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PROX.BR - Q4 2022 Proximus NV Earnings

Call

EVENT DATE/TIME: FEBRUARY 17, 2023 / 1:00PM GMT

Guillaume Boutin Proximus PLC - CEO

Mark Reid Proximus PLC - Finance Lead

Anne-Sophie Lotgering Proximus PLC - Enterprise Market Lead

Jim Castele Proximus PLC - Consumer Market Lead

Matteo Gatta BICS - CEO

Nancy Goossens Proximus PLC - Director of IR

CONFERENCE CALL PARTICIPANTS

David Vagman ING Groep N.V., Research Division - Research Analyst

Joshua Mills BNP Paribas Exane, Research Division - Research Analyst

Martin Hammerschmidt Citigroup Inc., Research Division - Research Analyst

Nicolas Cote-Colisson HSBC, Research Division

Nuno Vaz Societe Generale Cross Asset Research - Equity Analyst

Yemi Falana Goldman Sachs Group, Inc., Research Division - Business Analyst

PRESENTATION

Operator

Hello, and welcome to the Proximus Q4 2022 Results Call. Please note, this call is being recorded. (Operator Instructions) I will now hand you over to your host, Nancy Goossens, to begin today's conference. Thank you.

Nancy Goossens - Proximus PLC - Director of IR

Thank you. So welcome, everyone. Thank you for joining us. We will be following our usual agenda, starting this webcast with the introduction by the CEO, Guillaume Boutin, using the presentation which we published on the website this morning. After that, we will be turning to your questions. And so for the Q&A, we are joined here by a few members of the leadership squad, the CFO, Mark Reid; the Residential segment lead, Jim Castele; the Business segment lead, Anne-Sophie Lotgering; the CTO, Geert Standaert; our Corporate Affairs Lead, Dirk Lybaert; and the CEO of BICS, Matteo Gatta. They will all be happily taking your questions after the introduction by Guillaume.

So Guillaume, please go ahead.

Guillaume Boutin - Proximus PLC - CEO

Thank you, Nancy, ladies and gentlemen, also welcome from my side to this webcast covering the last quarter of 2022. Over the next 10 to 15 minutes, I will cover the subjects on the slide, and we'll start with some highlights for the quarter. Going from right to left, I'm very pleased having had in the last quarter of the year with group revenue growth of plus 8.1%, our best revenue growth ever. This achievement was supported by both our Domestic and international segments. At the same time, we continued our efforts to control costs, hence succeeded in mitigating inflationary pressures and delivered 1.4% EBITDA growth for the group. Commercially, we kept a strong momentum with ongoing support from our convergent offers and these through our different brands.

Regarding our fiber deployment, we have made great progress over the past 3 months with nearly 160,000 new premises passed with fiber, a new record. All this proves our successful execution of our #inspire2022 strategy. With the closure of the year 2022, we are now embarking on a new 3-year strategy, bold2025. And as a last point, earlier this week, we had some exciting news on the ESG front. With ESG being an integral part of our strategy, I'm very proud that our initiatives have not gone unnoticed, and Proximus is selected to become part of the new Bell ESG Index. This does not only show that we are among Belgium's leading companies in the ESG domain, but also earns us the confidence of investors through this new sustainability investment tool.

Turning back for a moment to the Q4 financial results. This slide sums it up for the fourth quarter with a strong group revenue increase, leading to a plus 3.8% growth in direct margin, supported by all 3 of our segments. As you can see, our group EBITDA was up by plus 1.4% with especially Domestic closing a strong quarter. Thanks to the execution of our #inspire2022 strategy, we achieved to comfortably meet all the guidance metrics that we had set for the year 2022, as you can see on the slide.

Fiber remains a key component of our strategy. Compared to end September, fiber works have started in an additional 16 cities and municipalities, meaning today, we have fiber works going on 93 Belgium cities. Together with our partners, the fiber machine is ready to add 10% of coverage annually for the next few years with the aim to cover half of the country by end 2025. The fiber rollout is going very well. And in particular, over the last 3 months of 2022, we have achieved to pass a significant number of new homes and businesses with fiber, bringing us to nearly 1.3 million homes passed at year-end. With our enlarging footprint, we also see an increase in customer demand for fiber. We added 31,000 active fiber lines over the past quarter, bring the total fiber base to 252,000 with its customers bringing typically higher ARPC and lower churn levels.

