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**Event: Proximus Conference Call**

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**Speakers:**

Dominique Leroy – CEO

Sandrine Dufour – CFO

Guillaume Boutin – Chief Consumer Market Officer

Bart Van Den Meersche – Chief Enterprise Market Officer

Nancy Goossens -Director Investor Relations

**Call Duration: 56:19**

**Operator:** Good afternoon ladies and gentlemen, and welcome to the Proximus Q1 2019 results conference call. For your information, this conference is being recorded. At this time, I will now hand over to Mme Nancy Goossens, Director, Group Investor Relations. Madam, please go ahead.

**Nancy Goossens:** Thank you. So, good afternoon ladies and gentlemen, and thank you for calling in. I hope you all well received the documents that we released this morning, and that you had some time to go through the results. For this round, we will use most of the time to answer your questions, so we will get to that in a minute. I have here with me the CEO, Dominique Leroy and CFO Sandrine Dufour as well as other members of the Executive Committee, so they will take your questions in a moment. But before we get to that part, we will start with an introduction of the CEO. Please go ahead.

**Dominique Leroy:** Yes, thank you Nancy. Welcome to our first quarter conference call. As announced this morning, over the first three months of the year, we further attracted additional customers to our main products, growing our customer base for Fixed Internet, TV and Mobile Postpaid. We also realised further progress in our 4-Play customer base, especially driven by enticing an increasing number of families to our Tuttimus and Bizz All-in offers. As a result, we saw the average revenue per household continue to grow to €66.7. At the same time, we maintained the positioning of our Scarlet brand towards the lower end of the market, addressing especially customers looking for the lowest price, and where Scarlet's no-frills offer fulfils their requirements.

Besides challenging market conditions, we also faced the changing behaviour of customers. These are using more and more communication apps instead of traditional voice and SMS. This results in lower inbound revenue, which is reflected in the Consumer mobile service revenue; however, with no real impact on our margin. We also see increasing promotional activities and competitive moves in the Consumer mobile market, putting pressure on acquisitions.

On the Enterprise side where competition is also very present, we realised another sound quarter with firm mobile customer growth. The acquisitions that we have done over the past year have been delivering in line with our expectations. The highly specialised companies provide the necessary expertise to offer meaningful solutions for the digital transformation of our Enterprise customers. Thanks to these acquired companies, we posted a further increase in ICT revenues in the first quarter.

In Advanced Business Services, we posted an increased revenue for Be-Mobile, our subsidiary active in the field of 'smart mobility.' Be-Mobile also benefited from the contribution of Mediamobile, a company acquired in November last year, and allowing Be-Mobile to increase its traffic-management services to countries such as France, Germany and the Nordics.

With positive commercial drivers in both the Consumer and Enterprise segments, and revenue pressure partly on low margin income, we kept a sound underlying Domestic direct margin, growing the first quarter by 0.9%, which in turn drove a 2.2% increase in underlying Domestic EBITDA. The BICS segment posted a 1.3% increase in EBITDA, including the support of TeleSign new services. All in all, this leads to an underlying Group EBITDA increase by 2.1% for the first quarter 2019.

Based on recent trends and our expectations for the remainder of the year, we have decided to exclude the revenue from Terminals from our revenue guidance. Revenue from Terminals is largely generated through reselling of standalone mobile devices. This is creating top line pressure while being margin neutral. Therefore, we have refined our revenue metrics for the full year 2019 outlook to Domestic revenue excluding Terminals. This way, we take out volatility linked to these sales, and it keeps focus on where the real value is.

For the underlying Group EBITDA, we reiterate our stable outlook, including a slight underlying EBITDA growth for all Domestic operations, in spite of the expected €20 million regulation impact and a decline on mixed results in the remaining quarters, due to a progressive insourcing by MTN of their Africa and Middle East operations.

Our capex outlook for the year remains unchanged as well, so we expect to end 2019 with capex stable to the previous year, excluding spectrum-related capex. As you know, we are spending an increasing part of our capex envelope for the rollout of fibre in Belgium. Today, we are rolling out fibre in ten cities, bringing a superfast, future-proof network to all customers.

As a last point, we also reiterate the intention to return, over the year 2019, a dividend of €1.50 per share.

With this, I have covered my introduction and propose we now start with your questions. Thank you.

**Operator:** Ladies and gentlemen, if you wish to ask a question you may press 01 on your telephone keypad. We have one first question from Mr David Vagman from ING. Sir, please go ahead.

**David Vagman:** Hi, good afternoon. So, thanks for taking my question, I've got three. First, could you explain us what is the momentum of Epic Combo so far, and roughly indicate us what is the profitability of this offer, let's say compared to a Tuttimus? And do you see any risk of downtrading by Proximus customer or Scarlet customer moving to a bigger combo? So, that's my first question.

