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Bart Van Den Meersche – Chief Enterprise Market Officer

Geert Standaert - CTO

Nancy Goossens – IR director

Call Duration: 01:01:03

Operator: Ladies and gentlemen, good afternoon and welcome to today's Proximus 2016 Q4 Results Conference Call. For your information, this conference is being recorded. At this time, I would like to turn the call over to Nancy Goossens, Director of Investor Relations. Please go ahead.

Nancy Goossens: Thank you. Good afternoon, ladies and gentlemen. Thank you for joining us at our quarterly conference call. As a reminder, we have published all the documents on our website, including a full set of slides on the results. As usual, we will not run through those during this call, as we trust that you have seen the detailed numbers by now. So, for this call, we will have the usual format. We will go to the Q&A in a couple of minutes, but allow me just to quickly introduce to you the people here on our side. So, we have the CEO, Dominique Leroy; we have CFO, Sandrine Dufour; Phillip Vandervoort for the consumer segment; Bart Van Den Meersche for the enterprise segment; the CTO Geert Standaert; the CEO of BICS, Daniel Kurgan; and also Dirk Lybaert joins us, the Chief Corporate Affairs. They will take your questions in just a minute, but before that, just a short introduction by the CEO. Please go ahead.

Dominique Leroy: Yes, good afternoon, everyone, and welcome to our conference call. I am very pleased that we closed 2016 with another solid quarter, and have achieved full-year EBITDA growth for the second year in a row. I will start by commenting on our domestic business, delivering again a solid performance in spite of the regulatory and competitive headwinds we are facing. In a seasonally promotion-intensive quarter, our commercial drivers remained solid, and we realised a strong uptake of our new product portfolio. End of January, so in about three months since the launch date, we counted already 124,000 customers on the 4-Play offers, Tuttimus and Bizz All-In. Thanks to this success, we realised good growth in 4-Play, thereby further improving our customer mix, with increasing both the value and the loyalty of our customer base. Zooming in on fixed products, we realised continued growth, adding 17,000 TV households and 15,000 internet lines. This was also supported by lower churn levels compared to one year back, even with the rising competition. On the mobile side, we achieved very good growth in Postpaid, adding 45,000 voice calls in the last quarter.

Alongside the sound commercial drivers, I am proud that we achieved a 5.3% growth of our underlying domestic EBITDA in the fourth quarter. Notwithstanding a significant negative impact from regulation, we kept our direct margins stable. The main contributor to the domestic EBITDA growth was, however, our ability to lower our cost base. We pursued with cost-reduction initiatives, and continued our transformation towards more customer-focused, agile and efficient company. Our fourth quarter domestic expenses ended 4.9% below the prior year. This includes reduction in workforce expenses following a lower headcount, mainly as a result of the 'early leave plan prior to retirement'.

For BICS, our international carrier services, the fourth-quarter EBITDA grew by 8%, with the comparable base become easier and BICS also benefiting from a higher level of settlements. With domestic and BICS combined, we ended the last quarter of 2016 with a 5.5% growth in underlying Group EBITDA. Alongside a high focus on reducing our cost base, we also pursued our focus on optimising a long-term sustainable level of free cash flow. Different initiatives in the business working capital domain, combined with the growth of our underlying EBITDA, resulted in a good free cash flow of €559 million for 2016. This is a 23% increase from last year, when excluding the net cash impact of major one-off items.

The results achieved so far are proof of the successful execution of our strategy. Building on the accomplishments so far, we will go a step further and execute our renewed Fit for Growth strategy. Over the next three years, we are strengthening our ambitions, and aim at accelerating our transformation towards a digital service provider, delivering superior customer experience. We will make our organisation fitter, focusing on efficiency and simplification efforts to further structurally reduce our costs. We will grow our core business, offering convergent solutions and a broad content offer to our customers in a value-conscious manner. We will build the future by bringing fibre to our customers, by using the digital platforms and applications for better service, and by developing meaningful innovations in partnership with start-ups. This will enable us to deliver sustainable, profitable growth.

This brings me to our financial outlook for 2017. The impact from regulation, and especially Roam-Like-At-Home, will mitigate our financial growth. In spite of a more important negative impact from regulation, we expect our domestic revenue to remain nearly stable to 2016, and our Group EBITDA to grow slightly. We also reiterate our expectations to end 2017 with around €1 billion CapEx, including our 'Fiber for Belgium' plans presented in December last year. We also confirm that we intend to pay a stable yearly dividend of €1.50 per share over the period 2017, 2018 and 2019.

With this, I have covered both our 2016 results and our 2017 guidance, so we are happy to answer your questions now. Thank you.

