Transcription

Proximus NV Q1 2022 Results

SUNDAY, 29th APRIL 2022

Operator: Good afternoon, ladies and gentlemen, and welcome to the Proximus Conference Call on the Q1 2022 Results. For information, this conference is being recorded. At this time, I would like to turn the call over to Nancy Goossens, Director, Investor Relations. Madam, please go ahead.

Nancy Goossens: Thank you. Welcome, everybody, to our results presentation. I trust everybody has well received the earnings release. And as a reminder, you can find all of our material also back on the company website.

As per usual, we will start with an introduction by the CEO, Guillaume Boutin. And after this, we will turn to your questions. For the Q&A session, we also have here the CFO, Mark Reid; Jim Casteele, the Residential segment lead; Anne-Sophie Lotgering, the Business segment lead; Dirk Lybaert, our Corporate Affairs lead; and the CEO of BICS, Matteo Gatta. So they will be taking your questions in a moment. But first, Guillaume, will take you through the highlights of today.

Guillaume, please go ahead.

Guillaume Boutin: Thank you, Nancy, and from my side as well, a warm welcome to our first quarter conference call.

So in the next few minutes, I will take you through a few elements, some of our key achievements, the progress made with respect to #inspire2022 strategy, and of course, a quick overview of the first quarter performance. But let me start with some key achievements over the past month.

Overall, I'm very pleased with where we stand at the end of Q1. First, we have, again, progressed well on some of key strategic tracks, such as our fibre deployment and also launching Proximus Ada, and I will get into that later on.

Second, our commercial traction continues with very good operationals on multiple fronts, both on the domestic and international markets.

Finally, we are on track to reach our annual guidance with all segments growing Q1 revenue, and we are managing well the inflation risks.

Financially, as illustrated on the slide, total Group revenues are up 2.7%, and DM is up 2.6%. A good start into the year with all three segments growing revenue and DM. This leads to a slight growth, plus 0.4% in Group EBITDA. As already mentioned, with respect to our Inspire strategic plan, we have made significant progress.

I will start with our fourth pillar, which focuses on our societal role and support of the Ukrainian people. This deeply touched all of us, and we decided to help, where we could, by launching a series of actions. For example, giving free calls and SMS' to and from Ukraine for customers, and providing accommodation to Ukrainian families. The numerous solidarity actions across the world are heart-warming and we, as well, will continue to play a role.

Turning now to the first pillar of strategy, building Belgium's gigabit networks. Over the past months, we have further pushed our fibre rollout and are now deploying fibre in 50 cities across country. With this rate of rollout, we are well on track to meet our ambition to cover 22% of Belgium with fibre by end of this year, hence, adding more than 500k fibre plugs in the year.

Our fibre technology reaches now 900k homes passed, so we are well on our way to reach a symbolic one million milestone by this summer. Our network filling rate is also progressing with 22% activated fibre homes as a share of the total number of homes ready for termination.

The demand for fibre is indeed strong, and I'm convinced the momentum will even further increase in the quarters to come. Our residential and business units activated an additional 25,000 fibre lines over the first quarter of the year, bringing the total to 170k active fibre lines. Fibre is clearly bringing commercial benefits.

From a customer acquisition perspective, the share of fibre acquisitions in the total has almost doubled. At the same time, churn on fibre is lower versus the one we can see on copper, and the ARPC of a fibre customer provides a significant uplift versus copper.

Providing a superior network experience is crucial for the success of our strategy, but keeping customers happy goes beyond that. We address the different customer needs through our different brands and adapt our offers to new demands. This is also a protection for us in case of a more difficult economic time for the country.

Second, we are bringing relevant digital solutions, truly becoming the digital companion of our customers being active in e-health, fintech and mobility services.

Third, we have taken many actions to improve customer experience with some very satisfactory results in terms of contact centre volume decrease and customer effort scores improvements. All of this contributes to continued improvements in our NPS score on all segments.

In the context of our digital transformation, we have reached a major milestone with the launch of Proximus Ada. Ada, which is a fully owned subsidiary, is our new centre of excellence dedicated to artificial intelligence and cybersecurity. Its expertise will be leveraged to serve all entities of the Proximus Group.

As we announced mid-March, we also made very concrete progress in the creation of a digital campus for our employees. Our headquarters will be sold for over €140 million, while we'll be leasing back less than half of the current office space, which is, of course, a better use of our capital.

