

Proximus Group

Results presentation

Q2 2023

 28 July 2023



Guillaume Boutin, CEO

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Agenda

- Highlights Q2
- Execution bold2025
- Financial & Operational performance
- Outlook 2023
- Q&A

Highlights Q2

Proximus Group delivering 4.0% revenue growth in Q2

EBITDA landing well in line with expectations

Key strategic developments

+110K Fiber HP in Q2; **25%** footprint, Fiber deployed in **115** cities and municipalities

Launched **10** Gbps Fiber nationwide

Proximus NXT, the new Enterprise brand

Accelerating International transformation through majority interest in **Route Mobile**

Continued strong commercial momentum

+13K

+34K
Fiber activated retail lines

+48K
Postpaid

-3K

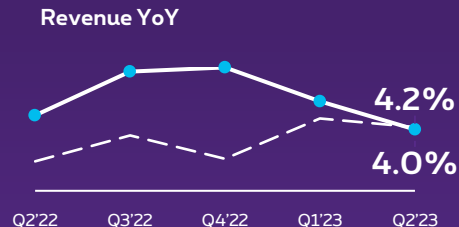
+16K
Convergent residential

+4.7%
ARPC

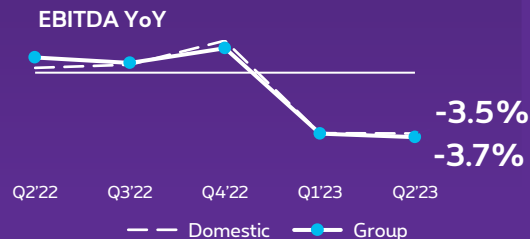
+32% YoY
BICS
Mobility volumes

+31% YoY
Telesign
sales bookings

Continuing strong revenue growth



Continued inflationary impact on EBITDA, as anticipated



We deliver
great value for
our stakeholders



Act for an inclusive **society** &
be **sustainable** in everything we do



Delight customers with
unrivalled experience



Grow profitably **locally** &
globally through strong brands

through **exceptional**
strengths



Roll out **#1 gigabit network**
for Belgium



Engineer **technology assets**
to enable digital ecosystems

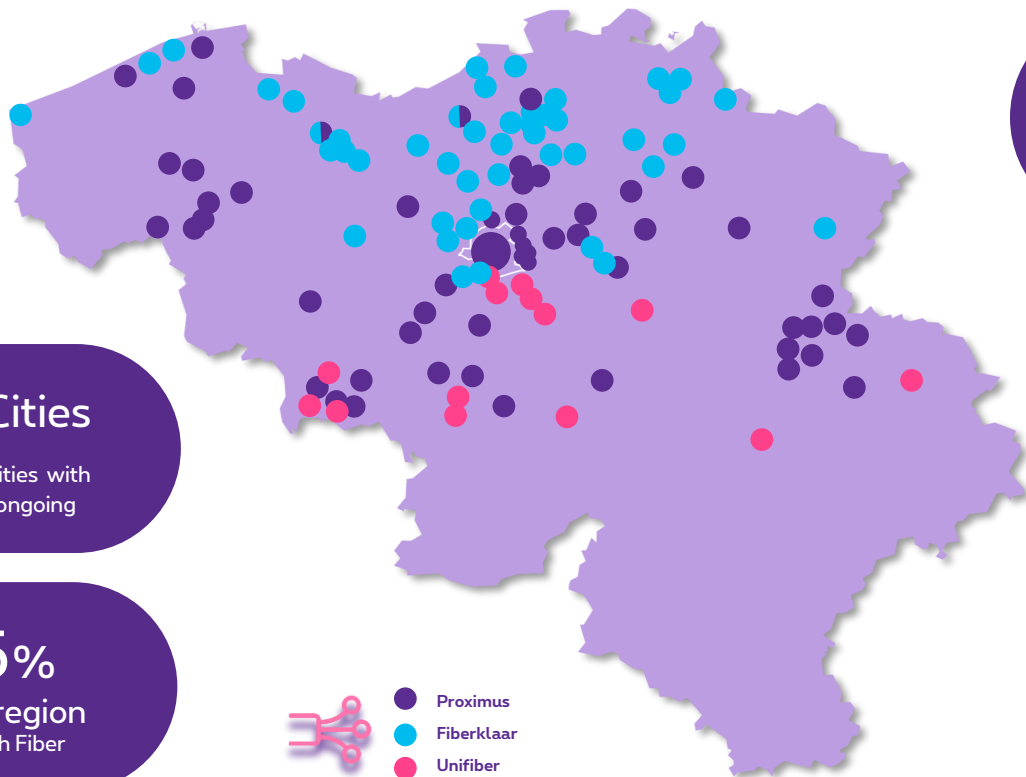


Foster an engaging **culture** &
empowering **ways of working**

Major steps in the
execution of our
bold2025
strategy

Increasing Fiber footprint to 25% end-June 2023

Proximus and partners deploying Fiber in 115 cities



*“With Fiber bringing substantial benefits, a **Fiber collaboration and co-investment framework** in Belgium would benefit the whole Country.”*

115 Cities

and municipalities with
Fiber works ongoing

>55%

Brussels region
Covered with Fiber

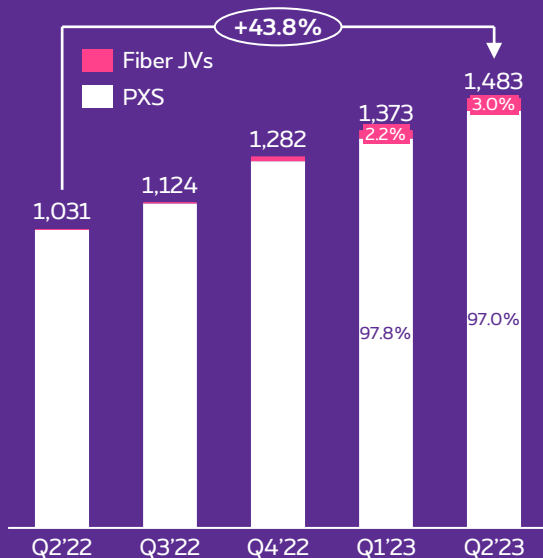


Passing close to 1.5M premises end-June

JVs Fiber in the Street funnel growing to > 300K

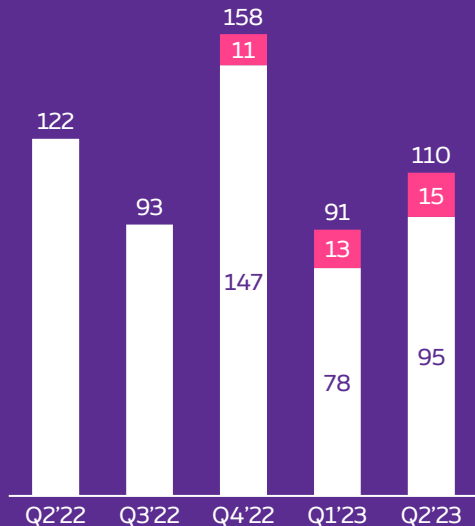
1,483k Fiber Homes & Businesses Passed

(in K, total base)

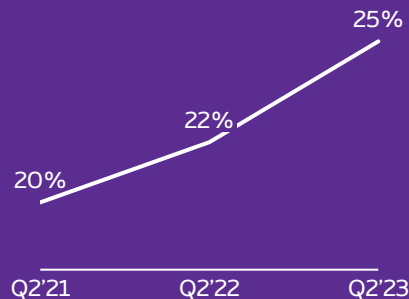


+110k Fiber Homes & Businesses Passed

(in K, additions in the period)



