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PROX.BR - Proximus NV to Acquire Majority Interest in Route Mobile Ltd Presentation

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PRESENTATION

Operator

Hello, and welcome to the Proximus conference call. Please note, this call is being recorded. (Operator Instructions) I will now hand you over to your host, Mr. Guillaume Boutin, CEO, to begin today's conference. Thank you.

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

Ladies and gentlemen, welcome to the special webcast covering our announcement earlier today. People who are following Proximus a bit closer, know that our international segments are a fundamental part of the growth trajectory of the company. This is a topic we covered extensively during our CMD in January. In that context, it won't surprise you that I'm very enthusiastic about the transaction we just announced, which allow us to become one of the worldwide leaders in CPaaS and Digital Identity.

I will, therefore, take the next 10 to 15 minutes to walk through this strategic and transformational step for our group. And let me start with an overview of the deal. I won't go into the details of this page since many of these elements are covered in the rest of the presentation. I will rather focus on the key highlights.

Through our subsidiary, Proximus OPAL, we will acquire a -- controlling majority of Route Mobile to purchasing close to 58% of the shares for a cash consideration of EUR 643 million. Remaining listed shares, we are launching a mandatory takeover offer at exactly the same price per share as for this 58%.

Then, Route Mobile's founding shareholders will reinvest in Proximus OPAL, the company which owns 100% of Telesign and the acquired controlling stake in Route Mobile. The net cash consideration for us will therefore be EUR 343 million, rounded excluding the MTO process. Through this operation, and this is crucial, Telesign will implicitly be valued at EUR 1.4 billion.

And before I get into the details of the strategy rationale, 2 other numbers you should have in mind. First one is a combined annual revenue of Telesign and Route Mobile this year, which will be reaching EUR 900 million, propelling us among the top 3 players globally in terms of volumes and in top 5 in terms of value.

And second one, the transaction is going to be highly value accretive, with EBITDA synergies estimated at a minimum of EUR 90 million per year at run rate.

That slide will summarize the 5 key value drivers for our group. First one, this transaction is highly value accretive, as I said, and an efficient capital investment in the fast-growing CPaaS market. Second, Route Mobile is a well-established company, with a track record of delivering strong financial results. The third one is that in combination with our U.S. subsidiary, Telesign, the transaction will turn the Proximus Group into one of the leading players in the CPaaS space.

Since Route Mobile management will be invested in the combined entity, we ensure that all incentives are aligned to make this work and deliver incremental value for all stakeholders.

However, the product offering of Route Mobile as well as its geographical footprint, are highly complementary to those of Telesign, hence, creating very interesting avenues for further revenue growth.

Then there are also the synergies I already mentioned, these synergies are roughly 75% cost synergies that will come from the complementarity of the platforms, combined with the offshoring of several activities to lower-cost geographies. And we are, as management, extremely confident to get to at least the EUR 90 million number mentioned here.

Let's deep dive now in those different elements. First, as you all know, CPaaS is a very large market, reaching $53 billion by 2026. And it's also a fast-growing market with a CAGR above 20%. Growth will be underpinned by several structural trends, the ongoing digitization of our societies, the acceleration of the move to cloud across sectors and of course, AI which will help create more relevance to those industries and boost volumes.

Let's take now a closer look at Route Mobile. In short, Route Mobile is a global CPaaS provider, with offices in over 20 locations, employing over 700 people and servicing over 3,000 active customers. Founding family with the majority owners earning roughly 58% and is the shares that we are acquiring. The remaining 42% is free float, listed on the Indian stock exchange. Current market cap is around EUR 1.1 billion.

Route Mobile has a world-class executive team that has shown a superior execution ability. I'm therefore, delighted they will be investing the combined entity, Telesign and Route Mobile, so we can continue to count on their expertise and drive. As to the product offering, Route Mobile is primarily a CPaaS provider, so they have also some early-stage DI assets and capabilities.

And for those that are less familiar with the CPaaS market, customers of Route Mobile interact with our customers with omnichannel communication platforms, which basically provides the ability to how to deliver the right message in a secure way to the right person while using the preferred communication channel and all this being powered by AI.