As for TeleSign, the momentum continues in the first quarter. In a tough setting with markets affected by rising geopolitical tensions, TeleSign's listing process is following on course with targeted closure in the second quarter. And we remain fully committed to bringing TeleSign to the public market.

Turning to our first quarter results, and starting with the domestic segment. And you see, as illustrated on the chart, our main domestic customer base has continued their healthy growth, while changing customer needs continues to erode the fixed voice base. This strong performance is a result over a combination of increased gross gain, driven by increased fibre penetration and lower churn. Allow me also to precise that no unusual promotional activities to be noted on our side this quarter.

Our Flex offers continue to do well and remain an important driver to increase the convergence rate of our customer base. As previously announced, our Flex offers will be subject to a price increase as of 1st May, helping to mitigate the inflationary environment that impacts our cost base. And thanks to a continued good commercial momentum for our residential units, we achieved a strong revenue performance with the residential customer services revenue up by 2.2% year-over-year.

Taking a closer look at the customer services revenue, the growth mainly comes from the convergence revenue, while Mobile Vikings contributes to the mobile-only revenue. Putting the revenue from Mobile Vikings aside, the residential customer services revenue was fairly stable compared to the first quarter of 2021. This is a sequential improvement from the slight declining trends observed over the previous two quarters and it's driven by a positive trend in the organic ARPC, up by 2.1%.

Turning to the business segment, which continued to do well with again some good contract wins over the quarter. The revenue was down from the previous year, mainly as a result of low margin product revenue decrease impacted by shortages in firewall equipment, while the revenue from business services was only slightly below its comparable base.

The business services revenue reflects the ongoing transformation of our B2B unit with a good performance in higher value IT Services such as security and cloud, and also fixed data revenue, growing thanks to the combination of a higher internet base and a positive ARPU trend. This good momentum balances with the ongoing competitive pressure in the B2B market, as well as the ongoing erosion in the fixed voice space.

For wholesale unit, we continue to post revenue growth with especially a strong increase in wholesale mobile services, thanks to an increased number of MVNO customers. This was further supported by a positive year-on-year evolution in wholesale roaming revenue.

This brings me to this chart, showing the bridge for total domestic revenue with the revenue excluding terminals, growing over the first quarter by 2.2% year-over-year.

As for operating costs, the conditions, like for anyone else are, of course, challenging in the context of steep inflation rates. Nonetheless, we have been able to contain the net effect to rise by 2.4% or 1.5% on an organic basis. Thanks to our ongoing cost programme, we achieved considerable cost efficiencies, which mitigated the effects of the inflationary cost increases, our transformation costs and some higher OpEx related to customer connections linked to the good commercial momentum.

Moving to the international statements and starting with TeleSign. TeleSign has closed a very good revenue quarter, reflecting continued growth in its communication business, and especially a strong increase for digital identity, as such, showing strong progress on its journey to become a global leader in digital identity. Based on the strong sales pipeline with sales bookings doubling year-over-year and the launch of several new products within the identity suite, the momentum is expected to continue and TeleSign to meet its previously disclosed targets for the full year of 2022.

Turning to BICS, which closed the quarter with a very strong performance, increasing its EBITDA by 18.6% compared to the same period of last year. BICS grew its revenue and margin in core services, as a result of an incremental recovery in worldwide travel.

Furthermore, BICS achieved significant progress in growth services, thanks to a strong performance in cloud offers. Cloud usage increased year-over-year by nearly 20%, while revenue-generating cloud numbers almost doubled.

This brings me to the Group view. With this slide, summing it all up, we have group EBITDA up by 0.4%, driven by our domestic and bics segment. TeleSign, as was previously announced, is strongly investing in its growth trajectory, which is also reflected in its EBITDA performance.

The CapEx for the first quarter totalled €270 million, with increase for a large part driven by our fibre programme, which now represents one-third of the total CapEx. The first quarter free cash flow was impacted by the higher cash out for CapEx, including a significant carryover effect for the steep fibre investments done at year-end, as well as from higher business working capital needs, including some timing effects.

Our financial position remains very sound, and we remain on track to maintain our full year net debt level around 1.6 times. Note that we have also fully hedged our interest rate exposure through 2025.