We continue to focus on improving customer satisfaction by means of superior connectivity with our 10 gigabit per second fiber offer to become gradually available across all fiber footprint by summer time, but also by bringing offers that our customers are looking for adapted to their needs. Overall, we have closed the year with a positive evolution in NPS, this in spite of customer sentiment overall being impacted by the high cost of living.

Going a bit more in detail now of our Q4 results and starting with the Domestic segment. Supported by our convergent offers, we grew our customer base further for Internet and Mobile Postpaid, this in spite of the intensified competitive environment; while for TV, we managed to contain the net decrease. In addition to fiber becoming more and more a compelling sales argument, our multi-brand approach also provides great support with targeted offers addressing all customer segments in the market. For our Residential unit, the key revenue driver is in services revenue, which continued its growth trajectory, up by plus 2.6% for Q4. The total revenue was up 0.7% with a sequential slowdown resulting from Terminals and Other revenues. The Residential Customer Services revenue benefited from a higher revenue per customer with the ARPC increasing year-over-year by 3.2%. Besides a positive impact from the price indexation earlier this year, the ARPC also benefits from the ongoing move from customers to convergent offers.

Our Business unit closed a strong quarter with revenue up 4.1%, with again a very good quarter for product revenues, thanks to a further catch-up in previously delayed customer installations due to the global supply chain issues. Essential, however, is that our B2B unit continues to manage well the balance between growing new services and the erosion in legacy Voice. In Q4, the B2B unit achieved again a good growth for fixed data services, mainly resulting from a higher Internet ARPU. And reflecting the ongoing transformation in B2B, our high-value recurring IT services drove overall higher IT revenue with especially good performance in security and cloud services. These growth areas could partly but not fully offset the ongoing decline in legacy Voice.

And finally, our Wholesale unit, for which the revenue from Fixed and Mobile Wholesale services was up by plus 7.8%, offset by the interconnect headwinds with however no meaningful margin impact. This brings me to the total Domestic revenue for which we achieved a 2.1% growth for the fourth quarter.

Turning now for a moment to the Domestic operating expenses, which were up by 2.1% on an easier comparable base. Our cost efficiency programs continue to bring substantial cost benefits and hence enable us to offset part of the significant inflationary cost effects. Especially, wages were affected by the 5 inflation-based salary indexations spread over 2022, only partially offset by managing a lower Domestic headcount. The remainder of the cost increase mainly reflects customer-related OpEx and costs related to the ongoing company transformation. That brings me to the total Domestic EBITDA, which increased by 1.8% for the quarter, and as you can see on the chart, fully driven by the higher direct margin.

Regarding our international segments, it's clear Telesign and BICS are on high-growth tracks. The strong execution of the respective growth strategies and a growing presence in new markets are translating into record growth revenue rates and are contributing significantly to the direct margin growth of the group. BICS closed its highest ever revenue growth quarter, increasing by 20.4% with all 3 services contributing. The direct margin was up by 12.3% and EBITDA was up by 3.5%, impacted by inflationary cost items but also by nonstructural expenses. This aside, the EBITDA growth of BICS was actually quite similar to the previous 2 quarters. For Telesign, the fourth quarter results clearly reflect the success of the strategic growth the company has taken to reinforce its position in the digital identity and communication market. Record revenue growth was achieved over the last quarter of the year, though some of that achieved business is not necessarily to be repeated. Thanks to a strong direct margin, the continued material investments were fully offset, leading to Telesign's fourth quarter EBITDA being breakeven.

This brings me to the group results. And as illustrated on the slide, we delivered strong results over the past year with all 3 segments growing revenue and direct margin, overall leading to 0.8% growth in group EBITDA. For CapEx, we ended the year in line with our projections with the year-on-year increase largely resulting from fiber-related investments.

This brings me to the free cash flow of 2022. And as shown on the graph, the 2 main drivers are the lower free cash flow year-on-year remain the higher cash out for CapEx and business working capital and cash tax payments broadly offsetting each other as previously discussed. We continue to manage a sound financial position and we ended the year fully in line with our target ratio of around 1.6x or 2.3x under the S&P definition.

