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Q1 2018 Conference call
4 May 2018

Operator: Good afternoon, ladies and gentlemen, and welcome to today's Proximus 2018 Q1 Results 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, Group Investor Relations. Please go ahead.

Nancy Goossens: Thank you. Good afternoon, ladies and gentlemen, and thank you for calling in. I take it that everybody has well received the results release this morning as well as the presentation, so we trust you have seen the published numbers by now. So, for this call, we will reserve most of the time for the Q&A.

On our side, we have here present Dominique Leroy, the CEO; and Sandrine Dufour, CFO; as well as most members of the executive committee. They will all be happy to answer your questions in a moment. But before getting to that, let me pass the word to Dominique for her introduction.

Dominique Leroy: Thank you, Nancy. Welcome to our conference call on the Proximus first quarter 2018 results. So, this morning, we have announced a set of first quarter results on which I think we can be proud of. So, in an intensively competitive environment, we managed to further grow our customer base for TV, internet and mobile postpaid, and we maintained our solid market position. Over the first quarter, the market share for broadband (46.6%), and for mobile post-paid at 42.7%, were kept stable while we achieved a slight progress in the total mobile market share to 39.1% and in our TV share for 36.9%.

For our consumer segment, the customer gain was again supported by the success of our Tuttimus and Bizz All-in offers. Over the first quarter, we attracted another 44,000 customers on these whole offers, growing the base to 404,000 by end of March 2018. An active push to continue growing our 4-Play household base is an important value driver. With more and more customers on 4-Play, we see the average revenue per household increasing to €66.8. The positive impact from upselling services to customers and targeted price increases has more than offset the headwinds, such as regulatory pricing and the ongoing erosion in fixed voice usage.

At the same time, we continued to address the more price-sensitive part of the market with our Scarlet brand. As our two brands target very different market segments and are kept very much separate in their commercial channels, we reap the benefits from Scarlet's solid customer growth while minimising any cannibalisation on the Proximus brands.

In the enterprise segment, we also sustained our solid position and firmly grew our mobile base. ICT revenue was slightly up compared to a very high first quarter of 2017 and included a better mix of services versus products. We indeed posted higher revenue from security, advanced workplace and outsourcing services. Furthermore, the smart mobility and convergent business solutions again showed some good progress.

We achieved these commercial results through the continued effort on our fit for growth strategy. Despite the roam-like-at-home impact, we managed to book close to 1% revenue growth for our Domestic operations. For BICS, the first quarter result showed the solid support of TeleSign, with direct margin and EBITDA increasing. The combination with TeleSign has visibly boosted BICS' strategic ambitions in the growing application-to-person market, while synergies on cost of sales are delivering as expected.

As a result of the EBITDA progress in Domestic and BICS, the underlying EBITDA of the Proximus Group for this first quarter ended 1.1% above the comparable period of 2017, keeping us well on track for our guidance to end this year with a slightly growing group EBITDA. To achieve this, we will continue our transformation journey to turn Proximus into a more customer-centric and fitter organisation, focusing on efficiency and simplification efforts to further structurally reduce our costs and transition towards a digital service provider.

As for the CAPEX, the level in the first quarter remains stable to last year, and we reiterate our expectation to end year with around €1 billion of CAPEX. This covers the extensive enhancements in our networks, including the ongoing rollout of fibre in several cities now.

This brings me to the next topic and about regulation. So the national regulator has notified the European Commission of their review of the broadband, internet and TV market analysis. This newly issued market review brings us reassurance on our fibre deployment, and it allows us to continue our fibre project as we had planned. We have always been clear on our intention to offer wholesale on our network, as an integral part of our strategy. We are deploying an open fibre network and are pleased to have welcomed already a growing number of wholesale customers on fibre. Given the success in making commercial agreements, there is, in our view, no need for a regulation of our fibre network.

Finally, I would like to point out that we are pleased there is now a clear framework for reciprocal access between cable and copper or fibre, meaning that also in the business market, we will have more level playing fields. Remember that Proximus was excluded from the cable network, and now it has been confirmed that Proximus is allowed to access cable where there is no own coverage. At the same time, cable will no longer be able to offer backup lines via the Proximus network.

So, with these last points, I think I have covered the introduction and I propose we start with your questions. Thank you.

Operator: Ladies and gentlemen, we will now begin our Q&A session. If you wish to ask a question, please press 01 on your telephone keypad and you will enter the queue. After you are announced, please ask your question. We kindly ask you not to use a microphone or a headset when asking your question. If your question has been answered, you can remove yourself from the queue by dialling 02.

