now have a product superiority strategy that is starting to be visible by everyone, and that's also helping the commercial momentum. On fiber, I think we are quite happy with the level of progress we have made in the what we call fiber in the street, known as HPP, where we are delivering the plugs on -- according to plan. We are a little bit behind in terms of final customer connections, which is a delay, not because of technical reasons, it's more because it's not that easy to scale rapidly that last-mile delivery of fiber connections. But it will be -- we'll catch up over time. So I don't see that as an issue when you are in a 10-year investment program to have a few quarters of a delay in the last mile. I think this is not something that is worried too much, and we will catch up over time. On...

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**Mark Reid** - Proximus PLC - Finance Lead

On the financial impact, I think, David, again, in terms of where we are on the fiber build and rollout, I think we put all the assumptions at the Capital Markets Day plan. And as Guillaume said, we're maybe a quarter off in terms of phasing, but there's nothing material the inflationary impact we're in. So there's nothing significantly material in terms of change of financial impact of this at this point.

**Guillaume Boutin** - Proximus PLC - CEO, MD & Director

On question on the M&A activity, I think we are not commenting rumors on the market, obviously. But as I said also previously, what was important for us was to gain scale at the CPaaS level because CPaaS -- it's a scale business, global business. You need to make sure that you have the right size in order to cope in the -- with the leaders of the market. Now we will become after the close of the deal, one of the leaders of the market and the focus is really to close that deal and to extract the growth and the synergies that are significant in that transaction. That's really the focus. And I think -- and I stated quite clearly so last time we discussed that Route Mobile Proximus transaction. Focus now is to close the transaction. Focus is to continue to win the market, to continue to have a very, very good commercial momentum in Belgium. Third priority is to be fully prepared for Digi when Digi will be arriving in the market probably next year. And of course, to make sure that we can have an investment-friendly framework for fiber. For Belgium, I think this is my number 1 priority. And the 4 items I just mentioned are the focus of the company as we speak.

**David Vagman** - ING Groep N.V., Research Division - Research Analyst

And a very quick follow-up on the fiber rollout. Wouldn't it make sense to slow things a little bit in order just to wait what the regulator is up to basically maybe change course -- change what will impact. You have discussion with your partner about doing this? Or you're just like executing the plan and yes...

**Guillaume Boutin** - Proximus PLC - CEO, MD & Director

I think it's twofold. We are executing the plan. And I said it several times over publicly, we are open to create that investment friendly framework proactively, so that we can have a consolidated discussions with all stakeholders. I think for that, we need some more weeks, some more months because all the conditions are not yet there because all the deals are not closed at our partners. So we need to finalize all those elements before being able to start constructive discussion. But I think there is alignment of interest on all fronts for the country, for our customers, for the competitive of the industry, for all existing operators to create that's -- that investment-friendly framework that will make that investment that needs to be done, a very good one for everyone. So that's where we are. Difficult for me to say more, but I think this is, as I said, is a focus for me, for my team for the next month.

**Operator**

The next question comes from the line of Roshan Ranjit from Deutsche Bank.

**Roshan Vijay Ranjit** - Deutsche Bank AG, Research Division - Research Analyst

I've got 3, please. Looking on the business side, your growth rate slowed a touch this quarter. Could you just run us through any of the trends driving that some comments from your peers have suggested that they are pushing a bit harder in B2B, particularly on the large corporate side. So are you seeing a bit more pressure on that front? Second question is just to get an update on the asset sales, which you highlighted at the CMD. I think you guided to EUR 400 million over 3 years. We know the well-flagged HQ sale will impact Q4 just under EUR 150 million. Is there a change there? There was obviously a story yesterday around data centers. So anything you could say there would be good, please. And finally, just on CapEx. I appreciate there is volatility quarter-to-quarter. But when I look at the implied CapEx per home this quarter, it's a significant decrease, and that's on the pure build rather than the connection costs, which I know you said is stepping up. So are you seeing any kind of efficiencies here on the lower CapEx per home, which you can apply for the full year and we could see some upside to that CapEx number?