About 1 month ago, we announced our new 3-year strategy, bold2025. I will not take you through the details. We have published all CMD material on our website. What it's key to remember though that with bold2025, we'll be successfully tackling the challenges of the coming years, including the changing competitive landscape and with the objective to grow our 2025 group EBITDA slightly above the 2022 level. Regarding our expectation for this year, we reconfirm the guidance for 2023, you see on the slide. So no change to what we told you a month ago.

And then to conclude, our Board of Directors approved to propose to the Annual General Shareholders' Meeting to return a gross dividend of EUR 1.2 per share over the result of 2022. And in line with our newly announced year dividend policies over the 2023-2025 period, we maintained a very attractive shareholder return over the result of 2023 with an annual growth dividend kept at EUR 1.2 per share.

With this, I have covered my introduction, so we can turn now to your questions. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question comes from the line of David Vagman calling from ING.

David Vagman - ING Groep N.V., Research Division - Research Analyst

The first one is on the competitive environment in Wallonia, also you have the deal between Telenet and Orange Belgium. So in your 2025 outlook, how do you model the impact of the Telenet portion market share? They say they're aiming for a 10% market share in fixed over the medium term. So that's my first question.

And then second question, on fiber regulation. I'm coming back on the debate we had at the CMD on the regulatory framework for fiber. In your own estimates of the economics of the fiber rollout, what is the percentage of the country for which you think or you estimate it makes more sense with one single wholesale player, so no competition? And do you think this could be then expanded to Fiberklaar or Eurofiber footprint?

Guillaume Boutin - Proximus PLC - CEO, MD & Director

On the -- first on the competitive environment in Wallonia, it's important to say to you that all the market structural evolutions have been baked in our plan, and it was fully included in the numbers that we shared with you during the Capital Markets Day 1 month ago. Of course, I will not be too specific on how we see the success of Telenet or the absence of success of Telenet in the Wallonia region. I would just give you some comments-- general comments. First, we respect all competitors and especially Telenet, and we have full respect of the ability to execute strongly. So there is no underestimation of what they could be able to do. And we will be prepared for that. Same way we're going to be prepared to welcome DiGi also when they arrive in the market next year. So that's -- 2023 will be, for us, the year where we will make sure that we are fully ready to adapt to the market evolution that will be arriving in 2024. And for that, we have a lot of assets to continue to be successful despite changes in the competitive environment. First, there is our multi-brand strategy. We have 3 strong brands, Mobile Vikings, Scarlet and Proximus. And all 3 brands today, as we speak, are brands that are thriving, gaining shares under respective segments. And it's always good to have good momentum when you are facing a new form of competition. That's one.

Second, we have been now having a strategy which is based on product superiority. And in telecommunication industry, having the best products always leads to win in the market. And by 2024, will be in a situation where we're going to have more than 30% coverage with fiber, best network quality on our mobile product. And that product superiority, in my view, is a key element to protect the value of our customers in the South but also to gain and to continue to gain market shares in the North of the country. Last, if I look at the South of the country, we used to have 2 competitors, one super aggressive, Orange; one less aggressive, Voo. If I look at 2024, 2025, the number of competition is going to be the same. So it's not like we are not used to have 2 strong competitors in front of us, and this has not prevented us to continue to protect our customer base the right way and to continue to increase the value of our customer base in the South of the country. Last element, but then for sure, you need to believe in the strength of fiber. Our competition, that new competition is going to be on coax. Am I afraid of coax competition? Not at all. Fiber with an up speed that cannot be matched by the coax technology with down speed that cannot be matched by coax technology. I think that the risk is rather than to see existing coax customers of today changing providers and not affecting our ability to win back customer on the fiber network from competition. So net-net, we will be super prepared. Am I overly worried? Not at all because of that product superiority and the fact that the competition will be on coax on one side, and we're going to be the only one for now on fiber and probably is going to be for a long period of time. So this is where I am on the vision of the competition environment in the South of the country.

On the -- on your second question, it's difficult for me to talk for the -- or to speak for the regulator. Discussions are going to happen this year. We'll raise our case. I think there is, as you know, and I stated that several times, there is no rationality to have competition with infrastructure for the entire footprint of the country. We have to create a framework that is investment friendly and also that allows us to continue to invest in the less dense part of the country with a good return so that we can continue to support innovation for the country, that we continue to support the needs of our customers. So let's see how those discussions are going to land, but we'll be super active to explain that we need a sound regular framework in order to encourage our fiber investments going forward.