The first question from Nicolas Cote-Colisson from HSBC. Sir, please go ahead.

Nicolas Cote-Colisson: Hi, thank you. My first question will be about an update on the cost saving plan, if you have seen any positive or negative surprises versus your initial expectations. And back on the − to the regulation, two things. You said at the time of the publication of the analysis that you are not expecting a cost model before 2020. My expectations were more mid 2019 as it is, I think, with the regulator. So, can you explain why you think the cost model could come so late?

And the last on regulation and the broadband-only offers on cable. What do you think could be the size of such market – I mean, the broadband-only market – if the prices go down eventually with the regulation? Do you see a risk there? Thank you.

Sandrine Dufour: Okay, so it's Sandrine speaking, Nicolas to your question on the cost saving plan.So maybe a comment on Q1, where we slightly increased Domestic OPEX by 3 million. We're tracking on line with our plan to decrease our global cost on gross savings. We did them on Q1. As you know, between the gross saving and the net, there are elements such as the natural growth of our OPEX, which is wage indexation. There are new elements linked to volume growth, in maintenance in mobile sites. We're also having extra means in our ICT affiliates.

But I want to highlight maybe two elements. One is linked to extra commercial means that we had planned to do at the beginning of the year, this last year, and all the one-offs which were linked to the update of some provisions. And without these one-offs, our net OPEX would have slightly decreased. But as a whole, for the full year, we're still tracking in line with our ambition to deliver our global cost saving plan.

Dirk Lybaert: So, on the regulation and the expected cost model, it is correct that earlier we said that we expected it not before 2020. If you look at the timing of the regulator today, they have done this exercise, or they started this exercise, in parallel with the market analysis. So, indeed they are somewhat ahead of what we thought they would be. Now, the timing here, we are giving our input on the fibre cost at this moment. And so, we expect indeed that they will be ready with their exercise by the end of 2018, and so we expect an outcome of that exercise somewhere in Q1, Q2 2019.

Dominique Leroy: So that was Dirk speaking on corporate affairs. I will take – it's Dominique – the third question. So, I think it is true that now with the new market review, Orange can have access to an internet-only offer on cable. I mean, so far, the price of that is the same as the price for internet and TV, so I don't think there is any big risk of disruption.

How big is the size of the market? I think today there are already quite a lot of offers which are internet-only offers. You have some at the low end of the market even under Scarlet, where Scarlet has two offers − one called internet Poco at €23 per month and one internet Loco at €35 per month. We also have internet-only offers on Proximus. So, I think that market is already relatively well covered, both at the low end of the market and at the high end of the market. So, I don't think there could be a major new disruption coming from a cable internet-only offer, even if you think at the low cost, because it already exists at the moment under the Scarlet brand.

Nicolas Cote-Colisson: Okay, very clear. Thank you.

Operator: Next question from Roshan Ranjit from Deutsche Bank. Sir, please go ahead.

Roshan Ranjit: Hi, good afternoon. Thanks for the questions. Just two quick ones, please. You announced at the end of last year the acquisition of two content or rather studio productions, Studio 100 and Be TV. Is it possible to get a sense of how popular they were this quarter? I know it's only the first quarter, but how popular were the take-up of the kids' channels.

And second, just a quick one on BICS. You mentioned some FX headwinds in the quarter. Is it possible to get a sense of what the split is between the revenue generation domestically versus your overseas exposure? Thanks.

Guillaume Boutin: So, it's Guillaume Boutin speaking. On your first question, just to clarify, those distribution deals that we had with Studio 100 and Be TV. And we are not disclosing specific numbers on the performance of content offerings, but I would say that it's going quite well according to plan, and we see good traction and it's a good complement to our existing offers to bring to Proximus customers this very sexy content for the market.

Daniel Kurgan: Hello, this is Daniel. So, if I understood the question correctly, I'd like to remind that for BICS, approximately 40 to 50% of our revenue is in dollar. So that has an impact on the revenue, but − which is mitigated on the margin level because we've got a natural hedging between our revenue and our cost of goods sold for voice and messaging termination. So does this answer the question on the FOREX?

Roshan Ranjit: Ye, , that's very clear. Thank you.

Operator: So, next question – okay, next question from Michael Bishop from Goldman Sachs. Sir, please go ahead.

