

**Transcription**  
**Proximus Q1 2021**  
**Results, 30.04.2021**

## Presentation

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### Operator

Ladies and gentlemen, good afternoon, and welcome to the Proximus Q1 2021 Conference Call. For your information, this conference is being recorded. At this time, I would like to turn the call over to Nancy Goossens, Director of Group Investor Relations. Please go ahead.

### Nancy Goossens

So, welcome everybody. As usual, we will start by an introduction by the CEO, Guillaume Boutin. And after this introduction, we will go to your questions. The participants on our side for the Q&A are Katleen Vandeweyer, the CFO a.i; Jim Castele, the Chief of the Consumer Segment; Anne-Sophie Lotgering, the Chief of the Enterprise Segment; CTO, Geert Standaert; the CEO of BICS, Matteo Gatta. And so, they will all be very happy to take your questions in a moment. But first, we will turn the word to Guillaume for this introduction. Please go ahead.

### Guillaume Boutin

Thank you, Nancy. Good afternoon to you all, and good morning to those joining from the US. Welcome to our webcast on the first quarter results. Let me go through some of the key achievements over the first quarter of 2021. During the first quarter, Belgium set up its COVID-19 vaccination campaign. And I am very proud that Proximus is playing a crucial role in this by equipping the various vaccination centres in the country with telecom and IT infrastructure, as well as advanced IoT solutions to monitor the temperature of the vaccines.

Commercially, we are keeping a strong momentum, proving that our continued efforts, especially around our brands, are paying off. Specifically, the Consumer Segment is showing solid continued growth with especially high traction for higher value offers. On the Enterprise Segment, we are carefully managing the transformation, moderating the financial impact of legacy services decline and gaining in more strategic areas, but I will come back to this in a moment.

In parallel, we continue the execution of our inspire2022 strategy aiming at structurally transforming Proximus towards sustainable growth. We are well underway with regards to our ambition to build the best gigabit network for Belgium, doubling our fibre rollout speed in the first quarter. We have launched our 5G innovation platform to allow our B2B customers to explore the full potential of this technology.

As for our consistent strategy, we already made significant progress. We launched our partnership with Signpost to enter the health tech sector. We launched ads and data, an ecosystem aiming at creating scale for the advertising at local level, or lastly, we soft launched Beats, our telco in banking offer sold in selected Belfius channels.

From a financial perspective, the COVID-19 crisis clearly still impacted our results negatively, yet we do see that the effect on the year-on-year variance is starting to moderate, a trend we expect to further improve over the next quarter. Overall, our first quarter results are on track with our expectations. And hence, we can reiterate the guidance we set for 2021. But let's take a closer look at some of these realisations.

Let's start with our operational trends. As you can see on the graphs, the start of the year was in line with previous quarters, showing continued operational success. Our growing customer base remains a key revenue driver, especially as we are focusing our efforts on high-value customers. Besides growing our mobile and internet basis, we see continued growth of our TV base, adding 17,000 TV subscriptions over the first three months of the year.

Our high-value customer growth is, of course, relying on a proven convergence track record, specifically our convergence customer base increased by 21,000 over the first three months of the year, meaning that we managed to grow this segment of customers characterised by higher than average RPC, a low churn and a very promising NPS. As a result, our convergence revenue grew by 2.7% and resulted in an overall growing ARPC.

This growth in convergence was, again, well supported by our Flex range. Over the first quarter, we attracted no less than 160,000 customers to one of the Flex offers. And this was a mix of new customers and migration of existing customers from legacy offers.

Flex is really answering[?] changing customer needs. And that is what is making it continued success. There is less and less appetite for fixed voice line, which is reflected in the fixed line erosion that you can see on the graph. But there is a growing appetite for multi-mobile and other value-added services.

Lastly, you know that we pursue a strong gigabit connectivity strategy with fibre and 5G because it allowed us to provide the best connectivity in Belgium. We already see a very encouraging results of this strategy with growing appetite for our fibre offers. At the end of the first quarter, we had a total of 77,000 fibre customers within our consumer segment. We see that in the zones where we deploy fibre, the commercial drivers like churn rate reduction and ARPC uplift are well on track with the ambitions we have. We expect, of course, the trend to accelerate rapidly as we progress on a coverage in the coming months and years.

As I said before, we have been making good progress on our ambition to rapidly expand the reach of a fibre offer. Our weekly rollout increased to an average of 6,100 homes passed, which is more than doubling the pace of deployment since Q1 last year. We have been bringing fibre to an additional 73,000 homes and businesses over the first quarter of this year. In March, we passed 533,000 homes and businesses with fibre, meaning we are close to a coverage of 9% of all premises of the country. And this is just the start. As we have announced, we will further increase our rollout speeds in the coming quarters.

Following our announcement to partner with EQT, a new company was created called Fiberklaar. Fiberklaar plans to get started this year in about ten Flemish cities and municipalities and has the ambition to pass at least 1.5 million homes in Flanders by 2028. And for the fibre partnership new Wallonia with Eurofiber, we expect the clearance before this summer. Between our all rollout, Fiberklaar and the JV yet to be launched new Wallonia, we are fully on track to realise our ambition to pass 4.2 million homes and businesses throughout Belgium by 2028.

