

# Transcript – Q&A session – Proximus International

2PM CET - June 3, 2024 - Teams transcript

## Operator

Hello and welcome to the Q&A session of the Proximus International Capital Market Day. My name is Sabra and I will be the moderator. Please note that this Q&A session is being recorded. You will have the opportunity to ask a question by using the raise hand option within Teams, we will not take questions from the chat. May I please ask you to limit yourself to two questions to give everyone an opportunity to ask one.

You can afterwards re-enter the queue.

Our first question comes from David Vagman from ING.

You can unmute yourself and if you desire, activate your camera.

## Vagman, D. (ING)

Good afternoon, everyone, and thanks for the opportunity to ask a question.

So two questions. First, on governance, to clarify a bit the governance.

So if we understand correctly, Rajdip is responsible for CPaaS. But then what about BICS? How does it work for the latter and what does the CPaaS business basically of BICS represent in terms of sales or direct margin?

Does this mean that Rajdip will have a managerial role on BICS employees or will there be a transfer of CPaaS activities from BICS to Route Mobile for instance?

So that's my first question on governance.

Then secondly, on the financial targets. How should we reconcile the previous target you had given a I think a few quarters for route mobile and telesign combined?

So I'm referring to the \$2 billion of sales, I think 13 to 15% of EBITDA margin if I'm correct. And then this new target for the for the international segment combined including BICS, what are the moving pieces of the puzzle? So you saying synergies have increased? Now it seems to me that overall if we add BICS to this previous targets, we know you've lowered basically but your targets. Is this because of BICS or the legacy side of activities or my reasoning simply not correct?

Thank you.

**GB****Boutin G. (CEO, Proximus)**

So I start with the governance. So first we have as from the start, when we sign the deal, I think one year ago, we already said that Christophe will be responsible for Digital Identity across all entities; and that Rajdip will be responsible for CPaaS across our entities. What we announced today is that also BICS will be fully integrated in that operating model going forward, saying that all the carrier activities of BICS will be also managed the same way you know with a new leader for that business side, to be appointed by the end of the summer. Today I'm acting as a responsible for the carrier activity for the entire activities of Proximus.

So you could have three business leaders and then you could have some support entities on product from go-to-market from hub that would be centrally organized. So that we can maximize the efficiency, but also make sure that we have one clear execution path and also a clear set of common objectives in between the different entities of the group. So that's the way we will operate going forward,

**MR****Reid, M (CFO Proximus)**

David, thanks for the question. So how should think about this?

Maybe take a step back.

I think the overall targets are constituted, as you pointed out, BICS, TELESIGN and route mobile.

I think as always, we've been very thoughtful in terms of how we put together our guidance. I think on the revenue side, I think we've seen and we've been talking about that in previous quarter earnings in terms of some of the market trends were seen specifically on the revenue, the headwind. For instance, on the PP voice.

But we thought that very carefully across the three entities we've given you guidance very clearly about how that translated to direct margin. And I think we are very, very focused on our direct margin guidance because of some of those volatility elements and the fact that it doesn't always translate to direct margin, which is really the way we see the health of the business.

So that's a little bit about how we came to the guidance today.

And I think again, I'm sure we're going to get into a little bit more of the direct margin with the constitutive parts of that and the direct margin guidance.

But again, hopefully you'll see that it's a very, very strong story when you look at the '24 numbers or even further out to '26.

Hopefully this helps you constitute the how we've put the guidance together.

**VD Vagman, D. (David)**

Thanks very much both.

Maybe a very quick follow up on BICS CPaaS, BICS has CPaaS business, I understand it was one of the reasons to integrate all of these businesses together, So the three. So how much of how much overlap do you have basically on CPAAS you think?

**GB Boutin G. (CEO, Proximus)**

Very little. I think..., why we want to have those 3 entities operating together because if you want to win in the CPaaS business, you have to make sure you have the best route to deliver the message and BICS is bringing that direct connectivity to MNOs all over the world.