Michael Bishop: Yes, thanks. Good afternoon. Just two questions from me. Firstly, just following up on the regulation, clearly you seem fairly confident that this regulatory regime allows you a fair return on fibre to the home. But I was just − I'm wondering, if you dig a bit deeper and think about the cost models, clearly there's potential for the two cost models for cable and FttH to differ, creating the potential for arbitrage for resellers. So how confident are you with regards to the overall regulatory approach for the market and driving a fair return for Proximus on FttH?

And then secondly, it'd just be good to get your thoughts on the levels of competition in the first quarter. We've heard from the other operators that it was fairly intense and then perhaps has quietened down a little bit in the second quarter so far, so it'd be good to get your view. Thank you very much.

Dominique Leroy: Okay, so Dominique speaking. I think, on the overall regulation, I mean, our position of course is that fibre should not be regulated, because from the start − and we had included that also in our business case − we intend to open our fibre network and we have already today closed a wholesale agreement with 80% of the wholesale operators in Belgium. I think we have closed an agreement with every single one of them with the exception of Orange, who was not interested in signing a wholesale agreement on fibre so far. So, normally, a regulation comes in when you don't have an efficient market. I think the fact that our fibre is open – that we have already agreement with 80% of the wholesale players – makes us confident that we should be able to avoid regulation.

What is for us very important is that the current market review gives us confidence in the way we deploy fibre, which is a GPON way of deploying fibre which is of course a shared fibre. And therefore, our wholesale offer is bitstream and potentially later VULA, but currently a bitstream offer, which also allows us to have a tiering in the offer. So, − and that's for us an important way where we can assure return on investments of our fibre investment, it's that we of course sell our fibre products at different prices in function of the content. If you have an offer at low speed, it is at a lower price. If you have an offer at much higher speed, we of course ask for a premium for that. And today, this model is a model that we have been able to replicate in our wholesale offer.

So, the regulation so far is in line with our business model and allows us to get a return on investment which was initially foreseen. What we understand from the cost model that is currently being developed by the regulator is that they want to develop it to see if the prices that we have put forward to wholesale are not outrageously above the cost model. But we think we are very confident that the prices, which you can see some of them on the low end in the market review, I think the prices of €23 as entry price on the 110 megabit per second has been made public, and 28 on the 250 megabit per second has been made public. And of course, the prices at higher speeds are higher. I think it gives us confidence that the market is open, is efficient and can safeguard a decent return on investment on our fibre deployment.

Perhaps on competition before I give the word to Guillaume Boutin, it is true that we have seen heavy competition in the first quarter. I mean, a lot on mobile with a lot of joint offers, a lot of aggressiveness. But I think it is normal. If you have a market where you have new entrants, like Orange is a new entrant on the fixed market, they are quite aggressive on trying to upsell mobile with fixed. We have seen the same on VOO, who traditionally was more a fixed player and are now much more aggressive in building up the mobile. That gives heated competition.

But I think if you see our results – and that's why I said in the comment that I'm proud of the result we have achieved together, in a heated market, you see that Proximus is a very resilient company, that we are able with our value strategy on the Proximus brand, with the X-Play and with the no-frills in Scarlet, together with a lot of services and solutions in the enterprise business, that I think we're positioning and the way we address the market with segmented offers is something that helps us to be resilient versus competition. It is true that there has been a bit more means in the OPEX, but that was foreseen. And in that sense, we anticipated the higher competition that we knew would be coming from those new entrants. So that's globally, I think, the view on competition.

You said that you see the competition diminishing on the second quarter. To be honest, I am not so sure. I think we still see several joint offers on the market. We still see some aggressive offers on the fixed side with free TV, both from VOO and from ourselves too − of course because there is the World Cup and we know it's an important moment for people to renew their TV. So I am personally not so sure that we see a settle down of competition, but I think Proximus is well placed to face the market competition.

Michael Bishop: Thanks very much.

Operator: Thank you. Next question from Emmanuel Carlier from Kempen. Please, go ahead.

Emmanuel Carlier: Yes, hi. Good afternoon. Three questions from my part. First of all, on the European Commission who now has to review the draft decision, do you believe they will approve it in one month or do you think it will take longer? And if so, based on what?

Second question, the Domestic non-workforce expense was up by 6 million. You mentioned that it includes some negative one-offs. Could you quantify them and give a little bit more explanation on them?

And then the last question is on the cost model. I'm not sure if I understood the answer correct that you provided. So I think the cost model will be ready beginning 2020, but in the answer I think you mentioned something about 2019. Could you maybe just, answer that question again? Thanks.