A few additional words on inflation. This is a major topic, and with this graph, we give you a view on the estimated impact on EBITDA for this year. As you can see, the wage indexation causes an important cost increase, and hence, negative EBITDA effect, while energy costs are almost fully hedged for the year. Our announced price increases are expected to offset most of this, and our cost efficiency programme will further mitigate the remaining effects. All this, the positives and the negatives are included in our guidance, given for the year, which then brings me to my last slide.

And in conclusion, I am overall very pleased with our achievements over the first three months of the year. We are progressing well on our strategy, while delivering financial results in line with our expectations, hence allowing us to reiterate our full year guidance for 2022.

With this, we can now turn to your questions.

Operator: Thank you. Ladies and gentlemen, if you wish to ask a question, please press 01 on your telephone keypad. First question is from Mr Nicolas Cote-Colisson from HSBC. Sir, please go ahead.

Nicolas Cote-Colisson: Guillaume, you have a strong quarter. You have another price increase coming. So what has pushed you and the Board to keep the guidance unchanged? What are the moving parts that would add more pressure on the business? And also, if you have seen a difference in momentum between the north and the south of the country? I may have a follow-up question after that. Thank you.

Mark Reid: Hi, Nicolas. It's Mark Reid here. Thank you for the question. So let me touch on guidance. First of all, I think, as Guillaume said, we're very pleased with Q1's performance. The commercial momentum was in line with what we were expecting. Mobile Vikings integration goes well. The value management, the price rise in January has landed as we saw. The overall Q1 performance is good.

In terms of the rest of the year, as you alluded to, we have a second price rise coming in May. All signals is that that will land well. I think the market conditions for that to land well. But clearly, we're very vigilant and focused on landing that price rise through the summer. And so that's one thing we're cautious about. We want to make sure that the trading through the summer continues as we saw.

And then clearly, we also have the year to go also cycles against Mobile Vikings, where we had a positive impact in Q1 with Mobile Vikings, that starts to cycle against that in the outer part of the year.

So, overall, I think where we are, we're cautiously optimistic in terms of our outlook on revenue guidance. We're confident on the EBITDA side. I think I'm sure we're going to get some questions on the inflation side. I think you saw that we handled inflation well in Q1, and we continue to be very, very focused on that as we trade through the rest of the year. But at this point, as I said, cautiously optimistic on the top line and confident on the EBITDA at this point.

Guillaume Boutin: On the Flanders – on regional performances of Proximus. So we don't disclose precise numbers, but two comments. The strong performance of the quarter is linked to lower churn, but also better gross gains. This is also important in a context where we have not launched unusual promotional activities.

I think what you see now happening is really the traction of fibre. So you see more traction, commercial traction in the neighbourhood, where we have launched fibre, that reality was what is happening. And of course, it's spread all over the country with probably more fibre being, as we speak, rolled in Brussels, in the region of Brussels and in the north of the country.

Nicolas Cote-Colisson: Okay, thank you. And just a short follow-up. On price increases, it looks like you have opted for straight price adjustments rather than a kind of a more-for-more approach. So how do you think the risk of such high rise could backfire in the longer run? Because you talked about your NPS, which are pretty high and growing. So is there a risk, especially when more competition could come? If you can talk about also the current premium you can comment in the market and how sustainable it could be? Thanks.

Jim Casteele: So Nicolas, this is Jim Casteele, consumer. I'm going to take that question. So, of course, we continue to improve the experience that our customer have on our products, and we don't always link this to a price increase momentum because we're confident that it's important that we, over the whole year, continue to focus on that customer experience.

So what we have done over the last months, for instance, is that we have boosted the upstream experience in both fibre and copper areas. We also boosted on Mobile Vikings, for instance, the mobile offer. So for me, this is a continuous effort to make sure that the solutions answer the needs of the customer. And if we can do that, combined with making sure that in the touch point experiences and in the digital experiences, we also, there, continue to invest in that experience. All those elements together will drive NPS and that will also then help us to keep the pricing power that we have today in the market.

Guillaume Boutin: And I think in addition, the fact that also other players of market have also announced price increases shown also the rationality of the market is also helping the industry mitigate the effect of the indexation of the cost.

So I think the Belgium market is being the right way. I think we showed the leads in announcing at the full year results our willingness to update a little bit or to adapt our tariffs. And this is aligned with, as Jim said, also improvements of the experience and of the quality of the services that we are rendering to our customers. And also, we want to be perceived as a premium operator. So we want to deliver an undisputed product superiority on all fronts, on fibre, on in-home internet.