25% Network filling rate*



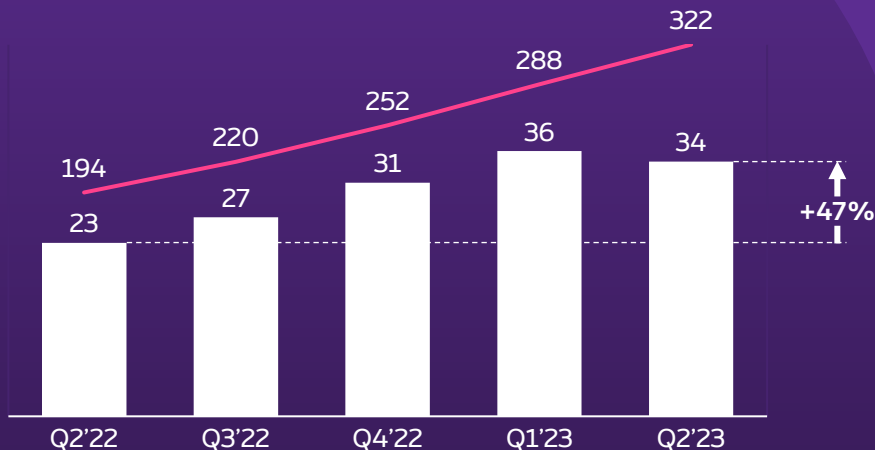
“Fiber in the street” funnel now at ~314k living units, for our JVs

322k activated Fiber lines by the close of Q2 2023

Strong customer demand for Fiber, migration rate reaching 70%

fiber

Total park & net adds¹
(in K)

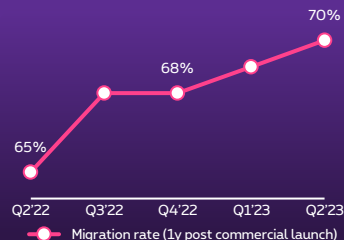


Increasing Fiber share
in total acquisitions

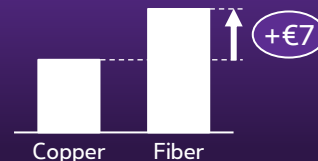


Lower churn
levels vs Copper

>30%²



ARPC in €³



¹Residential + Business, incl. new & migrated customers

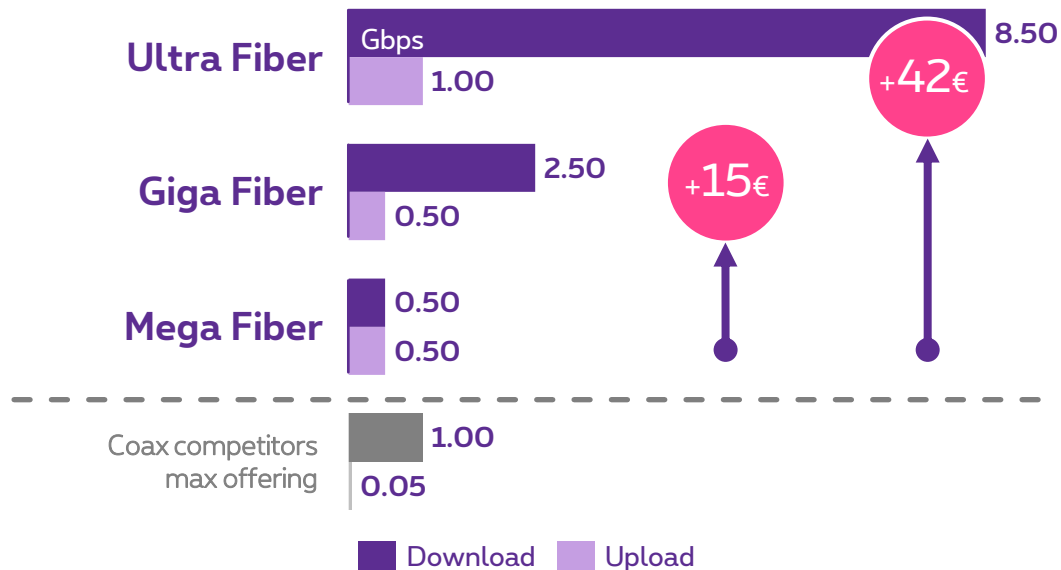
²Q2 2023 churn in fiberzones; average across different customer cohorts

³Q2 2023 ARPC RES + SE uplift excluding promotions for customers with fixed internet

10 Gbps technology* launched nationwide

the fastest internet available in Belgium

From 10th July, 3 superior internet speeds made available to residential customers and more speed for existing fiber customers



* 10 Gbps technology offers speeds up to 8.5Gbps download and 1.5Gbps

Proximus Enterprise becomes Proximus NXT

Full-service technology solutions leader in Benelux

Laser-focused on 4 key domains:



Cybersecurity (MDR, SECaaS, threat intelligence...)



Cloud (Sovereign, Hybrid...)



Advanced Workplace (Contact centre in the cloud, WPaaS, Chatbot...)



AI (Generative, Machine Learning...)



Major step in International segments strategy, becoming one of the worldwide leaders in digital communications



Agreement for acquisition of controlling interest of $\geq 57.56\%$ in Route Mobile. Highly value accretive transaction, with high product and footprint complementarity between Route Mobile and Telesign expected to bring significant EBITDA synergies. (announced 17th of July 2023)

#3

Materially gaining scale:
Moving into Top 3 of Global CPaaS market¹.

GLOBAL

Route Mobile's strong presence on India sub-continent highly complementary to Telesign, along with cross selling potential of product portfolios.

90_M

Estimated EBITDA synergy potential of $\geq \text{€}90\text{M}$ at run rate; $\frac{3}{4}$ cost synergies.

15%

Combined EBITDA margin: expected to grow to a best-in-class 13%-15%.

¹ - in terms of volumes (total nr of messages)

[For the full transaction presentation click here](#)

Financial & Operational performance

Domestic

Excellent commercial performance

on combined success of new Mobile offers and Fiber



Internet base **2,240K**;
+ 38k YoY
+1.7% YoY



TV base **1,694K**;
- 37k YoY
-2.1% YoY



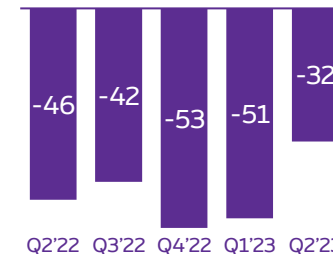
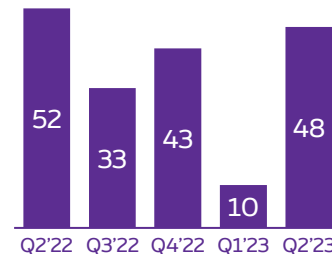
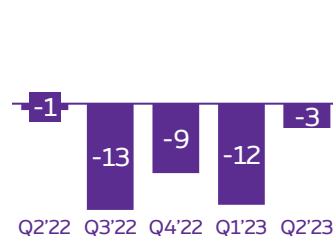
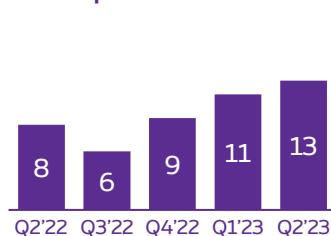
Postpaid

Postpaid base **4,875K**;
+ 133k YoY
+2.8% YoY



Fixed Voice **1,727K**;
-178k YoY
-9.4% YoY

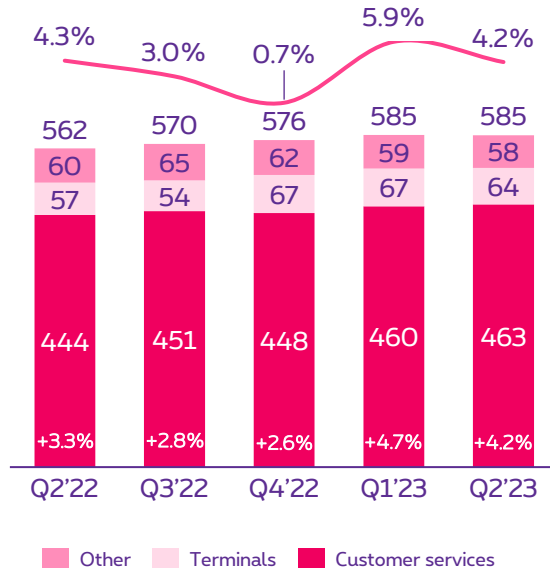
Net adds; Group ('000)