Dirk Lybaert: So, this is Dirk on the first question. A lot of documentation has been pre-notified to the European Commission, so they got the full deck last Friday. They now have a month to see whether they approve it in phase one or phase two. It's very difficult for us to assess whether they will do so. It is clear that the definition of the market that's proposed by the BIPT, by the regulator, is not in line with what we read as the point of view of the European Commission in their latest publication. Now, that being said, of course, this is at the end, this is a decision which is also a bit political. So, very hard for us to see whether they will approve or not.

Sandrine Dufour: Okay, on your question on the Domestic non-workforce increasing by 6 million, I won't give a detailed breakdown, but I will repeat what I said which might help, which is that excluding those one-offs, wWhich are largely located in this 6 million increase of non-workforce, we would have had decreased our global net OPEX for the quarter.

Emmanuel Carlier: And is that just non-workforce, or including workforce and non-workforce?

Sandrine Dufour: The total OPEX would have decreased, and most of the one-offs are located in the non-workforce costs.

Emmanuel Carlier: Okay.

Sandrine Dufour: Domestic level, of course.

Emmanuel Carlier: Yeah.

Dominique Leroy: So, perhaps for the clarification of the cost model, Dominique speaking, I think we have put in our communiqué that it − we think it will be applied as soon as 2020. Of course, it will all depend how fast the BIPT, but our best estimation is that BIPT is working on it that they will have some type of cost model by the second half of 2019. And before the cost model will be put into efficiency in the market, we will be in 2020.

Emmanuel Carlier: Okay, thanks. And maybe if I may ask one other question? So you answered the question on broadband-only access, what the impact would be, but yeah, don't you feel that people would trade down? So, today everyone is moving towards bundles. Don't you think that the market would move towards unbundling and that as a result of that, the size of the market would shrink?

Dominique Leroy: I don't think so. I think today we have both offers in the market, and the market is very much a market which is segmented. So you have a lot of people, and we see that that number of people is increasing every quarter, that really want an offer with everything all-in, with peace of mind and that they are ready to pay for an offer with everything, with content, with internet, with Wi-Fi, with mobile access, and that's what we sell with Tuttimus/Bizz All-in. And those offers still get a lot of traction.

And on the other side of the spectrum, you have people that are indeed more inclined to take no-frills offer. And there, for instance, on the Scarlet, to talk about the Proximus Group, we have two offers − one offer which is a triple play offer and an offer which is an internet-only offer. And we of course see some traction on the internet-only but, to be honest, it's way lower than the traction we see on the X-Play. So, I don't think there will be a huge trade down. These offers are already on the market today, people are very much aware of it, and I think you will keep the segmentation as you see it today.

Emmanuel Carlier: Okay, thank you.

Dominique Leroy: What you're seeing on the markets, by the way − I mean, if you look at any markets, even outside of telco, you have the same segmentation. So, I don't think there is anything such peculiar to telco that everybody will trade down and take only internet. I think that will not happen. I've never seen that in any market I've worked in.

Emmanuel Carlier: Okay, thank you.

Operator: Thank you. So, our next question from Ulrich Rathe from Jefferies. Sir, please go ahead.

Ulrich Rathe: The first one is on slide 13 regarding the working capital. You were saying it's mainly a timing effect. Could you just clarify what mainly means? Is there sort of an underlying working capital inflation and – that will stick in a year, and what scale might that be?

My second question is coming back on the regulation, not so much on Proximus. I'm wondering whether you're willing to comment what this likely will do to competition levels in the near term, the regulatory announcements, in particular with the cable side. I was wondering what you think this does to competition.

The third question is on Scarlet. You commented in your prepared remarks that Scarlet saw a solid customer growth. Would you be able to give us some sense of what percentage of customer intake was on Scarlet, or any sort of rough idea what the scale of that solid growth might be?

And my last one is on the cost trends. I'm just wondering whether there's any reason to assume much better cost trends in the second quarter, given that maybe some of these commercial investments are now scaled down and won[?] us out, or is this − this Q1 situation something that spills over in 2Q and we're going to see sort of improvement in the third and fourth quarter? Thank you.