We're launching next week, WiFi 6 Mesh 2.0 products. And we will also be launching, as of 1st October, our 10-gigabit per second fibre offer that will also be another proof that Proximus is really the best operator in terms of product experiences. So that is super important in our strategy. And at the same time, we are also multi-brand strategy.

So it's also helping mitigating the risk of economic conditions evolution and also value management in between the different brands. So that's also something that we master at Proximus. But of course, we need now to execute that correctly in Q2. That's why, as Mark said, we are cautiously optimistic on the revenue guidance.

Operator: Thank you, sir. Next question is from Mr David Vagman from ING. Please go ahead.

David Vagman: Yes. Thank you. Good afternoon, everyone, and thanks for taking my question. The first one is on the mobile spectrum auction. Can you update us on your thoughts regarding the new entrant and the auction? And is there any appetite of MWingz to offer some passive or active sharing with a potential new entrant? Or is it totally excluded from a technical strategic point of view?

And then second question on the fibre JVs. When do you see them reaching kind of critical penetration level, I would say, in terms of population coverage, so that they could attract an Orange Belgium type of asset seeker? Or could you actually have very localised local strategy?

And then maybe a last question, if I may? On the current competitive environment, indeed, post quite significant price increase by all players, how do you see this environment playing out, let's say, in the coming months in the rest of the year, in particular in vendors? How do you see the momentum developing for your Flex offer, especially given that Telenet has also adopted a more modular bundle? So I'm referring to ONE and ONE up. Thank you.

Guillaume Boutin: On the spectrum auctions, so I think now we have a little bit more clarity on the number of players. We're going to have five bidders. We also know that the reserved spectrum has been bought by one player. I'm still convinced that the business case for a new entrant in mobile for a B2C play is quite difficult. Belgium is a conversion market. You have strong competition in a lot of existing brands on the market, in low cost brands, price seekers brand.

So not a lot of space to create a positive business case for a large B2C play on the Belgium market, given the nature of what we know about the applicants to the auction process and investment needed to get to the minimal conditions of coverage are significant. That leads to your second part of the question, do we have appetite for sharing? Of course, everything is possible.

MWingz or others could, of course, examine conditions for the new entrant, but it's a bit too soon to comment more precisely on that because the auction process is not yet over. But that's something that, of course, is open to everyone. And there is, in many ways, for a new entrant to rollout a network, partnering with MWingz is one option. There are other options available for new entrants. But all options are timely and all options are costly. So we see where we land.

Jim Casteele: And so, David, maybe to continue then on your question linked to the current commercial momentum. So the way I see the market today, as Guillaume said, all players have increased their prices. So I think that's good news in terms of rational markets.

Flex continues to deliver well. As you can see in the results that we have, both on internet mobile and digital TV. We still are convinced that with Flex, we have the solution that answers the needs of the families, which is a core segment in the telco market. At the same time, we have our multi-brand strategy with Mobile Vikings and Scarlet, where we can then adapt to the specific needs of that segment. So we're convinced that Flex continues to perform well and will continue to perform well.

The Telenet ONE offer is already in the market for one year. So my assumption there is that, that impact has levelled out in the market, and so we're looking confident to the next quarters.

And then, of course, not to forget fibre. As you can see on the slides, is really supporting commercial momentum. And as we start to deploy more and more fibre, the impact of that will, of course, continue to be visible in our results as well.

David Vagman: Thanks.

Guillaume Boutin: So, on your question on the fibre JVs and when they could attract Orange Belgium? I think this is a question for Orange Belgium because we are currently accelerating the fibre rollout that generates a lot of commercial traction. And it's not only for the fibre JVs. We, at Proximus, also are rolling out an open network. So we are also open to welcome other operators on all flavours of our network being owned by Proximus fully or being in partnership with our fibre partners. So we are really rolling out that open network. But for the moment, we are really the only one benefiting from the quality and the product superiority of that network, but we are open, of course, to welcome some others on that network. But it's more a question for our competition, I would say.

David Vagman: So just a very quick follow-up on this last comment. You don't see a sort of geographical tipping point or population coverage tipping point at a moment at which you will be particularly, let's say, more interesting as a fibre network, be it Fiberklaar or Unifiber or yourself for an excess figure, be it Orange of somebody else?

Guillaume Boutin: I think what is important for us is that we today are the only one rolling out that new technologies. And we are, for the moment, gaining a lot of time advantage compared to any other types of technologies or any other type of players. And I think we have gained three, four years of time advantage. And as you know, this is a race.