As for our Enterprise Segment, we announced last year a multiyear transformation. Our aim is to become the preferred partner for the digital transformation for enterprises, allowing us to return back to profitable growth for B2B segment as of 2023. Last year, we elaborated on our plan to that end and the execution is well on track showing initial results. First, we want to transition through our telco ICT convergence solutions with a specific focus on higher profitability customer segments. We also want to accelerate the growth on the profitable services that we currently sell on the back of our telco ICT products.

Second, we'll take advantage and monetise our superior gigabit connectivity. We just talked about fibre, of course, but also 5G. For example, we have recently launched a dedicated 5G creation platform to support our professional customers in exploring the full potential of this technology through specific use cases. And our customers are already showing massive interest, resulting in a strong commercial pipeline and a lot of cocreation with our clients and partners.

Thirdly, we have a lot of progress ahead to create the best user-centric digital experiences combining significant interfaces, redesigned journeys, automation and personalisation. The first results are really encouraging as we have already seen in the last months and increasing adoption of our sales service tools and digitalisation of customer interactions.

Let's take a look at the results of the first quarter more specifically now. From the first quarter results, it's clear that the Enterprise Segment is holding up quite well with the revenue decline mitigated to minus 1.2% despite the challenging operating environment. We actually grew our core telecom customer bases for fixed and mobile. By balancing volume and pricing, we have mitigated the structural headwinds from our legacy services.

When we look at ICT, the story is a bit different. Over the past quarters, we faced some headwinds from COVID on our ICT business with some delayed or cancelled ICT projects and constraints on delivery. But we see that COVID is also bringing structural opportunities in domains like digital call centres, fixed mobile traffic, cloud computing, security and collaboration software.

As a result, we expect the restoring and positive trend will come with companies that will increase their IT spend to support an accelerated digital transformation. And this will create opportunities for consultancies and managed services on top of the traditional telco and ICT products. Of course, the big question is timing. Some uncertainties remain like impact of bankruptcies of company risk adverse behaviour in coming months.

But as we explained, we are investing the right convergent telco ICT products and services, and we saw this quarter with a growing share of higher value ICT. So, we are confident that we will provide the right solutions to capture the benefits of a restored growth when it materialises.

Moving now to the total domestic revenue for the first quarter, which was down by 1.7% with a comparable basis, still tough for this quarter. As you see on the chart, the first three buckets represent our core service revenue that we invoice to customers, both

for our Consumer and Business segments. This includes mobile revenue, which was significantly impacted by lower roaming out traffic as a result of the COVID-19 related travel decrease. If we take out the roaming out revenue of telco and ICT, service revenue would have been up by 0.3% year-over-year.

Another important driver of the domestic revenue decline was interconnect revenue at low margins. This decline represents rapid change of behaviours in the way people and businesses are communicating since COVID times. And finally, we had negative roaming impact for obvious reasons.

This was for domestic revenue. If you now take a look at TeleSign on the next slide. As we announced, we are now managing TeleSign and BICS separately, given that the two assets require different growth strategies. TeleSign sustained its very strong performance with both programmable communication and digital identity services on the rise. With TeleSign revenue in US dollars, there are some forex FX that impacted the year-on-year variance. When we eliminate these effects by applying a cost on the currency, TeleSign's revenue grew by over 44% in the first quarter.

Of course, it is essential to fuel this growth with the necessary investments. In line with our previous announcements, the company have been investing in attracting the right skills to strengthen, among others, the go-to market and the R&D domains, which will, in turn, generate even more growth in a booming sector.

For the BICS segment, so now excluding TeleSign. So sanitary crisis was still playing a significant role in this quarter, especially as we are comparing to a quarter, which was virtually still unaffected by COVID. On top of that, the ongoing in-sourcing of services by MTN still had some additional negative impact, although the effect is gradually moderating. These two elements, which are of temporary nature, overshadowed the otherwise quite resilient business trends of BICS. Especially in the core and growth domains, BICS resisted in a competitive market.

The revenue from growth services, which includes cloud communication and IoT, was up by almost 13% year-over-year. And this growth services, representing revenue from messaging, mobility and infrastructure was up by 7.2% year-over-year. Our Group EBITDA for the first quarter was €446 million, a 3.9% decline from the year before. This largely reflects three main elements. First of all, there is still a remaining impact of COVID-19 on our results. I talked about this before, and you will see this especially reflected in the domestic and BICS' direct margins.

Secondly, the domestic expenses were higher, including some higher costs related to customer interactions calls and cost also linked to the good commercial momentum and fibre migrations. And thirdly, as we announced in framework of our guidance for this year, we have some higher costs related to ongoing transformation plans for both our domestic operations and also, as I just explained, to boost the growth of TeleSign.

Over the first three months of this year, we invested a total of €225 million with a timing of content contract renewals explaining why we were slightly below last year. In line with our expectations and our roll out, the level of fibre investment increased and is now representing 28% of our total CapEx envelop.