Operator

The next question comes from the line of Nicolas Cote-Colisson from HSBC.

Nicolas Cote-Colisson - HSBC, Research Division - Head of European Telecoms Equity Product, Telecoms, Media and Technology

I've got 2 questions. First one, it looks like you're still getting broadband shares where you have fiber. But what's your impression in area where there is no fiber? Are you able to stabilize? Or should I read from your previous comments that you lose a bit in Wallonia and gaining a bit in Flanders? And my second question is that around the stage of development of the mobile network JV with Orange Belgium. Can you give us an update on the timing and the level of cash flow savings it may bring? Because the old plan has been somewhat delayed so an update on that would be helpful.

Guillaume Boutin - Proximus PLC - CEO, MD & Director

Nicolas, on your first question, I think I said I wanted to at least stabilize our customer base in the South of the country, not losing customers. This is not the plan. And increase our customer base in the North of the country where I think we have a good opportunity to win customers the same way we are doing since a few quarters now and increase our market shares where fiber is available.

On the second question, I will let Mark answer to that question.

Mark Reid - Proximus PLC - Finance Lead

Yes. Nicolas, so yes, the mobile network is rolling out. It's maybe from a volume perspective slightly behind pace. But overall, as we kind of talk to the Capital Markets Day, we're on track for the mobile coverage targets we set out there in achieving the coverage by 2025. In terms of overall cash flow savings, overall, the same period of time, we're in the same range. So there's not -- there's a slight timing difference from what we said before, but it's still in the same range of, I think we said kind of low to mid-double-digit savings, which is spread over effectively 12 months longer. I think that's we should think about it.

Nicolas Cote-Colisson - HSBC, Research Division - Head of European Telecoms Equity Product, Telecoms, Media and Technology

Sorry, can you just repeat that? You said low to mid?

Mark Reid - Proximus PLC - Finance Lead

Well, so yes. Low to mid-double-digit million savings is what we said originally. It's just slightly phased over a longer period of time.

Nicolas Cote-Colisson - HSBC, Research Division - Head of European Telecoms Equity Product, Telecoms, Media and Technology

Okay. And sorry to come back on the comments from Guillaume. So I understand you want to at least stabilize in the South and increase in the North. But what is the current status? Obviously, we don't have the market size and how it grows quarter-after-quarter. So do you feel that you are stabilizing already your market share out where fiber is not deployed in the South?

Guillaume Boutin - Proximus PLC - CEO, MD & Director

No. At the moment, we are -- no, we don't give the specific split. But we are growing in the South, growing the North.

Nicolas Cote-Colisson - HSBC, Research Division - Head of European Telecoms Equity Product, Telecoms, Media and Technology

Okay. Obviously, it does include some win back on fiber. But I understand you can't share much more than that.

Operator

The next question comes from the line of Joshua Mills calling from BNP Paribas Exane.

Joshua Andrew Mills - BNP Paribas Exane, Research Division - Research Analyst

There's 2 for me, please. And the first would be, maybe if you could just -- it would be great to get a bit of help on the building blocks for free cash flow next year. I know it isn't something you guide on explicitly. But if I look at the slides in the presentation and think about the big negative working capital headwind we saw this year. Should we expect some of that to unwind? And maybe just iterate, that would be helpful. That's the first one.

And then secondly, perhaps if you could just give us a bit of an update on your latest thoughts and experience of the price increase, which was announced for January and how you saw the last copper price increases in 2022 settle. I know you haven't given an explicit answer to this, but do you see the potential to do another kind of rate change later in the year? Or is it in 2023 a single price move should be the base case?

Mark Reid - Proximus PLC - Finance Lead

Joshua, let me take the free cash flow. So I think the way you should think about it, I think during this year we talked about the tax cash in the business working capital, having some significant movements but effectively offsetting each other. Those are primarily effects because of what they're cycling against from 2021. And so those movements will not be of the same magnitude at all in 2023, and we'll rely back to what we'd say is a normal cash tax payment structure and a normal business working capital movement. In terms of the general movement, I think if you look at our overall kind of EBITDA changes, that will give you a good proxy for where free cash flow will net out, I would give you that, is probably a good guidance for -- good direction for next year. On the pricing, Jim, you take it.