As I said several times, the first operator that is planting a fibre flag in a given city is winning that market. And we'll continue to accelerate and that acceleration is for me, a key element of that winning strategy that we are currently deploying, and it will continue. At some point, others will join. Precise tipping point? I don't know.

But for me, the priority today is to accelerate the rollout of the network. Proximus owns the one with our partners. And that acceleration is not going to stop, to the contrary. And we are very, very pleased with the momentum we are getting from that accelerated rollout of fibre.

David Vagman: Thank you very much.

Operator: Thank you sir. Next question is from Mr Roshan Ranjit from Deutsche Bank. Please go ahead.

Roshan Ranjit: Great. Thank you for the questions. Afternoon, everyone. I have two, please. Firstly, just on the fibre topic. If I look at your CapEx, I think I calculate around €950 CapEx per line implied by the homes passed this quarter, and that compares to just over €800, I think, this time last year. According to your schedule, I think you're still kind of rolling out in the dense areas. So if I just get an understanding what drives that increase on the CapEx per line? I understand there's kind of, I guess, volatility. But is there anything like delayed payments within there? Any colour there would be super useful. Thank you.

And Mark, you gave a very good comment around the inflationary impacts of the OpEx level. But inflation aside, I think you guys have previously said the cloudification costs should be increasing through this year as you build out your new systems. How do we then kind of reconcile that with the kind of accelerating EBITDA growth that we should expect to reach your full year '22 guidance? I guess there's an element of the Mobile Vikings synergies coming in. So is there any kind of phasing we should expect for the Mobile Vikings synergies through this year as well? Thank you.

Mark Reid: Yeah. Roshan, thanks for the question. Let me take both. So I think on the fibre CapEx, I think there is multiple factors as you alluded to. There is the timing, the geography perspectives that make the number – it will vary from quarter-to-quarter. I mean, I think, maybe deeper to your question here in terms of the inflationary impacts, I think we've also said on the fibre build there that we are in long-term contracts there. So we're not seeing any inflationary impacts at this point. But as said, we continue to be very vigilant on that. So that's on the fibre one.

In terms of our overall kind of EBITDA guidance, I think the way you should kind of start to think about that really is we will continue to have that – well, we'll start to have the Mobile Vikings synergies from April. So we had a very successful migration of the customers through Q1. And so as of Q2, we'll start to see those flow through into our overall EBITDA perspective. Price rise is also accretive, as I'm sure you're aware.

And then I think, again, the effect that Jim is talking about in terms of the continue momentum, value management on the commercial side continues to progress as we expected. This is obviously offset by our inflation elements. And yes, we are seeing come through the indexation that we experienced in Q1 was triggered primarily by the wage indexations of November and February. We have an April indexation and a June indexation coming that will clearly weigh on the second half.

But as Guillaume alluded to, we continue to be very, very focused on the efficiency programme and the timing and realisations of those. And as I said at the start, we're confident to get to our guidance on EBITDA for the full year. So hopefully that helps.

Roshan Ranjit: Yeah. Great. That's useful. Thank you. Just going back to the CapEx point. You mentioned potentially varying geographies. So have we kind of moved out the rollout beyond the dense areas in Belgium?

Guillaume Boutin: I think we shared that number. In Brussels, where we have the dense areas of the country, we are rolling out approximately 100k plugs a year. And there is a limit to that because otherwise you're creating too many traffic jams in the city. So that's the amount of plugs we do roll out per year in Brussels. And the rest is the other cities, and we are rolling out in 50 cities. So some of them are less dense in terms of topology. Others are more condense in terms of a number of inhabitants. So that's a little bit, how you should see that.

We are not only progressing in the city centres of Brussels. We are everywhere now, not everyone but 50 cities, which is not a small number. So yes, there is a mix in between super dense. Everything is dense, but there is super dense and a little bit less super dense that might be an explanation for this small increase in terms of cost, but there is nothing that is not on plan in terms of unit cost to roll out our fibre for the year or for the years to come.

Roshan Ranjit: Great. That's very clear. Thank you.

Nancy Goossens: Can we have the next question, please? Clotilde? Hello, Clotilde?

Operator: Next question is from Mr Martin Hammerschmidt from Citi. Please go ahead.