Also, in line with our strategy, we stepped up investments in the area of the digitalisation and IT transformation. At the same time, we are rationalising on CapEx for less strategic areas to maintain the overall envelop and prioritise strategic investments.

So, this brings me to the free cash flow for the first quarter of this year with a total of €143 million on normalised basis. The chart shows you the different moving parts. I'd like to highlight that this includes the equity injections in the company Fiberklaar for €30 million.

So, in conclusion, we are on track with the execution of our strategy and our results so far are fully in line with our expectations. So, we, therefore, reiterate our guidance for the year. This have come to the end of my introduction, and you can go to your questions.

## Question & Answer Session

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## Operator

Thank you. Ladies and gentlemen, if you have question, press 01 on your telephone keypad. First question comes from Nicolas Cote-Colisson from HSBC. Please go ahead sir.

## Nicolas Cote-Colisson

Hello, everyone. Two questions please. First is on CBU. Your core convergence ARPU is down, I would say, sharply year-on-year. Is it just a function of pandemics from 4P to 3P, because if you could help us on getting the trend for the rest of the year, this would be very helpful, given the price increases/roaming/change in the mix, not very clear where we should land eventually. And my second question is about having maybe a bit more indications on labour cost evolution in the coming quarters. So, as you said, there will be a mix of salary rises and workforce attrition. So, if you can update us on the phasing between the rest of 2021 and 2022 to get to the Group targets eventually? Thank you.

## Jim Castele

Good afternoon. This is Jim Castele for Consumer. So, on the first question on the convergence ARPC. So, I think what is important first to note, of course, is that overall ARPC continues to increase year-over-year by 0.4%. So, we continue to see a very nice growth of the convergence customer base, which is generating a higher ARPC of €94, and this higher value mix within our customer base is driving the overall growth of RPC.

Now on the specific drop of the triple play convergent ARPC, it's actually within the mix that we see that our convergent ARPC is evolving. We typically see that, and it's linked to the fixed voice erosion that the bundles of internet, fixed voice and mobile are declining. And these are typically bundles with a bit of a higher ARPC than the average convergent ARPC. But when you look at every specific ARPC within those different mixes, each of them is growing. So, it's really the mix that is impacting and that mix is linked to the fixed voice erosion that we see in the market.

So, I think what is important on our side is that we continue to look at the overall ARPC. We see a nice growth again this year versus Q1 last year. And maybe just to conclude, if you compare the growth in Q1 2020 with Q1 2021, the delta you see in that growth is completely linked to the e-press impact that is now fully embedded of course in the Q1 results of Consumer.

## Katleen Vandeweyer

Good afternoon, Nicolas. So as to your question on the evolution of the labour cost, last year on 1<sup>st</sup> March, our FFP programme, so fit-for-purpose started off. And so, we had a very important reduction in headcount. So of course, this quarter we are still benefiting from two months of savings related to this FFP headcount reduction. And going forward, this advantage will disappear.

And as to the indexation, the last indexation of our labour cost was last year in April 2020. And for this year, according to the latest previsions, we've not foreseen any further indexation. According to the latest previsions, our next indexation is at the moment foreseen as of 1<sup>st</sup> Jan 2022.

## Nicolas Cote-Colisson

So, does it mean that in absolute numbers, the labour cost should be similar in the coming next quarters to the one we have in Q1?

## Katleen Vandeweyer

Indeed.

## Nicolas Cote-Colisson

Okay. Thank you.

## Operator

Thank you. Next question from Roshan Ranjit from Deutsche Bank. Please go ahead.

## Roshan Ranjit

Great. Afternoon. Thank you for the questions. Three very quick ones from me actually. On the B2B transformation, is it possible to get a sense how far through – I guess, I'd like to appreciate it's early in that stage. But how far through you are in the renegotiation and the repricing of the contracts and maybe migration of the contracts for your customers?

Secondly, sticking with B2B. I think you mentioned upfront there was some contribution in ICT for some of the COVID centres and providing data services for the immunisation process. Is it possible to get and quantify that how much that was this quarter?

And lastly, on the consumer side. Just to confirm the 73,000 fibre connections, that's all done via Proximus. I think you said that the approval process for Fiberklaar has been achieved. Should we – can we anticipate any contribution from the JV impact in the Q2 numbers, or will that come in the second half of the year? Thank you.

### Guillaume Boutin

So, I'll take two and three, number two and number three question. And Anne-Sophie, I will let you answer the first question. So, on your question around the contribution in terms of revenue for the implementation of the COVID vaccination centres, honestly this is not something that we want to disclose. But the good thing is around the perception of the brand. It's very good for perception to help also Belgium in that difficult times but we are not doing that for generation of revenues, and this is more helping the country fighting against the pandemic than any other things. But we believe this is quite important in those times.

On number three, really rapidly, it's only the Proximus standalone fibre rollout that we see in that quarter. And it is going to be the same for the next quarters. This is the – this ramp up is really fully fuelled by the own Proximus standalone fibre rollout. And Anne-Sophie, if you can answer the first question?