Residential revenue Q2 +4.2%

sustained strong Services revenue growth

Residential revenue (€M, YoY)

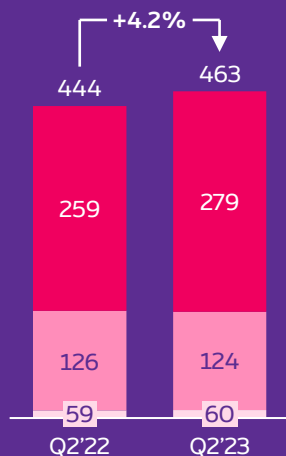


- **Customer Services revenue +4.2%**
 - ✓ Excellent customer growth for Mobile postpaid (Q2 +41,000) and Internet (Q2 +12,000)
 - ✓ Convergent Customer growth (Q2 +16,000)
 - ✓ Well managed price indexations, QoQ churn level reduced
- **Terminals revenue +12.1%** driven by high-end devices

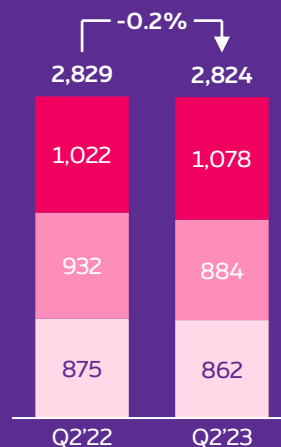
Growing Convergent base and higher ARPC

driving Residential customer services revenue increase

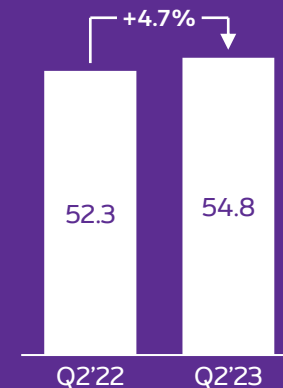
+4.2% Customer services revenue (in €M)
Incl. +7.7% Convergent revenue



Customers (in K)
Growing Convergent base:
+5.4% YoY



+4.7% ARPC (overall, €)
Supported by price indexations,
upsell to convergent offers and
Fiber



■ Convergent
 ■ Fixed only
 ■ Mobile postpaid only

Successful value management supported by product superiority

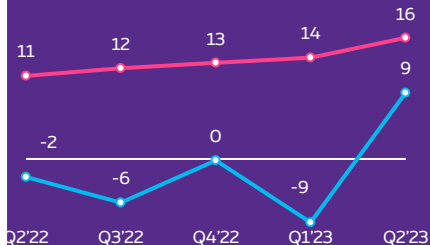
Strong ARPC, improving churn and accelerated customer growth

—○— Convergent

—○— Convergent + Fixed only + Mobile only

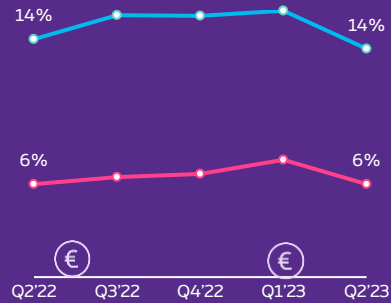
Sustaining a positive customer trend

Net adds '000



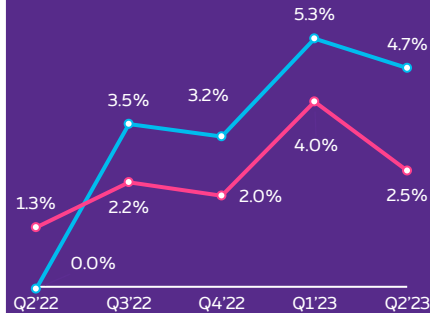
Price rises having only constrained churn effect

Full churn rate



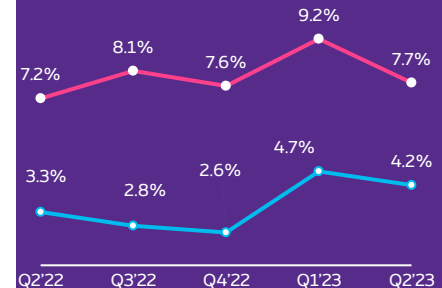
While driving meaningful ARPC uplift

YoY ARPC evolution



Empowering high pace revenue growth

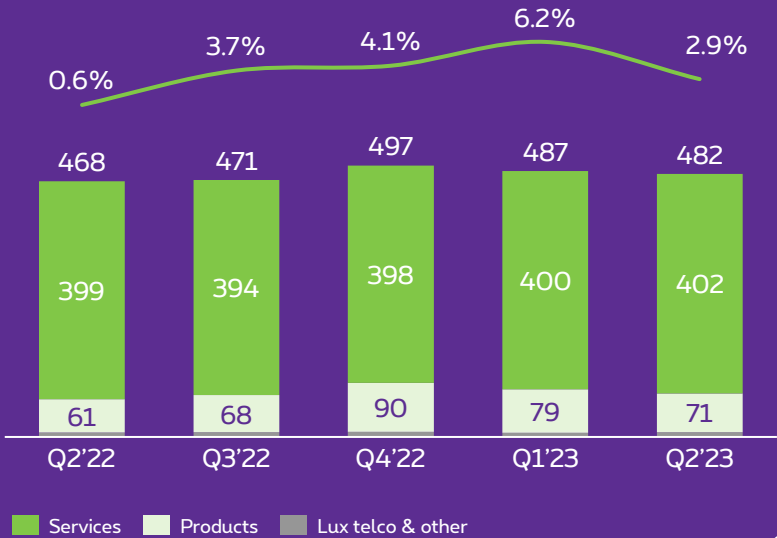
Residential Services revenue YoY evolution



Business revenue grows +2.9% YoY

growing Services revenue and strong performance on IT products

Business revenue (€M, YoY)



Q2 revenue

Services revenue +0.8%,
Solid growth in Fixed Data and IT Services outpacing a moderating Fixed Voice erosion

Products revenue +16.9%,
driven by a strong IT products performance +26.5%

Customer wins*

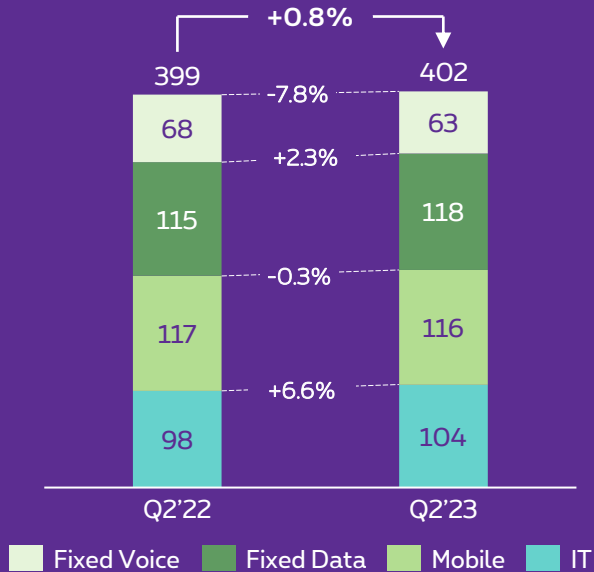


*limited to those with customer's consent

Sustained B2B Services revenue growth in Q2

Fixed Data and IT Services growth, outpacing Fixed Voice erosion

Business Services revenue (€M)



Q2

+2.3% Fixed Data

- > Internet revenue up: +6.6% ARPU & stable base
Growing share of Fiber
- > Stable data connectivity revenue, managing value in the transition to SD-WAN services