Route Mobile has reported a strong and generally above-market revenue increase in recent years, both driven by organic and inorganic growth. Specifically for the last full-year results, the company announced an increase in revenue of 78%, of which the organic growth was 41%. The midterm ambition, 3 to 4 years out, is to become a $1 billion revenue company.

Route Mobile is also a profitable company, which delivers an attractive EBITDA margin of 12.8%. And as a key difference to the telco sector, which business -- Route Mobile's business model requires minimal investments in fixed assets, which helps to drive strong growth on ratios. Their low capital intensity is reflected in a strong EBITDA-to-cash conversion.

So how big is going to be the combined entity, Telesign and Route Mobile? You have the answer on this chart, where you see that Proximus Group will be holding a solid top 3 position in the global CPaaS market, based on aggregated messages volumes.

At Telesign, Route Mobile is a company with presence across the globe. As I alluded to earlier, there is a strong complementarity in terms of regional presence. Route Mobile's business is strong in a number of areas and especially in its own market, India, which is one of the world's largest and a rapidly digitizing regions. Telesign's business mainly concentrates in APAC, Europe and North America, which is therefore great potential for both companies to expand their respective footprints.

In terms of product offering, these two both companies show a strong complementarity, which creates significant revenue growth opportunities through cross-selling each other's services. Route Mobile's advanced omnichannel capabilities will benefit from the strong expertise and commercial presence of Telesign, especially in the U.S., but also in regions where Route Mobile is less prominent.

Parallel, being strong in CPaaS volumes and having a truly global presence will allow us to supercharge Telesign's ability to deliver on fraud protection and verification. As I said, we are very confident to deliver at least EUR 90 million of yearly synergies. And besides the revenue synergies I just mentioned, we estimate also significant cost synergies, which will account for 75% of the total synergies.

For example, as already indicated and as a result of the consolidation of the 2 CPaaS platforms, we'll be able to offshore some of Telesign operations to lower-cost geographies. Combination of both companies will also provide additional benefits in terms of COGS. And the synergies will, of course, be beneficial for both parties. Mark, I think you're going to get care of the next two slides.

Mark Reid - *Proximus PLC - Finance Lead*

Thank you, Guillaume. Turning to the specifics of this transaction, the agreement we have signed consists of several steps. The agreements for our subsidiary Proximus OPAL, took our 57.56% of the Route Mobile shares. This represents the full share of the founding shareholders on a fully diluted basis.

For the total cash consideration of EUR 643 million, the price paid per share is at no premium to the 10-day volume weighted average price. The acquisition of the majority interest in Route Mobile will, in line with Indian regulations, trigger a mandatory takeover offer of up to 26% of the voting share capital of Route Mobile for the same price we paid for 57.56%, so at no premium.

Therefore, depending on the outcome of the MTO, the stake held by Proximus OPAL could further increase to around 83.56% of Route Mobile's shares.

Total cash consideration for this part of the operation will be determined by the effective MTO take-up. The acquisition of the majority stake in Route Mobile for the MTO will be followed by a reinvestment of close to EUR 300 million by some of the founding shareholders of Route Mobile for up to 14.5% of the shares of Proximus OPAL. So overall, Proximus will acquire a controlling interest of nearly 58% in Route Mobile, valued at EUR 643 million, with the net impact on cash being roughly EUR 343 million, including reinvestment in Proximus OPAL. Note also that the reinvestment by some of the founding shareholders of Route Mobile values Telesign, at EUR 1.4 billion, a strong increase from the EUR 219 million cash consideration we paid back in 2017 for Telesign.

As customary, the agreement remains conditional upon the receipt of regulatory and antitrust approvals and the completion of the mandatory takeover offer. We expect to close the transaction within the next 6 to 9 months.

The financing of this transaction has been fully secured through a bridge facility, which shall be followed by the issuance of a new Board on closing of the transaction. We don't expect a meaningful impact on the Proximus group leverage ratio independent of the MTO outcome, we anticipate to remain within the company's comfort zone of less than 3x net to debt to EBITDA under S&P's definition. And Guillaume, I'll hand it back to you.

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

So to come to the transaction, clearly, this is a transformational step of Proximus as we significantly scale our international activities. We'll also have access to world-class technology, which we will be able to cross-sell in a worldwide customer footprint. And along the way, we'll capture the substantive synergies at both revenue and cost levels.