And that's a key competitive advantage compared to other competitors in the CPAAS activity., so having strong and direct route to MNOs all over the world is a key competitive advantage compared to not having those routes.

That's why having the different entities the Connect part, the Networks part along with the Engagement platform is so important for us and for me as a key strategic enabler of the growth of the Group going forward.

Within BICS, you have a very small CPAAS platform, in India,, Mob texting but that's very limited and very, very small. And that would be integrated within the CPaaS platform of

Route Mobile and both platforms are today operated out of India.

So that means that it will be quite an easy process to integrate the two platforms together.

**VD Vagman, D. (David)**

Thanks very much.

**O Operator**

Our next question comes from Akhil Dattani from JPMorgan.

Please unmute yourself.

**AD Akhil Dattani**

Alright, thanks so much for taking the questions.

I've got two as well please if I can.

The first was just on trends you're seeing across the CPaaS industry today.

And just to understand better how you think about the outlook. In your slides, you talk about industry data suggesting that the industry should be growing 10 to 15%. But I'm mindful that when I look at a lot of your listed peers, they're all delivering growth rates long way below that today. Last year I think it was about an average of 5% and in general they don't seem to be suggesting very much confidence on that improving near term. So I guess just keen to understand what you think are the main issues going on? Why is growth running below what most third-party consultancies thought it would be?

And what do you think it takes for growth to recover?

So that's the first piece and then the second bit was a bigger picture point.

Obviously this is a substantial transaction that you're putting through to scale up your organization across this vertical. Can you talk about, as you execute, how you think about the next levers of unlocking value?

You mentioned some comments in your release around potential other options such as an IPO, but I guess just keen to understand what dictates the timeline, the optionality and the routes you might consider as you try and prove the value of this business to the market. Thanks a lot.

**GB Boutin G. (CEO, Proximus)**

OK, so I'll try to start with the first question on the CPaaS market. So first you need to look at the underlying trends of that business. Engagement platforms, connection between e-platforms, but not only hyperscalers, large organizations and more and more smaller organizations in between their services and the end-customers. That trend is not going to slow down, to the contrary it is a trend that will accelerate over time.

So the need to have more intelligent conversations in between end-users and services being delivered by hyperscalers enterprises or smaller sized organizations, that trend is going to continue to be going quite fast going forward.

The second element you see is that the main channel to deliver those messages or those conversations will shift from being mostly SMS's towards omnichannel kind of approach, meaning that SMS will be probably still 50% of the channel used by 2026. But the other channels are going to develop themselves.

So WhatsApp, RCS, Viber, voice and those channels will take 50% of the share of voice of the preferred channels for end users.

So the key is then if you look at the revenue trends of those markets. When you send an SMS, you have to pay a termination fee to the MVNO and that termination fee is considered as a revenue, but also as a cost for CPaaS players. So imagine when you shift from an environment where most of the messages are SMS's to an environment where half of the messages are on other channels. Then you have a mechanical effect on the cost paid by hyperscalors or large organization to deliver message with no effect for the CPaaS players on the margin they're making, just an effect on the revenue they are making.

That's why sometimes some industry analysts are a bit confused on what is the value of that market.

The value of the market, the cost to deliver the message will diminish, but the value for the people delivering that, this will still grow quite fast and that's what is reflected in the way we look at this, this is what is reflected.

So what questions on the revenue line, but we're still very confident that on the direct margin, we'll grow super-fast and that's really the way you should look at the opportunity.

Why on top of that, we believe that we can beat that 10 to 15% CaGR.

I would say that probably, at the DM level we should see that direct margin growth, profit level, you should see that kind of trends for the CPAAS players and for the industry. Why we think we can beat that? Because first we have the delivery machine, that direct connectivity to a lot of MNO's all over the world. That's the key. As I said already, a key factor for the industry going forward because you want quality routes and you want low latency when you deliver the messages. So that's super important. Second:

Exposure to fast growing geographies. If you look at our competition on the CpaaS activity, very few of them are as exposed as us. To geographies where you see the fastest growth in terms of digital adoption and the need for this kind of new engagement services.