-0.3% Mobile

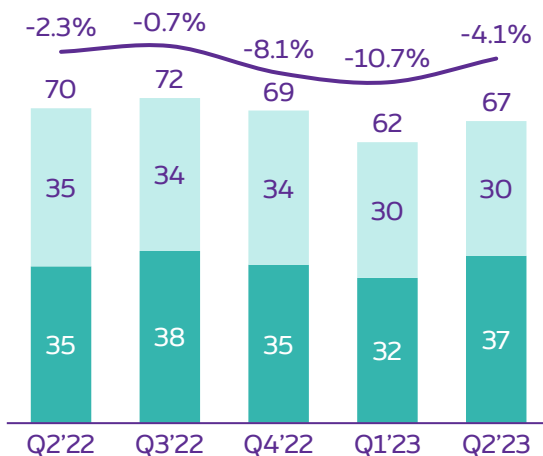
- > Customer base +1.3% YoY
- > Sustained ARPU within improving YoY trend driven by price indexations
- > Mobile network services and M2M slightly down from a high base

+6.6% IT Services driven by growth in Cloud, Security, Smart mobility and Smart network

Wholesale Q2 Services revenue +6.9%

continued decline in interconnect revenue

Wholesale revenue (€M, YoY)



■ Interconnect
 ■ Fixed & Mobile services
 ■ Other operating income

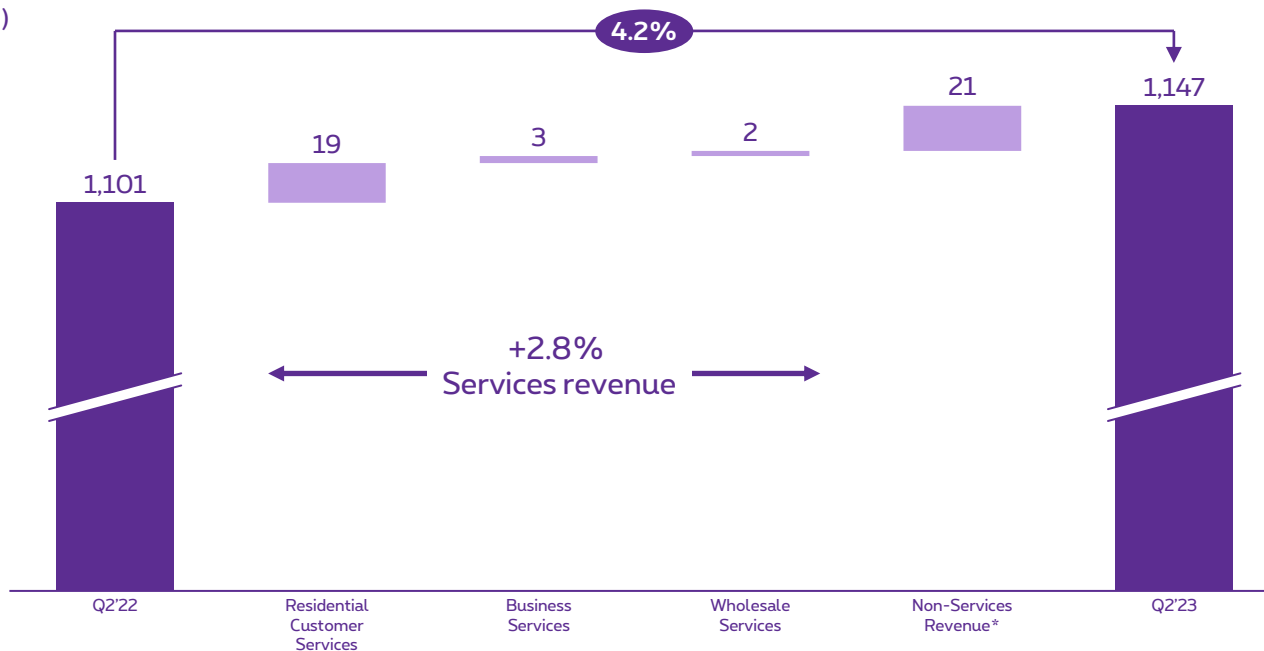
- Q2 Fixed & Mobile Services revenue +6.9%:**
 - > Higher roaming revenue
 - > Services revenue from JVs
- Interconnect revenue -15.0% (no meaningful margin impact)**
 - > EU MTR regulation impact (€-4M)
 - > Ongoing decline in traditional messaging revenue

Sustained strong Domestic revenue growth, +4.2% YoY

revenue from Services up by +2.8% YoY

Q2

Revenue
(underlying, €M)



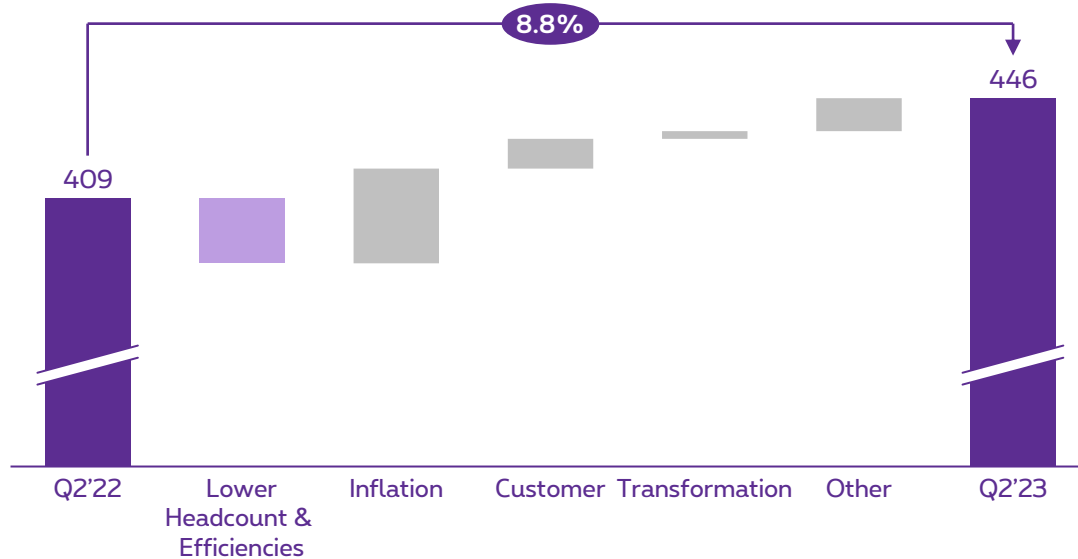
All customer units delivering Services revenue growth

Continued cost efficiency delivery moderates inflation effect

Customer opex increases driven by strong commercial momentum

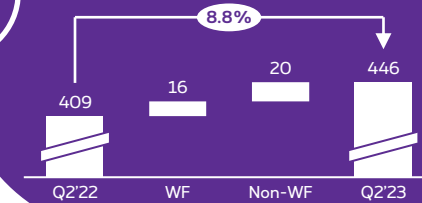
Q2

OPEX
(underlying, €M)

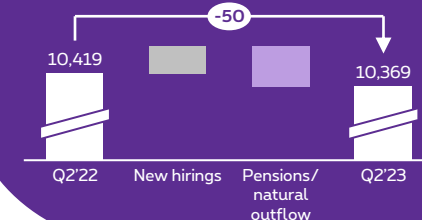


Q2

Domestic Opex (€M)