Sandrine Dufour: Okay, so on working cap, I think maybe first an explanation on these elements in the first quarter. Indeed, you saw that we had higher cash CAPEX and working cap, excluding the account payable of CAPEX which was negative. Really, timing played in the same direction for all elements. We had good elements in Q1 last year in our receivable and collection which did not repeat in the first quarter, we had building up of inventories ahead of the beginning of the year and we had as well, just to give you a sense, the end of the quarter, which was Good Friday, where we had two days of collection less compared to last year.

So, all these elements adding in the same direction explains this timing effect. I think what I can say is that we do not change the global yearly picture, which is that we aim to cover our dividend with the generation of free cash flow. And so, this should really be regularised or sorted out throughout the year.

Dominique Leroy: Dominique on the regulation. It's difficult to give a lot of comments on the competition. I think what we see on the cable regulation is that I think the regulator took a kind of mild way, where they keep of course the cable regulation, which is an important element, but I was more referring to pricing.

I think, before any cost model, the price the regulator has chosen to push is the price of €20, which is the current prices in the south and where it means a kind of €4 down on the price Orange pays in the north of the country. So it will not change fundamentally, I think, the competition settings on the short term. I think it will help Orange to have a bit more profit on their offer, but mainly in the north of the country. I think the main element in terms of competition is settings on the cable opening will come based on the cost model, if that triggers further changes. I think the change we see now, it will not affect competition in a major form. I think the risk is, of course, what would come out of a potential cost model within one, one and a half years.

Guillaume Boutin: On Scarlet, this is Guillaume speaking, what is important to have in mind is that our strategy is to grow both our Scarlet customer base and both our Proximus customer base. And this is what happened in Q1. We grew net additions both for our Proximus customer base and both our Scarlet customer base. We are not giving the details of that growth, but this is what happened in Q1 and this is also what happened in the previous quarters.

Sandrine Dufour: Okay, on cost I think what matters most is that we stick to our ambition to deliver on our 150 million net OPEX reduction at end of 2019. And for the year, a portion of this would be achieved. We do not intend to go into further details as to giving quarterly guidance on our objectives.

Ulrich Rathe: Great. Thank you very much.

Operator: Okay, next question from Ruben Devos from KBC Securities. Sir, please go ahead.

Ruben Devos: Yes, good afternoon. I've got three questions, basically. The first one is on fibre. So it's been a while since you first unveiled plans for fibre for Belgium. I was wondering whether you could provide an update on the fibre to the home or business rollout, and also whether you've seen good traction in the market for those households and enterprises.

The second one is regarding the market review. So, the press release yesterday stated that you're quite satisfied with the reciprocal access between cable and copper/fibre. Could you give an indication of the areas where today there is no copper or fibre coverage? And what's the opportunity, let's say, for those households and enterprises that you previously could not target?

The last question is on, price adjustments. If I'm not mistaken, you've made some price adjustments in Q1 on some of the older products, basically in line with inflation. Although net adds were fairly similar to the quarterly run rates throughout 2017, churn levels have somewhat increased. So would you say that part of churn was also driven by rate adjustments, or is it rather the competition in the market which has influenced that?

And then lastly, could you provide some colour on the competition in the SOHO and SME segment if possible? Thank you.

Dominique Leroy: Okay, so on fibre – so we've announced this indeed at the end of 2016. Now as you know, it takes time to deploy. So, we are now on the seventh city in terms of deployment, and we are progressing according to plan on our homes passed, our homes terminated, our homes activated. And I think it's a bit too early to give you more details in terms of the numbers, but we are, I think, sticking to our ambition in terms of deployment and go-to-market and sales.

Geert Standaert: With respect to your second question, this is Geert speaking. So in fact, the indication, it's not where there is no copper coverage but where it will take − where it would not be economically viable to move those copper regions towards a certain minimum hygenic speed. So, this is typically the very rural areas, where we still are running our copper plant on ADSL. So, that is mainly what is covered there. So, then we're talking in the range of about 10 to 15% of population.?-

Ruben Devos: Sorry, I think I missed your comment, 10 to 15% on?

Geert Standaert: Population. So, 10 to 15% of population coverage, yeah.

Ruben Devos: All right, okay, thanks.

Guillaume Boutin: On price adjustments, it is true that we did a price increase as of 1st January. I would not directly link the fact that our churn increases both on mobile and fixed to this price increase. I think it's a combination of a lot of factors, including a more competitive market.

On the SME segment, as for the residential market, there is also an increase of competition in that segment. However, we see a very, very strong resilience in that market thanks to the very strong brand position and – of Proximus for the small and medium enterprise.

Ruben Devos: All right, thank you.