Then secondly, if you could clarify the direct margin increase in Consumer; if you could possibly quantify the impact of the different drivers. So, you mentioned the better revenue mix, the lower commission paid but also increased digital sales.

And then lastly on regulation, can you give us your view on the regulatory change asked by the BIPT regarding high quality networks? So, what could the passive access by your competitors mean business-wise in B2B, so down the road? And how much does this activity represent in term of sales, so the ones affected by the regulatory change. Thank you.

**Guillaume Boutin:** Hi, this is Guillaume speaking. For the first question regarding Epic Combo, of course it's way too soon to see if it's going to be a hit on the market, but we are quite happy with the first results that are in line with our expectations.

On the risk of them downgraded, we don't see a risk of downgrade as we are in a strategy to segment of our value proposition. And as you see in the communication, in the channel mix that we are shooting for, for Epic, we already targeted people and customers that are really different from the Tuttimus or the Minimus of these worlds. And so far, this is really what we are achieving when looking at the first results.

In terms of margin contribution of these new offers, you know Epic Combo is, I would say, a no-frills offer in some respects, with not a lot of additional cost on top of the connectivity and access to the mobile network. It means that for us, it's a very good driver of margin contribution, if we really manage to make this Epic Combo a success for the Group.

In terms of direct margin increase at the Consumer level, of course, as you saw in the presentation, the positive drivers around Broadband, Digital TV, Mobile Postpaid are partly offset by the decrease in Prepaid and Fixed Voice. And then you have some other items that are more non-core elements around reminder fees that you know is impacting our direct margin since May last year.

In terms of the control of our cost and direct margin cost, here I will maybe take some minutes to explain the benefit of the current digital adoption that we see at Proximus. I am going to give you some examples that are favorably impacting the commercial cost and the servicing cost of Proximus. For example, the e-share of channel increased by 35% year over year; the MyProximus users, so the users that are using MyProximus app, increased by 38% year over year; and we passed the bar of the million monthly active users at MyProximus' this month. At the same time, the volumes of calls that are arising out of call centres are decreasing by double digits year over year, so all the digital adoption is impacting in a positive way to the cost to serve and to the cost to sell our products at the consumer level.

**David Vagman:** Okay, thank you.

**Dominique Leroy:** So, concerning your third question and the regulatory change on high quality access, yeah, it's true that there is a draft consultation from the BIPT about the fact that we would have to give access on dark fibre and also ducts. But that's, I think, a normal evolution, and we already have in our offer a dark fibre offer in the B2B, which are already given today as a commercial offer. So, I don't think that would have a major impact on our Wholesale activity, neither our Enterprise competition activities.

**David Vagman:** So, you are already offering passive access, actually.

**Dominique Leroy:** We already offer passive access to Enterprise customers, yes –

**David Vagman:** Okay.

**Dominique Leroy:** – to operators active in the Enterprise business, to OLO's, yeah.

**David Vagman:** And if I may, a very quick follow-up on Epic Combo. Do you plan to complement the Epic Combo with other offer, let's say with more flexibility on the mobile side? Do you see it become more as a family? That's a bit the sense of my question.

**Guillaume Boutin:** I will not comment on the evolution of which offers.

**David Vagman:** Okay.

**Guillaume Boutin:** And I've got already three different products at Epic so everything is possible at that front, but I will not comment on the evolution of my current portfolio.

**David Vagman:** Okay, thank you.

**Operator:** Thank you, sir. We have another question from Mr Ulrich Rathe from Jefferies. Sir, please go ahead.

**Ulrich Rathe:** Hi, yeah, thank you. So, my first question would be in EBU, you're sort of highlighting the acquisition impact in the Be-Mobile bit. Could you quantify to what extent the M&A impact in EBU has stepped up on the year-on-year trends in the first quarter compared with the year-on-year trends in prior quarters? Is this sort of a material change, so there's more of a boost in the first quarter than in prior quarters with M&A? That's my first question.

Second question, it sounds a bit as if you've stepped back in the first quarter from promotional activity by competitors. So, I'm wondering would you be able to quantify roughly what impact that might have had on your EBITDA trend, the fact that you might have sort of stepped back a bit in a way that, you know, I would assume you'd sort of get back into it once the market quietens down a bit? So, I'm just wondering of that element of the EBITDA growth.

And the last question is on the Terminals sales. You're highlighting that it's down a lot, you're – so changing the guidance, and then you're saying it's low margin so it doesn't really matter. I'm just wondering is there any adjacent relevance of this Terminals sales business to the third party [inaudible] in particular? Is this a question of sort of binding these people closer to Proximus, or is this really a completely standalone business that you can simply cut it away without any material impact on the core business? Thank you.