### Anne-Sophie Lotgering

Yes, of course. Thank you, Guillaume. So, to your first question, I think it was related to where we were in terms of our transformation and how far we were in terms of the repricing and renegotiations of contracts. As you said yourself, 2021 is the execution year of our transformation. And as you can imagine, it's very important that we strike the right balance, managing on the one hand our customers moving towards next generation technologies such as SD-WAN or others, whilst still ensuring we're managing the value of our existing business as much as possible. And as you could see in the numbers, all technologies such as fixed voice is actually ramping up. And I think that the Q1 numbers testify to this careful management.

Now to give you an illustrative example as to how we're managing this transformation is we've identified and segmented our customers in cohorts to accelerate selectively the migration to new technologies, proactive accelerating this migration of the early adopters first, whilst making sure we also keep an eye on the future technologies of the market and ramp up as and when needed.

I think you also heard from Guillaume in his introduction that our transformation is about ensuring the convergence of traditional telco with IT solutions. And customer value propositions that are answering our customer's requirements such as, for example, secure connectivity to the cloud, voice as part of the advanced workplace proposition, 5G, IoT, edge use cases, etc. And the operating model that we've put in place in March of this year enables this approach.

Now to your specific questions on the repricing and renegotiation of the contract, as you know, these contracts have different year terms and therefore it's very difficult to be able to talk generically about contracts who could be of the different year term. And therefore, would be renewed in different times. So, I can't really answer that question in detail. But hopefully, I have given you the gist as to how we're managing our transformation today and moving forwards.

### Guillaume Boutin

And just also to add to what Anne-Sophie is saying so far, we still feel confident that the 2023 horizon to profitable growth for B2B segment is still reachable.

### Anne-Sophie Lotgering

Yeah. Absolutely. We're committing to ensuring the commitment that we took at the Capital Markets Day to return back to growth in 2023, indeed, Guillaume, I should have added it...

### Roshan Ranjit

Okay. No, that's great. Thank you. Thank you for that.

### Operator

Thank you. And the next question now from Nayab Amjad from Citi. Please go ahead.

### Nayab Amjad

Hi. Thanks for taking my questions. I have two questions, please. What is your view on fibre – returns on fibre, especially in Flanders, where you have a lower market share? Returns are based in utilisation and hence dependent on wholesale as well. And in this respect, Telenet doesn't seem to take wholesale from Proximus and also how focused in keeping Orange Belgium as a wholesale partner? Did you see this as a risk and affecting returns?

And the second question is you're building 2.2 million homes with own build, out of which 0.6 million is Brussels. That leaves you with 1.6 million homes to be built in the dense areas of Wallonia and Flanders. Would you be able to continue to use Telenet network on wholesale basis in Flanders in the dense areas and focus building more in Wallonia when network competition arrives if it was acquired and restructured, which is expected in the near-term? Thank you.

### Guillaume Boutin

On the first question on the returns in our fibre investment in Flanders. As we say it several times, the return of investments is depending on a lot of different factors. And as you know, the Proximus standard rollout will focus on the city centres and the dense areas where we see a lot of opportunities to bring fibre superiority compared to coax and that's the speed with which we are rolling out fibre is also shown in the number that we just shared for Q1, but it is going to be on accelerated trends for the coming quarters.

There is a product superiority and fibre will demonstrate that in Belgium as it has demonstrated that product superiority in other geographies. And you can see that in customer traction, customer churn, NPS for existing customers on the fibre network of Proximus.

So, we are really confident that we will attract more customers and we will also increase the stickiness of the customer base. And at the same time, increase the value of every customer connection. That's for the city centres dense areas. And for the moment, we are really on track with that ambition. So that's one.

Second, indeed, we are rolling out an open network. It means that we are welcoming – which is new for us. We are welcoming any operators that would be willing to get access to fibre connectivity going forwards. And that's a new thing because we can do that with using FANs in dense areas. We can also use in fact using the P2P architecture that we're going to be rolling out in the less dense areas with our JV partners.

And again, that will create some additional revenue opportunity to increase the return of the fibre investment of Proximus. And also, very – one thing, which is really important to keep in mind, we are not protecting any wholesale fixed revenue on our copper network, because our competition today is on coax. So, it means that compared to also other incumbents, operators, we are in a much better shape to really get a strong return of the fibre investment on the long run, because we have no protection of any existing fixed internet wholesale revenue for the moment. That's second.

And now the combination of those two elements, I'm sure that if we maintain the speed to rollout the network, that first-mover advantage on the long-term will be a key success factor for us. And, of course, we could have OBEL as a wholesale partner. We could have also our friends from the cable at some points from some regions also welcome on our network. We will see. It's too soon today to commit on that, but there is a rationality to find a structure where we avoid to destroy value on the Belgium market and that's really what we are aiming at.

And last point, we are not going to compete on price. We are not competing on price. We will compete on product superiority, because we want to behave rationally as an incumbent operator. So, I think the combination of this approach to speed the first-mover advantage and the openness of the network will ensure that we cannot drive very nice return on our fibre investments.