Operator: Next question from Paul Sidney from Credit Suisse. Sir, please go ahead.

Sir, please go ahead.

Mr Paul Sidney, your microphone is open.

Paul Sidney hang up, so next question from Alexander Roncier from Exane. Sir, please go ahead.

Alexander Roncier: Hello. Thanks for taking the question. I was just wondering if you think Orange's late unlimited offer will force you at a point to increase the data buckets you're offering to your mobile customers.

And second question on fibre, do you think if a cost-plus model is indeed implemented and passed through the EC, would you revisit the case of co-investment scheme with Orange Belgium to accelerate your overbuild of cable? Thanks.

Guillaume Boutin: First on Orange, one general comment on the launch of Orange, the price point to − of Orange for unlimited data is a price point that is not impacting us that much. So, this is the first comment. And second, I'm not going to disclose any insight in my postpaid tactic today, so I'm not going to comment on your second question.

Alexander Roncier: All right, thank you.

Dominique Leroy: Okay. So, I mean, on fibre, I mean, the co-investment, for me it's not related to a cost-plus model. I think it's relating to finding two partners that are ready to really invest and share the risk and the return of that investment. So far, we have not found a partner to do that, and certainly not Orange as Orange is often talking about co-investments, but in every meeting, we have had with them on the subject, they were not willing to co-invest. They have said very clearly, they didn't want to dig into the ground. They didn't want to put any fibre in the ground. The only thing that they wanted to have is a kind of financial co-investment, which is just a kind of IRU guaranteeing them a capacity on our fibre for a very low price.

So, I think today we are absolutely not against co-investment per se, but it needs to be with the right conditions, with the same objectives and with a partner that is really willing to share the risk and the opportunity of a co-investment, which is absolutely not the case in any discussion we have had with Orange. I want to make that very clear, because I'm getting a bit nervous about this co-investment with Orange. They don't want to co-invest with us. They have never come with a real co-investment. It's a financial co-investment. I just want to make that clear, that we talk here about financial co-investments and not about a co-deployment of fibre.

Alexander Roncier: And that's very clear. Thank you very much.

Operator: The next question from Stefaan Genoe from Degroof Petercam. Sir, please go ahead.

Stefaan Genoe: Yes, thank you, Stefaan Genoe, Degroof Petercam. Two questions related to competition and churn. First, in the consumer, we've seen churn levels slightly increasing further. Could you indicate to us how you've seen this evolve throughout the quarter and heading into the second quarter and with the World Cup upcoming? You also are advertising quite a lot with the TV subsidisation. Could you say whether this is something that could impact Q2, particularly in terms of customer retention or acquisition costs? That's the first question.

And the second question, in the business segment churn levels continue actually to improve slightly quarter-on-quarter and year-on-year. Have you seen less competition in the mobile then? Have you seen less competition in the enterprise segment? Or is there other explanation for this? Thank you.

Guillaume Boutin: To come back on the churn level and the evolution of the churn, as I've said, first in Q1, there is a seasonal effect where churn levels are usually higher than the rest of the year. So, this is first. Second, it's a combination of a lot of factors and, as I've said, increased competition pressure is part of the explanation. Third, if you look into Q2, the first − it has been a little bit lighter in terms of competitive intensity. And so, even if we have the World Cup, we have a lot of events to accompany in terms of offers, we are not foreseeing − it is not foreseen to increase our acquisition cost for the quarter. It's going to be in line with what we saw in Q1.

Bart Vanden Meersche: And then for your question on B2B and the churn levels in mobile, it is indeed so that we succeeded in keeping the churn levels at a very reasonable level and even improved them slightly. The reason is not because competition is less. I think the reason is still what I mentioned earlier – is because we differentiate, and we try to differentiate as much as possible from competition through a series of elements, like of course the network leadership but also our business continuity and service levels, our mobile managed services, where we do not only deliver, how we'll say, connectivity but also the whole management services around it, our coverage in the market and so further. So, it's a lot of elements where we differentiate, and which is clearly appreciated by the customers and which makes them stay with us.

Stefaan Genoe: Okay, thank you. Clear.

Operator: Okay, next question from Stephane Beyazian from Raymond James. Sir, please go ahead.

Stephane Beyazian: Thank you. Can you give a little more visibility on TeleSign, talking about the revenues there? What is the sort of organic revenue growth that you see, and how is the integration doing there? I couldn't find a lot of information, I have to say, this morning in the report. Thank you.