**Sandrine Dufour:** So, it's Sandrine speaking; I'll take your first question regarding the M&A contribution in our Q1 numbers. If I measured this relative to our total revenue, Group contribution of M&A is south of 1%. Now, if I take it in terms of EBITDA it's lower, because bear in mind that these are ICT activities with more people-intensive structure. So, in terms of opex, it's clearly more than 1%. So, net in contribution of EBITDA, it's lower than revenue.

**Guillaume Boutin:** On the promotional activity, I would say that traditionally Q1 Mobile Postpaid and commission means – are not the most intense quarter of the year for Proximus. We used to have a very strong marketing and commercial Christmas period, and we usually try to be more disciplined during the first part of the year. But we are not going to give some precise impact at the EBITDA level. As I said previously, what we see, however, is a good positive impact on the digital adoption leading to e-servicing and e-share of channel for all the Proximus servicing and sales activities.

**Dominique Leroy:** And so, on the Terminals sales, I think it's more a historical business we have had, where a new device provider came to the country very often; they asked Proximus to sell the device to be able to gain quickly distribution. I think today the terminal sales market is more mature, so they want also to take part of the business themselves. And to be honest, for us it's a business with a low margin – I would say no margin – and there is no real advantage today to continue to have that business on a standalone. What we of course continue to do very intensively is to sell devices when we have joint offer, because there, the devices are linked with connectivity and that makes sense for us. So, that part we'll certainly keep; the rest we'll probably gradually decrease. And that's also one of the reasons why we wanted to give guidance without the Terminals sales in a market context today, where there is lower terminals sales evolution, I think overall in Europe.

**Ulrich Rathe:** That's very helpful. Can I follow up, please, on the second question? I understand there is seasonal effect; that's not the core of what I'm interested in. I'm really wondering is there in the first quarter an effect that, you know, you saw competitive activity that made you decide to step back a bit? Because that was my understanding from the report, and I'm not entirely sure whether you're saying that's simply not the case. Thank you.

**Guillaume Boutin:** No, it's not it's not because of competition that we decided to stay back; it's more traditionally, as I said, a period where we are less active on the market, and we are more concentrating our efforts to value customers and to master and control the churn rate. And this is why we put in that period more effort on conversions products, more efforts on value customers and more effort on churn rates. As you see also in our performance, the Broadband performance is quite okay. And if I look at Mobile drivers, if you look at the Mobile churn rate, it's a decrease year over year, so we really focused on churn control, value customers and developing our broadband customer base, which is key for the future of our strategy.

**Ulrich Rathe:** Great, thank you very much for your time. Thank you.

**Operator:** Thank you, sir. So, we have another question from Mr Matthijs van Leijenhorst from Kepler Cheuvreux. Sir, please go ahead.

**Matthijs van Leijenhorst:** Yes, good afternoon. First question is on the EBITDA. If I look at the EBITDA growth for Domestic, 2% up year on year, but you still keep your guidance on flat EBITDA. Could you shed some light on that on the development of the EBITDA for the remainder of the year?

And the second question is could you tell us how the discussions with the unions are going?

**Sandrine Dufour:** Okay, so Sandrine speaking; I'll take your first question on EBITDA. I think what's important to probably highlight is the specific seasonality of our EBITDA over the year. While sticking to our guidance of a slight growth at the level of domestic and stable at the level of the Group for EBITDA, I think it's important to remind everyone the fact that last year our Q2 EBITDA growth was more than 6% at Group level, more than 5% Domestic level. This was based on a strong direct margin growth. We, at the time, highlighted the fact that it included positive settlements with suppliers, so that was clearly a one-off that will not repeat; but also highlight the fact that in Q2 last year, our opex base was the lowest of all quarters, both domestic and Group level. For Domestic, it was lower than €400 million, and so we do not expect to see growth in Q2; we expect to have a decrease of our EBITDA in Q2. I prefer to be very clear



that's clearly a seasonality effect, but clearly, as I said, no impacts on the fact that we guide stable EBITDA for full year and slight growth for the domestic perimeter.

**Matthijs van Leijenhorst:** Okay, but a quick follow up. Could you remind us? Obviously, you're still targeting these €150 million indirect cost savings by the end of this year. What is the current run rate? How many savings can we still expect, how much?

**Sandrine Dufour:** We are we are in line with the expectations of the yearly guidance we gave on cost savings, I think. The comment that you made specifically on the digital drivers behind delivering on efficiency proved to be effective in Q1, and we're tracking well on plan there.