**Anne-Sophie Lotgering** - Proximus PLC - Enterprise Market Lead

So I will start with your first question, and Roshan. It's Anne-Sophie Lotgering here from the Business unit. So I would say the most quick explanation I can give you on why the growth rate seems to be slowing down. That's mainly because the products are lower on a high comparable base. So as

you know, we had to catch up the supply chain issues a year ago, and that catch-up was very, very active already back in quarter -- Q2 of last year. And what we see now is that product delivery is actually normalizing. And therefore, that's the major reason why you see the slower growth rate quarter-over-quarter. What I would like to emphasize, however, is that our services revenue and more specifically, our IT services revenue growth is much higher than in previous quarters, driven by our strategic areas of growth such as cloud security, smart mobility and smart networking. So if you take our managed services and more specifically, our recurring services on our strategic areas, we see that those are actually growing nicely quarter-over-quarter, whereby our products revenue, which is one-shot, is actually decreasing because of the volatility disappearing also slowly. So I hope that answers your question.

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**Mark Reid** - Proximus PLC - Finance Lead

Roshan, let me take the asset sale one and I'll touch on the CapEx one as well. On the asset sale, you're right on Capital Markets Day, we talked about a EUR 400 million asset disposal. We continue to work on that across a range of what we term noncore assets. And I think data centers would be in that classified -- classifications. So -- but at this point, we have no -- nothing to say further than that. As you'd expect, given our -- and that's what we're working on various views across the business. In terms of the CapEx, again, I think we're always -- we stand back, we're continually looking at operational efficiencies in our home passed build. And that's something we see quarter in, quarter out, clearly helping us mitigate the inflation as we've said before. In terms of the current quarter, I think it's more likely to be a mix of delivery and range of the homes. So I wouldn't read into anything on homes passed going forward cost.

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**Operator**

The next question comes from the line of Joshua Miles from BNP Paribas Exane.

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**Joshua Andrew Mills** - BNP Paribas Exane, Research Division - Research Analyst

A couple of questions from my side. One is just on the overall Belgian market. So I think all 3 operators have now been commenting that you're seeing slowing overall growth and indication that maybe focus is now more on price rather than volume. My question is, is there any reason why we're seeing overall market growth to slow? Is it just sort of getting at saturation point or is there any kind of macro factors to bear in mind there be interested to hear your view? And then the second question, thank you for the call last Monday, but on Route Mobile, could you remind us of the time line from here to the transaction? And then I think on the call, when asked about any potential impacts on free cash flow, EBITDA guidance that was laid out at the Capital Markets Day. You said you'd come back to us with more details. So are you able to provide any more detail now on how this might impact your group level financials and trajectory of the cash flow? And then also if that's not the case, when you expect to be giving the market an update?

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**Guillaume Boutin** - Proximus PLC - CEO, MD & Director

On the bench mark, you see -- you still see growth in the market. But as you can see, not affecting at all our ability to develop a customer base. If you look at the Proximus numbers only, you can see that they are progressing. It's, of course, because we are winning shares in the market and I think through fiber and creating our network. But we don't see a major shift in the trends since last year. I think the only thing that we -- the true trend that we see is on TV customers where you see more cord-cutters, and probably that TV customer reached a peak and you have a more rapid decrease overall for the market in terms of cord-cutting. But apart from that, I think there is the slight growth after the COVID boost continue on the Belgian market. And I don't see that being fundamentally different from other European countries. This is not what I've noticed -- and in that -- still growing, but not at a high pace market. We are continuing to win market shares, which I think is encouraging for the return of the investments we are making in both mobile and fiber. And I give the floor to Mark.



**Mark Reid** - Proximus PLC - Finance Lead

Joshua, I think you have the questions on Route Mobile. So on time line, we're busy preparing the regulatory clearance files and the MTO. Regulatory clearance is likely to be the longer time line in there. So we think somewhere around 6 to 9 months and the MTO effectively kind of closes within that 6 to 9 months, but there usually a month process within that 6 to 9 months. So that really kind of gives you the guidance on time line. Clearly, regulatory is key, and we're progressing fast on that. In terms of the FCF EBITDA impact, I think, unfortunately, at this point, I need to give you the answer I gave 10 days ago. I think the plans of the 2 businesses are fairly public. I think you can use that as a good proxy, and we've been, I think, very clear in terms of our estimated synergies and -- so I think that gives you a good proxy and looking at deals like this, you can probably work out of timing in terms of where that comes through. So I think that's where we are. We'll come back in terms of giving you more detail of that on closing of the transaction. I hope that's okay. .

**Joshua Andrew Mills** - BNP Paribas Exane, Research Division - Research Analyst

Yes, it's very clear. Maybe just on the first question, and forgive my ignorance here, but has there been any new or developing active FWA products in the Belgian market, which might explain why maybe one of your competitors and yourself, there's been a bit of at least commentary slowdown around broadband net adds or any other [off nets]we may not be capturing in certain areas?