And to end this presentation, so what's next for us now? No surprise that closing this [deal] will be a key focus point of the coming months. But in parallel, we'll deliver on our domestic market with 3 major objectives that you already know: Maintaining a strong commercial momentum, leveraging our superior gigabit networks, being fully prepared for the arrival of [DiGi], whenever they arrive; and we will continue to strive for supporting [regulatory] framework for fiber so that we can invest in fiber with nice returns for all stakeholders.

With this, I have covered my presentation. So should there be any questions on this transaction, we can take them now. Note that any questions outside this context will be covered next week Friday, when we will release the Q2 results of the company. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question comes from the line of David Vagman calling from ING.

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

So I've got two. First, on the governance of OPAL. So if we can come back a little bit on the -- so on this holding company, so do you intend to transfer economically the CPaaS business of Telesign to Route Mobile? And the other way around, could you transfer the digital business of Route mobile to Telesign? So knowing that from a management point of view, I understand that the CEO of Route Mobile will be managing this CPaaS business of TeleSign. So that's my first question.

And second, more on the financial of the deal, so you say that the -- based on the reinvestment of the founding members of Route Mobile, Telesign is valued at EUR 1.4 billion. How does this take into account the annual synergies of at least EUR 90 million? When I do simple math, and possibly, this is incorrect, it seems to me that you derive the EUR 1.4 billion allocating all the synergies to Telesign and none to Route Mobile. These are my questions.

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

So I'll take the first one, Mark, and you take the second one. On the governance, I think we'll give more clarity when we have closed the operation. But I think the way I look at it from where we are today is that we have to separate what are the legal entities of Telesign and Route Mobile and OPAL from the way we're going to [steer] the business.

We're going to have business line on CPaaS, and we're going to have a business line around [DI]. And then you're going to have some legal entities dealing with the domain they (inaudible) today. So that's the way I look at it from an operational standpoint. And -- so that we can make sure that we can deliver value for both companies as well. And I will let Mark answer the second question.

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

Maybe a very quick follow-up on this one that I forgot to ask this, who will be managing OPAL? Or that's not really relevant?

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

It's not really relevant, but both Joe and Rajdip are going to report to me. So at the end of the day, I will be managing OPAL, but operationally, it doesn't make sense...

Mark Reid - *Proximus PLC - Finance Lead*

David, thanks for the question. I think the way that I would look at it is if you look at the value of the reinvestment by the founding families or promoters of Route Mobile, the reinvestment and the share that they get into OPAL effectively gives us that valuation, and that's pre-synergy. So that's how we get to the math on the valuation of Telesign.

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

Okay. So that's the way to understand, it is pre synergies. Because I was -- yes, I was going to say, indeed that the Route mobile shares, I think you'll agree with me that they've done quite well, actually, I would say, also relatively speaking, compared to CPaaS players. And I was wondering, how we can explain that basically, they're not asking for a control premium and especially also given the synergies, which are really significant, it seems to me?

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

Yes. I mean, I get that question. So that's -- I think this is not the way you should look at it. I think this is a transaction that has been discussed for months that is good for both parties. And I think we cannot comment on every detail on the transaction, obviously. But at the end of the day, we have a transaction that will create value for everyone. And that's really the objective of that transaction. And I can repeat what I said.

But when you look at the synergies, when you look at the geographical footprint complementarity, when you look at the product capabilities that are very, very complementary to each other, I think the [deal] will create values for all stakeholders, existing shareholders of Route Mobile, future shareholders of Route Mobile, but also for Proximus stakeholders.

Operator

The next question comes from the line of Nicolas Cote-Colisson calling from HSBC.

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

You talked about geography and product complementarity. So how complementary both client bases are? Can you update us on what the proportion of the revenue and maybe gross profit of top 3 clients are representing for Telesign and also for Mobile Route?

Got a second question about the financing, can you give us some indications on the conditions for the bridge financing? And what kind of cost of debt with the bond that you are expecting for financing that deal, please?

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

The first question, I think we do not disclose that information, Nicolas. But what I can say is that the Route Mobile has a more diversified customer base compared to Telesign, so it will be probably a positive on that front. But we are not disclosing the top 3 or the top 5 customer concentration of Telesign. I think we [missed] some information that during the IPO deck to you, but we are not updating that information.