Operator: Ladies and gentlemen, we will now begin our question and answer session. If you wish to ask a question, please press the code 01 on your telephone keypad and you will enter the queue. After you're announced, please ask your question. If your question has been answered, you can remove yourself from the queue by dialling 02. Once again, please press the code 01 on your telephone keypad.

The first question is from Roshan Ranjit of Deutsche Bank.

Roshan Ranjit: Hi, good afternoon. Just two questions, please. Just regarding the Tuttimus progression, could we just get a sense of the mix of new adds versus up-sell and where the up-sell is coming from? I guess it will mainly be triple-play subs at the moment, but also any single-play adds which are moving up?

And secondly, just on your network build-out: now, I think you were quite clear in your December call, but is it okay just to get a refresher of your stance on co-investment and the scope to potentially accelerate the build-out, given it is quite long dated? Thank you.

Phillip Vandervoort: So, on your first question, we launched Tuttimus on 17th October with quite important campaigns around Tuttimus. We did not talk about Familus or Mobilus or triple play or single play. And as a matter of fact, internet single play, we simply don't offer anymore. So, the first two months, we had very strong focus on Tuttimus, and we saw very strong uptake with our existing park, and I'm lumping here Tuttimus and Bizz All-In together, Bizz All-In being the equivalent for small enterprise. And as Dominique mentioned, as our CEO mentioned, 124,000 conversions – well, not just conversions, but a large part of those are conversions – done in the first 2.5 months. The majority of that is clearly conversions, similar to what we saw with Telenet Wigo the first two months. If we extend that to more recent insights, we see a very healthy mix of new acquisitions versus conversions.

But the focus was on quadruple play, and we see our existing triple play – well, double play, triple play customers adding – converting to Tuttimus, and adding the fixed voice. So, we see an increase of the average RGU per household, as you see in our reporting. And in quadruple play, we're now at 4.82 RGU per household. We see also the revenue per household going up in average, and of course I mean they're adding, on average, the fixed voice in most of the cases.

So, very strong upsell on RGU. Very good tiering on mobile and on fixed, and I think that, in a nutshell, sums it up. And very good acquisition, but that's much more recent, since the focus of Q4 was on conversion.

Dominique Leroy: Okay, and to your second questions on the network: so, we announced indeed in December a major investments plan in fibre, Fiber for Belgium plan, where we say we will invest €3 billion in the deployment of fibre over the next ten years. Of that, the purpose is to reach 85% of enterprises and 50% of households. As we have announced that, you probably heard that Orange said they are interested in doing some co-investment with us. The answers I gave Orange to that, because I received a letter from their CEO, and the official answer I gave as well to the CEO is the following: that on the dense area where our current investment plan is focused on, we want to continue to develop the fibre investments on our own, but we are very open to do co-investments in the sense that – if it enables us to bring fibre to bigger parts of Belgian households. So, in that sense, we are open to co-investments, but not in the dense area.

Operator: Thank you. The next question is from Nawar Cristini of JP Morgan.

Nawar Cristini: Thank you very much. So, just a follow-up on the new Tuttimus portfolio, please. So, we could see this morning that it seems to have had a positive impact on fixed-line losses. In particular, we've seen on the consumer side that fixed-line has come back to positive territories. Is there a trend emerging there, or am I reading too much into it? And how we should we think about the run rate of fixed-line adds/losses in 2017, please?

And then my second question is about Voo. There is a lot of noise about the governance issues at Voo, which may or may not bring a change of shareholder there.

I wanted to ask about your market share on broadband in Wallonia, if you are able to share that data point. And then more generally, how do you think about protecting the business, and how would you think about putting in place proactive actions to pre-empt any change of the competitive environment in Wallonia, if that were to happen at some point? Thank you very much.

Phillip Vandervoort: So, the follow-up on Tuttimus: we clearly see that positive impact on the fixed line. We've stopped selling the fixed line as a fixed line as such, but we really sell it as an experience in the pack. If you want to call your mother-in-law who's spending the winter in Spain here, evenings and weekends, call her and it's included in the pack, which is a totally different story than selling a fixed line.

If we see our pick-up of Tuttimus, and indeed it is a very strong pick-up, we have not seen it weakening at all over the period since the launch. So, I think from that perspective, that evolution of the fixed line, hence the evolution of Tuttimus, we see that continue. And as I mentioned, where the beginning of the launch was focusing mainly on conversion, we really now see strong pick-up on new customers as well.