Martin Hammerschmidt: Yeah, thank you for taking my question. I have a couple, if I may? The first one is on the domestic EBITDA guidance. I think when you issued guidance at the beginning of the year, you initially did not include any salary adjustments beyond the one that was known for April. Now we have one in June. And I mean, depending on inflation develops, maybe even one more later in the year. But you seem quite confident on the guidance. So could you maybe just walk us through where do you see the offsetting factors, like where you're trending better and are able to affect the higher salary costs than you expected in that the guidance?

And then the second question is on slide 27. I think you highlighted sort of different building blocks of the increase in domestic OpEx. Could you give us a bit more financial colour on them, like, for example, the breakdown of the €10 million increase?

And then the last one is on the free cash flow generation for the year. I mean, you mentioned in Q1, you had some CapEx spill-over and working capital timing effects. But this CapEx should trend higher. Do you think sort of the current 2022 free cash flow consensus of €200 million is realistic? Or is that a bit too ambitious? Thank you very much.

Mark Reid: Martin, thank you. Let me take the first one in terms of the overall EBITDA guidance. So I think it comes back to my point in terms of our efficiency 2025 programme. I think we also said that at the time that we believe that we could, keeping the envelope, the indexations and we continue to believe that is the case. And so the programme was well established prior to entering this kind of inflationary cycle. And we're effectively prioritising and executing on those programmes. And we've always got a little bit ability to flex for things such as the June indexation. So we feel confident that we're going to get to our EBITDA guidance on domestic. So I think that's fine.

In terms of the building blocks of the increasing domestic OpEx. So I think we talked about the indexation is primarily the major one in terms of effectively in Q1, you had in November indexation and a February indexation. You clearly have some non-inorganic Mobile Vikings costs in there. And then we have some – I think the way that we're thinking about is good OpEx in terms of direct OpEx supporting the top line growth on the enterprise segment in terms of business services, and also customer OpEx in terms of fibre type installations.

So that kind of gives you a flavour there. We also had, to the previous question, some transformation costs on cloud and HCL. Again, they were single low-digit millions. And so those effective there being offset the indexation and some of the growth costs being offset by these efficiency programmes that we're very focused on. And as I said, as we entered the year, we were very conscious of the inflationary wave coming at us, and so we've been very diligent in moving on that. So that's where we are on that.

In terms of free cash flow, I think you see two elements impacting free cash flow. The cash CapEx is probably the first major one in Q1 that you clearly see. And I think, again, in Q4, we indicated that the phasing of the build of some of the fibre homes was specifically back-ended in Q4 2021. And you see that cash CapEx being paid in Q1 2022, plus the increasing envelope of CapEx. So that's really what you've got in Q1. You also have some business working capital changes, which effectively is timing related versus Q1 2021 and will resolve.

In terms of the full year, we continue to see the cash CapEx bear down on free cash flow as we discussed in the Q4 earnings. But we will have positive business working capital and timing of tax payments in the out part of the year. We don't guide fully on free cash flow. But at this point, everything is on plan as far as we're concerned on free cash flow.

Martin Hammerschmidt: Thank you. That's helpful. Thanks.

Operator: Next question is from Mr Emmanuel Carlier from Kempen. Please go ahead.

Emmanuel Carlier: Yes, hi. Good afternoon. Thanks for taking my questions. Some of them have already been tackled a little bit, but maybe you can give a bit more colour on some elements. So the first one is on the price hikes we have seen everywhere. I'm just wondering how the government is reacting on that because there's a big debate going on, on protecting the buying power of the people. So happy to hear the comments from the government on that.

Secondly, what explains the good performance of Proximus versus Telenet in terms of commercial momentum, especially taking into account that you have raised prices earlier than Telenet? Is this mainly driven by the fibre rollout? Or are other elements also having an impact?

And then lastly is on fibre. So I know that you have launched your fibre plans a long time ago. The discussions with Telenet and Fluvius are still ongoing. I'm just wondering, do you believe there could be a moment that all three players are, let's say, starting to cooperate and decide, okay, we will roll out in these areas and Telenet and Fluvius can rollout in these areas? In other ways, yes, cutting the risk of having a double fibre network in Flanders? Thank you.