Mark Reid - *Proximus PLC - Finance Lead*

Nicolas, on the financing, it's a little bit the same, right? Again, the deal is fully financed, but we're not disclosing the details of that.

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

Okay. So maybe a follow-up, just to get an answer on one of my question. On the synergies, I have to say I'm struggling a bit with the synergy number. It's a very high number. But before I take this for granted, can you just get through a bit more details here? Because obviously, Telesign makes no EBITDA today, may change in the future, and Route Mobile EBITDA is not that huge. So your EUR 19 million, I was also wondering, what is the cost of consolidating the platform?

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

I think we're going to give more clarity on all the details of the synergies when we're going to close the deal, for obvious reasons.

But I think if you look at the combined entity and if you look at the best players in the field of CPaaS, you have EBITDA margin around 13% to 15%. And I think if you look at what we have announced, we want to be best-in-class in terms of EBITDA margin for the industry, so to be at least at that level. And that will be really the objective of the management team to be best-in-class.

And with the structure of the group that we're going to have, with the tropism of the group being around India and India subcontinent, I think this is clearly an objective that is realistic. That's why we are extremely confident to reach at least EUR 90 million of synergies for the combined entity, going forward.

Really, that's something we think it's an objective that we can meet, and we are quite confident to get there. We made some analysis, primary analysis, that we are confident. And amongst those EUR 90 million of synergies, we are also confident that at least 75% of those synergies are going to be around cost synergies on COGS and on OpEx.

Operator

The next question comes from Joshua Mills calling from BNPP Exane.

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

Guys, thank you for the questions, a few from my side. The first one is, what was the rationale for undertaking this transaction now? A year ago or so, when the stack of Telesign failed, I think the comment from management was "We can achieve all our objectives on a 2-year view with EUR 90 million sort of funding." So obviously, this accelerates the targeting to become a EUR 1 billion revenue company.

But what was the pressure to do this now rather than wait perhaps until we resolved the Telesign position within Proximus Group? So that's the first question.

The second question is, could you give us any kind of sense of what the impact of this will be on Proximus Group free cash flow to equity in the near term?

So I understand that there's targets of EUR 90 million synergies, and we can do the pro forma on the 2 businesses based on Route Mobile's disclosure in your previous IPO guidance. But given that there's a time you're making cash at the moment, it would be interesting to understand what near-term headwinds from these integration costs, financial costs, there will be.

And then the final question is, what happens to the remaining stake in Route Mobile at the end of this transaction, be that, say, 42% stake for a 25% stake?

Forgive me, I'm not that familiar with the Indian kind of listing laws, but is there any scenario in which you have to come back and acquire the remaining minorities? And if so, what does that mean for your potential exit as Proximus Group from the Telesign business or the spin-off of the transaction that was initially envisaged?

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

I'll start with the first question. And Mark, you are probably going to take the #2, #3. So why now? I think making that deal, we are also de-risking the trajectory of Telesign, going forward. Because here, we are acquiring a best-in-class company, led by an executive team that has delivered in the past and that also delivered its ability to run a CPaaS business profitably.

And I think this is one of the key rationale of the deal, being subscale in the CPaaS market is probably not the right strategy. With that deal, we're gaining scale, being top 3 in terms of volume, so we can scale the platform and make sure that platform that Telesign had before, thanks to the addition of Route Mobile, will be rapidly profitable one, thanks to the efficiency that will be brought by the fact that Route Mobile is going to be part of our environment.

Second, here, we start always acquiring a founder-led business and how you convinced founders to reinvest meaningfully to partner with you, going forward. And the spirit of the deal is fantastic because this is a deal where the acquisition of the 58% stake is financed partly by cash and partly by equity stake and again, with an implied value of Telesign at EUR 1.4 billion before synergies.

So here, we are managing to use the currency of Telesign to derisk our [interactivities], development, bringing within the family of the Proximus group an entity that has proved to be strong, profitable and super efficient as it comes to managing its cost base.

And last element, access to India. Access to India is key because it's a 1.4 billion people, a country where digitization is a bit lagging behind compared to some other European countries. So the growth for CPaaS players in the context of India is going to be really, really a tailwind for that deal.