And we are exposed to Africa, we have more exposure than others to Asia where you see a very, very strong market growth and the adoption of these services. And the last point I would share with you today, if you look at the penetration of those services they are still very low. Only 50% of the corporations are using CpaaS platform to deliver their messages to their end users.

We expect that number to be 90% within three years.

So if you combine those 3 levers, that's where we believe, where I think that market, the need, that demand, will continue to expand. The cost to deliver that service will diminish. But for CPaaS players, it will be an opportunity to still grow very, very nicely, strongly our gross profit or direct margin if you want to use that. So it's that line to look at the business. Why again revenue for CPaaS is not that relevant, gross profit or direct margin are the relevant KPI to look at.

And if you look at the trajectory we shared with you today, I think it's quite nice in line with the fact that we still believe and that's it's not only us. I think the industry still believes that the need for conversations, engagement of customers with high quality is something that we will continue to develop overtime.

I think also there's a synergy. It's the synergistic element to the growth level as well that our competitors don't have as well. So I think that when you add that to the mix, I think that adds to our confidence in terms of the pathways.

MR

**Reid, M (CFO Proximus)**

Look, I think where we are today is we're very, very confident in terms of what we've set out in terms of the path of the organization, in terms of what we're going to focus on first. We've spent the last eight or nine months preparing for this moment. We're ready. We're going to be laser focused on delivering the synergies. That's really the important capturing the organic growth like Guillaume said.

I think we have fantastic platform, fantastic Go to market rated to capture that that organic growth.

And then as I said, we put on the slides, there are multiple paths to expose that growth to investors in the future and we will explore those in the midterm.

That's our thought process at the moment.

AD

**Akhil Dattani**

Great. Thanks very much. Can I just ask a super quick follow up. You mentioned RCS. Can you just update us on the timeline to when you think it is becoming relevant? I guess it's maybe hard for us on the outside to know when this becomes adopted.

GB

**Boutin G. (CEO, Proximus)**

I think it depends of course of the of the geographies that you consider, but you know RCS in Asia Pacific is almost ready for prime time.

**AD Akhil Dattani**

Great. Thank you.

**O Operator**

Thank you. The next question come from Roshan Ranjit from Deutsche bank. Please unmute yourself and if you desire, activate your camera.

**RR Roshan Ranjit**

Great. Thank you everyone. Got two questions please. Mark, you mentioned the volatile pricing environment in the P2P segment, and I see in your slides at the direct margin level P2P's around 25% of the weighting. 3 years out, how do we think that weighting evolves? You say you're ambition versus the market is, I guess positive. But I mean, I imagine that will be a smaller component. So, any details you can give there will be super helpful please.

And there's a slide on geographic mix within the slide deck and I think one which I would pull out is around the 90% of DI revenues within US and Europe and Route Mobile you mentioned the Africa and India presence for CPaaS.

What is the rough geographic split of your existing I guess TELESIGN and BICS business and how easy will it be to kind of increase that overlap of the three different buckets? Thank you.

**MR Reid M. (CFO Proximus)**

Roshan, let me start. I mean, we're not giving, you know that exact mix, but the way I'd go at it is, you know, we said that we fully believe that we will take the top-end of our interdomain segments in terms of CPaaS, Mobility. I think if you look at that and apply those type of growth rates, you very quickly get to what P2P will be.

So clearly it will be a smaller proportion of the business by the time we get to 2026. So that's a little bit how I would think about it. I think you can get to that kind of trajectory, more or less from what we've been able to provide. So, but we're not actually providing that level of granularity at this point.

**GB Boutin G. (CEO, Proximus)**

So but today, if you look at the voice business of BICS, we are #4 in the world in terms of market share and we also positioning ourselves more and more into a

partner to help other operators to outsource this Voice business to us so that we can scale our platforms and that we're going to see also more.

