REFINITIV STREETEVENTS

EDITED TRANSCRIPT

PROX.BR - Q4 2023 Proximus NV Earnings Call

EVENT DATE/TIME: FEBRUARY 23, 2024 / 12:00PM GMT

CORPORATE PARTICIPANTS

Nancy Goossens Proximus NV - Director of IR

Guillaume Boutin Proximus NV - CEO, Member of the Executive Committee, Director

Mark Reid Proximus NV - CFO

Jim Casteele Proximus NV - Consumer Market Lead

Anne-Sophie Lotgering Proximus NV – Enterprise Market Lead

CONFERENCE CALL PARTICIPANTS

Nicolas Cote-Colisson HSBC - Analyst

David Vagman ING Belgium - Analyst

Roshan Ranjit Deutsche Bank - Analyst

Joshua Mills BNP Paribas Exane - Analyst

Polo Tang UBS - Analyst

Kris Kippers Degroof Petercam - Analyst

Konrad Zomer ABN Amro - Analyst

Nuno Vaz Société Générale - Analyst

PRESENTATION

Operator

Hello, and welcome to the Proximus Q4 2023 conference call. My name is Francois, and I'll be your coordinator for today's event. Please note that this conference is being recorded (Operator Instructions)

I will now hand you over to your host, Nancy Goossens, investor relations, to begin today's conference. Thank you.

Nancy Goossens - Proximus NV - Director of IR

Thank you. Thank you all for joining us today. As usual, we will start the webcast with an introduction by the CEO, Guillaume Boutin, using the presentation that we have published on the website this morning. After that, we will be turning to your questions. And so for the Q&A, we are joined by the CFO, Mark Reid; the residential segment lead, Jim Casteele; the business segment lead, Anne-Sophie Lotgering; and the corporate affairs lead, Ben Appel.

We will be taking your questions in a moment. But first, Guillaume will take you through the highlights of today. Guillaume, please.

Guillaume Boutin - Proximus NV - CEO, Member of the Executive Committee, Director

Thank you, Nancy. Ladies and gentlemen, also from my side, welcome to this Proximus group web cast. Yes, and we'll take you through a look backand achievements over the past year, but also look forward with our expectations for 2024.

As always, let me start with 2023 and first of all, we have achieved an excellent year in terms of customer growth, which will come again well above our market share for both mobile postpaid and fixed Internet as a result of our commercial success. We also closed 2023 on a very strong note financially with domestic revenue and EBITDA above our upgraded guidance for the year. Our international segment BICS and Telesign post edbidta combined direct margin growth of 4.9% on a constant currency basis. From A Proximus group perspective, we close 2023 with better than expected EBITDA for this for the year-over-year declining decline mitigated to 1.6% for both EBITDA and free cash flow. We have seen the trend improving over the past quarters as you can see on the graph. Just over a year ago, we unveiled our new three-year strategy, bold 2025 and with2023 as the foundation year now closed, we can look back at some of the achievements. Overall, we have been making strong progress to reach the goals we have set for 2025. This slide lists some of the key metrics and will not go over all of them, but we'll touch on some of the most relevant for the past year. Starting with our fiber coverage, which remains of course, a key objective. I'm pleased that our coverage is process progressing very well.

Today, we are together with our partners, actively deploying fiber in 147 cities and municipalities. For Brussels, for which we are rolling out fiber on our own. We have reached already a coverage of about 67%. Regarding potential fiber agreements between different operators and in line with the announcement of the BIPT in October, I can confirm discussions in that directions are ongoing.

Looking at the number of homes and businesses passed with fiber you see as illustrated on the left chart that we added nearly 170,000 homes passed in the last quarter of 2023. This brings us 1.75 million homes passed at the end of 2023. In addition, we have a funnel of 300,000 living units with fiber in the street coming from our JVs. Hence, we have fiber in the street for over one-third of Belgium's homes and businesses.

We also closed a great quarter in terms of gaining active customers on fiber, adding 44,000 over the last three months of the year. This brings the total now to 397,000. The success of fiber is also reflected in a strong migration rate remaining close to 70%.

Turning now to some of the achievements of the mobile network upgrade. I'm pleased that we have reached 5G coverage of 40% at the end of

2023. The mobile network consolidation under the lead of Mwingz is now on a good track. With 2100 sites consolidated and bringing some first cost benefits. We differentiate from our competitors amongst others by leveraging our spectrum portfolio, the largest in the country. We already see this translated in great network quality recognition. The most speaking being Ookla, that revealed Proximus download speeds up to 50%above our mobile network competitors.

Turning now to another strategic goal. Proximus had the ambition to become even more digital and hence more efficient for the benefit of our customers and employees, but also to bring cost efficiencies. AI is already actively used to optimize our fiber rollout, but use cases are expanding fast. GenAI is a reality. And already today, we use it to optimize our customer interactions and we make it a daily companion for our employees and the business of Proximus developers will be using GitHub copilot by the end of the year.