Jim Castele - Proximus PLC - Consumer Market Lead

So Joshua, on the price increase, so we didn't see a big impact of the price increase we announced in January. It's a bit similar trends like we had also for the May price increase. We also, of course, make sure that before we do a price increase, we work on the satisfaction of our customers by doing some proactive NPS actions to anticipate on that. So we are really, again, very happy with the way we are executing on that pricing increase, and we don't see an impact on churn. I would say that maybe what you do already saw in Q3, Q4 on TV as potentially a bit influenced by the price increase. But we don't see any acceleration in that domain. So I would say that this is going very, very well. On the question linked to do we foresee an additional price increase. This, of course, depends on the evolution of the economical situation, which is still very unstable. So we don't really give comments on that. We take it as we see the financials or of economy moving forward.

Joshua Andrew Mills - BNP Paribas Exane, Research Division - Research Analyst

Maybe just one follow-up. I think the price increases announced in January are just applicable to the Proximus and the Scarlet brands. Have you done any price increases on Mobile Vikings as well? And is it something you'd consider?

Jim Castele - Proximus PLC - Consumer Market Lead

So Joshua, we also did a price increase on Mobile Vikings in December 1, where we also there increased the prices, yes.

Operator

The next question comes from Martin Hammerschmidt calling from Citi.

Martin Michael Heinz Hammerschmidt - Citigroup Inc., Research Division - Research Analyst

I have 3, please. The first one is on sort of B2B and the service revenues. So we've seen sort of continued decline this year if it's marginal. Given to the macroeconomic picture, at what point can we expect that you've managed to sort of grow the business services? And is it reasonable to sort of expect it to grow this year already or not to be sort of flat? Or is that something that looks unlikely this year? The second one is on sort of the fiber rollout. You've seen sort of in the past, there has been some sort of labor rights issues. Does that sort of hinder or slow down the fiber rollout over the next sort of quarters? Or don't you expect any disruption from that? And the last one is on coming back to sort of the fiber gains in FTTH net assets. So could you give us an understanding of in the areas where you rolled out fiber, the mix of the gross add just on fiber. So how much of the gross adds on fiber are coming from sort of just you migrating your existing customers and how much coming from competitors?

Anne-Sophie Lotgering - Proximus PLC - Enterprise Market Lead

So good afternoon, Martin. This is Anne-Sophie from the B2B. So I thought I would answer your first question. So on our B2B services revenues overall, indeed, you see those declining. However, I'd like to point out that we actually see growth on our strategic areas of growth, that being, of course, our data business. But also, we see a very strong momentum on our mobile business, which are both on the legacy side. So on the telco

side, what we see is that it doesn't quite compensate the Fixed Voice decline, which, as you know, is a trend that is happening in all of the different countries and in the industry. What's very important as well for us to note is if you look at the Services business overall and the IT services business, which we're growing, including in the recurring space, which is what we said we would set out in terms of our strategy to transform our business mix from majority telco to majority IT. So we see some very positive trends in terms of being able to transform the mix of our business and being able to compensate as much as possible the Fixed Voice decline with the rest of the telco business, but also most importantly, in the recurring high-margin IT services.

Geert Standaert- CTO

Yes, Martin, with respect to the labor issues, maybe important to say that in the meantime, social inspection has explicitly stated that the alleged illegal work that was referred to in the press could not be linked with Proximus neither with its JVs. So we have done, of course, some interaction with our *shop calls*. And the infractions -- limited infractions that we could find were, in fact, linked with what I would call improper use of check-in tool in Belgium as such, when you have a wharf that you need to register this, and all people that work on that wharf, there as well need to register. And so we found so far, one case in Proximus where, indeed, a number of people were not well registered. In any case, what's important is that we have worked with our partners to further strengthen the contract clauses. We will as well come up with a charter, a charter that will encompass new elements like strengthening, for example, a limitation on the number of sub-contractors in their work organization, but strengthening as well things around controlling those registrations and controlling elements on work conditions. You know that we've done -- we do thousands of audits on safety quality. So these will be enlarged with these elements. And we will further work with social inspection services to ensure that we use this momentum to further strengthen our governance. Now to be very clear, this has no impact on the pace of the rollout needed or the costs to roll out.