So we have that kind of last man standing approach for that Voice activity, which I think could also demonstrate why we can beat that declining market trends over time. And that's something that we will probably also continue to look at in terms of making some new successes, acquisitions in terms of outsourcing voice platforms for carrying out services for voice platforms to other operators on the geographical footprint creation and the complementarity between our activity within BICS or activity within Route and activity within TELESIGN.

I think the very nice element of the transaction is that of course in terms of cost. We can have the best operating cost model because we have all our platforms operated out of India, which is quite good in terms of our ability to be extremely efficient for platform development, but in terms of customers, of course the footprint of Route Mobile is way more exposed to the fast-growing geographies that are already been mentioned in the presentation, in the deck that I mentioned earlier.

We are also in the position where I think we can leverage that go-to-market capability of Route Mobile in India of course, but also in some other geographies that are fast growing: in Africa and in the in other parts of Asia where Telesign is not that exposed today.

So I think one of the key assets we have as a Group is that go-to-market reach because we speak, we talk to all operators in the world. And when you think about the firewall capabilities of Route Mobile, we have the go-to-market with BICS to sell those are firewall capabilities to MNO. So that they can be protected against fraudulent messages. And then when you look at the revenue synergies that we presented today, that is one of the key elements, is to leverage our access to those different geographies where today Route is mostly selling CPaaS, but tomorrow those go-to-market and salespeople will be not only selling CPaaS, but also DI, and that reach is one of the key advantages of the deal.

Now we have a worldwide reach and then we can cross-sell our products because those products are quite adjacent and you're talking a bit to the same people when you are selling the two products.

So that's the way you should look at it. So very complementary.

A geographical footprint in terms of go-to-market that we want to leverage to cross sell as much as we can our different products.



**RR Roshan Ranjit**

That's helpful. Thank you.

**O Operator**

Thank you. And there's questions coming from Kris Kippers from the Degroof Petercam. Please unmute yourself.

**KK Kris Kippers, Degroof Petercam**

Perfect. I've got one question perhaps. So Mark looking back at the synergies increase from 90 to 100 million, just want to get some details on such a short time frame where the delta came from and how certain are you of each bucket, so the revenue synergies, COGS and OpEx and to what extent given the bit of strange structure right now. In the international segment who is in the end responsible for reaching these targets? Thank you. It's my first question.

**MR Reid M. (CFO, Proximus)**

Yeah, Kris, in terms of the upgrade, I think if you take a look at the overall cost synergies, they are in line with what we discussed before. So again, we've been doing some pre-merger integration for the last eight or nine months. And we see some fantastic opportunities across both platforms in terms of the growth in some of the markets that we're now going to have exposure to from both sides of the acquisition. So that's really where you see the upgrade come from. I think the confidence level is very high on both the cross-selling revenue synergies, the cost of goods sold, which is effectively taking a view around our termination, optimizing our termination cost in terms of the best route, quality, pricing optimization. And then the OpEx side, I think it's all around again, we touched on in terms of optimizing across our global footprint to ensure that we've got the good market research and Development & Administration of the business done in the right place. So, in terms of overall synergies, I think we're super confident in terms of delivery of that. Again, in terms of the timing, we spend a lot of time thinking through the phasing of that. And again, we've given you some guidance about where that will come today. So hopefully that is super helpful for your outlook.

**GB Boutin G. (CEO, Proximus)**

I think on governance I can take the question. I think we have a very clear slide on it. So you have that team that will be responsible for the synergies. So it's a combination of the business line leaders that Rajdip, Christophe and the new leader for carrier services that will be appointed by the end of the summer. And then we have Mark for the technology for the group, the product management for the group which is Milind and then we have operations which is Antoine. So and then you have the support, for finance, marketing and strategy. So that's the team that will be responsible those synergies. So, I think it's quite straightforward.

**KK Kris Kippers, Degroof Petercam**

OK. Thank you. And then just a second question, if you look at investors, how do they look at Proximus right now? I mean recently, of course you've done these acquisitions, of course I know it was only a rumour that you would be looking at the private equity owned player in the US. Apparently again, of course, it might only be a rumour, but what's the end game here?