As for our international ambitions, the transaction to buy a majority stake in Route Mobile is going as planned. Preparation activities have confirmed our expectation to realize synergies of at least EUR90 million on an annual run rate basis. With remaining regulatory approvals anticipated to be granted in the near term, we expect the transaction closure in April-May timeframe.

Having covered the strategic part, let's move on to the financial and operational results. I trust that you have already seen the numbers. I will just focus on some key messages and starting with our domestic segments.

I already pointed out at the start we are very proud on our commercial performances, thanks to the Proximus network superiority, our multi-brand strategy and the success of our new mobile portfolio, we achieved another really good quarter in terms of customer growth and this across all main product groups resulting in improved market shares. Zooming in our residential unit. The sustained strong commercial performance, further supported by price indexations resulted once more in a strong revenue quarter with total revenue up 8.3% year on year and services revenue progressing to 6.7% growth. The residential customer services revenue benefited from a strong increase in ARPC up year-on-year by 6.1%, reflecting the effect of price indexations and the ongoing move from customers to convergent offers. The combination of customer growth and pricing greatly supports value management. Our price indexations landed well, supporting the good ARPC growth, while churn levels remained well under control, All-in-all this is translating into a revenue uplift by 6.7% for the residential services in general, and 10.8% for the revenue from convergent services.

Our business unit closed the fourth quarter with total revenue slightly down, driven by lower revenue from IT products, which cycled against a high comparable base in 2022. Business Services revenue, on the other hand, continued its positive trend, up by 3.6%, reflecting the strategic progress we have already made in this area. Earlier this week, we announced our intention to move a new to move one step further. In our B2B transformation, we ambition to merge our Proximus IT activities with the ones of our existing IT affiliates, SpearIT. This to allow for clear focus and to further strengthen our IT activities.

Taking a closer look at the business services revenue, you'll see another strong quarter was realized for IT services, up by 7.1%, mainly from recurring services where growth was driven by smart network, cloud, security and smart mobility. Moreover, we continue to achieve good growth in fixed data and mobile revenue.

And finally, our wholesale unit for which the year-on-year revenue decline remains mainly the result of the ongoing decrease in interconnect revenue, with no meaningful margin impact.

This brings me to the total domestic revenue for which we achieved a sustained strong growth, up by 3.5% for the fourth quarter, driven by services revenue for which the growth further improved to a 5.1% increase.

Turning now to the domestic operating expenses. In line with our expectations, we still faced significant inflationary cost effects. Moreover, the strong commercial momentum also drives higher customer related OpEx and thanks to our ongoing cost efficiency program, we could in part offset the cost headwinds overall, resulting in our OpEx being up by 8% for Q4.

Let's take now a closer look at the main moving parts, starting with the progress made on the plan to realize EUR220 million of cost efficiencies by

2025. In 2023, we have already delivered EUR95 million of cost savings across the three axis that we are targeting. The middle of the slide, you see that the exposure to inflation impacts for wages started to come down. And for electricity, we expect the peak to be now behind us and turning to a small tailwind for 2024. At the same time, the continued commercial success is also driving higher customer-related costs. To name just a few examples, think of back-office costs related to fiber activations, or sales commissions linked to the strong gross customer gains experience.

This brings me to the total domestic EBITDA, which turned to a positive year-on-year variance of 0.9% , with increase in direct margin more than offset offsetting the fourth quarter OpEx increase.

Turning now a moment to the international part of our results and taking an aggregated view on our two international segments, BICS and Telesign. We see that while revenue was down year on year, the direct margin was still positive. The move from SMS towards alternative channels has visibly impacting the revenue, though is less impactful on the margin. Therefore, currency effects aside, we posted a 4.9% direct margin growth for BICS and Telesign combined.

For Telesign specifically Q4 also cycled against an exceptional end of year 2022. This was driven amongst others by traffic peaks, created by some well-known game releases, like of Call of Duty, World of Warcraft or League of Legends.

Nonetheless, with the Q4 2023 direct margin of EUR31 million, Telesign continued to show growth on previous quarters, but with a more limited season year-end uplift for 2023. Leaving currency effects aside, the direct margin remained nearly stable year on year.

From a full-year perspective, Telesign direct margin was up by 9.4% for ‘23 on a constant currency basis. Overall, communication volumes continued to grow and also the level of sales bookings have seen a significant positive evolution. Moreover, for the year to come, Telesign is well positioned for the evolution towards omnichannel. This supports our expectation that Telesign will continue its growth trajectory in 2024 with a direct margin growth of over 10%.

For BICS , the trends further shows how they are cycling against an exceptionally strong performance in 2022. This is especially the case for legacy voice. Besides a USD currency headwind, voice is impacted by the erosion of international voice volumes and a change in destination mixwith a notable revenue decrease for one specific country yet with very limited impact on margin.

This brings me to the group results. This slide sums it up for the group with a strong performance of domestic in the fourth quarter, driving the group revenue and direct margin increase. Overall, the group EBITDA turned to year-over-year growth of 1.4%.