Last, as I said, our ability -- because this is Route Mobile, to deliver the synergies is probably not comparable compared to all other combinations we would have sought to execute with other players of the market. So I think we have cherry picked the only -- the best player of the market and probably led by the best executive team of the industry. And in terms of ability to deliver efficiencies, I think this is the best partner that we have chosen. So that's another element.

And then last element, as you might have understood now, it's a quite structured transaction, performed with a very, very strong balance sheet discipline. And here we are, again, capturing many of the strategic and financial goals we have set in the past for our international activities and for Telesign. So that's really completely 100% aligned with the vision of our international [ambitions].

And I think we stay in control. We own the combined entity. We're going to get at least 58% of Route Mobile. And I think in the context of the CPaaS market of today, being in the top 5 players and owning 1 of the top 5 players of the industry is really something that will create significant value for our shareholders, I'm convinced of that. And Mark, can you answer the other question?

Mark Reid - *Proximus PLC - Finance Lead*

Yes. Josh, thank you for the question. On the free cash flow, I think I'll refer back to Guillaume, we'll come back fully with a view of what that looks like on closing. But I mean just 2, 3 points. It's clearly going to be free cash flow accretive. We are confident on the estimation of the synergies that we've set out as be at least EUR 90 million. So I think it's -- for us, we see this is highly value accretive for the company.

In terms of the remaining stake, we will remain the majority owner of a listed company in India. We have no obligation to do anything further than our purchase of Route Mobile's founder stake and deal. And there are many examples of great companies -- with listed companies in India. So that's where we are on the kind of structure of the stake in the public company in India.

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

It's really clear. Can I just come back on the first question? So if you don't mind me asking, how long have you guys been looking at this transaction? Was it already on the table when you were thinking about the SPAC? And now that you've done this deal, should we expect further follow-on bolt-on acquisitions by Telesign? Or do you think that this gives you the scale required to compete with the #1 and #2 players?

The reason I'm asking is, yes, it does seem like there's been a shift in the [messages], commentary made by management at the point when it's [backfilled] to where we are today with the size of this transaction.

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

So in terms of what we had in mind, I think this is really fully aligned with what we have in mind. So we have reinvested in the growth of Telesign to make sure that we can exercise and crystallize the value of Telesign as soon as possible. Here, we are using a currency of Telesign at EUR 1.4 billion to acquire a company with -- compare us within the top 5 players of the industry. So this is exactly what we wanted to be when we thought about leveraging the growth of Telesign to crystallize value.

It's, of course an intermediary step towards more value crystallization. If you ask me whether I want to do some other movements -- such movements as of today, I think my clear answer to that is going to be, we have, first, to focus on closing that deal and delivering the synergies that we have announced today. And that will be the focus of all the teams of the combined entity in the coming quarters. So that's really the priority for us as we speak now.

Operator

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

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

Maybe just a follow-up to Josh's one actually. Guillaume, you and Joe talked about the need to scope for scaling up Telesign back in January? And at the time, I think the thing was more on the kind of material organic opportunities and hence, the potential drains at the EBITDA level.

So just talking about your previous answer, should we now think about the immediate focus being on this deal integration and maybe the scope of scaling up geographically from the kind of underlying Telesign business being on the back burner or not needed anymore?

Or is it a case of right, we're still going to go after that, but let's integrate this deal first and then further go up to scale up on the organic side? I guess my question is, have you got the appropriate scale, now that you think you need, or still hungry for more?

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

I think now we have reached a scale, which is a scale that allows us to deliver a profitable CPaaS activity within the group. The scale we had before without [that move] at TeleSign was more difficult to deliver probably. Now we have a highway to deliver, thanks to the scale of that deal. We have a highway to deliver the 15% EBITDA margin kind of target we have in mind for this activity, in a context where there is no CapEx in those activities.

So it means that there is a huge cash conversion once you have delivered the EBITDA of the business. So focus, I think we've got the scale now, our focus will be on delivering the organic growth, but of course, also the cost synergies because we have reached the scale we needed to get there.

Operator

Next question comes from Nuno Vaz, calling from Societe Generale. Please go ahead.

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

Just a few questions on my side as well. First on the financing side. Firstly, was there an interest in sort of keeping this minority in India? Was there, at any time, the possibility to take the whole company private? Because this makes the structure a bit more confusing.