I know you have the desire to potentially list his entity, but as a traditional incumbent now adding this international play, how do you think investors look at you right now or what's the rationale behind that because you get some pushback on this, I get on the valuation you see at least on the stock market. Thank you.

**GB Boutin G. (CEO Proximus)**

Yeah, I think the objective is quite also clear here. I think we give to ourselves time of three to five years to find a mean to crystallize that value, and that's the way we also will operate those international activities. So that in case we need to do that, organize that crystallisation moment, we are ready for it. That's the mindset and the way we operate those activities, so that the moment we can crystallize, we do it and we will prepare for it.

So that's one element. Second element is I think the way we're going to drive it and steer it will be also extremely focused. And again, if you look at the ambition of Rajdip, for example, he has reinvested half of the proceeds of the deal within Opal. He will be extremely incentivized too, as the management team of the international activities of Proximus, to get to that crystallization, value crystallization moment. And I think what is nice with that framework that we have: all interests realigned because Rajdip now is fully invested in Opal, and we'll all be running to demonstrate to investors that we can create a significant amount of value linked to those activities.

**KK** **Kris Kippers, Degroof Petercam**

OK. Thank you.

**O** **Operator**

Thank you. The next questions come from Siyi here from Citigroup. Please unmute yourself.

**HS** **He, Siyi, Citigroup**

Thank you. I have two questions please. And the first question is really on your guidance maybe. You give a quite wide range of the revenue guidance ranging from 5% growth to 30% and we're just trying to understand what are the assumptions that you have on the low end at the top end of the revenue guidance and to follow up on that is really on your direct margin. I think you give absolute numbers, the range, which is tighter compared to what you have on your revenue. I just try to square what has led you to the 600-to-650-euro absolute direct margin guidance. Thank you.

**MR** **Reid M (CFO, Proximus)**

Sure. Let me start by saying, as you touched on at the start of the conversation, on the revenue side of the business, there are dynamics in the domains of P2P and CPaaS that make the revenue element not the key measure of the health of the business where we really focus on direct margin. But there are elements in terms of the market evolution: pointing to the P2P evolution, CPaaS is moving to omnichannel, and therefore, we've taken those market evolutions into consideration in our revenue guidance.

But then when we look at direct margin, again, and we'll talk more and more as we talk about the international business for the coming earnings seasons, the guidance there is really based on our view as we set out in terms of the margin growth of the domain. So CPaaS, digital identity, mobility, and P2P, and it clearly also has an element, as alluded to earlier, of the synergy realization that will come through over the next three years in terms of giving us that kind of CAGR ambition. And we've considered it carefully. So, I think again, as we had a question earlier, I think it's an ambitious goal we set ourselves, but it's one that we think is manageable and achievable over the next three years or 2 1/2 years.

**HS He, Siyi, Citigroup**

OK. Thank you very much. And the second question is based on a follow-up question for the previous one. Just because you mentioned that you expect the market to see more consolidation than has happened in this industry, and I'm wondering, when you look at your leverage that's close to three times and your ambitions for the coming two to three years, do you think that the focus that we should think about for Proximus is to focus on delivering the synergies and deleveraging to below 3 times? Thank you.

**GB Boutin G. (CEO, Proximus)**

Yeah. And I think again, there is a slide in the deck around where we expect our overall net debt guidance to be. I think the 2024 guidance is reflection of the financing of this transaction.

But we continue and again, if you look at our EBITDA guidance for the group we set at Capital markets day, and the effect that this will have, the overall international inclusion of that, clearly that will start to deliver ourselves from '25 onwards.

And I think it continues to be our ambition to keep our net debt to EBITDA leverage in the guided area that we talked about in the Capital Markets Day. But to Mark just said, I think the focus of the team now is ready to deliver the synergies, make sure that we can deliver the growth ambition we shared with you this morning.

That's really where we are in terms of thought process and make sure we can deliver that integration, deliver the synergies and make sure we can grow faster than the markets.