Dominique Leroy: Okay, so concerning Voo governance issues, I think it's true that there is a lot of fuss in the press around some governance issue by politicians or active people being remunerated in some mandates for Voo. To be honest, I think for the time being we do not see that there will be, short term, a willingness from the government in the south to sell Voo, what we see currently. But to be honest, I also only read the press as you do, but what we feel is that there is a very strong new governance that will be put in place, making sure that the practices in the company are in line with the new governance, trying to have more transparency also on the figures and the way the company is run. But at this stage, we do not read that there is any willingness to separate Voo from the Nethys company. And so, so far – I think it's still a risk, of course, but we do not see that risk being very much increased short term. But as you will do, I will continue to read the press and follow that as well, because I have no specific information, prime hand, on that one.

Market share broadband in Wallonia: it's true that it's the reverse of Flanders, where in Flanders Telenet is the dominant player on the internet and also the TV market. If you look at Wallonia, we are the more dominant players in terms of internet, so in that sense I think we have a strong position in Wallonia, and we will try to maintain it. What can we do to prevent competitive environment changing? I think not a lot. I think we have to continue to run our business well, to make sure that we continue to push products on the convergence 4-Play as with Tuttimus, that we also have an alternative on the low-end side of the market with Scarlet, and in that sense we can – I think rightly – compete with Voo on one hand and with Orange on the other hand. And that's the strategy we have on the whole country, and I think we will just pursue it, as so far it has given us good results.

Operator: The next question is from Ruben Devos of KBC Securities.

Ruben Devos: Yes, good afternoon. Two questions for me. In terms of roaming, I thought the roaming guidance of €61 million was quite substantial, comparing it to some of the levels your competitors have published. The press release mentions you have multiplied volumes of last year by the price decrease set by the regulator. So, is it therefore safe to assume that there is some upside, that you would negotiate wholesale tariffs with your peers across Europe, therefore achieving lower effective wholesale tariffs?

And then the second question, on enterprise: yeah, so the broadband ARPUs declined throughout 2016. I understand that, for broadband, much has to do with the out-phasing and migration of legacy products, and offering new solutions. But could you give an idea of how you are in migrating your back book to these new offerings, and at what point do you believe this trend will stabilise? And also, at what point would you expect to gain pricing power, let's say, as you'll introduce fibre in the business footprint? Thank you.

Sandrine Dufour: Okay, so your first question on the roaming impact: I think first, relative to others, two comments. First comment is Belgium versus the other countries, where the weight of roaming is certainly higher than what you can see in other countries. That has to do with the size of the country, that has to do with the fact that people are travelling more abroad. And in this respect then, the weight of roaming as a percentage of revenue, and mobile service revenue, is certainly higher than what you can see in other geographies. And then comparing Proximus to other domestic players, the exposure might be higher as well due to the weight of our corporate customers. And corporate customers which have a higher proportion as well of their mobile revenue services, which is exposed to the European roaming.

And to your point, the impact that we have shown here is just showing the gross impact of the prices with the price effect, that's without any elasticity element. And we are entering in 2017 a period where we will have, I would say, normal revenue, and we will have the COGS as well, so this is a bit different from what we see in 2016.

Operator: The next question comes from –

Bart Van Den Meersche: No, there was a question on enterprise also, the second question. So, regarding the out-phasing of legacy products in the fixed internet: so, it's indeed so that we have – and I told you that in the previous quarter also – that we still have a number of old legacy products that we are progressively phasing out, which are high-ARPU old legacy internet products, that we're phasing out towards more attractive price offerings for our customers.

We expect this to still go on in 2017, but at the same time indeed, we will have more and more the positive effect of the fibre roll-out. And we already had this slightly in 2016, where we increased the numbers of fibre connections, so mainly point-to-point connections. In 2017, we intend to increase the number of fibre connections, and upsell in that context, and go further in that same direction by the roll-out of the fibre as announced by Dominique.

Operator: Thank you. The next question is from Nicolas Cote-Colisson, HSBC.

Nicolas Cote-Colisson: Yes, thank you. Two questions, please. Can you just have a follow-up on the roaming costs, and especially on the wholesale side? I'm just wondering if you can give us more colour on how it works and how it impacts your wholesale revenue and costs, and whether you can benefit from some partnerships with Vodafone or others?

On co-investment, very rapidly, I was just wondering: can you start with Orange Belgium rapidly, or would it require the regulator to first set a kind of framework before you can start co-investing?

And last on EBU. The data revenue turned negative in Q4 year on year. I was wondering if there was any particular issue this quarter, or is that just kind of a quarterly glitch? Thank you.

Sandrine Dufour: So, on the wholesale, on the roaming costs, we have a set of agreements with many carriers, among which by the way Vodafone of course. Remember that we have a structure in Belgium which is asymmetrical; we actually receive more roaming in-traffic than we generate roaming out-traffic. So, when we negotiate, we have this in mind, and so we are trying to make sure that we slow down as much as possible to decrease of the wholesale tariff. Having said so, the new regulatory environment, with the latest announcement on the wholesale price cap for data in Europe, with the trend going down, is something that is already roughly in line with the pricing structure we have for 2017.