Daniel Kurgan: Okay, this is Daniel again. On TeleSign, you need to understand that now, I mean, we are making it one business in the sense that they are generating messaging traffic from two-factor authentication, and these messages are routed across our network. So, we cannot really split the two businesses in terms of where goes the profit, because, I mean, they use our network for messaging termination, for voice termination as well, which is one of the strong rationale for the combination.

What I can share is that, I mean, we've implemented these cost synergies successfully and that has contributed to growth, and that they are – on the sales side, they are nicely growing their business with their customer so there is a nice revenue growth, but we look at it as one business from a profitability standpoint.

Stephane Beyazian: Do they continue to brand themselves as TeleSign in the US when they are pitching to clients?

Daniel Kurgan: Yes. And the intention is to keep doing so, because, I mean, their main customer bases are B2C digital platforms, right, and they have 500 customers, more than 90% west coast based, and they've built a strong brand. I mean, it's a 12-year-old company, while BICS has built a very strong brand in the telco space and there is no intention to change that.

Stephane Beyazian: Okay, thank you.

Operator: Thank you. So, next question from Nicolas Didio from Berenberg. Sir, please go ahead.

Nicolas Didio: Hi, good afternoon. Thanks for taking the question. I have two questions. First, it's to come back on the broadband-only offers. I mean, I understand your plan A is that there won't be any change in the market linked to this. The issue is − I'd like to know your plan B, because you are saying Scarlet has that kind of offers, but I believe Scarlet is not sold in your stores. I believe Scarlet has little advertising budget. So, basically, it's a product that is poorly advertised, so there is unlikely to get any metrics on the market to say that it's not working because people don't want it. It's because Telenet and you, you are not really selling it. So, I just wanted to know the plan B on this, if it happens that OBEL is more aggressive on that front?

And the second question is just on the EBITDA growth in Q2. Can you remind us the impact of regulation from last year in terms of roaming, because it started, if I remember, during June? So, there might be already a bit of improved comparable basis for the EBITDA growth. Thank you.

Guillaume Boutin: Good afternoon, Nicolas. Guillaume speaking. Actually, I think we are not going to − here to comment on plan A, plan B, plan C, plan D. Well, the plan that − the marketing plan that we foresee, but what Dominique explained that we don't see, as it is already a segmenting market, any impact of these kind of offers, because it's already on the market and people that − looking for those offers can find the right solution for them. So, as Dominique mentioned, we do not foresee a huge disruption coming from this kind of offers. Considering that it's already available and already sold in a lot of channels, mainly digital and in call centres today, but it's already sold and targeting a very specific segment of population of the Belgian market. It's also available – and Dominique also mentioned, it's also available on the Proximus brand, so you can also buy a single-play offer in our shops.

Sandrine Dufour: Okay, so on your question on the roaming impact, the drop of – or the pricing impact of roaming will be after mid June. So – because that's when we annualise the decision of the second wave of the pricing on roaming. So, we still expect to have a significant pricing impact in Q2 versus Q2 last year. And on top of that, remember that we also have plans for some − and we see there's some erosion of roaming options that our enterprise customers still have where we see them being decreased, quarter after quarter. So, we think that we will see normal pricing impact as of Q3.

Nicolas Didio: Thank you.

Operator: We have no more questions for the moment. Ladies and gentlemen, let me remind you that if you wish to ask a question, you have to dial 0 and 1 on your telephone keypad. We have a new question from Mr Paul Sidney from Credit Suisse. Sir, please go ahead.

Paul Sidney: Yes, I've got three questions, please. And apologies if you've answered these questions; I've had a few problems connecting with the call today. Firstly, Proximus has clearly been more successful over the last six months defending its market share from the likes of Orange Belgium than the cable operators. I just wondered what were the reasons, in your view, that that is. And I know you've mentioned Scarlet as a way to defend your market share, but is there anything else that you're doing better than the cable operators or anything in terms of the dynamics of the market which are different?

And then secondly, just on the regulation. It seems like the move of the regulator to go to sort of tiered wholesale pricing on the 110 and the 150 megabits per second speeds for fibre and cable is trying to strike a nice balance between competition and investment, and it seems a bit of a more dovish tone than that given in the middle of last year. I just wondered if you share that view.

And then just lastly, pulling it all together, the Belgian market remains competitive, but headline prices remain relatively stable. I just wondered, under the current regulatory and competitive environment, whether you think the more-for-more strategy can continue to work. Thank you.