**Dominique Leroy:** Okay, so on your second questions – discussions with the unions. I mean we started indeed a discussion with the union middle of January with 13 full days of discussions with them, where we informed about all the plans we have for the coming three years. We, after that, had a small break where the unions asked for a break so that they could come themselves with some proposals. This phase has just been or is being finalised, where we have received some suggestions from the unions. We have responded to those suggestions last week. And so normally now, by having both our wishes and the wishes of the union, we should be able to start a negotiation in the coming weeks by bringing the two sets of elements together. So, I would say it's a long process. And I know it brings quite a lot of uncertainties in the Company, but I think so far it is quite a normal process of information, consultations. And I really hope that in the coming weeks, we will be able to go into the real negotiation phase, so that we can really then discuss about an outcome for the next year and a new HR framework, and also an important cost reduction linked to a decrease of tasks in the Company.

**Matthijs van Leijenhorst:** Okay, thank you.

**Operator:** Thank you, sir. We have another question from Mr Nicolas Cote-Colisson from HSBC. Sir, please go ahead.

**Nicolas Cote-Colisson:** Thank you. Hi, I'll start with CBU. Can you come back on the dynamics around your unlimited data packs? Do you see more migrations or more acquisitions in your net adds mix?

My second question is on EBU. I can see the churn has picked up in Q1 compared to Q1 last year. So, should we read this as kind of a sign of a growing competition, or is it linked to a specific contract?

And my third and last question would be following up your comments, Dominique, on those negotiations in the coming week. How much of the government do you need to get into negotiations and eventually a final decision? Do you have to wait for the general elections and eventually a government to be formed?

**Guillaume Boutin:** On the first question, Nicolas, the only thing I can say to you, I can disclose that the share of high-end products is increasing year over year and quarter after quarter. So, we have a nice impact in terms of value mix of this unlimited data pack. So, it's more improving our value mix than other things and with a nice improvement of the high-shares pack within the total and the total sales of Proximus.

**Nicolas Cote-Colisson:** Okay.

**Speaker:** And on your second question, EBU churn, I assume you're referring to Mobile.

**Nicolas Cote-Colisson:** Yes.

**Bart Van Den Meersche:** So indeed, there is a slight increase. So, in Q1 of 2018 we had 9.7%, now we have 10.8%. I think it's still fairly reasonable but indeed there is a slight increase, and indeed this is linked to growing competition. By that, I mean competition is getting more aggressive, and so that is linked to competition.

**Dominique Leroy:** And so, on your third questions, the union discussions, I mean everything what we have proposed in terms of, let's say, which list and intentions, together with the unions are elements we can implement without any intervention from the government. So, I think the whole plan we have put forward is not dependent from election or from having a new government or from any new law. So, I think that it's reassuring that we can implement everything by ourselves, I would say, as soon as we have an agreement with the social partners.

**Nicolas Cote-Colisson:** I see, that's clear. Thank you.

**Operator:** Thank you, sir. We have another question for Mr Michael Bishop from Goldman Sachs. Sir, please go ahead.

**Michael Bishop:** Yes, thanks, and just two questions from me, please. Firstly, on B2B I was wondering, following on slightly from the earlier question, whether you could sort of comment on what the B2B growth would be excluding the M&A?

And then as a sort of follow-up on B2B, generally we're seeing trends deteriorate or be very weak at other incumbent operators, and Proximus has held up very well for quite a number of years now. Clearly, some are more proactively migrating to all IP. Do you see any sort of other material differences between your B2B strategy that mean that your current levels of growth are more sustainable than peers, that we should factor in?

And then just as a quick follow-up on the Mobile side, have you thought at all about potential tower-sharing in Belgium? We're seeing a number of tower-sharing deals being announced across the rest of Europe and clearly, we've had a bit of a surge in terms of independent tower ownership. But we haven't seen anything in Belgium, so it would be interesting to get your thoughts. Thanks.

**Bart Van Den Meersche:** Okay, so on your first question – the impact of M&A and excluding M&A, Sandrine already answered by stating that the M&A has only a 1% impact on the total Group. In terms of EBU, I mean we have now a growth of 1.6%. It would bring it slightly, I mean a little bit down against year over year, but I mean it's almost flat; that's the impact.

Then how is Proximus, I mean, holding up in B2B? As I stated before, it's not one reason and it's not a single silver bullet; there is a lot of hard work behind that. But the main element is that we are fulfilling our ambition of becoming the trusted partner of our customers in the digital transformation, and so go beyond connectivity in bringing value to our customers. And that is also the reason why we did the acquisitions in the past two years, to bring up our relevance to our customers, be it in security, be it in data integration, be it in moving into the cloud and the different elements. And that is clearly valued by our customers, that we are partnering with them in the digital transformation, which makes that we sustain our business in that environment.