Same view for the full year 2023, showing that our strong direct margin growth offset a large part of the higher OpEx. As such, limiting the year-over-year decrease in group EBITDA minus 1.6%.

Turning to the Group CapEx for 2023, a total of EUR1.32 billion invested. The increase in Q4 is largely fiber driven with a high level of fiber built in the last quarter, also impacting the CapEx to connect and activate of fiber customers.

As shown earlier on the highlights side, the adjusted free cash flow recovered over the year, bringing us to a free cash flow of EUR61 million in 2023 compared to one year back. The main moving parts are higher tax-related payments interest payments on long-term debt and spectrum as well as higher equity injections in the fiber JVs, partly compensated by lower business working capital needs and the payment of EUR30 million received from Immobel.

I'm very pleased that we were able to exceed the financial objectives we had set despite the challenging inflationary macroeconomic environment. I'm also pleased to confirm our Board of Directors approved the proposal to the AGM to return a gross dividend of EUR1.2 per share for the result of 2023 with the remaining EUR0.7 per share to be paid on the 26 April.

If we now take a look at what is coming for 2024.

We listed here, what will be the key focus for us in 2024 in no particular order. One focus point will be to keep a strong commercial momentum by building on our own strength. EBRUARY 23, 2024 / 12:00PM, PROX.BR - Q4 2023 Proximus NV Earnings Call

A clear strength is our network superiority on which we will further build, while we'll also be working towards fiber collaboration. We will be ready for upcoming changes in the market structure, and we will continue our cost efficiency plan as well as our asset sales program.

On the international front, we'll be closing the route mobile transactions and we'll be working to initiate synergies.

We are still investing significantly in our growth. But as part of a bold 2025 plan, the CapEx investment is now coming down from its peak. The Group's net debt to EBITDA ratio for 2024 is expected to be around 2.7 times. We'll update this at the closing of the transaction with mobile, yet expect this to remain our comfort zone.

Furthermore, as we announced before, as part of our three year dividend policy, we expect to return over the result of 2024 a gross dividend ofEUR0.6.

It brings me to the last slide covering also the 2024 guidance metrics in line with our bold25 ambitions. We expect a growth of up to 1%of our domestic segment revenue and EBITDA in 2024. This in spite of anticipated initial headwinds from the new expected market structure. Including BICS and Telesign we confirm our ambition to return the group EBITDA to growth , up to 1% for 2024, on an organic basis. We provide you with an update on our international and group expectation when the Route Mobile transaction is closed.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Nicolas Cote-Colisson, HSBC.

Nicolas Cote-Colisson - HSBC - Analyst

Oh, hi, everyone. Thanks for taking the question. And the first one is about the domestic market because you grew your revenue, your convergent ARPU I should say, by more than 6%, same for service revenue. If you can help us identifying what comes from indexation and from upsell and maybe how you see the mix forward as you may have less from price side now that inflation is fading. And I also wonder how upselling works with the perspective of a new entrant. And my second question relates to the medium term forecast. I wonder if you're still committing to deliver higher EBITDA in 2025 compared to 2022,as you announced a year ago. I'm just trying to assess whether you what you are expecting in terms of the new entrant impact this year is in line with what you were expecting a year ago. Thanks.

Mark Reid - Proximus NV - CFO

So let me take you take the first question on indexation. And I think you've been aware we put through two price rises in 2023. And so you could probably think of 4% net, but it's a range. So that's probably of the six. I think that's how I think about it. And I'll let Jim talk about the upsell and in terms of EBITDA, I think the way we're looking at it is we've completed very successful in our view, the 1st year of bold 2025. We took the guidance up twice in the year and beat that in the set of results for 2023. Our commitment to return to growth despite the competitive environment in 2024, again, we're confirming that again today, and we're super confident of our guidance. On 2025, we're not providing specific guidance, but there's no there's nothing from the Capital Markets Day that we're we know we're diverging from at this point. So that's where we are. Jim, do you want to touch on the upsell?

Jim Casteele - Proximus NV - Consumer Market Lead

So this is Jim speaking on the upsell part. So first of all, I think, as you know, we are executing on a multi-brand strategy and one of the main elements that we have been working on over the last months is increasing the premiumness of the Proximus brands so that we can increase the brand equity linked to Proximus, which will help in the upsell and brand story. And then, of course, on the market in Belgium is also a lot about convergence. And we are with Proximus brand, but also with Mobile Vikings we can bundle with attractive strong fiber offers, which will help also to how to create upsell opportunities, not only in terms of positioning of the brands, but also within the brands, we can now use fiber as a way to increase to a tool to create incremental value for our customers.

Nicolas Cote-Colisson - HSBC - Analyst

Well, thanks, and thanks a lot of let's say if I just may just a quick follow-up on that because you still have some pressure on the 4-Play that's not surprising. I suspect it's still coming from the TV erosion, but you still have good momentum on those two and three play packages. So can you just tell us a bit more about how this rebalancing towards 2 and 3 play affects the gross margin. But also once you take into account the difference in churn, how does it affect the EBITDA margin? Big picture. Thank you.