And then, was there any opportunity for -- to do a more equivalent equity for equity swap with the founders because Proximus has to, of course, invest a lot more in net cash than the funders? And then another point would be if there's any interest at a later point to sell more minorities and -- in OPAL once the transaction closes as Proximus was looking to do in Telesign in the past?

Then a few questions on the EBITDA because the synergies are quite significant, but Proximus was sort of guiding for Telesign to improve the EBITDA quite significantly already. So it's tough to know where the combined EBIT of the group will land.

What sort of -- could you give any numbers where we might -- in the medium term, the EBIT of the combined business might end up, including this sort of EUR 90 million synergies? And on those, if you could give a bit more detail in just -- especially consolidating the CPaaS platform synergies come from specifically, especially given that the -- I'm assuming the companies will continue to operate very much independently and the geographies are so distinct?

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

Mark, you want to...

Mark Reid - *Proximus PLC - Finance Lead*

Yes. I mean, Nuno, I think on your first two questions, we've been discussing with the founders this deal for some time. And I think the deal we struck, we think, provides fantastic value for both sides of the transaction. So as always in these things, there's always different structures, but we've come down on one that we feel is balanced and provide, as Guillaume said, provides value for both sides.

In terms of the OPAL question for minorities in the future, again, I don't think we'll take that question today. That's not something that we're going to talk about.

And then in terms of the overall EBITDA guidance, I think, again, I think you can get a view. We've been talking quite specifically about Telesign, I think there's public market numbers on Telesign from the SPAC. I think we've been super pleased, as you know, in terms of their delivery against that plan, and we don't see any slowdown in that delivery.

You can -- you've got our synergy view, and Route Mobile gave guidance as well. So I don't think it's super difficult to get to what that could look like.

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

Can I ask a quick follow-up? So just to confirm, no change in the Telesign guidance today, I'm presuming from what we heard, I believe, at the CMD, the last time. And just very quickly, if the [EUR 300 million] reinvestment from the founders in the later date, is that sort of set in stone? Or could -- is there some conditions in there that could change?

Mark Reid - *Proximus PLC - Finance Lead*

Go, Guillaume.

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

You were probably going to say something, so...

Mark Reid - *Proximus PLC - Finance Lead*

No. I mean, again, you have our guidance on Telesign. I think there's data points out there. You have our guidance on the Capital Markets Day, so we don't see -- again, if you look at the performance of the Telesign business, it's provided, it's trading exactly where we expect it to be.

In terms of the reinvestment, we're not disclosing any specific details, but the [EUR 300 million] reinvestment is exactly where we expect it to be.

Operator

The next question comes from Konrad Zomer, calling from ODDO BHF.

Konrad Zomer - *ODDO BHF Corporate & Markets, Research Division - Analyst*

I have two, please. Firstly, could you share with us if you've agreed any deals with the existing shareholders of Route Mobile in terms of their reinvestment in the OPAL business? Have they committed to stay invested for a number of years? Are they allowed to sell part of their stake once the deal has closed? Have they committed themselves in terms of time as well? For example, Mr. Gupta, the new CEO of Route Mobile, and we'll manage the CPaaS activities. Has he committed himself to stay onboard for a few years?

And another question, you stated in your press release that you do not think that this deal will have any meaningful impact on the leverage ratio of Proximus. However, if I take the EUR 343 million of initial cash outgoing after the reinvestment, I still think that the leverage ratio for the group might go up maybe 20, 30 basis points. Is that what you call not meaningful? Or am I just making the wrong calculation?

Mark Reid - *Proximus PLC - Finance Lead*

Let me take the first question. As I said, just the previous answer, I think what we disclosed on the deal structure today, I think, is that's what we're comfortable disclosing. So we were not going to go into the details of Mr. Gupta's -- or our arrangements with Mr. Gupta.

In terms of leverage, I think you can do the calculation very straightforward. I think you've got to take into consideration the accretion of synergies and the EBITDA of the Route Mobile business. So again, we stand by -- if you do the math on our leverage, it's, for us, again, not significantly material and then well within our comfort range that we talked about at the Capital Markets Day.

Konrad Zomer - *ODDO BHF Corporate & Markets, Research Division - Analyst*

But just as a quick response to that, the synergies are likely to take quite some time before they actually come in. So I can imagine that your leverage, you guide for 2.6x, S&P comfort level less than 3. There's not too much of a range left. And am I right in thinking that this deal will certainly nudge it up instead of not being meaningful?