Guillaume Boutin: On the price increase, I think I'm sure you also noticed that we also launched an offer with them is Internet Essential, that is available for the citizen of Belgium that are the most vulnerable. And the price for that is €16 per month. So of course, if you want a rich offer, you can go to Proximus and buy a triple-play or a 4P packages. But we are also running out some entry access packages for vulnerable citizens, which is a way to help absorb the effect of the inflation for the more vulnerable homes of the country. And that's a way to help absorb that, as I just said.

On the commercial momentum, Jim, you want to take this one?

Jim Casteele: Yes. So Emmanuel, on the commercial momentum. So indeed, we continue to see a very positive traction of the Flex offer that we launched two years ago. So we're convinced that it's still answering in the right way the needs of our customers being able to flexibly adapt the offer to the needs of the family. At the same time, as you have seen, fibre is indeed supporting the Flex solution.

We've been able to boost the speeds of fibre to one gigabit. We've boosted the upstream 200 megabits. And so now we're slowly moving to that product superiority that the fibre technology can deliver. And then towards the end of the year, we're also going to launch a multi-gigabit solutions on fibre, which is going to help to further support that commercial momentum.

So my take on it is, on the one hand, the strong improvements on NPS that we've seen over the last years with a dedicated focus on customer experience, digital experience, product experience, combined with having the right solution with Flex to the family segment, combined with fibre rollout is explaining the good performance that we see so far. And then, of course, not to forget that we also have our multi-brand strategy with Scarlet also present in the fixed environment.

And so for me, all these elements together explain why we see the traction that we have today in the market.

Guillaume Boutin: On your third question, I think what is important for us is to, as I said several times already, it's really to deliver the acceleration of the fibre rollout for the country. We always stated that we wanted to cover 100% of the country at some point with fibre. And also it's important for us to own the network because our DNA is also to be only the network, and I'm more and more convinced that owning networks is a key differentiator going forward, especially if you start talking about cybersecurity elements.

Locally securing the network is going to be a key element of differentiation going forward. So giving an integrated telco operators, owning the network and the service is going to be a key element to win the market in the coming years. That's why we want to own our destiny and we want to accelerate our own fibre rollout. That said, we have always stated that we wanted to be open and to be a rational builder of that network.

And if at some point, others want to join our initiatives, we always say that we were welcoming discussions on that front. So I will just repeat what I've said already several times. We want to go fast. We want to maximise the coverage of the country as soon as possible. At the same time, we are open as a network providers and we'll act rationally because this is where we are, but there are some red lines in what we want to be as an operator. And we don't want to compromise our ability to go fast and to gain traction in the fibre rollout.

And again, I repeat it, being open for constructive discussions if that can help us accelerate our strategy. So that's the way I see it. And as I said, for the moment, we are the only one rolling out rapidly and massively, the next-generation networks in the country. And this is a time advantage, which is also very valuable for the company.

Emmanuel Carlier: Okay. Thank you.

Operator: Thank you sir. Next question is from Mr Joshua Mills from BNP Paribas Exane. Please go ahead.

Joshua Mills: Hi guys. Thanks for taking my questions. Mine were actually just more related to the TeleSign stack and a couple of updates on the process. So I think in the press release today, you talked about remaining confident and you're fully committed to taking it public. Could you just remind us of what needs to happen on 18th May with the NAAC shareholders for that to happen? And given the recent performance of kind of listed peers such as Sinch, I guess, there's some volatility in this kind of space. So how do you think the process plays out from here? What do we need to see? And if for whatever reason the SPAC were not to go ahead in this current planned form, what would your alternatives be? Thanks very much.

Mark Reid: Josh, on the first question, it's fairly straightforward from here. I think the S-4 was effective two weeks ago. The proxy has been filed with NAAC shareholders. So they will vote on the combination in that mid-May date. So that's the first thing. And then they will elect to redeem their shares or not. And that redemption will wear on a cash condition of around $200 million that we set for the minimum cash condition, and we get redemptions that allow us to be above that, then the likelihood the deal will complete. So that's effectively where we are.

In terms of the performance versus peers, I think, look, the markets have been volatile. I think we're really concentrating on TeleSign. The asset we're – as the rest of the results this quarter, we're very pleased with how it's performed at the revenue, direct margin level, at the underlying volumes, the mix of Digital Identity and CPaaS. I think we've progressed – I shouldn't say we. The team has progressed very well in terms of growing that business. So as we said, we're right on plan. So that's where we are.