Dominique Leroy: So, concerning the co-investments, I think it's obviously true that we first need to have a clearer regulation framework, first of all from the new European telco reform, where co-investments are mentioned. But of course, it's not yet finalised. And then we will have to see how this is translated locally. To be also transparent, I don't think Orange has an intention to co-invest on the very short term with us, because I think today they are very much focused on their coax development. The question is much more: if we do more investments, would there be an opening to co-invest? And in that sense, we are open. But to be honest, I don't think it will happen on the very short term, and we will anyhow need to wait for the right regulatory context.

Bart Van Den Meersche: And then on your question for EBU, the fourth quarter fixed data: it is indeed so that Q4, there is a slight negative trend in Q4, but that is due to a number of one-offs. Actually, we had a number of positive one-offs in Q4 of 2015, and a number of negative one-offs in 2016. So, this is not trend.

Operator: The next question is from Luis Prota of Morgan Stanley.

Luis Prota: Yes, thank you. First question is a follow-up on the new convergent propositions and the strong take-up of Tuttimus. But with also convergent products from Telenet and Orange, I'm just wondering if you had something similar to the portability statistics that we use in mobile, but for these convergent products? So, basically what I'm trying to get a sense is on how many single-play clients you are taking from competition into your convergent product, but also how many single-play Proximus clients are lost to your peers' convergent products, and why. What are the dynamics behind that? And so, that's the first question.

Second question is if you have any update on the tax reform on Belgium?

And finally, a follow-up again on roaming. I know you are not going to give guidance going into 2018, but just theoretically. My understanding is that there should be further roaming impact in 2018, as roaming is going to fully disappear from the second half, and you still have some elasticity in the first half 2017. But I suspect that in 2018, the impact is going to be lower anyway, as most of the impact is concentrated in the third quarter 2017 when everything will be off. I don't know whether that is about right, or not. Any comment would be very helpful. Thank you.

Phillip Vandervoort: So, I think – I mean, I cannot give you all the numbers that you gave there, but I can give you some proxies that would highlight where we're heading with that. If you look at our Postpaid results, we've added 27,000 Postpaid customers. That was our best quarter in the year. That was driven certainly also by the joint offers, but definitely by our new Tuttimus portfolio.

We did see of course, the aspiration of base mobiles and standalone mobiles by Wigo. I mean, we have observed that, but we have also revamped our Mobilus offer, with a free app boost that was really capable of countering that. So, I think that the 27,000 Postpaid is one sign, but also the very strong tiering that is done through the portfolio is, I think, another good proxy for how Tuttimus is absorbing the mobiles.

Then, I think another component that could highlight some of the aspiration capability of Tuttimus is the market share evolution. If you look at digital TV, if you look at fixed internet market shares, the last seven quarters in a row on digital TV, Proximus has gained market share. And the last five quarters in a row, Telenet has lost market share. So, again there, many of our customers are coming towards us.

And then I think the other component that I can give you is that, in a quadruple play – but again, I mean it's only two months in the market, but we see a very healthy number of 4.82 revenue RGUs in our quadruple play. And everything in a quadruple play above three, of course, is mobile, so we're at 1.82 mobiles per Tuttimus customer, per convergent customer.

I think those are the few highlights that show that Tuttimus is a good absorber for fixed on mobile and for mobile on fixed, and for growing revenue-generating units per customer.

Sandrine Dufour: Okay, on your second question on tax reform in Belgium, unfortunately we do not have much visibility for 2017. We don't expect that it will help our effective tax rate this year. In 2016, this respect was quite a low ETR achievement.

In your third question on roaming, you're correct in your assumption that in 2018, as of June 2018, we shouldn't see anymore the impact of the end of Roaming-Like-At-Home. In that sense, we expect much lower negative impact for this 2018 year.

Operator: The next question is from Marc Hesselink of ABN Amro.

Marc Hesselink: Yes, thanks. Initial question is on the guidance, which has slight growth in EBITDA. Could you give a feel on the difference between the consumer segment and the enterprise segment? I remember in the past, you said that you expect some more competition on the enterprise segment, and therefore would it be fair to say that most of that growth for the Group is coming from the consumer side?

Then, second question on free cash flow. Very strong in 2016. Could you give a little bit of a feel what you expect for changes to working capital and provisions for 2017, and therefore if your free cash flow – given that your CapEx will be higher but your EBITDA also will be higher, what will it do directionally year over year?