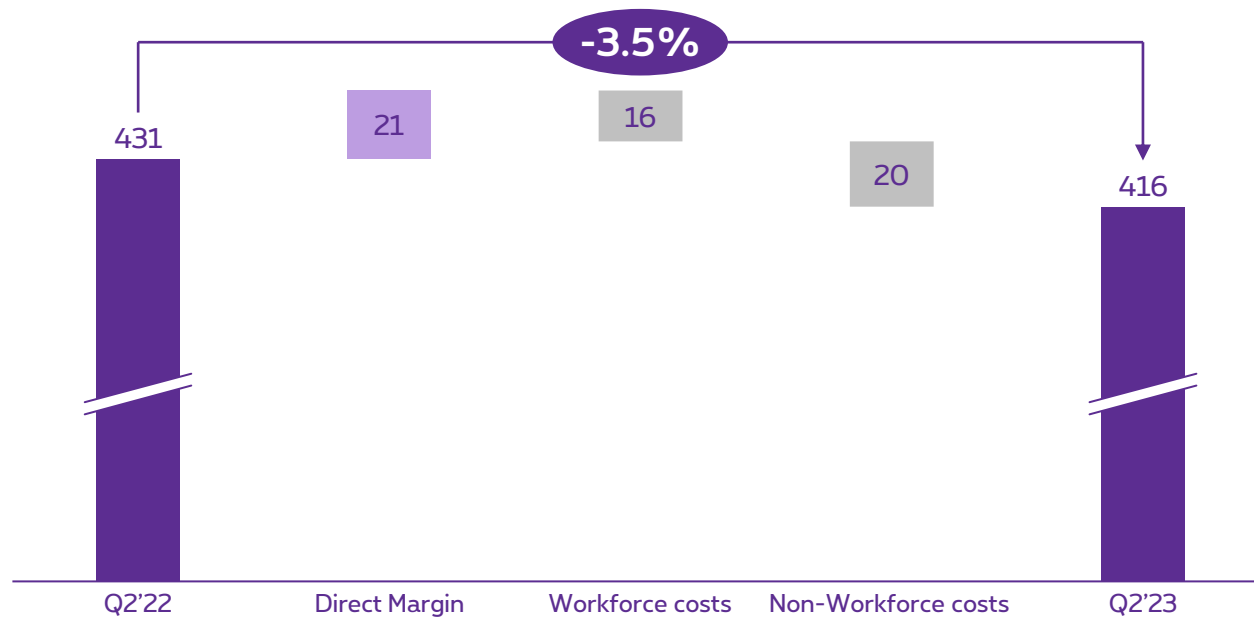
Domestic headcount (FTE)



- The opex graph represents a management view
- Inflation mainly including wage indexation (Jun'22/Sep'22/Dec'22/Jan'23) and energy cost

Domestic EBITDA reflecting inflation impacts, partially offset by improved direct margin

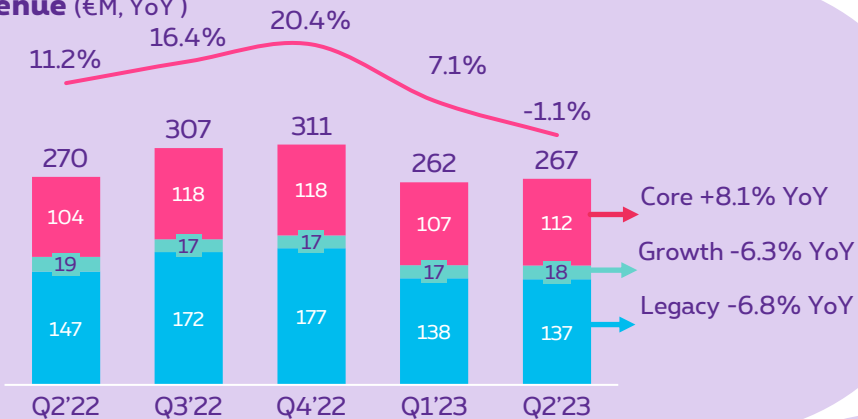
Q2

EBITDA
(underlying, €M)

International

BICS grew Q2 EBITDA by 2.8% despite wage-inflation impact

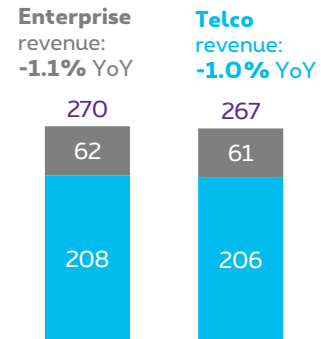
Revenue (€M, YoY)



Q2

> Starting to cycle against higher comparable base with 2022 normalizing from Covid-19 impacts

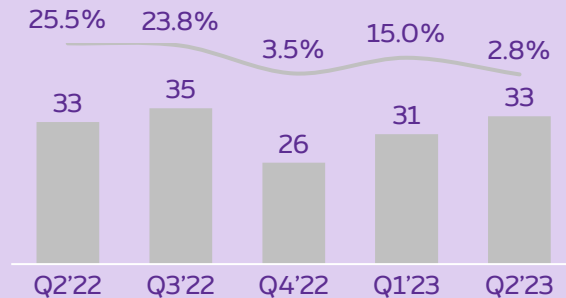
> BICS topline impacted by USD exchange headwinds



Q2

- > Direct margin growing +1.0% YoY
- > YoY stable opex with wage indexations being offset by performance-related labor expense reversal
- > +2.8% EBITDA YoY

Ebitda (€M, YoY)

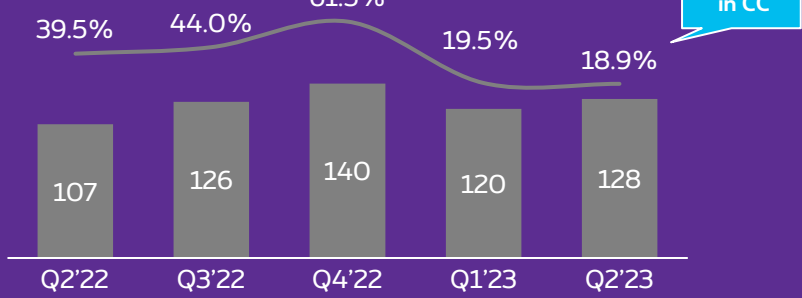


Telesign Q2 revenue +18.9%

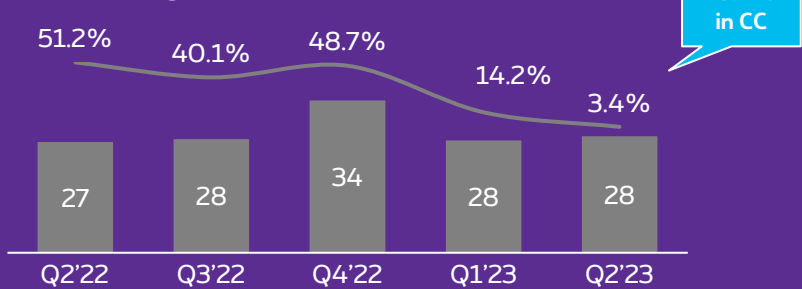
Continued growth for both Digital Identity and Communication



Revenue (€M, YoY)

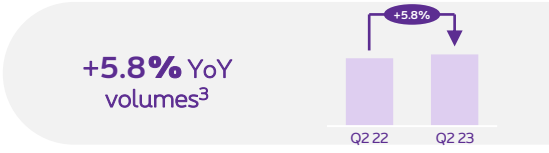
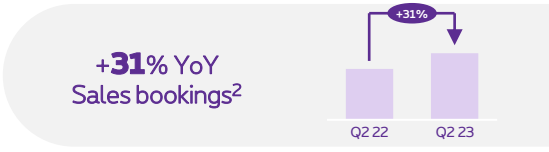
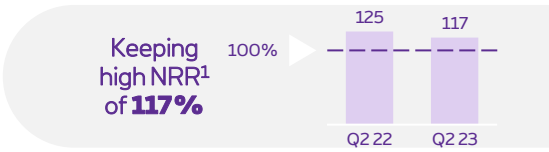


Direct Margin (€M, YoY)



Q2 EBITDA
-3M€, material investments in Telesign reached peak

- **Digital identity** growth driven by expansion of customers base outside the U.S.
- **Communication** positively impacted by largest U.S. clients while volatility remained high in Asia



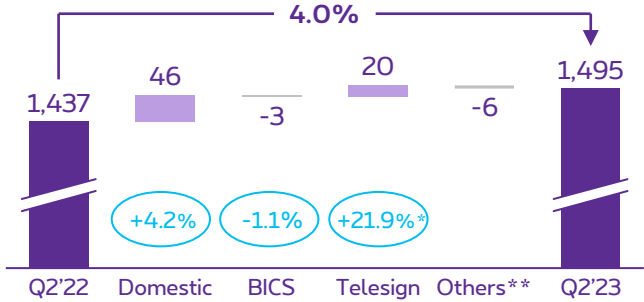
¹ Net Revenue Retention
² Estimated monthly DM value of a won. The nature of these bookings can vary between monthly recurring opportunities or short-term commercial opportunities
³ Adjusted for volatility within Telesign's communication business in India