Jim Casteele - Proximus NV - Consumer Market Lead

Nicolas, what you have to keep in mind and that's relatively new on the Proximus side is now that we have fiber, we can actually start tiering differently our convergent offers than we had to do in the past, where we were only able to work with either mobile or fixed voice, TV and Internet. And now on Internet, we can really create additional value. And we see also from market service, but also in our sales results that differentiating speed on Internet offers is really helping to create additional value. So it's no longer about only looking at the 1P, 2P, 3P 4P, but also within 2P and3P, we can really create also incremental value to our fiber network.

Nicolas Cote-Colisson - HSBC - Analyst

Well, that's great. Thanks so much for the detail.

Operator

David Vagman, ING Belgium.

David Vagman - ING Belgium - Analyst

Good afternoon, everyone, and thanks for taking my question. Just maybe first to clarify on the impact of price increase this year, did I understand correctly that it had a 4% average price increase? If you can just come back on that.

And then on B2B, could you come back on the carve out of the IT services part and explain us the rationale a little more detail maybe due to the changes in governance or management, does it to you to mean we should expect IT to be IT services division to be sold or merged? What is really the driving force here? So is it , you know, like cross-selling, I'm sorry, cost flexibility. Would you, would you feel you're actually losing cross-selling opportunities?

And then last question on the international segment and especially Telesign. What is your view on the on the move of Bird, MessageBird on price again and in SMS, which were quite a bit dramatic, let's say.

Mark Reid - Proximus NV - CFO

Thank you, David. Thank you for the questions., on this year's price rise, I mean, it's been I noticed in the markets is fairly straightforward to workout. But yes, 4% is a good proxy for that one. I don't know, Guillaume, or Anne Sophie if you want to take the next one and so on B2B?

Anne-Sophie Lotgering - Proximus NV – Enterprise segment lead

I can take that one. Yes, of course, so it’s Anne-Sophie Lotgering, I'm responsible for the enterprise market. So indeed, we've announced at the beginning of the week our intention to carve out our IT activities out of Proximus SA and actually merge them with the existing IT activities of our affiliate called SpearIT and create a new IT integrator for the corporate market, so that we're able to really capture the growth of IT in an operating model that enables it. To come to your question with regards convergence, absolutely. For those corporate customers, we continue on focusing on convergence. And as part of the intention to carve out, there will be a specific practice that will enable the management of all of our outsourcing contract that includes telco and IT, but also any of the future opportunities that we would have from a telco and an IT standpoint.

In terms of management, which I think was your second question, the idea would be as of the 1st of July once the discussion with the unions have taken place and that we would have two members of the Proximus leadership squad heading up the enterprise activities, one specifically for telco and the SME market, which needs for more standardized solutions, with Renaud Tillemans and myself who will be responsible for the corporate market from a convergence standpoint, but also more specifically managing the carve out of the IT business.

David Vagman - ING Belgium - Analyst

Okay. And does it mean, so that's and that we will have the IT services, but also you still managing more the large corporate entities?

Anne-Sophie Lotgering - Proximus NV – Enterprise segment lead

Yes, correct. So those responsibilities because again, it makes a lot of sense and we need to continue on pitching and ensuring the convergence story to our customers, which is what they require, both from a telco and IT perspective in a customized manner.

Guillaume Boutin - Proximus NV - CEO, Member of the Executive Committee, Director

And so if you step back a bit, our engines, our telco B2B engines and our IT B2B engines are going to be best in class. That's the engines, and then on the go-to market, we're going to have a, of course, a convergence segment approach with Anne-Sophie more responsible for the high-end of the market and Renaud more responsible for that low-end of the market, but with a convergent approach on both cases.

So we want to make sure that we are the best engines but also we have a unified approach when it comes to our segmentation and customer relations.

On the international, on the MessageBird CEO message, I don't want to comment too much on it. I think it's just a bit of a marketing noise for not a lot of reality on the market. That would be my answer to that question.

Operator

Roshan Ranjit, Deutsche Bank.

Roshan Ranjit - Deutsche Bank - Analyst

It's afternoon, everyone. Thank you for the questions. I've got three, please. Firstly, just circling back to the international segment. Now we saw, let's say, tougher quarters here, as you highlighted that follows on from what we saw in Q3. Did you see these kind of trends - and I think you highlighted certain country mixes - carrying on in the early part of '24 or any other kind of early signs that that is stabilizing or even recovering?

And secondly, on free cash flow, I know you don't specifically guide on this metric, but to know, we will be seeing as you've guided to at the CMD, a large portion of asset sales over the coming years, we saw distillate HQ sell from Q4 or any visibility you could give us on the phasing through '24, '25 would be super helpful. And what is the latest on the on the HQ sale, please?

And lastly, I guess the message you gave at the CMD around CapEx was - and you highlighted there was a normalization post the peak fiber rollout - Now your guidance for '24 sees just over EUR1 million come off the total CapEx and we think a bit further out to 25, a lot more of the spend is going to be dedicated towards connection, which I guess is going to be significantly lower than the rollout.