As far as your question around Wallonia, I think this is the same story. I think we will first rollout the network in dense areas, because this is where we do think this is easy for us to first to reach as many customers as possible and with a very nice return as well. So, we will focus the standalone Proximus rollout in Brussels and city centres of Wallonia and Flanders. And then for the less dense areas, we rely on the joint rollout with our partners EQT in the north and Eurofiber on there in the south.

### Nayab Amjad

Okay. Thank you.

## Operator

Thank you. Next question from David Vagman from ING. Please go ahead.

## David Vagman

Yes. Good afternoon, everyone. Thanks for taking my questions. First on fibre and the activation rate of fibre clients in Q1. What is your view? And basically, how do you think you could accelerate in the coming quarters or in the coming years? Are there any change needed? And then still a quick follow-up on this one. Are you getting any closer to signing wholesale clients?

Then second question on Mobile Vikings. Could you explain us what are the regulatory hurdle you face with this acquisition, and explain us basically why you think you have a very strong case with the anti-trust authorities to get the approved? I have, of course, in mind the sale of Mobile Vikings by Telenet as a remedy to have its acquisition of BASE approved? Thank you.

## Jim Castele

Good afternoon, David. Jim Castele. So, on your first question, first of all, I think from a Consumer side, so we are very happy about the acceleration of the network team in the deployment of fibre. Of course, as you know, there's a timing difference between the moment that we pass homes with fibre and then the moment that those areas are ready for commercial activity. But when I look at both the fibre deployments, we have done in 2018-2019-2020 and the way we have been activating those areas also in Q1, we are on track with the plans that we have presented to you in January. So really comfortable and really satisfied with the commercial performance that we have in line with the deployment rate that we are doing.

## David Vagman

That means between the 50-60% take-up rate.

## Jim Castele

You have to disconnect the calculation of active customers divided by homes passed because there is a timing delay between both. And of course, also in our commercial plans, we are not going to activate everybody in the first three months over deployment, because we also, from an operational perspective, we manage that part. So as said, when I look at the plan that we have and that are in the case for fibre, we're really happy with the performance that we see. And aligned with the message that we gave in January, where we see in fibre areas double as much gross gains as we see on copper.

We also continue to see the better churn in those fibre footprints also in Q1 this year versus what we announced in January. And also, on the ARPU uplift, we continue to see that 10% ARPU uplift also in Q1, like we announced also in January. So, from really with the numbers that you see here, I understand that it can be a strange calculation to do. But when you take into account the timing delay between activating customers on a fibre network and the deployment of the fibre network, we're really on track on that.

## Geert Standaert

Okay, David. And this is Geert speaking. With respect to your second question on wholesale, we definitely see very positive traction. In the past days, we've signed the 31<sup>st</sup> wholesale agreement for fibre. And then as Guillaume had explained, this is a fully open asset and we also are looking forward to further extend that also with different size of partners as well. So overall, very positive traction. And then with respect the speeds, so first of all the standalone but also with Fiberklaar in quarter four, you will see us starting deploying as well there through the Fiberklaar JV.

## David Vagman

Thank you both.

## Guillaume Boutin

And on the Mobile Vikings acquisition, I would not comment because this is ongoing discussion with the competition authority. But we are quite confident, there is no reason why we change an opinion on the good chance we have to get a clearance. And we should have some news to share on this side before summer time.

## David Vagman

Thank you.



### Operator

Thank you. Next question from Emmanuel Carlier from Kempen. Go ahead.

### Emmanuel Carlier

Yes. Hi. Good afternoon, all. Two questions from my side. The first one is on the drop we have seen in customer relationships on the consumer side. I think you lost something like 25,000 or 27,000 customers I think, which is the highest number in many quarters. So, could you explain us a little bit more why that is, and how you expect to reverse that trend? That's question one.

And the second one is with respect to the recent launch of ONE by Telenet. So, I would love to hear your thoughts on this product and how you believe it will impact the market and Proximus particularly? Thank you.

### Jim Castele

Good afternoon, Emmanuel. So, on the first question on the drop in customer relationships. So, this is inherently linked with the acceleration we have seen in Q1 on the convergent households, where we see really a consolidation of mobiles within the family. And as you know, in the past, in fact Proximus has a history of two companies coming together. So, we still had customers that had a postpaid account on a separate customer account that is now as part of the Flex convergence being brought together into the same customer account. So, I think you see an acceleration of that trend due to the success of Flex, where we see more and more mobiles within a family consolidating under one on the same household accounts.

### Emmanuel Carlier

On the –

### Jim Castele

Yeah, go ahead. Okay, sorry. And then on the question of Telenet, so I would say that if you look at our pricing strategy, we have quite a balanced strategy already today in the market. We have on one hand, Flex, that is really oriented towards families, where we offer customers the possibility to really tailor their family needs with the Flex offer and we know from market service that customers are really looking for that.

On the other hand, we have our Epic offer that is tailored to the needs of Digital Natives. And then with Scarlet, we can target the price seekers. So, when you look at Telenet's offer, the Telenet ONE is actually doing the same but one on the same offer and it's not disrupting the pricing strategies that we have already today within our current portfolio when we address those three segments.