**Michael Bishop:** Just a follow up about tying those two things together, so you think that that would have been a lot tougher without the M&A you've done? Because I guess other incumbents potentially haven't done as much M&A to particularly bolt on the security and the cloud aspect.

**Bart Van Den Meersche:** I'm convinced it is because as I said, we have done these M&A. I mean these were not companies that were for sale. I mean we have been screening the market looking for specific capabilities, skills that we believe are important to fulfil our ambition of being that trusted partner in digital transformation. So, they are indeed key in growing that relevance and so being that partner of trust to our customers.

**Sandrine Dufour:** Okay, regarding your questions on the tower-sharing in Belgium, in Belgium there is already a regulation that requires that all operators can have access to the towers of the others. So, today already, we are hosting our competitors on some of our towers, and we are also looking at opportunities

to be hosted on towers when a new tower is being built by our competitors. So, that's currently the structure, which has been effective for quite some years now.

**Michael Bishop:** Thanks. And just in terms of that, can you update us on how many towers you have, and whether you sort of see them as strategic longer term? Thank you.

**Sandrine Dufour:** Well, we have not disclosed the number of towers we have. So, it's a few thousands, I mean proportionate it's to the size of Belgium. And we've not considered the disposal of our towers so far. Remember that I tend to look at this with the cost of financing, and any deals in this respect is attached to a cost of financing, which is way above the level of debt that we're currently paying with our current net debt to EBITDA.

**Michael Bishop:** Thanks, those are all really useful answers.

**Operator:** Thank you, sir. We have another question from Mr Ruben Devos from KBC Securities. Sir, please go ahead.

**Ruben Devos:** Yes, good afternoon. Thank you. I've got one on IT. So, following some of the M&A activity of your peers on the IT side and the dynamic that we've seen in the Enterprise segments of Proximus, I was curious whether you could give some colour on the value of providing IT services next to connectivity to B2B customers, and maybe how you've seen the overall take up within the various segments, so SME and then the large Enterprise segments.

The second one is related to 5G. We've got a delay on the 5G auction potentially, we've got the uncertainty following the election, maybe we're going to have an auction late into 2020. So, I was wondering, you know, how all of that affects your roadmap in deploying 5G? And then given the requirements to densify your mobile network, could you give a rough indication of what needs to happen basically in terms of emission standards and building permits in Belgium to be able to deploy Next Generation mobile technology? Thank you.

**Bart Van Den Meersche:** On your first question, as I said in the earlier question, so the value of the acquisitions is for me – how would I say – the most important value for me is that it increases our relevance to our customers, it increases our relevance in terms of being their trusted partner in their digital transformation. And, for instance, the investments that we have been doing in security, and also with the acquisition of Davinsi Labs, has reinforced our security offerings and services. So that, for instance, in Belgium we have been able to win the most important security deal with FOD Finance and FOD Justice, which we would not have been able to do without them, and they would not have been able to do it without us. So that's why I'm saying this relevance is very important next to, of course, the value – in terms of value for us – ICT has become a very important business for us. Last year we did more than €0.5 billion in ICT, so it's also a growth source for us. But at the same time, as I said, it's also a differentiation and a value creation for our customers.

**Dominique Leroy:** Okay, so and on your question of 5G, I mean, yes, indeed the spectrum auction has been delayed; it will have to be taken care of by the new government. So, we think at the earliest we could have auction indeed in 2020 and most probably second half of 2020. So, does it affect our roadmap? I think partially yes, but what we also need to say is that today we have test spectrum, and that we can already do some tests on 5G. So, in that sense, we think if the new government can make diligence of the new spectrum auction once they are formed, the delay is very much manageable. And I think what will be, probably, a bigger handicap on the 5G will be the radiation norm of Brussels where we had hopes to have a change in law before the election, and that has not been able to happen. So, I think probably on the roadmap, my bigger worry is probably the radiation norm in Brussels versus the spectrum auction, because there we can still do tests and do some work with the various suppliers to move on to 5G.



Concerning where you say densifying our network, I mean in the roadmap we currently have, we do not foresee to do small cells on 5Gs in the coming years; the most deployment we have foreseen is mainly on the macro sites. So, to that extent, we do not depend so much on new permits. So, there I think as well, we will be able, as soon as spectrum will be available, to deploy most of our 5G roadmaps on the macro site we currently have. So, that's not so much affecting the rollout, what concerns process.

**Ruben Devos:** Okay, thank you.

**Operator:** Thank you, sir. We have another question from Mr David Wright from Bank of America. Sir, go ahead.

**David Wright:** Yeah, hello guys. Just to get a little better understanding on the sort of revenue dynamic, you've guided for the nearly stable revenues, excluding the Terminals. I think you're running a little bit below that. This quarter, I think it's around about 0.9% or so down. Now, my understanding is you've obviously got some regulatory headwinds: the international calling that strips some service revenue away from Q2 onwards; and obviously the commercial momentum in Q1 as possibly being a little bit softer – well, maybe than we expected, perhaps not yourselves. But, you know, given you've had the softer start commercially, given that you've got more headwinds coming from regulation, how do you turn the sort of 1% decline in Q1 around? What are the sort of major drivers of a stronger revenue outlook, please?