And finally, going back on a comment you made earlier on Voo, you said it was still a risk if there would be a change for ownership. Could you explain that? Because I always thought that Voo was relatively aggressive, so why would it be a risk if there's a change of ownership? Thanks.

Sandrine Dufour: Okay, so first question of the guidance, you may have noticed that we do not break down our segments' EBITDA. We manage them through the direct margin, and then we manage our operating expenses. So, this nearly flat guidance on revenue translates in a somewhat similar pattern for direct margin, and the major driver for growth will come from the continued efforts that we plan to do in reducing our net OpEx. As you know, we've guided for the €150 million net OpEx reduction 2015–2019, and we'll continue along this trajectory in 2017.

As for free cash flow, we do not plan to give any guidance on our free cash flow. What we said in December is that we aim to be able, despite the increase in our CapEx, to generate free cash flow that will cover our shareholder remuneration. We will certainly continue to manage actively the working cap, but as you know, I think we're able to reap the benefits of the optimisation of our working cap. Our target here is to maintain our position, and to make sure we can cover our dividend with cash flow generation.

Dominique Leroy: Okay, so coming back on Voo, perhaps I have to highlight a bit more the context for people that are not sitting in Belgium. Voo is a subsidiary of a company which is owned by municipalities, where you have gas, electricity, telecom and some media content. This whole company is in the hands of the Walloon regions. Because of that, there is not a lot of visibility on the figures and on the remuneration because they are not listed on the stock exchange, and there is not a lot of publications on the company. There has been a lot of fuss recently about the fact that some politicians were remunerated for their mandate in the company, without a lot of transparency, sometimes relatively high amount without effective work. So, it has created a lot of hassle around the company in the south.

There has been some rumour and speculation that, because the company needs to become more transparent, one way of doing it was potentially to do some stock listing of the company, which would mean a potential small change of ownership. So far, as today there is more an inquiry, an official inquiry to see how we can run the company with more transparency. But the short-term change of ownership risk that was highlighted by one of your colleagues in a question previously, we don't think it will come that fast, because it is more today about keeping the current structure, but putting more transparency on the governance, and not going into a stock listing.

So, I hope that clarifies a bit the question. It's a difficult context to explain, but the whole structure comes from the fact that the company is a utility company owned by municipalities, and therefore not so much transparency and visibility, neither on the numbers nor on the remunerations.

Operator: The next question is from Ulrich Rathe of Jefferies. Mr Rathe, your line is open.

Ulrich Rathe: Three questions, please. My first one is on – so, you're indicating a roaming impact which is essentially a calculated number of the regulated impact. I was just wondering when you actually guide, or set out your business plan, what you actually assume to be the actual impact? In other words, what degree of elasticity do you actually expect, and what are the actual prices, so the net impact? That would be quite interesting, maybe on EBITDA more interesting than on revenues.

The second question is: in fixed voice, I think previous questions have highlighted the fact that there's no intake, and you sort of pointed out that you're throwing it into the bundle, you're no longer selling the single-play product. I was just wondering, to what extent is this throwing in a product that ultimately the customer doesn't want, and you're more or less forcing them to do it? In other words, do you have indications that people actually enjoy this? Do you see usage on that product, or is it effectively a price rise of an unwanted legacy product?

And my third question is: in EBU, could you comment on the acceleration of the service revenue decline? I think it was minus 8% in the quarter. Is this sort of something odd in the quarter? Is it just the roaming effect? How will this unfold in 2017, from your point of view? Thank you.

Sandrine Dufour: Okay, so there's certainly now a budget and plan, some elasticity impact as well in the volumes that potentially go beyond the calculated impact that we've seen this in 2016. We expect to see this as well in 2017. And with the new regulation, this comes with higher COGS, because we have no more revenue but we have to pay the wholesale price.

Now, on the other side, we have also roaming in, which benefits from elasticity because our neighbouring countries are observing the same trend, and so this is the balanced impact that we take into account in our real projections.

Phillip Vandervoort: So, what we've done on Tuttimus is indeed we stopped highlighting the fact that it's a fixed line, but highlighting specifically the benefits of what you can have. So, I mean the international calling in the evenings and weekends is definitely something that is very much appreciated, and the free calling to fixed and mobiles is definitely very much appreciated. Now, it is true that there will be probably lower consumption by certain consumers, but the overall advantage of what they can do with a fixed line is very much appreciated.