### Emmanuel Carlier

Thank you. And don't you fear that more customers than before will move towards Telenet because they offer higher speeds. Of course, you're also working on that with the fibre rollout but that will take quite some years?

### Jim Castele

I think speed is one of the elements that comes into play. Now as you know, with Flex, we already have a very successful offer in the market already over the last year. I think as you look at the evolution of the Proximus net adds on internet over the last quarters, we have been really performing very well also on our copper footprint, where we have offers at 100 megabits. So, we really play on the different elements that drives the choice of a customer when he has to choose a package which is no longer a telecom package, but which is really a package that is relevant in the daily digital life. It is about entertainment. It's about digital press. So, we have a lot of other assets that we bundle in our Flex offer.

And, of course, the good news is that, and on top of that, in fibre, we can add additionally also the speed element. And this is what we then see in fibre, where we have an even better performance on acquisition than we have in copper. So, I don't really see this today impacting the markets because also that additional speed is only available on the high end of their prices. So, for me, I see this really as a value move from Telenet not one to be aggressive in the market.

### Guillaume Boutin

Yeah. I fully agree with Jim's comment. If I can add one element, I think this is good for the market that tiering based on technology is what we push forward both Telenet and Proximus. And then this is really where, I think, the competition should focus. And this

is, I think, for me a good sign that the market is really driving for good competition on the product, which is, I think, quite good to have. It's much better to have a competitor on pricing on the product quality and capabilities, but there again, I think, this is not only around speed. You have to also consider that fibre is bringing much more than speed. Low latency, as you know, for gamer is quite important. For those who know what is the difference in between a coax and a fibre network, they will know about the low latency capabilities of the fibre network. So, this will drive the word of mouth positively around the fibre rollout. This is one. And you know that there is one gamer in every two home, so that's really something important, so one. Second, the stability of the network, which is good and way better on copper and fibre compared to coax. And the third element, and it's really important in COVID times, upload, upload capabilities. And you know that when you have to spend for 10 hours on Teams on Zoom and do video conferencing, the upload element is also quite important. So, this is going to be a technology marketing and perception battle. But I'm convinced we have the better product. So, at the end of the day, it will make the difference.

### Emmanuel Carlier

Thank you.

### Operator

Thank you. Next question from Ulrich Rathe from Jefferies. Please go ahead.

### Ulrich Rathe

Thanks very much. I have two. First one is on the Flex proactive migration. I think you have mentioned this also in the context of some ARPC dilution. I was wondering what exactly does proactive migration mean. Do you send people offers and they take them up, or do you say, well, your contract on this tariff doesn't exist anymore or now you're on this tariff. If you don't like it, you can quit, or how exactly does this work?

And then second question is on TeleSign. On your call from February, you had sort of talked about Sinch and Twilio as comparable companies. And you sort of guided us to look at the valuations of Sinch and Twilio. Could you maybe comment a bit – because you haven't in the past really highlighted Telesign and its business profile very much in detail. Could you comment a little bit what the difference is of TeleSign versus Sinch and Twilio might be? What might be unique about TeleSign and different to these, what you call it, comparables in February? Thank you very much.

### Jim Castele

Hi, Ulrich. Jim speaking. So, on the first question, Ulrich with respect to Flex migrations, I would say that it's a bit the same approach like Anne-Sophie explained on the Enterprise Segment. So, we do value-based migrations, where we look, of course, for opportunities within our current customer base to see where we can create additional value for the company. We focus also a lot on mobile consolidation within our households. And I would say that when we look at other types of migrations, the legacy migrations of the real older packs is also something that we continuously look at because we know that it drives simplification. And thanks to that simplification, we can also have a positive impact on costs.

So those migrations are really a mix of commercial value-based migrations on the one hand, and then from a legacy portfolio management perspective to drive costs down from a simplification perspective.

### Guillaume Boutin

Then to your question around TeleSign, I would like to make a few comments. So TeleSign, they do operate in the digital identity market. That market is a USD 35 billion. And in that market, we want to become a worldwide leader in connecting and protecting digital interactions between consumers and companies. But it's important that we – I explained a little bit more. I think preventing fraud and securing digital interactions is not new. That is for sure and was of critical importance long before 2020.

But what we believe is that the digital transformation also linked to the pandemic with individuals turning to take to facilitate everyday task that they might have doing before in person means that the role of TeleSign is going extremely central and more and more important.

Just one striking example, cybercrime every year costs over \$6 trillion globally. And digital identity theft alone cost over \$56 billion. So as more and more transactions happen online, I think the incentive from fraud, those type of criminals is only getting bigger and bigger every day. So, without solutions like TeleSign, those kind of losses could continue to grow and to expand going forward.

So, what the company want today is they want to balance the need to reduce the fraud losses, while continuing to deliver a great customer experience. And honestly, we are also conforming to that at Proximus, could be sometimes impossible problem to solve. I think more security checks balances and that may reduce forward losses, but those same security measures can also be annoying and cumbersome for customers.