Dominique Leroy: So, on the first question, I mean, why is Proximus resilient? I think it's several things. There is never one element. I think we are very resilient in the enterprise market now for many quarters, and that's what Bart is always putting forward is that it's not only about prices. It's also about services. It's about bundling solutions. It's about continuously investing in security, cloud, integration, applications for the enterprise business. And I think they found – they're finding Proximus a real partner for their digital transformation and not only a provider of connectivity. And I think that's the main reason why, to the contrary of a lot of countries, we are still able to grow our enterprise business.

If you look more at the consumer business, I think there, the fact that we have a two-brand strategy and we are the only one in the country to have a two-brand strategy is clearly helping us, because you are able to both have a value-accretive strategy on the Proximus brand and driving their content, driving 4-Play, driving up-tiering of customer and really satisfying them with very rich offer. And you have at the other side of the spectrum a Scarlet brand which helps you to compete in the no-frills segment for people that are not so much interested in a lot of service and a lot of content but just want a plain internet or triple play product.

So I think that's, from a portfolio point of view, the main reason. For the rest, I think we have been able to have very motivated and engaged employees that are serving our customers through shops, through call centres, through technical intervention every day, and I think that's also part of success. It's having a company that is really willing to win, to continue to grow, and that's all part of our fit-for-growth strategy is making sure that decreasing in terms of revenue, of profit is just not acceptable internally, and everybody is fighting for it. So, culture, people and the right set of offers I think is the main reason why we can be resilient in the market.

On your second question for the regulation, yeah, I think I share your view. I think today, the regulation does not also want to stop investment. I think the BIPT said it also in its market review, that they have tried to find a balance between a market that they want to be more competitive and that's why the regulation is there, but they also don't want to stop the incentive for companies to invest.

And I think, in that sense, I think we are now at a place where at least for Proximus, we are in a place where we can continue to invest. Our topology has been approved and we have opened our network with different pricing. I think for cable, it's the same. I mean, they have to open the cable, but with prices which are I think acceptable. So, in that sense, that's I think at least what the regulator is trying to do is finding a balance between more competition, more opening of the market but still allowing further investments in network enhancing.

And then your last question?

Paul Sidney: Yeah, it was just really just wondering if the more-for-more strategy can continue to work in the Belgian market given the current regulatory and competitive environment, in your view.

Dominique Leroy: I think the more-for-more can still work. I think what's probably more difficult is just raw price increases. But if you have a new product, if you have additional services, if you have a broader offer, I think we can still of course build a more-for-more strategy. That's what you see also on the enterprise business. I mean, you have a decline of your legacy product, but we are able to build more value through new products. And I think that's the same that we are trying to do on the Proximus brand on the consumer side, where of course there are some basic product that goes down in price or are less used, but you can replace them by a new proposition being in content, being in security or in other areas where you can increase the value for the customers and therefore have a more-for-more strategy. So, I don't think that the current regulatory environment would stop us from doing more-for-more strategy.

Paul Sidney: That's great. Thanks very much for your time.

Operator: We don't have any more questions for the moment. Ladies and gentlemen, let me remind you that if you wish to ask a question, you have to dial 0 and 1 on your telephone keypad. We have a new question from Emmanuel Carlier from Kempen. Sir, please go ahead.

Emmanuel Carlier: Yeah, if I may, just one question. On broadband speeds, how quick can you offer more than 150 megabits per second to, yeah, nationwide, I would say? And related to that, when do you believe that consumers will be really willing to pay for that?

Geert Standaert: This is Geert speaking maybe on broadband speed. So, first of all, we have of course a double strategy there. And at one end, there is the fibre rollout that we are doing, but that of course is a multiyear project. And then secondly, there are constantly still efforts to improve the performance that we have on our copper plant. The 150 megabit per second is not as such a target for us. What we want to do is that we deliver our customers with excellent speeds that allow the services, current services, the new services to run in an excellent way.

So, to give you an idea, we are in average already, on our VDSL plant, beyond the 70 megabits per second in average. More than 50% of our customers can get today already 100 megabits per second. And so there, we will further let also our copper plant evolve, aligned with the expectations that are out there.

Paul Sidney: Okay, thanks.

Operator: Thank you. We don't have any more questions, so back to you for the conclusions.

Nancy Goossens: Thank you. Well, it leaves me just to say that if anybody would have follow-up questions, you can obviously address them to the investor relations team. Thank you all for calling in and for the questions. Bye.

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