Now, I guess question is now, should we be seeing a bigger step down 25 versus 24 than what we've seen 24 versus 23 and therefore, CapEx falling below the EUR1 billion mark? Thank you.

Guillaume Boutin - Proximus NV - CEO, Member of the Executive Committee, Director

Thank you. I'll take the question. So indeed, we as mentioned in the comments of the slide we saw one particular customer that was driving a lot of the use, but very little margin in 2022, not being a customer anymore in 2023. So you have that year-over-year difference, but more importantly, I think this is the transition towards SMS to omnichannel communication platform that is really driving the key element of the revenue decrease with very limited impact in the on the direct margin here. You have to realize that it's an opportunity for the for the industry because if we can capture that omnichannel opportunity, it will be more efficient for our customers that are the big platform for the big game platforms or the big finance and fintech customers because they get to pay less for better service because it's going to be an orchestrated omnichannel delivery platform. And that's what we provide together with them, Telesign and Route Mobile; that is one of the key leaders in that omnichannel delivery platforms with the Ocean platform they have launched a few a few months ago. So if we capture the right way, the transition towards omnichannel, and I think we are super well positioned to capture the transition; the move from SMS only to omnichannel delivery and capabilities is a very important opportunity for the group. And as you know the right metric to look at when you you look at our Internet activities being Route Mobile tomorrow, BICS today and Telesign today is not to look at the revenue line, but to look at the direct margin line, this is really where we think that the performance should be assessed.

And last point on international I think this this is why we indicated that in the slide deck, we are quite confident for the DM growth of Telesign for next year. Driven by omnichannel, but also driven by digital identity performance that is really going well, both in terms of DM growth, but also in terms of bookings of new customers and the trend there is extremely important. That's, of course, before the additional boost effect that will come from the Route Mobile integration.

Mark Reid - Proximus NV - CFO

Roshan, and thank you for the question. On free cash flow, and let me say a couple of things. I think first of all, you're right, we don't guide on adjusted free cash flow. First of all, second of all, tas we said, at our capital market day, there are asset disposals in that number. And so the asset disposals are progressing as we expect. But clearly, there are timing elements to that, and I can't disclose those at the moment. So I think we will not be providing guidance on free cash flow. But again, I think the way..., also going onto the CapEx. We just landed our 1st year of Bold. We've done what we said we would do. And our guidance for 2024 is again inline with what we talked in Capital Markets Day. So when I talk about CapEx, we talked about where the CapEx would evolve to. And I think we've made good progress with that commitment today, we're not providing guidance for 2025 at this point, clearly. And but I think the Capital Markets Day commitments, that we've made good on so far, I think it gives us a good track record on our performance to date. So that's what I would give you in terms of and comments on your two questions.

Roshan Ranjit - Deutsche Bank - Analyst

That's great. And I think for that. So if I could just go back to Guillaume's answer on the international business growth, I think last month when Route Mobile commented on their Q3 results. And I think that was citing in a couple of industry headwinds and the slightly muted performance in Q3. Is that kind of related to the that shift the SMS to omnichannel shift? Or is there anything kind of else going on specifically within Route Mobile?

Guillaume Boutin - Proximus NV - CEO, Member of the Executive Committee, Director

For me, it's a bit too early to comment on the Route Mobile performances, but I think that what Rajdip publicly said indeed that the switch from SMS-only channel to towards a multichannel is something that we need to transition. But once we have transitioned, then then I think it's going to be a very nice for the ones that are able to capture that opportunity and say I think we with them what Route Mobile have announced ,have launched, I think you know, we are when I think we're very well positioned to give us that opportunity to be to be confirmed by our ownership. But I think that also for us having the ability to acquire that company and benefiting from those new capabilities when the deal will be closed is again a fantastic opportunity, plus I have to say, and I think we should also reiterate that statement. I think you know, we have been preparing the closing of the deal since July last year. And I think it's also important that you understand that we have very good now visibility and we can now confirm that the synergy level that we want to achieve will be north of $100 million for the linked integration of Route Mobile within the Proximus family, I mean, yes, Route Mobile within the Proximus family, so confirming the $100 million of synergies going forward.

Roshan Ranjit - Deutsche Bank - Analyst

That's perfect. Thanks so much.

Operator

Joshua Mills, BNP Paribas Exane.

Joshua Mills - BNP Paribas Exane - Analyst

Hi, guys, and thank you for the question. I had a couple on the competitive outlook. So you've talked about the guidance which we're anticipating the launch of Digi in the second half. But during the Liberty Global conference call , from the guidance from Telenet would imply back and investing a lot more in marketing in the Wallonia region. And it also looked like at the end of the dissolving from the IT issues, which led to weaker performance and then importantly, helps you in 2023. So the question there is it will you be expecting competition to pick up a bit going into 2024 period? And have you seen anything yet?

And then the second question is on Digi. If you could give us an idea of your expectations in terms of the timing of their launch, and setup for the MVNO business and would also be helpful.