Group

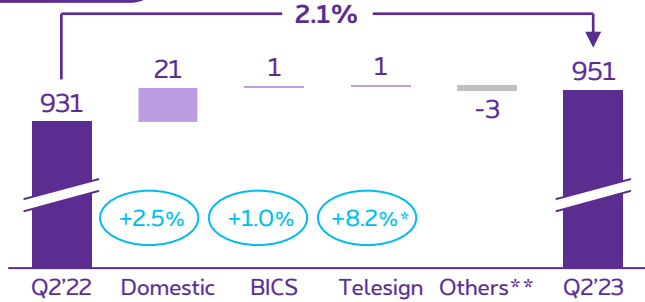
Group direct margin up by 2.1% YoY

anticipated inflationary pressure mainly affects domestic EBITDA

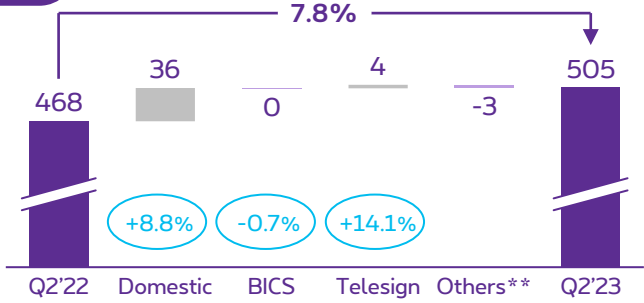
Revenue



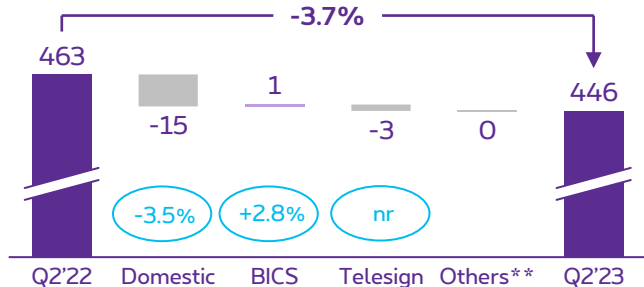
Direct Margin



Opex



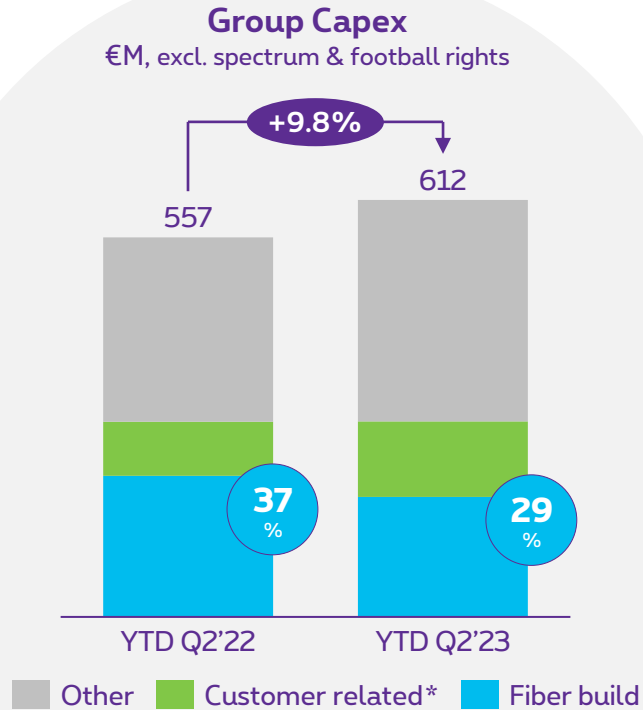
Ebitda



(all underlying, €M)
 *In Constant Currency
 **Intercompany eliminations

Investments tracking on plan

YTD-June Capex of €612M

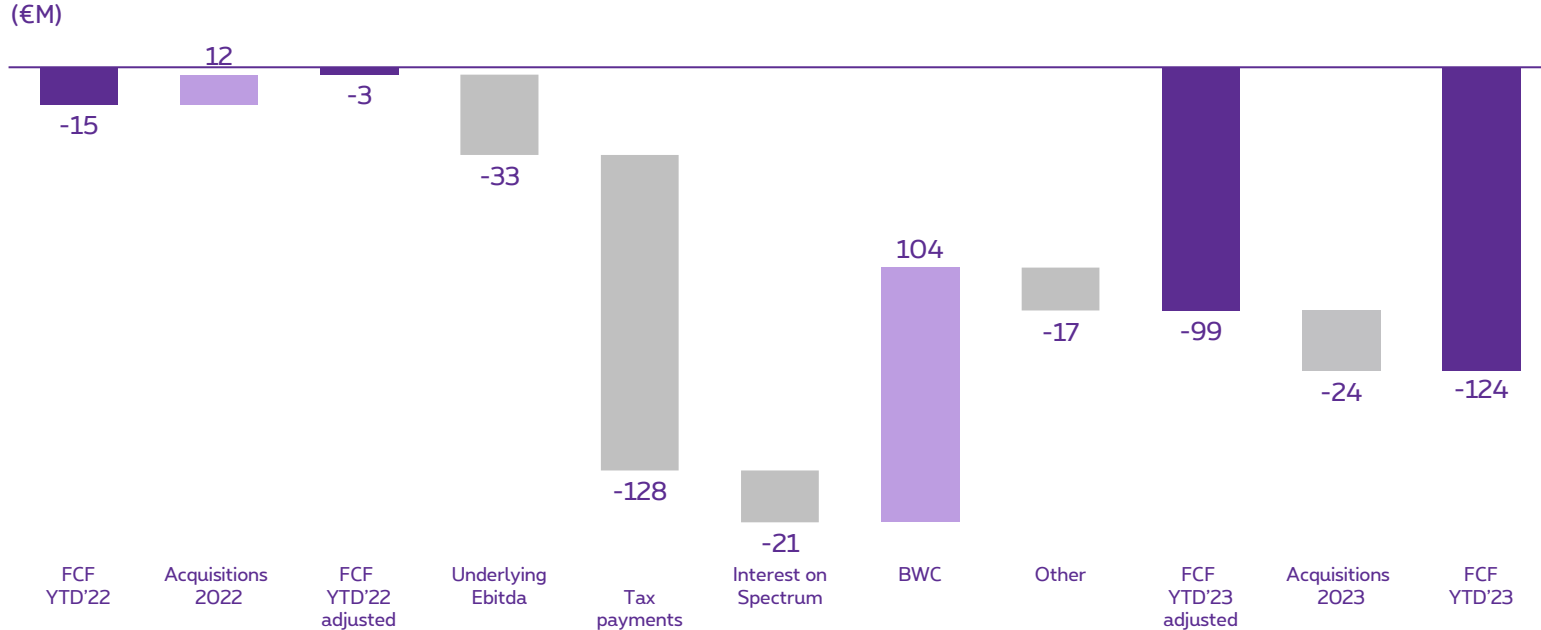


- Proximus **Fiber build volumes reducing**
- Fiber **customer termination and activation cost rising**
- **Other capex:**
 - **IT** and **content** timing effects
 - Ongoing implementation of **Mobile network consolidation**

* Customer capex related to customer equipment (Modems, Decoders, Wi-Fi repeaters...) and termination & activation CAPEX for Fiber and Copper customers