**Sandrine Dufour:** Well, I just remind that the guidance for the revenue is, for the Domestic perimeter, nearly stable. So, in that sense, with the current dynamics and with the expectation that we have, the fact that we still have some growth in our volume base and some elements that will disappear. I mean Guillaume was mentioning the reminder fees. As of May, this is disappearing. Of course, as you said, the international calls will replace this, but it's not coming on top. There are a couple of elements which gives us the confidence to maintain the nearly stable revenue guidance for the balance of the year.

**David Wright:** Okay, that's useful, I'm getting that. Maybe my semantic understanding of 'nearly stable,' I guess, is up for negotiation. Thank you very much.

**Operator:** Thank you, sir. We have another question for Mr Stefaan Genoe from Degroof Petercam. Please, go ahead.

**Stefaan Genoe:** Yes, good afternoon, two questions. As for a follow-up on ICT, revenues are more or less stable. Could you give more colour on the underlying dynamics within ICT – which activity is growing, which other activity is declining? That's one.

And then on the fibre rollout, you indicated you're in ten cities currently. Could you indicate what capex is related to that? And how do you see the step up in the coming quarters? For example, given the workforce requirement you need, what would be your maximum quarterly or yearly run rate? Thank you.

**Bart Van Den Meersche:** On your first question, first of all for us, of course, as I said, we have been investing in ICT in different areas where we focus on those areas that bring the highest added value. And I would say very often, they are also the ones that have the fastest growth. So, if I take again security, security in the digitised world becomes more and more important. So, it's clear that that is an underlying growth that is quite important. But we have also, if I take application integration, an application moving to the cloud is another one that is quite important; if I take the one that is around – so it would be one in terms of business analytics and network and IT operations. So, there are different ones. I mean the ones that are less growing are of course the onsite infrastructure ones, because a lot of companies are moving into the cloud. And that is also why we are offering a hybrid cloud offering, with as well on premise or in our datacentre, or in the public datacentres being Azure AWS or Google+. So, I would say the more traditional ones are replaced by the more digitised ones.

**Stefaan Genoe:** Is it possible to give an indication about the breakdown in what we could call more 'traditional' business of ICT and then the more new growing technologies?

**Bart Van Den Meersche:** No, we don't give that breakdown. By the way it's not so easy neither to make that breakdown, but we're not disclosing that one.

**Stefaan Genoe:** Okay.

**Dominique Leroy:** So, on your questions concerning fibre, I think the figures we have given on capex was the longer term; one third of all capex would be invested into fibre. We are not at that level yet, but that's still the guidance we give. So, we currently follow the plan. We have, I think, in terms of manpower, as you mentioned, we have secured the manpower for this year, and we have said that we would most probably come back at the end of the year with a further view on the plan. I think today it's a bit too early, because we first want to make sure that we have a full view on the regulation, which is foreseen by second half of the year. So, anything around a potential acceleration of the fibre plan will be decided in the second half of this year and will of course be communicated at that time to the market.

**Stefaan Genoe:** Okay. Thank you.

**Operator:** Thank you, sir. We have another question from Mr Paul Sidney from Credit Suisse. Sir, please go ahead.

**Paul Sidney:** Thank you very much. I just have three questions, which I think mostly follow on from questions that we've had before. Firstly, just on the Consumer line loss comment, you said they were exceptionally high in Q1'19. I'm just wondering if you could just tell us why that was, or why you think it was exceptionally high. And by describing it as exceptionally high, does that mean that you expect it to improve in the next few quarters?

And then secondly, just on the Consumer subs growth slowing in the quarter, you were mentioning stepping back from promotional activity in Q1. Does this suggest that Proximus's priority is shifting to focus more on profitability rather than pure subscriber growth?

And then just lastly on fibre regulation, with the wholesale rates moving to a cost-based model, do you think that's likely to stimulate any new interest in reselling your fibre? And, indeed, have you been actually approached by any resellers looking to resell your fibre products? Thank you.

**Guillaume Boutin:** On the first question regarding Fixed Voice line loss during this quarter, I think these are mainly two elements. First, we saw the continuous erosion of the Fixed Voice standalone customer base, and this is something that will continue in the coming quarters. But in this quarter, we witnessed a combination of elements that we do not expect to be repeated in the coming quarters, around an accelerated migration from legacy to cloud-based voice solution in the SE market. And I will say also a strong performance of multi-play offers without Fixed Voice, which has no impact on margin contribution, as you know. But we do not expect those trends to be continued in the coming quarters. So, we indeed do not expect the weak Q1 performance to be repeated in the coming quarters, regarding Fixed Voice losses.