Now, will there be a shift in technologies? There definitely will be a shift in technologies over time, and the fixed line will migrate to voice over IP, and then later on to probably other services in the future. The importance for us is to have the customer with its quadruple play with us, so that we can guide them through that convergence of technologies of our platform. Similarly, 2G has made place for 3G, and 3G is making place for 4G, and obviously the evolution of technology. It is the use that people get from it that we want to highlight; what technology we fulfil it with at this point in time will change from today to the future. But we want the customer with all his communication experiences with us in a quadruple play.

Bart Van Den Meersche: And then on your question on the evolution of the mobile services revenue in EBU: it is so indeed, that in Q4 you see that decline is a bit higher than in Q3. Linked to three elements. One, you have the effect of roaming, of course, that you have seen as of Q2 more in Q3 than in Q4. In Q3 we had, I would say, a little bit more elasticity in volumes than we have in Q4, because there are less holidays and there is also one week less than the year before, because the Christmas holidays there was only one week in 2016. Second is the changed travel behaviour, where indeed less people are travelling and less people – when they travel, they travel mainly to Europe and not rest of the world, due to the terror threat. But there is also a third element, and that is increasing competition pressure that is also happening in the market. So, those are the three elements that explain the impact.

Operator: The next question is from Stefaan Genoe of Degroof Petercam.

Stefaan Genoe: Yes, thank you. Two questions. Orange Belgium indicated that in their bundled offer, they saw mainly customers coming from the different operators. We do not really see this in your numbers. Could you indicate on which product lines you see most impact, or on which brands you see most impact from Orange Belgium, and how this is perhaps different in Flanders versus Wallonia?

And second question: on the B2B, how do you see competition going into 2017? Competition has been quite pronounced for – or, as indicated, they want to move quite strongly in 2017 in the B2B segment. Could you indicate for B2B how you see competition in 2017? Thank you.

Phillip Vandervoort: So, on Orange, they have done their gross gains. Let's put into consideration that there is growth of the fixed and the digital TV markets, so they've taken a nice part of that growth. We have not seen churning out towards Orange; we haven't seen that on the Proximus nor the Scarlet side. But on the gross gains side, it is clear that Orange has taken a position. If we look at – well, it's probably technology-driven. It is easier to migrate towards Orange from Voo or Telenet from a cable operator, and that is indeed what we see as well in the market shares. So, in summary, we see Orange activity on the gross gains side. We see them taking parts of the growth of the market, and we see them eating into Telenet and Voo customers.

No really big difference between the north and the south; maybe a little bit more on the northern parts than in the south, but no remarkable difference there.

Bart Van Den Meersche: And then on your question on B2B and how competition is evolving, and how I see this: quite honestly, I don't see it different than last year, because they were very outspoken also last year that they would attack the enterprise market. And it's the same this year. And so, we try to anticipate that by differentiating as much as possible, so differentiation is really the key element against competition to sustain our leadership. And we have been successful in doing so in 2016, and we have all the – how would I say? – the intent to do so also in 2017.

When I talk about differentiation, it's on different elements; it's not one element, it's a combination of many elements. First and most important is definitely customer-centricity and customer experience. So, we're putting a lot of efforts on delivering the best customer experience in the market. By the way, we have launched therefore also an important business transformation project that we call 'Excite', that should deliver the best customer experience in every touchpoint that the customer has with us.

Second, we want to offer the best SLAs in the market, and one of the most important things in that context is business continuity. You know, business continuity is still the most important priority for enterprises.

Third is of course we want to do that based on the high quality of our networks. In mobile, I think it has been proven many times that we have the best network in the market. We were the first in 4G, we are the first in 4.5G. And by doing so, we have been able even to reinforce our position in mobile. Fixed, of course, were building a lot of effort on fibre, so you know Fiber for Belgium and the roll-out for B2B is very important, where we see a lot of traction.

Fourth, we fully leverage convergence; convergence in between fixed and mobile, but also telco and IT, and deliver end-to-end solutions. And that is, how would I say, increasingly important in the market, where customers expect these end-to-end solutions.

Fifth is what I would call sales and servicing coverage. You know, we have a very important coverage from customers with account managers, with service people. And you know, sales experience is still the number one influencer on buying behaviour.

Sixth is a very high focus on innovation: innovation to develop new revenue sources, but also to be relevant to our customers. In that context, you have internet of things, you have data analytics, you have enabling company, digital service provider, security. Very important. Smart city, smart mobility.

And seven, I would say, a cost-efficient organisation. So, like the whole Group, we're working our costs and making sure that we have the best cost structure.

Now, last but not least, I would say also be proactive and try to anticipate disruption as much as possible, and that's what we're doing. So, are we going to be impacted by this disruption? Probably yes, but we try minimise the impact by doing what we did until now.

Operator: The next question is from Michael Bishop of Goldman Sachs.