And finally, if I can sneak a third one in, how important is the May 15th as soft deadline that the BIPT has set for fiber to the home care investment, should we be expecting some kind of update form you or other players on co-investment going forward? Or does it not really matter if it slips into later in the year?

Jim Casteele - Proximus NV - Consumer Market Lead

Thanks, Joshua. So this is Jim speaking for the residential segment. So thank you for the question. So I think in the terms of competition for the moment is already quite intense also in Wallonia. If we look at what the Orange Group is investing with VOO and Hey! in Wallonia, it's already a very intense competitive environment. So in that sense I think our current multi-brand strategy, as you have seen in the results, continue to deliver those good results. And of course, we will continue to monitor the market like we always do so without being too aggressive and staying rational. And so one of the things that we have done end of January to react to the competitiveness in the market is updating the portfolio of Mobile Vikings, especially in the EUR20 price point and the €29 price points. So of course, the new players always heaten up the market a bit more, but with our multi-brand strategy and also the investments that we're doing in fiber, but also in 5G, where we can claim a product superiority also supported by external benchmarks, makes us confident that we will be able to continue to deliver good commercial traction going forward.

And then, of course, on the IT uses. The issues of Telenet has been the question I got, I think over the last three quarters, I think if you look at the performance of Proximus also versus the other players in the market. I think we can say that we have delivered very good results and we are convinced that this is due to the performance of our multi-brand strategy, our investments in fiber and 5G. And of course, if something happens that competition, this has an impact on all players in the market. The only thing I can say is that Proximus as a Group has delivered the strongest in the market in Q4.

You take the question on Digi, on the fourth entrant? So I think on the on the fourth entrant I think it's a it's a waiting time. I think we all expect them to come, but we don't know when and we already , when they come with our multi-brands and all the investments that we have been doing, especially also like I said in one of the questions before investing a lot in the premiumness of the Proximus brands, so that we can strengthen that positioning when a new entrant would come in the market.

Guillaume Boutin - Proximus NV - CEO, Member of the Executive Committee, Director

Yes, we are really focusing on our strengths, focusing on the preparation, and we will be ready when they come.

On fiber. The 15th of May is indeed an important date for the BIPT because they, as you know, they said that they want to have seen significant progress in discussions at that date so that they can assess whether we continue those discussions or we should switch to a B-plan. I think we ... That date, so we want to make sure that we can at least, if possible, present something to them. Because we are discussing today. So we're putting a lot of energy to entertain those discussions management time ,and effort. I think it would be, not so great not to be able to present something in front of the BIPT. So I think that's the objective. I think that we jointly have with a lot of stakeholders and we are putting a lot of effort to get there. Are we going to be able to be there for the 15th of May is still a bit too early to say that. But we know we have put in management time and effort on those discussions. And of course, you can imagine I cannot share more at this stage because of the ongoing good discussions and the interactions we are having with the different stakeholders.

Joshua Mills - BNP Paribas Exane - Analyst

Hypothetically, if you weren't to present something at that point in time, what's the downside is that you move into a new regulatory cycle then, but the discussion around wholesale charges or is just a missed opportunity and that you won't get more kind of support from the regulator ? I'm trying to understand whether this is an upside risk that you may be able to capture or if you do not hit that target that the downside to your plans?

Guillaume Boutin - Proximus NV - CEO, Member of the Executive Committee, Director

No. It's a bit too early to comment on it. I think let's see whether we can land on a collaboration framework and then the consequences of that landing can be can be shared with you and you can understand the consequences. But I guess it's a bit too early to you know to put here scenarios where there are so many moving pieces at that very moment. So it would not be wise to put here scenarios here as we as we speak, because there is a lot of moving pieces. So sorry not to be able to answer to that question.

Joshua Mills - BNP Paribas Exane - Analyst

Fair enough. Thank you.

Operator

Polo Tang, UBS.

Polo Tang - UBS - Analyst

Hi. Thanks for taking my questions. I've got a few clarification questions around free cash flow. The first one is, can you talk about the trajectory of the fiber JV equity payments going forward? And could you give some sense in terms of how this number may or may not change if you agree fiber partnerships and cooperation with other operators and just the second part in terms of the free cash flow question is, can you comment on how we should think about the movement in working capital 2024? So will it be a headwind or a tailwind. So I see that there was a positive EUR154million working capital benefit in 2023. So I'm just trying to understand if this reverses.

And then maybe just one last question in terms of cost of goods and so specifically your broadband wholesale costs. So given that growing part of your fiber footprint is from JVs. Could you clarify what the broadband wholesale cost was in 2023? And how we should and how we should think about the evolution of this going forward? Thanks.

Mark Reid - Proximus NV - CFO

Well, thank you. Let me take those. Again I'm going to be able to limit on the commentary, given our discussion guys, free cash flow. I terms of JV equity contributions, I think we gave some guidance and we did give some guidance at the Capital Markets Day. We were tied under that in 2023. I think there's no really, again difference from what we told you at the Capital Markets Day. That that number will evolve in our BAU, our plan of rolling out fiber with the joint ventures approximately in line with homes passed trajectory. So I think that that doesn't change. In terms of does that get affected if we get to a collaboration deal. Again, it depends on what type of collaboration deal and the component parts of. And so yes, I'll let you think through that one.