On your second question on Consumer operations, we are not shifting from strategy at all. We have our long-term view in shifting our overall business operation to more digital ways and to bring more services on top of connectivity for the Consumer Business Unit. This strategy will remain and will continue to be executed. As I said, Q1 is not our best quarter traditionally, and this happened that year again. But we have a number of initiatives that are currently ongoing. I would mention the revamped Prepaid portfolio that we launched in March. As usual in Q2, we could be more present after the Proximus marketing in the markets. And, as you saw in Q1 – and it's going to be continued in Q2, Q3 – our focus on churn, I think it's a key priority. And with all that, we expect to improve our commercial momentum in Q2, Q3, as we usually do here every year in Q2, Q3 compared to Q1.

**Dominique Leroy:** Okay, and concerning your fibre, I think so far, the first indication we have on the cost model is very much in line with the commercial price we currently have for the fibre-to-the-home part. I mean today we have already 15 players that are OLOs that are buying our fibres. So, most of the people active on the Belgian market as OLO are buying fibre at Proximus. On the fibre-to-the-home business, I probably think the only one who is not currently buying fibre from Proximus is Orange, and we are, of course, very open to sell them our fibre if they would be interested.

**Paul Sidney:** Thank you. Could I just have a quick follow-up. I'm not sure if I just missed this, but have you actually given an absolute figure for the number of homes that you've passed with fibre now? You've been building for a couple of years. Just wondering if you can give us that an absolute figure or even a percentage figure.

**Dominique Leroy:** No, I don't think we have given figures. I think what we have said is that we want to double the number of installed lines in 2019, so we have an acceleration of the home passed. But I think, so far, we haven't given a number. They are still quite small, to be honest. I think you will see that as from this year, we will really accelerate. You know that our fibre plan was first focused very much on the Enterprise market. And we have covered around 50% of all the industrial zonings by the end of last year, and we are continuing to do that, so the focus is still more on that. And on the fibre-to-the-home, we will double the installation this year, and we will continue to accelerate it as from next year. But we haven't given any absolute numbers so far.

**Paul Sidney:** Understood, thank you very much.

**Operator:** Thank you, sir. We have another question from Mr Emmanuel Carlier from Kempen. Sir, go ahead.

**Emmanuel Carlier:** Hi, good afternoon. Two questions, one on the wholesale rates which are under review. So far, there is no – not really a tiering based on data usage. Is that something that you believe that will be picked up by the regulator?

And then secondly, on fibre – yeah, the question has actually already been answered, but I think three years ago you mentioned that you could not roll out fibre quicker than in your current plans. Has that changed? And if so, how long would it take to go to 100% fibre-to-the-home penetration in Belgium? Thanks.

**Dominique Leroy:** Yeah, so just on your first question, I mean for me it's not clear your question. You are talking about tiering on data usage?

**Emmanuel Carlier:** Yes. So, the cable wholesale rate actually, but also the fibre wholesale rate, I think so far you have a pricing for broadband separately – broadband plus TV, and then it depends on the speed. But if you sell a broadband standalone product, I think a kind of wholesale rate depending on the data usage would also make a lot of sense. So, do you believe that this will be included in the decision of the regulator?

**Dominique Leroy:** No. To be honest, I think so far, the only thing we have seen is there is a price tiering which is based on speeds. And, of course, you have two components on the regulation of the fibre: you have a cost model where you have indeed a small difference based on speeds; and then you have the whole concept of fair margin, which will be applied on top of the cost model – were the first sign that we have heard from the regulator that will enable to have tiering on the cost-based model. So, I think the element of cost model plus fair margin will enable us to continue to do tiering. But, so far, the tiering that is foreseen is mainly on speed and not on data usage, as from what I know.

And on the fibre rollout, I think I just indeed answered the questions, that a quicker rollout will be decided in the second half of this year, when we'll have more clarity mainly on the regulation. And we still need to assess, I mean, how fast we can go. To be honest, the main constraints we will have, in terms of if we

want to go faster, will be the capabilities and the manpower, which will be available in the in the country. And they're still to be assessed once we would take the decision.

**Emmanuel Carlier:** Okay. And any recent data you could share on the uptake of customers in a fibre-to-the-home footprint, or is the sample still way too small?