Jim Castele - Proximus PLC - Consumer Market Lead

And then, Martin, maybe on your last question, linked to the commercial. So as you know, during the Capital Market Day, we told that after 12 months of commercial availability of fiber, we see a 2% point market share increase in those areas. So I can continue to confirm that, that's what we see. And also after 12 months, we have been able to migrate 68% of our copper customers to fiber. So these 2 data points, I think, can help you better understand how we are filling up the fiber network.

Operator

The next question comes from Yemi Falana calling from Goldman Sachs.

Yemi Falana - Goldman Sachs Group, Inc., Research Division - Business Analyst

Firstly, fiber-driven share take continues to be a theme. What do you view as the runway that you have here? Is this an opportunity that begins to narrow on an 18-month view, for example, as competitive fiber build begins to proliferate? Secondly, clearly yourselves, you have a multi-brand strategy as well as some of your competitors, including some more price-sensitive options. Could you provide some color on the activity that you're seeing in the value segment on both mobile and fixed in the North and South? And then maybe finally, how do you think about the long-term financing picture? Your leverage is relatively low in the sector context. But are you, for example, interested in improving credit rating agency ratings at the likes of S&P?

Guillaume Boutin - Proximus PLC - CEO, MD & Director

On the fiber, I think we cannot be too precise on all other things. We shared a lot already on the -- during the Capital Markets Day in terms of win backs, in terms of speed to migrate customers. So we don't want to be more detailed. We shared already a lot in terms of commitments to fill the network in terms of ARPU increase and in terms of also of win backs from -- coming from competition. Of course, the objective is to beat that. It's-- we want to overachieve those numbers. And if we can overachieve those numbers, we will. Of course, what we can say is that the momentum

we see in all fiberates where we have rolled out fiber is great. And we don't see any elements that would change our perspective on our ability to deliver what we told you 1 month ago in terms of ambition, in terms of filling rate of the network and winning market shares where we have rolled out fiber. So far, it's really delivering according to plan and the momentum where we have rolled out fiber is really there and it's visible, and we are working on it every day to make sure this is a continued success going forward.

On the multi-brand strategy, I think we have a multi-brand strategy, we see way more mature compared to the other player of the market because Scarlet and Mobile Vikings and Proximus are well-established brands today with significant customer numbers today and significant commercial activities today. If you look at the other B brands or C brands that you see in the market for other operators, they are not as strong as the one we have today. So they are all super active. They are all gaining a lot of customers. They are all having a true existence on the market, a true related in terms of impact for customers. I think to give more than that, would be giving too much information to our competition. So I would avoid doing that today. But this is not -- this is really 3 brands with a strong presence, strong activity, strong marketing as we speak on the Belgium soil. On the leverage and financing long term? I will -- Mark, please?

Mark Reid - Proximus PLC - Finance Lead

Yes, let me take that one. So I think -- I mean, maybe start with where we are today. I mean, we probably had strongest balance sheet of any telco in Europe in recent years. So I think we start from a very strong position. We ended the year at 2.3x EBITDA net debt. So I think that's good. In terms of -- you see from a presentation. We've got a weighted average coupon of 1.7 and 7 years debt duration. We've got some refinancing coming up '24, '25, and those both all been interest rate hedged at pre-Ukraine war interest rates. So overall, in terms of our current situation, I think we find ourselves in a very strong position. In terms of -- and as we said at the Capital Markets Day, the investment profile of the company over the next 3, 4 years will mean that leverage will rise. And we said explicitly at the Capital Markets Day that we are comfortable in the kind of 2.5 to 3 range. And then just recently, over the last weeks, we've had discussions with S&P and Moody's, and they've reviewed their rating. And we feel comfortable with that rating outlook being stable across both agencies. So that's where we are. We continue to feel in a strong balance sheet position. We also-- maybe to go back to the Capital Markets Day, we also have various balance sheet elements that we will continue to look at in terms of divestments to support our capital allocation strategy. So that's kind of where we are on the debt front.

Operator

Next question comes from Nuno Vaz calling from Societe Generale.