In terms of business working capital indeed, we had a nice tailwind from business working capital in 2023. A big portion of that was inventory. So as we built up inventories during the COVID period, and the chipset shortage to protect ourselves from a stock-outs and making sure that what we can deliver to customers and that unwound in 2023. So again, it's more transitory in nature. And so I think that probably gives you a guidance which way that will go in 2024.

In terms of COGS , the number is not significantly material in 2023. But again, as you can imagine, as joint -venture fiber in our business-as-usual plan, it continues to ramp up through joint ventures and our customers grow at the pace that we're acquiring them on fiber, those COGS numbers will increase. But I just said it again, you can take the baseline is not it's not very material in 2023 and the increase will go in line with both homes passed and the network filling rate that we will get from our joint ventures.

Well, I can give you too much more details than that, but that is directionally what you should be thinking of.

Polo Tang - UBS - Analyst

Thanks.

Operator

Kris Kippers, Degroof Petercam.

Kris Kippers - Degroof Petercam - Analyst

Yes, good afternoon. Thanks for taking my question. One main remaining, actually, if you look at the guidance you provide on the cost savings following the EUR95 million realized in ’23. How is this split over the last remaining two years is equally split or back-end loaded? And to what extent is it skewed towards personnel savings given of course, the you could call it the aging personnel, that you've got the company? Thank you.

Mark Reid - Proximus NV - CFO

And in terms of the phasing, I think you know, I said, well, first of all, we're very pleasing progress in 23 delivering 95, which is a great achievement by the team. I mean, I think you can think of it is that there's not a significantly different phasing in the last 2 years, you can kind of split it , broadly.

In terms of personnel, again, we continue to be super focused on driving efficiencies in terms of efficiencies and an improvement in customer interactions through digital means, GenAI, AI in general. And that does give us the ability to take advantage of workforce costs externally, we continue to have significant external workforce contract that we can we could flex reasonably effectively. But as we said, we also have a retiring population that we will we'll use the efficiencies and no mechanism to help us. But we don't disclose massively the going forward split how you see this come, but it will sizable in terms of the workforce.

Kris Kippers - Degroof Petercam - Analyst

Okay. And just as a follow-up on the commercial momentum, given that it's quite strong, does it also imply that the customer onboarding is as an extra cost in ‘24? Or is it just not to be expected? Thank you.

Mark Reid - Proximus NV - CFO

I think you should, again, we had a very successful year, as Jim explained in 2023 in terms of commercial momentum. You saw the customer costs there. Again, our revenue guidance is provided on the basis of the market change that we'll take. So I think you can you can expect slightly reduced customer onboarding cost because of that market change in 2025.

Kris Kippers - Degroof Petercam - Analyst

Okay. Thank you.

Operator

(Operator Instructions) Konrad Zomer, ABN Amro, ODDO BHF.

Konrad Zomer - ABN Amro - Analyst

Hi. Thank you for taking my questions. I've got two. The first one is on the planned sale of your headquarters to Immobel. You got the EUR30 million last year and I know you're not going to comment on the specific timing of asset disposals. But has anything changed in terms of the likelihood of this sale going ahead according to the original announcements?

And the second question is on the revenue decline in Telesign. You've mentioned the switch from SMS to omnichannel, This is obviously not new to something that suddenly emerged in Q4. Nevertheless, the reported revenue line was quite significantly down year on year, even taking into account the tough comps, but it was significantly below consensus. And I was a little bit surprised about the size of the decline. And I'm wondering if let's say you get approval to acquire Route mobile in a few months' time and you're going to integrate that. How are you going to change that trend from SMS to omnichannel? Because within Telesign, a lot of revenues still depend on SMS and obviously, thank you.

Mark Reid - Proximus NV - CFO

And then on the headquarters question, as I said, we were talking about the free cash flow, the asset disposals, are progressing as we expect. And so there's really no update in what we gave it in December at that point. So I think that's that's fairly straightforward.

Guillaume Boutin - Proximus NV - CEO, Member of the Executive Committee, Director

I think you know, look at the revenue lines for Telesign is not the right metric to look at because you should really look at the direct margin is this is the best way to have to assess the evolution of the company. It has been muted in terms of growth, I know flat in Q4 full year at close to 10%. And we are guiding for above 10% evolutions, positive evolution of the direct margin for next year. So I think that you what you have seen in Q4 will not be the entire story of 2024 because we on a standard basis, we see Telesign growing by 10% at the DM-side. I think the, if you look at the Q4 specifically days to be an acceleration of the move to omnichannel that's something that the industry is seeing and specifically for Telesign, we had a very, very good quarter, our digital comp in Q4 or in Q4 2023. But again, with still, you know DATA DI revenues growing extremely, extremely strongly , double-digit DM growth. And going into 2024, we are confident that on a stand-alone basis, again, we will achieve more than 10% of DM growth for the company, which is a healthy growth for the asset. And so with Route Mobile, again, we can have mainly focus on DM and EBITDA because that is really where we should focus for the new combined entity, the combination of Route Mobile and Telesign. And as you may have seen in H2 Telesign was with a positive EBITDA. Route Mobile is also a positive in terms of EBITDA. I think the combining of the two will be a positive EBITDA story. On top of that, you're going to have more than $100 million of synergies. So I think this is the way you should look at the Route Mobile acquisition. It will contribute now very significantly on the growth of the DM of the internal activities and contribute significantly on the growth of the EBITDA of the international activities compared to where we are today.