Ytd June adjusted FCF of € -99M

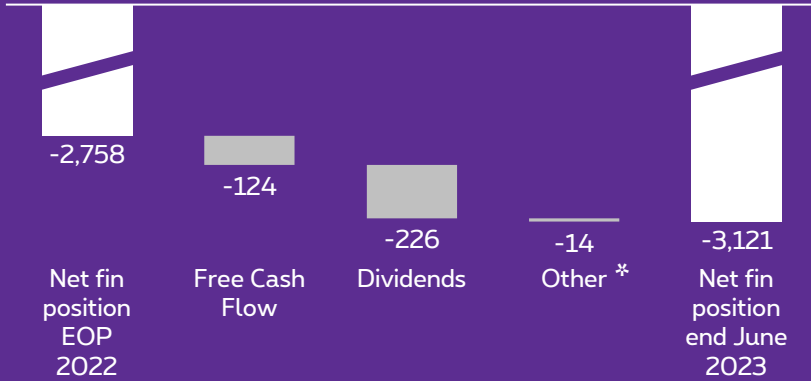
EBITDA and Tax impacts partially offset by less BWC needs



- The FCF graph represents a management view. The composition reflects the main components, sometimes in aggregate, and might differ from the Consolidated Cash Flow statement
- FCF includes the lease payments and Fiber JV equity injections (YoY stable for H1 2023)
- Tax payments include different tax items such as: income tax, withholding taxes and VAT payments (impacted by YoY end of Covid related government support measures)

Proximus continues to manage a sound financial position

Adjusted Net Financial Position (excl. lease liabilities)
(YTD, €M)



Credit ratings

S&P BBB+ (stable outlook)
Moody's A2 (stable outlook)

2.0%

Weighted average coupon
(long-term only)

7 Yr

Weighted average debt duration
(long-term only)

* Mainly remeasurement to fair value of cash flow hedge instrument for future LT debt, net of debt issuance and repayment

Reiterating 2023 guidance

Domestic revenue expected to be at the **upper-end of the range**

Guidance metrics	FY2022	YTD 2023	Outlook FY 2023
Underlying Domestic revenue	€ 4,478M	+4.5% YoY	Upper end of +1% to +3% YoY
Underlying Domestic EBITDA	€ 1,665M	-3.5% YoY	Around -3% YoY
International Direct Margin	€ 377M	+6.6% YoY (in cc)	High single-digit Growth*
Underlying Group EBITDA	€ 1,786M	-3.6% YoY	Around -3% YoY
Capex (excl. Spectrum & football rights)	€ 1.3Bn	€612M	Peak at around € 1.3Bn
Net debt / EBITDA	1.5X (Proximus) 2.3X (S&P)	NR	Around 2.6X (S&P)

Dividend over 2023 result

Intention to pay annual gross dividend over 2023 result of € 1.2/share, in line with new announced 3-year dividend policy (2023-2025)

*International Direct Margin: Telesign Direct Margin plus BICS Direct Margin
Company FY projections on DM exclude currency fluctuations on Telesign

Q&A

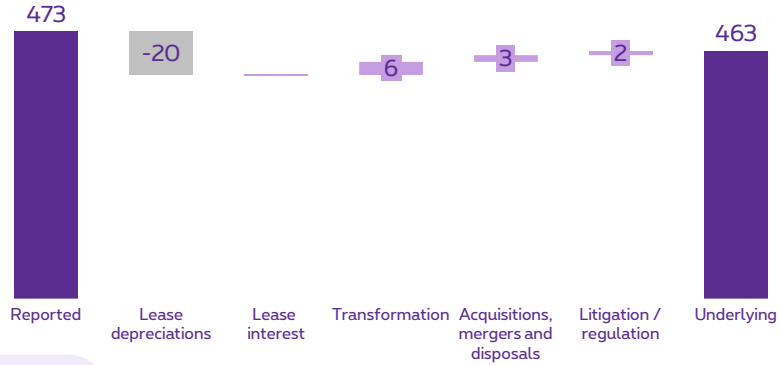
To ask a question, join the conference call

→ Register [here](#) for the Q&A to receive your dial-in details.