Joshua Mills: Great. And maybe just to follow-up. So forgive my ignorance on this. But as I understand that you'll have the committed component of the pipe, which gets you more just over half way to the $200 million, what percentage of shareholders do you need to vote in favour to get to the $200 million threshold? And I suppose the question then is, originally you wanted to launch this with more than $400 million on the balance sheet of cash to go and do acquisitions. So has the strategy changed a bit, or do you think that in the near term, that was a large amount of money you probably wouldn't have been able to spend straightaway anyway? So yeah, what percent of shareholders, and then how does the potentially lower cash amount on the balance sheet impact plans?

Mark Reid: Yes. A good question. So it's a mid-70s level of redemptions we would need to get to the $200 million. And again, look, who knows at this point where we'll end up. But if we get more, we get more, and that would be fantastic.

In terms of the overall plan, yes, the original SPAC had significant more cash in trust. I think we did a very good job on raising the pipe. If we end up with the minimum cash condition, I think in the short to medium term, has no material impact on TeleSign's strategy. And so that's where we are at this point.

Joshua Mills: Very clear. Thank you.

Operator: Thank you sir. Next question is from Mr Ruben Devos from KBC Securities. Sir, please go ahead.

Ruben Devos: Yes, good afternoon. Thank you. I just had one question really related to the fibre and the connection speed. I think it was a bit down this quarter versus the prior quarter, averaging about 7,300 per week. For this year, I believe you're targeting to pass 500,000 homes, including the contribution of the JVs. So the 95,000 in Q1 is a bit below, let's say, the run rate. Nevertheless, it's obviously quite a faster ramp. So could you maybe talk a bit about the operational execution of such a large project? And maybe that's a question for Geert. What may be some of the challenges to deploy fibre even faster beyond this year? Yes. And it would be great, actually, if you could get a sense of what the overall capacity is out there today in the Belgium market when dealing with subcontractors? Thank you very much.

Guillaume Boutin: So on the speeds of rollout. So just in terms of trenching, I think we shared that number. We did times four in terms of the number of kilometres of trenching in Q1 compared to Q1 last year. So it's not like we are slowing down the activities in that fibre rollout. But we also have to have in mind that Q1 and Q3 are the lowest quarter in terms of delivery of plugs. Q3, because of the holiday period, and Q1 because this is the beginning of the year, and that's the way it is.

But we are fully on track, even a little bit ahead of plan, I have to say, in terms of our ability to meet the 22% objective of footprint that we have for the year. So clearly executing according to plan, even a little bit ahead of the plan for the moment. So it's going very well.

Do we have changes? Of course, it's not an easy thing to do that acceleration. But I think we have proved quarter after quarter our ability to ramp up that fibre rollout since now two years. And we have now entered in a very, very trusted and good relationship with our construction partners. And we have learned from past experiences and we have long-term commitment in terms of capacity with our construction partners with whom we are interacting on a daily basis.

This is one team. This is us and Proximus working together and intend to deliver this acceleration. So not worried about the capacity because we have long-term commitments, not really, but the reason of the rollout because we are ahead of plan to going to meet our objective for the year. And of course, we are well positioned to secure that needed capacity because, as I said, we are the only one rolling out the technology as we speak and having long-term commitments, long-term visibility for our partners in those times is super important.

Ruben Devos: Okay. Thanks for those comments. And just do you have any sense of sort of what the overall capacity is out there today in the market? I'm asking because, obviously, you'll get to 22% this year. Next year, let's say, you would be moving towards 600,000. Others may be joining as of next year as well. So just thinking about the overall capacity. I think, for instance, in the Netherlands, typically, it's about 800,000 a year. I don't know how that is in Belgium and whether that could lead to some shortages, let's say, as next year.

Guillaume Boutin: Yeah. But as I said, we have long-term commitments and they know we have launched a lot of waves of fibre that are three years in advance. So that's the way we are managing the rollout.

So as from Proximus is concerned, we have no worries about securing or executing on our acceleration plans, and we're going to have the adequate capacity to do that.

Ruben Devos: All right. Very clear. Thank you.

Operator: Thank you. We have no other questions. Ladies and gentlemen, I would like to remind you that if you wish to ask one, it’s 01 on your telephone keypad. We have no other questions. Back to you for the conclusion.

Nancy Goossens: Thank you. Thank you all for joining us. Thank you for your questions. Should you have any follow-up questions, as usual, you can reach out either to Eline or myself, and we will be happy to help you out. Wish you a very lovely weekend. Bye-bye.

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