Nuno Vaz - Societe Generale Cross Asset Research - Equity Analyst

Firstly, just on the guidance, especially on domestic underlying revenue. I was sort of hoping today you might narrow the range a little bit. So you have the range from 1% to 3%. I was trying to understand what's the different sort of underlying trends that drive the 1% versus the 3%? And why does that trend out to a minus 3% guidance on EBITDA? Is that -- is it just the fact that there's a lot of potential low-margin products that might be coming in '23? So just -- I think a bit of a breakdown on that would be useful. And then I'll just ask on the competitive environment, specifically on the 2 play offers, so the broadband plus mobile offers, because you said before this is a key segment where you've seen more customers choose this type of product. You've launched the Flex XS offers. So just wondering what sort of the competitive environment. We know Orange is pretty strong here. So I think that will be interesting. And then a quick question on BICS because we've seen revenues benefit from the COVID/travel tailwind. When would we expect that to sort of trend down a little bit and start disappearing a little bit? Would that happen in '23. So sort of a bit of color on that, I think, would be useful.

Mark Reid - Proximus PLC - Finance Lead

Nuno, let me kick off with the revenue guidance. And so I think, again, when we talked about at the Capital Markets Day, the economic competitive environment continues to be -- I wouldn't say uncertain, but there's still some volatility in it, right? And I think, again, compared to some others, we gave some pretty explicit guidance. So I think, frankly, I think we've been very open about it. In terms of the component parts, I mean, it's what⁹

we normally talk about, right? We continue to see commercial momentum on the residential side, supported by fiber and our product superiority and our brand strategy, which we've discussed. I think pricing, we announced in October, so that's clearly in the number in the residential side, but also to somewhat in the business telco side. Fixed Voice continues. So Fixed Voice will continue to erode, and that will take the -- that will continue to pose a headwind for the overall revenue. But in terms of your -- is there a lot of low-margin elements, not -- we don't see a whole lot of volatility in that in 2023. It's going to be fairly stable on a year-over-year basis. So really, it's the component parts of -- sorry, and then one other thing, the IT services revenue that Anne-Sophie talked about, again, we expect that to grow in 2023. So those are the major component parts. And I think we'll -- it's early in the year. And as we get kind of more surety, we'll be sure to update you in terms of where in that range we think we're going to come.

Jim Castele - Proximus PLC - Consumer Market Lead

So maybe on the competitive environment in double play. I think it's important to understand that the majority, and I would say, even the big majority of the market is still in triple quadruple play, but it's true that the double-play market is the market that is growing, but it stays a relatively small part of the market in Belgium today. This is also typically where we execute on our multi-brand strategy because that double-play space is especially where Mobile Vikings is very active with our Internet and mobile solution. Of course, like you say, we are also present there with the Proximus brand, with our Flex XS, but this is positioned at a much higher value position than what we do with Mobile Vikings. So I think we can cover with our multi-brand strategy also in that part of the market very well. On the one hand, with Mobile Vikings and then capturing value with the Proximus brands. So I think that's where we are in terms of competition. But as I said, don't underestimate the importance of being very active in the triple-play market because the majority of the customer base is still in that part of the market.

Matteo Gatta - BICS- CEO

Matteo here. So we, of course, don't guide on revenue. Certainly, I don't guide on BICS specifically. Just want to say that perhaps I can comment on that on your question. The BICS supreme value measure of value is direct margin. However, revenue dynamics remains important for 2 reasons: because of our diversification and digital enterprise and also to understand the health check of our mobile trading in the legacy market. Nonetheless, of course, we have seen that revenue uptake has been helped by COVID rebound, both in terms of mobility enablement as well as legacy voice. And I'll let you yourself draw the consideration with respect to comparing, for instance, what happens last year in quarter 1 versus quarter 1 right now. So travel rebound continue. And so we expect that to at least to a little bit -- of course, not the same impact, but to feed progressively. The --what is also important to know is that the diversification in digital enterprise also feed into the revenue element as well

Operator

The next question comes from the line of Nicolas Cote-Colisson calling from HSBC.

Nicolas Cote-Colisson - HSBC, Research Division - Head of European Telecoms Equity Product, Telecoms, Media and Technology

Sorry, just a couple of short questions. Maybe, Guillaume, to follow up on your comments about sound regulatory framework, if you can precise what you would see as sound. Obviously, I think you can share that with us. if the consultation comes, anyway we will find out what you think should be the right way to structure the market. And maybe just a follow-up question on content. How important you think content is for your commercial momentum and margin? Because I'm referring to your TV erosion and how we should take this trend that may well continue down.