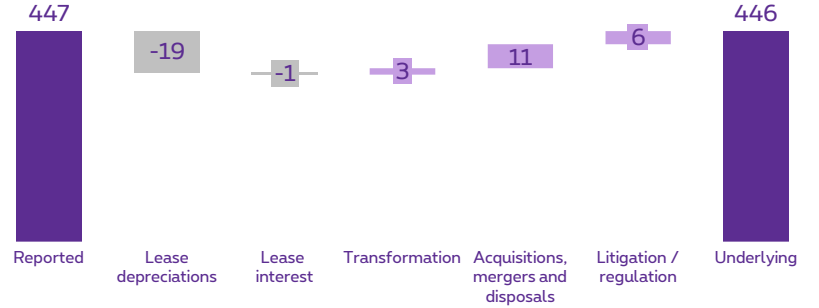
Appendix

From reported to underlying – EBITDA adjustments

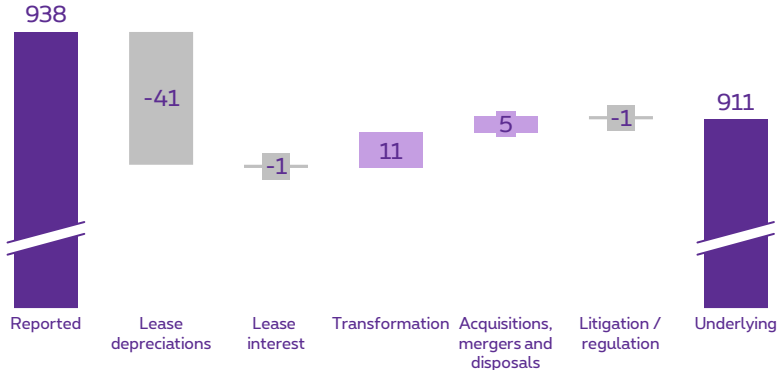
Q2'22



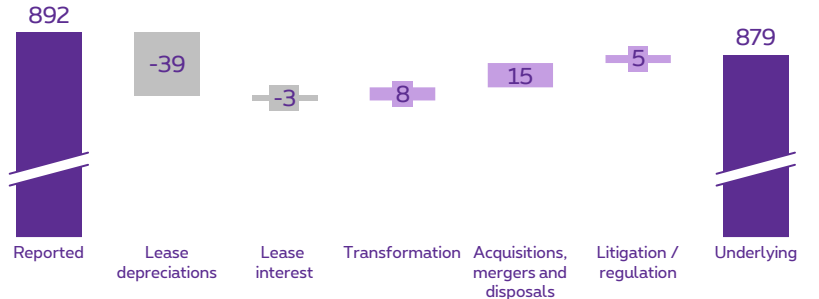
Q2'23



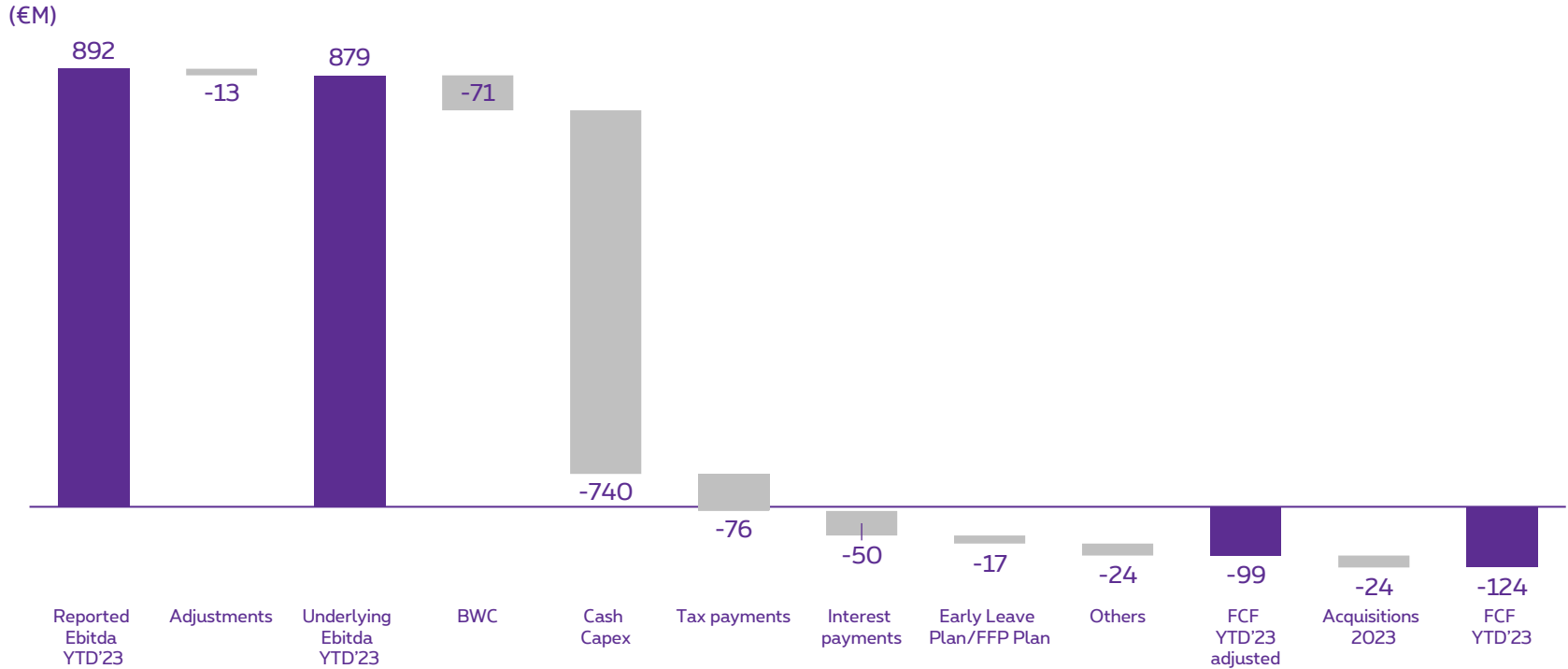
YTD 22



YTD 23



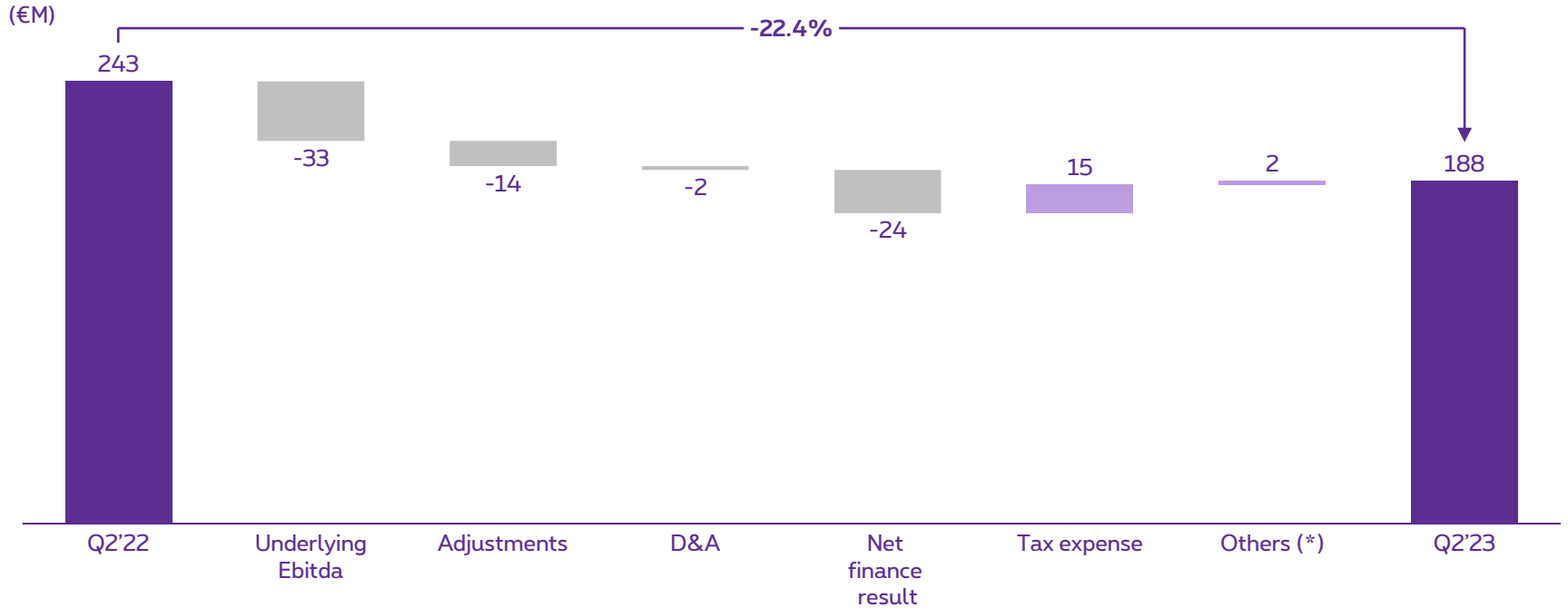
EBITDA conversion to FCF over H1 2023



• Early leave plan refers to voluntary early leave before retirement and FFP plan to the Fit for Purpose transformation plan

Net income

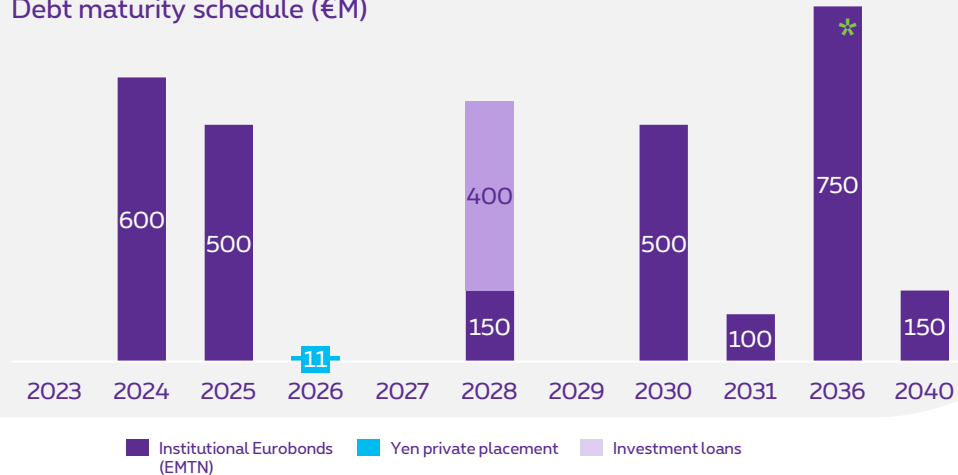
(Group share)



* Includes Non-controlling interests and Share of loss from associates

Continued access to credit markets & near term refinancing secured at low interest rates

Debt maturity schedule (€M)



- > >99% of outstanding LT debt at **fixed rate**
- > **7 years** weighted average debt duration¹
- > **2%** weighted average coupon¹

¹Long term debt

Shareholder structure

Status 30/06/2023

Total number of shares

338,025,135

Free-float

42%

Belgian Government

54%

Market Capitalization

~€ **2.5**Bn

Dividend yield

~**17.5%**

	Number of shares	% shares	% Voting rights	% Dividend rights	Number of shares with voting rights	Number of shares with dividend rights
Belgian state	180,887,569	53.51%	56.11%	55.99%	180,887,569	180,887,569
Proximus own shares	15,659,031	4.63 %	0.00 %	0.21 %	0	693,702
Free-float	141,478,535	41.85 %	43.89 %	43.79 %	141,478,535	141,478,535
Total	338,025,135	100.00 %	100.00 %	100.00 %	322,366,104	323,059,806

The voting rights of all treasury shares are suspended by law. Proximus has 14,965,329 treasury shares that are not entitled to dividend rights and 693,702 treasury shares that are entitled to dividend rights.

Transparency declarations: According to Proximus' bylaws, the thresholds as from which a shareholding needs to be disclosed have been set at 3% and 7.5%, in addition to the legal thresholds of 5% and each multiple of 5%.

Contact Investor Relations



Call:

+32 2 202 82 41

+32 2 202 62 17



E-mail:

investor.relations@proximus.com



**Proximus Investor
Relations website:**

www.proximus.com/en/investors