**Jim Castele** - Proximus PLC - Consumer Market Lead

Joshua, this is Jim from the Residential segment. So to Guillaume's point, if you look at the reports of the main competitors or the main telcos in Belgium and you compare the results of S1 this year with the results of S1 last year, you will see indeed that the growth in the Belgium market is not slowing down. So I think the market is still growing. Of course, from a technological perspective, at a certain point in time, we will need to look at all the options. But there is no need for a new technology to drive growth in the market. The growth in the market is still there. We see it in the postpaid market. We see it on the Internet market. And indeed, to Guillaume's point, the own exception is on digital TV.

**Operator**

The next question comes from the line of Martin Hammerschmidt from Citi.

**Martin Michael Heinz Hammerschmidt** - Citigroup Inc., Research Division - Research Analyst

I also have a few, please. The first one is on capital allocation. And you alluded to earlier in terms of your priorities, closing the deal, preparing for the new entrant, getting infrastructure deal or partnership framework done. But if I think about sort of the last couple of transactions, what we've seen in the press yesterday, in terms of your priorities, it seems as if you are willing to allocate sort of more capital into BICS, into Telesign, and you mentioned the need for scale as well. So with the Route Mobile acquisition, you obviously gained some scale, some significant scale. But is that sort of enough I mean you say it's a fragmented market with lots of small players. Scale is important. So how should we think about sort of capital allocation towards the international business and could that have an impact sort of on the dividend if there are sort of more deals coming through over the next couple of years? That would be my first question. The second one is on EBITDA, EBITDA guidance. I mean it seems the business is on track according to plan that you set out initially. Now we've seen that sort of the 1 salary increase is that you, I think, envisaged in October. You don't envisage that to come through now. I think that's roughly sort of 0.5% on the EBITDA. So if all else equal, why sort of not upgrade the EBITDA guidance this quarter? Is it just out of prudence? Or what could prevent an EBITDA guidance given that you have sort of that little buffer of tightening up towards sort of away from the around 3%, maybe more towards the 2% to 3% range? And then the last question, if I may, is regarding the churn post the price increase, how sort of compares that to the price increase that you've seen in January. So do you see a higher churn rates in the month in July versus January, so basically just to get us a sense of where churn is?

**Guillaume Boutin** - Proximus PLC - CEO, MD & Director

On your first question, I think I've been quite clear on the priority for Proximus for the coming months. so I won't repeat that. I think in terms of gaining scale. And now we are the #3 in the world in terms of volumes with the acquisition of Route Mobile. So I think we have gained the scale we wanted to reach. no immediate need to continue scaling because we are in the top 3 in the world with a very important specificity, we have the corridor to India, which is, as you know, EUR 1.4 billion inhabitant market. So I think organic growth in India can -- is in front of us. So I think and the focus will, I repeat, it will be to extract the synergies and to deliver the growth of the combined -- new combined entity, Telesign and Route Mobile. And I think this is really the opposite. I think we always stated that we wanted to be below a net debt-to-EBITDA ratio of 3x. That's the boundary we have set to ourselves. And the free cash flow generation of those intentional activities where you have a very strong conversion between EBITDA to cash will help cover the dividend going forward. So that's the way I look at those businesses to help us being more confident to -- and continue to invest in our domestic activities in networks and continue to grow rapidly more up than the other players of the industry, thanks to the growth opportunities of the international activities, while keeping our net debt-to-EBITDA ratio below healthy 3 times. So that's how you can -- you have to look at the moves that we have made last week.

**Mark Reid** - Proximus PLC - Finance Lead

Martin, on overall guidance, I think the first half of the year, certainly from a top line perspective, we've been super pleased with. I think the commercial performance is excellent, returning to revenue is good. I think the nuance on revenue lift in revenue guidance is off the back of also strong products and terminals revenue, which doesn't provide a heavier margin. Look, I think we're going to take Q3, see how the back-to-school campaigns land, how the pricing lands in Q3 and we'll come back in Q3 in terms of the rest of the year outlook. But right now, as I said, we're super confident at the top end of our revenue guidance. We've confirmed all the other guidance metrics, and we'll see in due course.