Michael Bishop: Yes, thanks, good afternoon. Just two questions, please. Firstly, following up on a couple of the questions on potential co-investment in the non-dense areas. Clearly, there's going to be a range, but is it possible to give us a sense of the cost per home of rolling out FTTH as you go into the non-dense areas? So, maybe if you were to, say, do another 10% or 20% of Belgian homes beyond the 50% indicated before December.

Then secondly, just around that, should we assume that your cost threshold to pass those homes is similar to the one you've announced, and therefore you would need the equivalent co-investment percentage from Orange Belgium to get your costs down to being in line with what you've announced already?

And then just a quick point around cost-cutting. It seems like you're making very good progress on the Fit for Growth extension; should I read that there's potentially a good level of cost-cutting to come beyond the €150 million that you've indicated between 2015–2019 as well? Thanks very much.

Sandrine Dufour: Okay, so on your first – and actually, even second question – I think it's a bit premature to get into this type of detail. I was suggested we first have these discussions with potential co-investment partners. And as Dominique said earlier, it's not going to be short-term, so it's premature to answer any question on the cost for connecting the home in these areas and the framework into which we would operate.

On your third question on cost-cutting, I think it's maybe worth reminding that when we gave you guidance at the end of last year on our €150 million net OpEx ambition to 2019, we had a pretty good view at that time of what we were able to deliver for 2016. And so, we updated and actually even upgraded the previous guidance in this number. So, I think we are sticking, for the time being, to this ambition for the next years.

Operator: The next question is from Vikram Karnany of UBS.

Vikram Karnany: Yes, thank you. I've got a few questions. Firstly, in terms of – the 4G data usage overall Belgium remains low, and for USA it's around 1.2GB, which represents clearly a good growth opportunity. But when I look at the 30% year-on-year growth, it's still low in terms of run rate compared to your peers like Orange Belgium. So, I was wondering if you could highlight any of the factors that lead to this structural low growth for you, and how do you plan to stimulate usage going forward?

Then in terms of the Prepaid drag as a result of this new legislation, do you expect the trend to worsen further in the first half of 2017?

And finally, in terms of the cost reduction plan: is it possible to break down what sort of impact is expected in 2017, and if there are any cash-related restructuring costs to it? Thank you.

Phillip Vandervoort: So, on 4G data: I mean, compared to some other countries, it is low; compared to the US, it is high. It depends on what structure there is in the market. I think we see a very steady growth. And talking about the stimulation of usage: one of the things that we observe is – I mean, we've migrated the majority of our customers to the new Mobilus platform. In Tuttimus, they also have the same free application. What we see there is that, indeed, the out-of-bundle goes down for a while, and then people start using the data more and more and more. And what you then see is, after a few months, that starts flattening out again, and then it's starting to go up again. So, it is pretty much getting the customers getting used to use data, and we see through our efforts and through our plans and packs that that is working.

If we look at Prepaid ID, let me give you a little bit more colour on that. We did indeed see that continued decline of the Prepaid market. That was driven to a large extent, indeed, by the ID law. We have put in place in the Belgian market the best identification process in place, if we compare it with the different ways how you can get your ID certified. We have four or five different ways that we can touch every single customer. We have a very outspoken and very clear way of communicating with our customers, but that volume pressure will continue.

Now, give you maybe one number: I mean, 40% of our customer base we have been able to identify. Then there's also a large extent of cards that are being used for the lawnmower and the alarm central and the garage doors, etc. So, those we cannot touch. We are driving that migration to Postpaid and full control, and we are driving that to a very specific communication. Up to today, we are losing less than we predicted, but will that volume continue to go up – or continue to go down on Prepaid? Definitely. But we think we've put all our measures in place, and proactive contacts already today have 40% of our Prepaid customers contacted and secured.

Sandrine Dufour: Okay, and your last question on the cost reduction expectation. So, out of the €150 million we delivered on the first year 2016, and on the remaining we expect to do a roughly a third of what remains to be delivered in 2017.

And to your question whether there are any restructuring costs behind these effort: remember what we said on how we account for the early leave plan cost. It will be spread over a certain period of years, and it is accounted for below the underlying EBITDA. And we have disclosed the expected provision for 2017, which is in the tune of €70 million for 2017.

Operator: Thank you. The next question is from Usman Ghazi of Berenberg.

Usman Ghazi: Hi, good afternoon, everyone. Thank you for taking the questions. I have four questions, please. The first question was just on the pricing model for fibre: I mean, has anything been communicated on whether households will pay an upfront connection fee or not?