**HS He, Siyi, Citigroup**

It's very clear. Thank you.

**O Operator**

Thank you. The next question comes from Nicolas COTE-COLISSON from HSBC. Thank you to unmute yourself.

**NC Nicolas COTE-COLISSON, HSBC**

Great. So, in the presentation you have precisely associated the three product lines,

the Connect, Engage, and Protect with your three brands, but then Telesign and Route Mobile are involved in both CPAAS and digital identity, if I understand correctly. So, is your plan to move each activity from one entity to another and eventually have Telesign and Route Mobile turn into pure players?

I'm just wondering how cross-selling will work and also how you estimate the cost of marketing and merging platforms if you were to do so.

**GB Boutin G. (CEO, Proximus)**

So, I think it's early to say how we can organize our product suite going forward. But the idea we have is that we don't want to operate our international activities based on the three entities. We want to have business line leaders so that we can operate our different business lines independently of what is the legal entity behind the scene. That's really the mindset we want to have for our go-to-market teams, our product teams, and also the business side. Rajdip will be responsible for the CPaaS activities that are today delivered at Route Mobile, but also delivered at Telesign. So, he will have that overall responsibility across Telesign and Route Mobile legal entities. That's extremely important to understand.

And then today we will see how it goes, but little by little, we want to have one brand for CPaaS and one for digital identity. Currently, we have two platforms for digital identity because Route is also active in this segment, and we have probably three platforms for CPaaS because we have one for Route Mobile, one for BICS, and one for the Mobtexting platform. So we want first to make sure we are using the right platform for every service that we deliver to end customer and then there is a branding issue. Do we want to keep the Telesign brand? Probably yes.

For the for the time being, because Telesign is a very strong brand for some scalers that are in the US, so it might be that we keep the brand even despite the fact that the platforms are unified, and we are running our services on one platform.

So that is it for branding and we'll see how it evolves. We might create some simplification, but for sure now the focus is to make sure that we are not creating negative synergies in transforming too rapidly the branding environment and that we are not confusing our customers. So that's two different tracks.

The one is on brands, the other one is on platforms, on platform we're going to accelerate very rapidly and to merge those platforms extremely rapidly in the coming year and all the cost of those integrated platform integrations are reflected in the cost to deliver the synergy that we have shared with you .

**NC** **Nicolas COTE-COLISSON, HSBC**

OK, so that's very clear. Thank you. And if I may ask for a follow up, actually three, but they are very short on your higher synergies. Is the extra 10 million from revenue or costs? Secondly, how do you see labour costs evolving in your costs? How do you incentivize employees? Do you plan some kind of a private share scheme? And the last one: Any guidance on the interest costs now that the transaction is done?

**GB** **Boutin G (CEO, Proximus)**

Let me take the first one. We confirmed the cost synergies as we set out initially. The revenue synergies are higher, which is the main element of the upgrade. Our confidence around those revenue synergies is significant, as I said, we've had 9/10 months of pre-merge integration. The teams have been working together where possible, and again when we look at the geographic, the platform complementarities, we're super confident on that one.

In terms of incentivization, I think as you know, it's this market standard to foresee some incentive vision programs for this kind of fast-growing software company that something we have planned for and is also backed into the numbers that we have shared with you.

**MR** **Reid M (CFO, Proximus)**

And then on the interest cost, I think, again, I think we've talked multiple times in terms of our approaching interest refinancing we hedged. The '24 refinancing and the '25 refinancing, they were hedged at kind of pre-war rate. So, we secured that financing, we raised a 700 million bond in March to finance this transaction. And I think we shared at the quarterly earnings the rate there, but it was around 3 / 3.5% percent on that 700 million. So, any change in interest costs is very muted due to our credit rating and ability to manage the balance sheet.

**NC** **Nicolas COTE-COLISSON, HSBC**

Perfect. Thank you very much.

**Operator**

Thank you.