Guillaume Boutin - Proximus PLC - CEO, MD & Director

On the regulatory framework, as I said also previously today, I think it's important that we create a regulatory framework that is investment friendly, that will support our ability to continue investing and make a return based on those investments in all parts of the country. And then, of course, what we need is visibility and a stable framework for the long term. So that way, we can make sure that we can maximize our ability to invest, but also as I said, to make a good return out of those investments. So visibility is key in that context and investment-friendly also is key in that context.

So that's, I would say, the 2 first main elements that I would mention today. And of course, what could we expect, probably a framework where you could have in some part of the country a needed competition on the infrastructure side. And we need in denser areas, probably you're going to have some part of the country with a competition around infrastructure. But part of the country, obviously, probably we hope will allow for co-investments or to have 1 network to deliver the service to customers around fiber. So that's probably also something that we would love to see in that sound regulatory framework. Of course, then the devil is in all the details around those 3 elements, and we make sure that we can pass our messages again around ability to invest -- investment friendliness framework, level playing fields and making sure that we can continue to cover the country -- with the ambition we have to cover 95% of the country with the fiber rollout. So that's a little bit what I can share with you. But indeed, you have to be a little bit patient. All those discussions will happen this year and probably by the end of the year or beginning of next year, we're going to have something coming out of those discussions and BIPT clarifying a little bit as a framework for the fiber rollout in Belgium.

Content, content is important, of course, for the multi-play strategy that we do have. There is very few competition in Belgium around exclusive content. That was the good thing about the sort of the existing market. The Belgium Soccer League is today -- the rights of the Belgium Soccer League are today with ESN, so it's available for all operators over the top. So that's one element. And then there is -- we do have the rights for the Champions League and Telenet they do have the rights for the English Premier League. And those are the 3 most important premium sports rights for Belgium, which is, in some way, quite different from a lot of other European countries where you have way more focus on -- or competition on acquiring premium sports rights. So it's important, but it's not like we are in a situation where this is really a true -- an extremely competitive environment for us. What we want to do, though, is to be the best aggregate of the market. That's why our Android-based set-top box, which allow us to really integrate Netflix and others within the experience that we do provide to our customers natively using the Android capabilities, it's a super important element because then you create really a nice environment to consume either Netflix or your favorite local broadcaster. And as you may have noticed, we have also announced the ability to integrate Netflix swim lanes within the Proximus TV interface and user experience, which is a way for us to really be the best aggregate on the market. And when you start having this kind of experience on your TV screen, then you really understand the value of the aggregation that we do provide. So that's a little bit the comment I would make. And all the rest is really around being relevant, so providing what our customers are asking you to provide. And today, they are still asking for aggregation for some part of the customer segments. Some are really not willing to have content provided by us, and those are the Mobile Vikings customers. And for that, we have a specific offer to them without TV. And as you know, the bottom -- the margin we do get or we do extract from TV is limited. So it's a revenue discussion, it's not really an EBITDA discussion, that impact of content. So cash-wise, probably in between a customer with content and between a customer without content, there is not a lot of different. Of course, revenue-wise, it's a different story.

But this is where we are. So we will accompany the trend. We make sure that we win as the best customers from the competition because what we want also that all the good TV customers that you see today, at Voo and Telenet, they are joining the Proximus family, and this is something that you start to see. And you're going to see the decrease of our TV customers probably at a lower pace compared to the decrease of the TV customers from competition because we are winning shares in the TV segment because of our renewed value proposition on that front, but also the product superiority on the fiber. So progressively, probably you're going to see that happening. So I don't know if I -- Jim, you want to add more, but that's really where I am.

Jim Castele - Proximus PLC - Consumer Market Lead

No, I think, Guillaume, you mentioned all the points. I repeat, I already said it before as well, even though indeed, we see the double-play market Internet mobile growing, the big majority and the -- it's really the big majority of the market is still taking TV. Also for new customers coming to Proximus, even though we do see a decrease in the total number of customers, the inflow of customers is, to a big majority, is still taking also the TV offers. So important to keep that in mind.

Operator

There are no further questions.

Nancy Goossens - Proximus PLC - Director of IR

Great. Thank you all for joining us, and thank you for your questions. Should you have any follow-up questions, you can reach out to the Investor Relations team. We will be happy to help you out. Wish you all a very lovely weekend. Bye-bye.

Operator

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

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