The second question was on roaming. Some of your – I mean, not the Belgian competitors, but some of your peers have indicated that they will not, for example, give the Roam-Like-At-Home to all the corporate customers on day one; as in, the Roam-Like-At-Home will be made available over time, as contracts renew. And so, I was just wondering what Proximus's stance on that is, and whether the impact includes giving this to all the corporate customers, or whether this will be an impact over time in the business segment?

The third question was just on the potential for price increases in mobile to offset some of the impact. Actually, I'll leave it at that. Thank you.

Phillip Vandervoort: So, on your first question, we clearly drive fibre through enterprise, where customers will be benefiting mostly from the increased speed, the latency and symmetry of the offer. I think, overall, the network in Belgium is very good. If you look at the Netflix ISP index, Switzerland worldwide is number one, Belgium worldwide is number two, and in Belgium we're number one. So, we're offering already to our customers a very, very solid infrastructure. So, how we will position ourselves is, from a speed perspective, we will allow ourselves not to be discredited anymore compared to our competition. So, we'll put ourselves on the same speed as the competition. The Tuttimus project will be at a similar price – at the same price, actually – and the customers will have an option, or are having an option, to get a speed boost for an additional fee. So, that's how we are pricing the product.

We're taking a two-step approach for the connection in the home, and I mean the physical connection in the home. It is when we are opening the roads, and when we are active in the streets, we offer the various customers a free installation or a free termination of the fibre in their home. And that is while we are doing the works. Once those works are over, then the customers will have to pay for the connection in their home. So, that is basically our approach for the consumer business.

Bart Van Den Meersche: Then on your question on roaming and the impact for corporate customers: we're implementing Roaming-Like-At-Home as of day one, in line with regulation. Now, what we have is that sometimes we have bundles where, for customers, there is a number of data bundles that is including as well Europe and top destinations in the rest of the world, but those bundles remain valid and applicable then for top destinations in the rest of the world. But we are applying Roaming-Like-At-Home for Europe as of day one, like regulation is imposing.

Phillip Vandervoort: And on the third question, the potential price increase on mobile to offset the impact: not directly in our plans specifically for that. What we do see is, with Roaming-Like-At-Home, a data consumption increase where customers, of course when they're travelling, will have their Google Maps active and they will be on Trip Advisor, looking for where's the next restaurant. And for that, there will be more data consumed. It will get people more used to using data also when they're in their home location, and that increases the opportunity for us to do up-tiering and to migrate people, either with their mobile in our packs, where we offer more data, or towards the higher tier on a mobile standalone.

Operator: Thank you. The next question is from Parin Shah of Bank of America.

Parin Shah: Hi, yes, thank you very much for the question. I just have two, maybe slightly bigger-picture questions. Just on towers, do you have any plans for monetising your tower portfolio, and maybe using the proceeds to accelerate your fibre builds?

And the second question is: is there a meaningful way in which you can differentiate yourselves in a 5G world? How do you think about network investment? Is it more about trying to kind of go it alone, or do you see a lot of potential for co-investment, considering the amount of spectrum that might go up for auction and the number of small cells that need to be invested in? Thank you.

Sandrine Dufour: So, on your question on towers. We do not have any plans to dispose of our towers. I think just maybe on what was on our balance sheet: I don't think we have an issue in terms of being able to fund any fibre plan. We are probably one of the lowest-geared incomes in Europe, with one times net debt to EBITDA. And there are certainly available for us some very cheap rates to fund any CapEx programme.

Geert Standaert: Then with respect to 5G, it is for sure already with our Fiber for Belgium plans. One asset, and a crucial asset that we bring in place, is the fibre backbone, because 5G will be about small cell densification. But these small cells will be fibre backboned. We said at the end of last year that, while we will do the fibre-to-the-home roll-out, that we will foresee the necessary flexibility points, so there is a synergy between fixed and mobile, and mobile becomes fixed.

With respect to potential for co-investment, that it too early to make any comment about that.

Operator: Thank you. We have a final question from Ulrich Rathe of Jefferies.

Ulrich Rathe: Thank you. I was just really following up on earlier questions. You helpfully highlighted the components of the net impact of the Roam-Like-At-Home regulation on your financials. I was just wondering whether you were willing to share how this all ultimately adds up in your business plan, net? Is it a drag, is it even a support? I don't really know what assumptions you realistically make. I understand the elasticity is actually quite high. So, that's really the main question. Yes, thank you.

Sandrine Dufour: Yeah, I think it's clearly a drag on our business, for sure. I mean, the gross impact we gave is not far from the net impact.

Operator: Thank you. We currently have no further questions.

Nancy Goossens: Okay, I think that we can end the call for now. Thank you very much. If there would be any follow-up questions, you can contact the Investor Relations team. Thank you, and have a good weekend.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you all for attending. You may now disconnect.