Konrad Zomer - ABN Amro - Analyst

Thank you.

Operator

Nuno Vaz, Société Générale.

Nuno Vaz - Société Générale - Analyst

Thank you for the opportunity to ask questions and three quick ones from my side. One is just a clarification on your domestic EBITDA guidance for this year. Last year, you had you gave a very useful color, which is to give what was the percentage headwind you expected from the net inflation impact if I remember correctly, was around 9% this last year. So I was wondering if you could give us the same for this year and I think that will be quite useful.

And another question relating to it because if I understand it too, including this got us some market conditions changes. I was wondering if you might give the guidance excluding this market conditions or what sort of impact are you reflecting?

And second question is on the CapEx. The CapEx decline you expect, is this all coming from fiber CapEx decline or some other decline in the other Capex embedded as well. If you could explain a bit better what is driving the decline? And then wondering on the expectation of the Digi wholesale agreement, if you're building any extra capacity or is everything unchanged despite this agreement?

Then finally, just some confirmation on the JVs, and you said that at least the equity financing hasn't changed from the CMD, but wondering if the overall CapEx, what has changed from the CMD, I believe you originally guided for around EUR2 billion for fiberklaar and EUR1 billion for UnitiFiber? I understand now that you've had a lot more homes or connect a lot more homes. So just wondering if the cost per home might have changed? And also curious about the take-up if it's very different or what's the difference versus your own fiber rollout? Thank you.

Mark Reid - Proximus NV - CFO

Okay. Let me, let me try to take four or five of those. On EBITDA guidance. I think the wage indexation is fairly straightforward. It's public. We had a wage indexation of around 2% in December 2023, which clearly laps. And then the next one is forecasted to arrive in May or June in 2024. So you can kind of think, you know two times 2%, but calendarized clearly there . And then in terms of what do we include in market conditions again, you know, clearly we're not going to give guidance on that, but we have included what our view of the impact of the new entrant and any impact on the South with Telenet entering that. In terms of JV equity injections, I did I didn't say didn't change. The number was still slightly lower in 2023. And so some of the phasing is altered small but I think the general direction is fine.

In terms of the overall CapEx, again, we are not providing any guidance on that. But it's, you know, any further updated guidance than what we told you in Capital Markets Day. But again, the overall cost per build hasn't altered from what we were expecting as the team continues to find efficiency, offset any inflation or no inflation is actually going inventory the right direction for us. I think that's a little bit where we are. On Digi wholesale Guillaume you want to take it?

Guillaume Boutin - Proximus NV - CEO, Member of the Executive Committee, Director

Indeed no need to build for capacity. We have not only no more customer than our competitors, but we also have also more spectrum than our competitors. Because as you, we have bought enough spectrum to absorb only for the years to come and also providing better experiences to our customers. There's no need to add or to create more, no cost around building more capacity to welcome Digi on our network.

Mark Reid - Proximus NV - CFO

Sorry, I missed the CapEx question. I mean, it's mostly the fiber own build. But we clearly also and again, I think if you look back in some of our previous communications, we're kind of past the what we call the development element CapEx peak. Over the last two years, we've been doing slightly more elevated development CapEx. You can think .., backend, IT infrastructure refreshes. That's also now past us so to speak and on is the way down. So I think that's those are probably the two big elements. Customer CapEx obviously goes the other way, which is related to the success we're seeing in the market of that migrating and acquiring customers. Those were probably the three big movements.

Jim Casteele - Proximus NV - Consumer Market Lead

Yes, to answer the last question on commercial traction on the JV footprint. So there, of course, it's early days, but for the moment, we see similar, we see similar traction on the JV footprint versus the Proximus fiber footprint. Of course, you have to take into account as these are early days, but you have to compare this in terms of filling rate with the early days of the Proximus footprint as well. But from a commercial point of view, we see a similar traction, which is not illogical because in the end for the for the consumer, it doesn't have to know which footprint the fiber is being deployed.

Nuno Vaz - Société Générale - Analyst

Okay. Thank you. Thank you for your answers.

Operator

There are no further questions, so I'll hand back to your hosts to conclude today's conference.

Nancy Goossens - Proximus NV - Director of IR

Thank you. Thank you all for joining us. Thank you for your questions. Should there be any follow-ups you can reach out to Adrien or myself. We will be happy to help you out. Wish you all a lovely weekend.

Operator

Thank you for joining today's call. You may now disconnect your lines.