Mark Reid - *Proximus PLC - Finance Lead*

Yes, yes. I think you're right, it is going to raise. But again, I think we are -- it will be within our comfort zone that we've talked about at the Capital Markets Day. And again, if you point back to the Capital Markets Day, we also have some asset disposal programs in there that will support that coming down in addition to the synergies and the EBITDA that comes with this acquisition.

Operator

We currently have no questions coming through. (Operator Instructions) We have another question coming from Nicolas Cote-Colisson, calling from HSBC.

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

Just a precision, on one of your charts, you mentioned the CPaaS total addressable market at $53 billion in 2026. Does it include the Digital Identity because it sounds like it's a very large number compared to the kind of numbers you were providing back in December '21 on the market size?

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

No, it's different views of the market. When we are talking about the DI market of Telesign, of course, this is a subsegment of the CPaaS market. So it depends on the way you look at that market. So here, we are broader because Route Mobile is active in a broader business compared to where Telesign was active. So that explains the difference.

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

Okay. It looks okay. So it is us but because -- a bit confusing because eventually the market size of 50 billion plus, that's what I have in mind for the classic CPaaS and Digital Identity. So what you're saying is this graph, with the same kind of number like $53 billion, is a different definition of CPaaS or it does include digitalization?

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

It does include -- as I said in the deck, it's a subsegment of CPaaS. So it's -- that's the way we look at it. But you can have -- sometimes, those have different views. But for us, DI is the subsegment of CPaaS, the way we look at it.

Operator

The next question comes from Joshua Mills, calling from BNPP Exane.

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

Yes. Very quick follow-up to that one. So how -- what percentage of revenues is coming from DI after this transaction versus CPaaS? I'm just trying to understand how the kind of joint [CA] model will work into who's going to be managing what size and which businesses.

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

On Route Mobile, the DI percentage is extremely limited. They are really focusing today on CPaaS. DI is a very small but growing business for them. But it's super small at the moment, and you can refer to the investor presentation of Route Mobile. There are public-listed companies, so you can find information on the site to have more information.

But today, I can confirm to you that DI shares of Route Mobile revenue is rather small. That's why, again, it's an opportunity to do more cross-selling between our DI products using the salesforce of Route Mobile in India and in Indian subcontinent.

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

Sorry, I might have missed this, how much of it -- how much of Telesign currently is DI then?

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

That we don't disclose on Telesign, the share of DI. It's part of the things that we are not disclosing that precisely, but it's way more important within Telesign. [DI], I would not talk about revenue for that, for DI . And as we say also in the bookings in the new customers of Telesign, more than 50% of those customers are DI customers. So we -- that's what we disclosed today, we are not disclosing the shares of DI amongst the gross profit of Telesign.

Operator

The next question comes from David Vagman, calling from ING.

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

So it's on the CPaaS market. So you said that there was basically a question of scale and that you found you had to do something on scale for Telesign. Could you come back on this and describe what is basically the dynamic at play in the CPaaS market? So maybe excluding Digital Identity, do you see basically, let's say, the smaller player, yes, becoming subscale indeed and kind of disappearing? Or so what is exactly -- what do you see exactly going on, let's say, with clients and market share, profitability?

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

Yes. So it's -- the CPaaS market is a platform business. So scale is important in platform businesses to create profitability. And as all platform business, you have value-accretive combinations that could take place. And that's why that deal is so value accretive because you have 2 platforms, you keep one and then you create a lot of synergies.

On the smaller players, what is important also in the way that market is structured, the more size you have, the more market power. You have also to negotiate the access to the different geographies. And size matters in that field, especially for small players that have not access to India or to Asian countries or African countries. That's where scale matters.

And scales that bring access to geographies that are not open for everyone, is a key differentiator of that deal because not only it provides scale, but it provides also access to India, where most of the growth of the CPaaS will be probably concentrated in the coming years because of the specificities of the Indian society. So that's my mind to your questions.

Then if you look at the CPaaS market, and it would be my last comment, it's a super fragmented market. So that's why when you have a fragmented market and you are in the top 5, top 3 players of that market, you can see -- because it's been seen in other industries that are -- that were in that situation, you can think about a lot of value creation because fragmented markets, when you're in the top 5, you have opportunities to create a lot of value.