As a reminder, if you want to ask a question, please use the raise their hand option within Teams. Our next question comes from Joshua Mills from BNPP.

Please unmute yourself.

**MJ MILLS Joshua, Exane-BNPP**

Hi guys. Hopefully you can hear me well, a few questions for me. First, I want to come back to on M&A, specifically your acquisition pipeline rather than talk about value crystallization through potential IPO. So, we've seen the rumours of bids in the press.

Do you feel that you now have sufficient scale with Route Mobile to be competitive across the globe in the CPaaS segment or are there still areas where you believe further M&A could help bolster your proposition?

And if so, would you be willing to take on more debt at the Proximus Group level in order to finance those kind of transactions? So that's the first question.

The second question was just a clarification on free cash flow.

I think trying to back out some of the maths on cash conversion of what you put in the slides, it would suggest that you were aiming for around +200 million of FCF from the international segment by 2026. Could you confirm if that's the case?

And then the third one was, which just be a bit more high-level, clearly there's been a lot of work to get the deal to this point in time. You've put a very credible team in place, but there are lots of other challenges facing Proximus at group level into the next few years, not least with Digi in the Belgian market. So how much of your time and management time now going to be spent focused on the international segment versus the domestic segment? And how has that changed versus, say a year ago?

Thanks.

**GB Boutin G. (CEO, Proximus)**

So I start with your third question to answer the first one, I think what I've clearly said to you also in the last Q1 meeting is that we have three priorities.

First, execute on our Route Mobile acquisition to ensure we deliver growth and synergies. Second, adapt the market structure for fiber rollout. And third, address Digi and Telenet's (in the South) entry into the Belgian market without materially affecting our commercial momentum. Those are our priorities. Everything else is not on the table. We've become one of the most important players in the industry with Route Mobile, so we know when there is an asset to be sold or rumours. Time allocation wise, two-thirds is probably a good way to look at how we allocate our time.

**MR Reid M (CFO, Proximus)**

Regarding free cash flow, as I said, we're confident in achieving the synergy level and the growth by 2026. Telesign is becoming less of an investment peak and more accretive to the group. We're confident in reaching that free cash conversion level, and your math is broadly in the right direction. We don't provide that specific guidance, but I think your math is broadly in the right direction.

**MJ MILLS Joshua**

Great. Thank you very much.

**O Operator**

Thank you. The next question comes from David Vagman from ING. Please unmute yourself.

**VD Vagman, D. (David), ING**

Yes, thank you. A question now on the DI footprint. Can you explain us how it will evolve? So basically, should we expect the DI Lead to move to India? On CPaaS, it'll be led in India, that's clear.

The current valuation of OPAL, does this imply any, you know, like impairment at the level of the Telesign?

**GB Boutin G. (CEO, Proximus)**

I think in terms of where we're going to operate the company, it's not only about leaders, but you also have your operations, you have product management, you have product development. I think the idea is that product development will be mostly delivered out of India, where you have the talent to do it and you have the expertise



to do it. So, I think this is quite clear, but it's not like we have a rule. I think we will be also flexible depending on the type of activities to be considered, but as a trend you can expect indeed that the product development will be delivered out of India. But operations need to be also delivered in different geographies to cope with the different time zones of our customers. Product management, then it's a bit of different question because there you have to be close to your customers. So we'll see whether we can have a more equal repartition between Europe, India and the US.

**MR Reid M (CFO, Proximus)**

David, again, we bought Telesign three years ago 230 million dollar. This deal values telesign at 1.4 billion. There is no fear of impairment telesign asset in any way this through this acquisition.

**VD Vagman, D., ING**

OK. Thank you.

**O Operator**

Thank you. The next question comes from Nuno Vaz from Bernstein SG. Please unmute yourself.

**VM VAZ Nuno, Bernstein (SG)**

Hi, good afternoon. Thank you very much for the opportunity to ask questions. Two from my side as well. I think relatively simple questions. One, on the timeline of the synergies until 2026, we're talking about 2 1/2 years left now, do you feel confident that is enough time? It feels quite short, especially things such as cross-selling might take a bit longer to develop. I think the Route Mobile closing also took a bit longer than expected; the initial expectation was closer to the to the end of the year. So, do you think these synergies may fall a bit towards 2027/2028?