**Dominique Leroy:** No, I think what we can say is that currently the uptake is roughly in line with our expectations. We have a longer history of take-up rate in the zone where we call 'greenfield,' so where we build new houses and we come with fibre. There, we have a very good uptake. The uptake is a bit lower in what we call the 'brownfield' because there, of course, it's all grown on migration and winback. And that's taking a bit longer, but it was also foreseen in the plan that in zones where you replace copper by fibre, the uptake will be longer term in line with what we have in greenfield. But that will take a bit more time to get there, as we don't force migration. So, I would say so far in line with the expectation, but no very precise figures that we can give already today.

**Emmanuel Carlier:** Yeah, okay. And maybe coming back on my first question as well, don't you believe there should be tiering based on data usage? Because if you can have access at, I don't know, €20 and everything is going via the data network, then that could be quite disruptive for Proximus and Telenet and for the network owners. Or are you not scared by such a potential move?

**Dominique Leroy:** I think so far, the offers you have on the market on internet, most of them are unlimited offer with a FUP – with a Fair Use Policy; it's only the very low-end internet offer that are limited. So, I think so far there is not, even in the consumer price – and I'm referring to that as a way to benchmark the whole scene – there is not so much tiering on data usage on the internet side; it's only the real 'entry offer' where you have a limitation – 200GB or 150GB. And for the rest it's more unlimited where – FUP. So, I think it's a good idea, but I think it's difficult to replicate, as in the retail part we don't have this data usage so far.

**Emmanuel Carlier:** Yeah, okay. Thanks a lot.

**Operator:** Thank you, sir. We have another question from Mr Ulrich Rathe from Jefferies. Sir, please go ahead.

**Ulrich Rathe:** Yeah, thanks very much. I don't want to entirely labour the point. I would just like to come back to the earlier question on sort of the consumer commercial spending and market activity, compared to the competitor sort of activity and the result. I mean it looks to me, if I sort of look at the slides summarising your volume KPIs in Consumer separately, that on a year-on-year basis the Internet intake has halved, the TV intake has halved, and I think it was discussed earlier that the Fixed Voice intake in Consumer separately was also very, very weak. And now in the Mobile bit, we have only 1,000 instead of 12,000 of the net adds. So, in all the major volume KPIs, the year-on-year trend is actually down a lot. On the other hand, sort of we are seeing this commentary about direct margin benefiting from lower commission spending. And sort of, you know, when asked about this, you seem to say that it wasn't really you stepping back. So, I'm wondering how does this fit together? How does it fit together that, you know, all the volume KPIs sort of had this dip on a year-on-year basis, that you're not suggesting you stepped back; and on the other hand, the margins are...? I'm still not entirely sure I get the picture there. Thank you.

**Dominique Leroy:** Perhaps I can try to give another light on the Q1 results. I think first of all, we had very strong net adds and activities in Q4. And I think, as well, our operational activities in Q4 were very much well run, so we didn't have a lot of our Q4 customers that had to be installed in Q1. So, I think that's explaining a bit of it, where most of the sales on Q4 were strong sales and were also installed in Q4, where in the past year we sometimes had some spill-over from Q4 to Q1.

For the rest, I think Q1 has been indeed a quarter where we have not so much focused on promotional activities. The other competitors have focused way more on promotional activities; also, a lot of internet



promotion that's probably less visible for you as analysts, but there has been quite some aggressive promotional activities in the digital space from competition. We decided not to react on that. For instance, there has been quite a lot of promotions, for instance, on mobile at zero euro on WIGO of Telenet, so I don't think we should follow acquisition at zero euro. There has been very aggressive promotional activities from Orange on their unlimited, and also on Base on their unlimited at half price, which are extremely value-destructive promotions. And we decided at Proximus not to follow that route and indeed to be resilient on what happens on the market.

Therefore, indeed you have some lower KPI on the first quarter, but I think competition cannot continue to follow, to have acquisition at half price or at zero euro. And we have quite normal promotional activity plans, which is foreseen on Q2, Q3, Q4. That's why we are quite confident here to maintain our guidance, and to say Q1 has been indeed a bit weak versus high competitive activities, but we still think that on Q2, Q3, Q4 we will be able to post all our normal KPIs as we have done in the previous year. So, I mean we can turn it on a lot of different elements; I just think the reality is Q1 indeed weakened figures, but due to very aggressive offer of competition and, I think, strong Q4 net adds of 2018. And we think Q2, Q3, Q4 will be way more balanced, because we also have our plans. And I don't think competition can continue to give aggressive promotion half price or at zero euro.

**Ulrich Rathe:** Okay, now that makes perfect sense to me. Thank you very much, thank you.

**Operator:** Thank you, sir. We have no other question. I give you back the floor.

**Nancy Goossens:** Thank you all for calling in and thank you all for your questions. Should you have any follow-up questions, you can contact the Investor Relations team. Thank you.

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