So, the role of TeleSign is to help end that trade-off in between fraud protection and seamless use of services. That's why I'm really, really convinced that the value we bring to customer, even if it's somehow different from the people you mentioned, but there is no reason why we should see that the value that we bring to customers would not be at par with the companies that you mentioned as we are right at that intersection in between communication and CPaaS and digital identity.

So that's really what is TeleSign about, and what is our secret sauce, what is the difference of Telesign. And I think we are really unique because we have insights of billions of phone numbers worldwide and associated communications metadata. That's a difference of Telesign. This data combines with our own expertise in terms of data science creating of this AI-based machine-learning based scoring platform. That's what is the secret sauce of TeleSign and create that compelling solution that is growing as booming trends as you can see in the result of last year and result of Q1. That's really what Telesign is about. That's why I'm so convinced that we can really further accelerate and create a lot of value with that company.

### Ulrich Rathe

It's very helpful. Thank you very much. Thank you.

### Operator

Thank you. Next question from Ben Lyons from Credit Suisse. Please go ahead.

### Ben Lyons

Thank you for taking my questions on the queue. The first is a comment on the competitive environment at the moment in Belgium and what your 5G pricing strategy will be now that we're seeing the entrants of speed tiering on the mobile side. Just a follow-up on the Telesign question as well. If you could give us any FX sensitivity as for the growth rate is impacted by current season, that would be quite helpful. And lastly on the working capital benefit. Do you expect that to unwind over the rest of the year? Thank you.

### Jim Castele

Hi, Ben. So, Jim speaking. So, on the question linked to speed tiering, today, and I think like Guillaume says, it's good to see that other operators in Belgium are going to follow the same process. If you look today on the consumer side, the way we are monetising 5G. 5G is only available on our high-end mobile plans. And as by doing so, we have today an implicit tiering on speed as the 5G speeds are only available on the two most expensive mobile plans for the consumer. And all the other ones are on 4G.

So, I would say that it's good to see that competition is also going to drive the market in the same direction, so we can indeed continue to build on 5G capabilities to create value through speed tiering.

### Guillaume Boutin

On the TeleSign growth rate, I think we have been very clear in the slides in the intro on constant currency the growth here is 45%. That's the revenue growth of TeleSign, excluding impact of the currency effect in between dollars and euros. And on the working cap, I will let –

### Katleen Vandeweyer

So, the working capital effect of Q1 is indeed pure timing difference. And so, for the rest of the year we do expect that those benefits will unwind.

### Ben Lyons

All right. Thank you.

### Operator

Thank you. We have one new question from Nicolas Cote-Colisson from HSBC. Please go ahead.

### Nicolas Cote-Colisson

Yeah. Thank you. Two small ones. The first one is maybe a smaller issue that I was wondering why such a fall in the advanced business services because if anything this should be a buoyant segment. So, I'm a bit surprised. And sorry, another follow-up on TeleSign, because in the press release you talk about the significant customer repricing effect, but still you're growing the business double-digit. So, can you help reconcile this, what's the balance between price and volumes to get to that 44% growth? Thank you.

### Guillaume Boutin

First question I think this is for Anne-Sophie.

### Anne-Sophie Lotgering

Yes. It's for me indeed. So, I think your question, Nicolas, was related to the advanced business services and why there was – well, as you know, part of the business is actually very much impacted by COVID. And this is why you see the decline in terms of revenue. And most specifically on certain elements that I will outline to you in a minute. The elements that are impacted by COVID are pretty much linked to the fact that if you look at the different business drivers, we see that the business drivers are very much impacted by the – sorry, I'm just – my computer is quickly froze. I apologise. Sorry, I'm just trying to find –

### Guillaume Boutin

And I can take the TeleSign question meanwhile, Nicolas.

### Nicolas Cote-Colisson

Sure.

### Guillaume Boutin

So that Anne-Sophie you can restart your computer. Yeah. On the growth of TeleSign, it's really volume-driven for the moment, but at the same time what we are trying to do is more and more doing PoCs, so proof-of-concept on a lot of this digital identity use cases at customers. That's why we also have a small dilution of the direct margin because those PoCs did not yet deliver the value that they will deliver going forward. So that's why really you see that evolution in between revenue and direct margins.

So really driven by volume, but we are really now accelerating the ramp up of the pure digital identity use cases that will be really the fuel of the growth for the coming quarters. It's going to be really seen as of next quarter and the quarters that are going to be following this year but also for the years to come.

### Anne-Sophie Lotgering

Yeah. Thank you, Guillaume. And apologies about this. My computer is still not rebooting, but I will switch my [inaudible]. So, as you know the advances in services is really the smart mobility revenue is impacted with most specifically on the automotive and the parking revenue, because of course they are highly exposed to COVID-19. So, the decline that you see is linked to that, the exposure for COVID-19 on the automotive and parking revenues.

### Nicolas Cote-Colisson

That makes sense. Thank you so much.

### Anne-Sophie Lotgering

Yeah. Sorry about that.