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

And does it imply a write-down on the, let's say, Telesign in CPaaS platform if they move, migrate -- basically migrate the clients of Telesign to the platform of Route Mobile?

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

So I will not go into too much detail because it's a preliminary views. But at the end of the day, you have 1 DI platform, 1 CPaaS platform, and that will [prove] that you should look at it.

Operator

And the next question comes from Nuno Vaz again from Societe Generale.

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

It's just a quick clarification on Slide 7 because you do mention some one-offs, both negative, I presume, but you also mentioned some inorganic on revenue, which I think may be acquisitions. But would be useful to know which one-off, positive or negative, you expect and which ones are already in the last 12 months numbers, just to understand a little bit better.

Mark Reid - *Proximus PLC - Finance Lead*

So I think the Chart 7 is effectively just giving you a split of the inorganic, organic growth of Route Mobile. So I don't think there's anything more specific to disclosing that, really. They've made several purchases of M&A activities of [separate] product add-ons to their business, and that's the main differentiation.

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

Yes. But to the side you say, impacted by one-offs on the strong cash conversion, so I guess those would be mostly...

Mark Reid - *Proximus PLC - Finance Lead*

The primary side on that part, yes, that's just in terms of timing of contractual commitments to several suppliers. That's what that's related to. But there, that's all.

Operator

And the last question comes from Halima [Ilyas], calling from Goldman Sachs.

Yemi Falana - *Goldman Sachs Group, Inc., Research Division - Business Analyst*

You've actually got Yemi Falana from Goldman here. Congratulations on the announcement. Firstly, it looks like the shift to growth technology continues on your side. You've laid out the Route Mobile guidance kind of on a year-ahead basis. On a combined basis, what top line growth do you expect for the combined business over the next few years post closing of the transaction, for example, that would be super helpful.

Secondly, as discussed already on the call, the synergies seem very large on the cost side, but perhaps slightly light on revenues. Is that revenue outlook just conservative? Or are there any other considerations we should be making?

Kind of thirdly and connected to that, is that the end of your big-picture ambitions on the CPaaS or technology side? You mentioned value creation in a fragmented marketplace. So could that mean more M&A? And equally, is there a call option to buy in the Proximus OPAL minorities?

And then finally, on financing, what rate do you expect on the cash component of the deal? And is every element of this transaction currently hedged? Also, are there any early thoughts on what this could mean for upcoming refinancing rates, I think you've got [EUR 600 million] or so coming online over the next year?

Mark Reid - *Proximus PLC - Finance Lead*

Let me try and take some of those, recall them all. In terms of the call option, we're not going to go into detail of that today. As I said earlier, on the financing, again, we feel like the leverage impact is minimal. And therefore, we don't see significant impact on our financing, going forward.

In terms of top line growth, again, we've done an initial estimate of the synergy value, and we're confident that, that will be a minimum number. But we're -- between now and closing, we're clearly going to be doing further work there. So we're not going to disclose that.

In terms of the top line, you may be right, but we'll see over time. So I think that's where -- that probably addressed most of your questions, but maybe there was another number one I missed it on.

Yemi Falana - *Goldman Sachs Group, Inc., Research Division - Business Analyst*

No, no, very helpful. Maybe just one final thing then, just on the 6- to 9-month expected closing window. Are there any kind of key concerns that you will be resolving over the next 6 to 9 months? Could you just give us a flavor of the key kind of milestones along that process?

Mark Reid - *Proximus PLC - Finance Lead*

No. So in terms of key closing, we've clearly got several regulatory filings to make. But again, our evaluation of that, as we've been studying this transaction, it's completely normal for the -- one of these types of transactions. And as we said in the deck, we fully believe that the transaction will close in 6 to 9 months.

Operator

There are no further questions. So I will hand you back to Nancy Goossens, Investor Relations lead, to conclude today's conference.

Nancy Goossens - *Proximus PLC - Director of IR*

Hello, do you hear me? I just want to say thank you. And if you have any follow-up questions, you can reach out to the IR team.

Operator

Thank you for joining today's call. You may now disconnect. Host, please stay connected on the line. Thank you.