And the second question is, since you expect more exposure to emerging markets, how protected is the direct margin of this business from currency volatility, especially in the non-voice business segments, given that all your financing is in euros? Thank you.

MR

**Reid M (CFO, Proximus)**

Yeah, just to touch on the timing of the synergies. Again, in the deck, we laid out year one, year two and year three. We're confident that we're going to achieve them. Is it going to be exactly one side or the other of the year three? I think we we're planning clearly for '26, but you know it's not a 2027/2028.

So, I think in terms of the planning of the synergies, we're confident, as I said, we've spent a lot of time thinking through and planning these. Regarding exposure of the DM, we have substantial experience from TELESIGN and BICS, with mobile clearly also has been exposed in. We are adept at managing this, so it's something we're aware of, but we don't anticipate it being a material issue. We have the experience to handle this in our existing business.

VM

**VAZ Nuno, Bernstein (SG)**

OK. Thank you.

O

**Operator**

Our next question comes from Michiel Declercq from KBC Securities. Please unmute yourself.

MD

**Michiel Declercq, KBC Securities**

Hi. Thanks for taking my questions. I'm returning a bit to the earlier comments from this call. You mentioned that we should mainly focus on the direct margin and the shift from SMS to OTT. You mentioned that by 2026 that split will be around 50/50. I'm just wondering how is that split now and just to understand a bit the growth dynamics here, is there a rough indication on direct margin split that you can give between SMS and OTT? So that would be my first question.

And then secondly, also a bit on the BICS business, of course a bit of different trends between the P2P voice and the and the Mobile services. How is that breakdown currently looking? How should we then measure the total underlying growth? Thank you.

GB

**Boutin G. (CEO, Proximus)**

OK, I'll start with the DM split between SMS and OTT. Today, the vast majority of the DM from CPaaS activities is around SMS, but the faster growing part is, of course, on the OTT side. The transition is happening as we speak.

You have to look at the business a bit differently now because it used to be a transaction business where you were trading SMS delivery for your customers. Now, you are delivering a service, ensuring 99.9% reachability of your messages to end users and we are going to choose for the best channels for that delivery. If the best channel to get 99.9% reachability in 20 milliseconds of latency is SMS, we use SMS. If it's WhatsApp that your customer prefers, then we use WhatsApp or RCS. We make those intelligent decisions based on insights from end users.

This shift from a transaction-based activity to a more assured service type of activity means delivering reachability with the right quality and latency. With the Route Mobile platform, we are well-positioned to take advantage of this shift. It's not only about the platform but also the ability to deliver with the right quality, where having direct routes makes a lot of difference.

So that's it for your first question, on the second question regarding signalling:

You have two main types of businesses: the person-to-person (P2P) voice and messaging business, which is, as we already mentioned, a bit on declining trends, but we aim to be that last man standing kind of a provider, outsourcing those voice platforms and aggregating all the volumes of voice for the mid-sized operators all over the world. That's the plan we are going to follow for Voice and P2P.

For signalling, here it's a growing market. I think the signalling part of the mobility services, this is really a nicely growing market at 5% CAGR. This growth is driven by the return of travel and will continue to develop over the next three years.

The migration towards MPN and MPN-powered services will also be something that will create a lot of traction for BICS. I think those types of services will be nicely growing and they already represent 20% of the overall DM of the internal activities of the group and will be growing at 5% CAGR for the for the next three years.



**Michiel Declercq**

Thank you very much.

**O Operator**

There are no more questions, so I will hand back the microphone to Nancy, Investor Relations Lead, for closing words.

**P Proximus**

Sure. Thank you very much. This indeed closes the session for today. I hope you found it useful. Should there be any follow up questions then obviously you can reach out to the Investor Relations team. Thank you.