### Operator

Thank you. We have to our questions from Michael Bishop from Goldman Sachs. Please go ahead.

### Michael Bishop

Yes. Thanks very much. I just wanted to follow-up on this interesting TeleSign discussion. I think you've been in the local press obviously suggesting that the value of TeleSign could be sort of unicorn type valuation. But at the same time, if you sort of read the press release and also your comments, you've talked about the need to scale up. And therefore, I just really wanted to ask sort of two things. Firstly, what do you think the sort of the reinvestment organically required is to really sort of scale up in particular go outside of the US?

And then secondly, if you look at a business like Sinch for the last sort of five, ten years, they've done a huge amount of bolt-on M&A in this space to basically build for global scale. And I appreciate you are slightly operating across different verticals. But do you think you'll have to do quite a bit of bolt-on M&A at TeleSign to sort of drive similar scale, given this tends to be a global business with – where sort of high volume low-cost of execution wins out?

And then just secondly following on the previous question. So, are you suggesting that growth can accelerate from here, or whether there was some sort of one-time benefits to growth in the last couple of quarters from an increase in volumes? Thanks very much.

### Guillaume Boutin

So, a lot of question. But yeah, indeed, I think the focus that we have today with Joe Burton, the new management that we've put in place, it's really to execute on the organic growth, because now we really want to take that unique positioning in the digital identity space. So that's the first focus of the moment really to make sure that we can deliver that promise on fraud management, fraud prevention and on the digital identity space. And that will require some strong execution focus and some investments in the product. That's why we say that if we manage to execute quite well on those product investment, that are not massive product investments and do not be scared, but we are in a nice situation because TeleSign despite the fact grows is EBITDA positive.

They are generating EBITDA which is quite unique for a company that is growing that fast. So, we can use a part of that to reinvest in the product and also in the go-to market. In the software industry when you have a good product, you need good sales guys to deliver the promise to the customers. So, we need also to scale up the go-to market. And if you manage to do that, indeed, there is an opportunity to further accelerate the growth of the digital identity part, because today the mix is – there is a mix of messaging and digital identity revenues within TeleSign. We are ready to scale up the digital identity part so that we also can improve significantly the direct margin of the company. So that's really the focus. If we can do that, everything would be then possible.

### Michael Bishop

Thanks. And then just, sorry, the second question was just I guess on the growth profile that we think about the next year could accelerate, because versus the sort of 45% that you've flagged on an organic basis? Or has it benefited from the sort of higher volumes more recently that creates a tougher comp?

### Guillaume Boutin

As I said, you're going to see an acceleration of the revenue trends on the digital identity segment. So, you'll have revenue growth but with a better mix. That's really what is going to happen in the coming years, because the contribution of the digital identity part is going to be higher and higher going forward. That's really what will drive the value of the company.

### Michael Bishop

Great. Thanks for the colour. Appreciate it.

### Operator

Thank you. Last question for the moment registered is from Simon Coles from Barclays. Please go ahead.

### Simon Coles

Thank you. Thanks for taking the question. It's just on the fibre injections. So obviously, you had a start-up on the Flanders JV this quarter and presumably there should be another one for the Wallonia JV at some point this year. I'm just wondering is that enough to cover the JV for, say, the next one or two years, because I remember you saying before that the equity injection for the fibre JV were back-end loaded, or should we consider sort of you need these smaller ones for the next couple of years and then the bigger ones come in as the fibre rollout really ramp up? Thank you.

### Katleen Vandeweyer

So, Simon, so right now we have done equity injections in Fiberklaar in Q1. So going forward, as soon as the JV with Eurofiber will be approved. We will, of course, as well have to make equity injections. But given the fact that the coverage of this JV will be smaller than one-off Fiberklaar, the size of the JV tickets in this JV will be proportionally a smaller.

And then, of course, like we said in the JVs, they will fund as well with debt. 70% of the cash need of those JVs will be funded with debt and the rest will be funded with EBITDA. And of course, the need for debt of those JVs and that's what depending on the further rollout of those JVs.

### Simon Coles

Okay. But if we took, say, the €30 million and gross that up for what EQT would put in and the debt that you will generate, that would suggest that you can probably cover sort of a couple of hundred thousand households. So, you're good in, say, the Flanders JV for the next couple of years. And then in '23 or 2024 that's when the big injection starts happening or the bigger injections starts happening?

### Katleen Vandeweyer

So, the debt, for instance, on the debt at the level of those JVs that will be at their balance sheet. So that will not become consolidated in our debt. And so indeed the next equity injection that will need to be done will be done once that new cohort will be completely rolled out by those JVs.

### Simon Coles

Okay. Thank you.

### Operator

Thank you. We don't have any more question registered for the moment. Ladies and gentlemen, if you wish to ask a question, you have to press 01 on your telephone keypad. It's 0 and 1 on your telephone keypad. It looks like we don't have any more question. Back to you for the conclusion.

### Nancy Goossens

Thank you all for your participation. I wish you a lovely weekend. And for any follow-ups, you can contact the Investor Relations team. Thank you.

### Operator

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