**Jim Castele** - Proximus PLC - Consumer Market Lead

And so Martin, on your last question. So Jim, from the Residential segment. So we haven't seen any different reactions to our price increases in July versus what we have done in January. I think also what is important in July on top of the price indexation: we also improved the specs of our mobile offers for our existing customers and for our convergent customers and for the customers on fiber. So also there, by doing that, we make sure that the value for money perception kept -- was kept right. But we didn't see a difference versus what we saw in January.

**Operator**

The next question comes from Nuno Vaz from Society Generale.

**Nuno Miguel Gontardo Vaz** - Societe Generale Cross Asset Research - Equity Analyst

I have 3, please. I'll try and not touch on other topics that have been sort of discussed. First one would be on -- we saw this quarter that Telenet had quite a bit of difficulties with the IT problems and that they postponed some of the marketing campaigns. So I was wondering if this is something that has possibly been an extraordinary benefit for Proximus and it's something that if they had postponed marketing campaigns for the second half of the year might impact operational performance in the second half of the year? And then second question, following the comments about co-investment and collaboration on fiber. I was wondering what's the status of this I4B EUR 4 billion joint venture? That was aiming to cover the 70% to 95% of Belgium because it's specifically for low density areas where this market review also seems to be focusing on. So if we could get an update on this joint venture. And whether you would wait for the market review to go ahead or potentially start ahead as the other JVs have and then wait for a potential collaboration from the other operators? And then finally on CapEx, especially the EUR 1.3 billion guidance, which is sort of to be flat year-on-year. Year-to-date, it's already up -- the CapEx is up EUR 55 million. One big point has been customer-related CapEX especially related to fiber. You've said in the call that you plan to do a bigger push or sort of more marketing on fiber. Is this not going to increase the customer-related CapEx even further. How do you expect to sort of neutralize this in a way that maintains CapEx year-on-year flat by the end of the year?

**Jim Castele** - Proximus PLC - Consumer Market Lead

So Nuno, Jim from Residential for your first question. So I think, indeed, the fact that one of our competitors had some operational issues will have had an impact on the performance of the different players in the market. I think at the same time, when you look at our results, we've been growing faster than any other operator in the Belgian market over the last 6 months on Internet and on mobile. So I'm convinced that it's more about our multi-brand strategy, the fact that we have revamped our mobile offers, both at Proximus and at Mobile Vikings and also with fiber and the fact that since July with our new fiber Flex portfolio, we have claimed a clear Internet product leadership on the Belgian market. I think these elements are going to contribute most to our results. But of course, as always, results are a result of what is happening on the market as well. But I'm convinced that it's more about our own execution than something else.

**Guillaume Boutin** - Proximus PLC - CEO, MD & Director

On the overall JV, I think it's a -- discussions are still going on. I think we want to make sure we select the right ecosystem of partners for those initiatives. And so I think I cannot comment more than that. I think we're still in discussions. And we see when we can announce something because, again, we need to find the right set of partners because this is a very specific endeavor. So let's see how this evolves. But we are not in a hurry to close these kind of discussions for a lot of different reasons. But the main one being we need to find the right set of partners around the table to -- before announcing anything more. And on the guidance, Mark?

**Mark Reid** - Proximus PLC - Finance Lead

On CapEx, I think we're super secure, we're going to get to the EUR 1.3 billion number. So I think you must (inaudible) on that in terms of -- it really is kind of elements. It's customer fiber connections increase. We clearly passed the peak on our fiber homes passed on balance sheet. Equally, we're super focused on our development CapEx or kind of base business build CapEx. And so you'll see that come off to compensate the customer CapEx. So we're on track to hit the number for the year.

**Operator**

And the last question comes from Nicolas Cote-Colisson from HSBC.

**Nicolas Cote-Colisson** - HSBC, Research Division - Head of European Telecoms Equity Product, Telecoms, Media and Technology

Yes, note to worry. It's going to be a short one. The 25% [fee] rate on your fiber network, can you just tell us. What is the contribution of third parties here or partners that are taking your wholesale product?

**Guillaume Boutin** - Proximus PLC - CEO, MD & Director

For the moment on the 25% [fee] rate is mostly Proximus customers. I would say almost only Proximus customers.

**Operator**

There are no further questions, so I will hand it back to your host to conclude today's conference. Thank you.

**Nancy Goossens** - Proximus PLC - Director of IR

Thank you all for joining this call. If you have any follow-up questions, you can reach out to Adrian or myself, and I wish you all a very good weekend. Bye.

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**Operator**

Thank you for joining today's call. Ladies and gentlemen, you may now disconnect.

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