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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Telenet Investor and Analyst Webcast First Quarter 2017 Results Conference Call. Today's conference is being recorded. At this time, I would like to turn the call over to Mr. Rob Goyens. Please go ahead, sir.

Rob Goyens

Thank you, operator, and good afternoon, ladies and gentlemen. On behalf of the Telenet Investor Relations team, I would like to welcome everybody to our Q1 2017 Earnings Call. I trust you all received our earnings release this morning and have been able to download the PowerPoint presentation from our IR website that will be used for this earnings call.

Before we start, I'm obliged to advise you that certain statements in this conference call are forward-looking statements. These may include statements regarding the intent, belief or current expectations associated with the evolution of a number of variables that may influence the future growth of our business. For more details of these factors, we refer to the safe harbor disclaimer at the beginning of our presentation.

Let me now briefly introduce today's speakers. First up is John Porter, our CEO, who will give an executive overview of the main achievements in the quarter. Next, our CFO, Birgit Conix, will guide you through our financial results. And after the formal presentation, we will open it up for Q&A.

So John, the floor is yours.

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

Thanks, Rob, and good evening or afternoon to everyone on the call. Before we dive into our financial results and then move on to the Q&A, I want to take a couple of minutes to highlight some important developments here at Telenet for the first quarter 2017.

First, I believe we're really off to a good start despite the fact that net subscriber growth for our advanced fixed services of enhanced video, broadband Internet and fixed-line telephony as well as the video churn were impacted by an increasingly competitive environment and the anticipated adverse impact from our January rate adjustments. We have achieved solid operational and financial results for the first 3 months in the year. One key driver of this solid performance is our innovative, all-in-one, converged WIGO offering, which we launched back in June of last year. Our quad-play bundles continue to gain traction, reaching just below 190,000 subscribers at the end of March 2017. This represents a robust net inflow of just over 37,000 subscribers in Q1 of this year. Excluding BASE's mobile subscribers, this translates into a quad-play penetration of around 24% of our total cable customers as compared to around 21% in Q1 last year.

Zooming in on our operational performance on Slide 5. I'm particularly pleased with the robust performance of our B2B segment driven by our Fluo and WIGO bundles for SoHo customers. As Birgit will explain later, our B2B business developed robust double-digit rebased revenue growth in Q1, driven by our security and connectivity solutions in the SME segment. On the B2B front, we go the extra mile to offer our customers a great customer experience and help them drive their business.

In March this year, we launched the Digitale Versnelling, or our digital acceleration program, aimed at helping smaller and medium-sized companies with their digital strategy. Research by GfK showed that 43% of these companies do not even have a website, 56% don't have a Facebook page and a staggering 82% does not have an e-commerce solution. Therefore, we lined up a team of 12 external independent experts covering a variety of digital topics, ranging from social media, web design to e-commerce. These experts are available over the coming months to perform 1,000 visits for our customers, helping them to advance in the digital world. Customer feedback has been extremely positive, boosting our Net Promoter Score and driving a flux in the market that we seek to growth our penetration in market share.

On Slide 6, the network. We continue to invest in the upgraded modernization of both our fixed and mobile infrastructure. Our EUR 500 million De Grote Netwerf upgrade program has reached a milestone of around 44% of upgraded nodes at the end of Q1 2017. And we continue to target and upgrade a ratio of above 60% by the end of this year. Through this program, we are boosting the capacity of our cable network to 1 GHz or beyond in order to unlock big download speeds of at least 1 gigabit.

As for our mobile infrastructure, we've upgraded around 700 macro sites, or approximately 25% of the network, by the end of March 2017 and completed the rollout of just over 100 new mobile sites. I'm pleased to see that the migration of our MVNO customer base is progressing well as we've migrated just over 135,000 postpaid customers, or just over 11% of our MVNO base, to our acquired mobile network, keeping us on track to achieve EUR 220 million of synergies as part of the base acquisition by 2020.

But it doesn't stop there. You see on Slide 7, we're also investing in improving in-home connectivity for customers as customer expectations for SIM's connectivity across all of their devices regardless of the network they're accessing continues to increase. We have recently launched Flow [redacted], a suite of smart technologies to ensure that customers can seamlessly access both fixed and mobile networks across all of their devices.

In addition, in Slide 8, we keep on expanding our content offering for our customers. As you may recall at the end of last year, we revamped our premium entertainment platform, Play More, as we enriched the linear viewing experience while introducing a new user interface with improved search and recommended features. In the course of Q1 2017, we announced plans to continue to invest in promising local content and beyond through coproductions with our co-owned commercial channels, VIER and VIJF, as well as certain proprietary content.

Furthermore, we also expanded the sports offering of Play Sports, adding tennis with the ATP World Tour Masters to existing offering of domestic and foreign football, golf, Formula One racing, volleyball, basketball and hockey.

Finally, we also enlarged our BASE offering by adding Plattelands, a channel focusing on youth culture, which is currently exclusively available to Telenet customers.

And finally, on Slide 9, I'd like to elaborate a bit more on Telenet's innovation activities, which truly sits in the DNA of this company and is important to secure our future growth profile. At the end of 2015, we launched Telenet Kickstart, a program designed to boost the development of startup community through structural partnerships with leading incubators and accelerators. Last year, we teamed up, we started at KBC, the biggest startup community in Belgium.

Also this year, we aim to continue to invest in the local innovative power of the Belgian startup community. In February, Telenet Kickstart supported bCODE, a Brussels-based use of employment initiative aiming to cultivate coding and developer skills of young underprivileged people. And in March, Telenet Kickstart participated in the new EUR 12.5 million IMiX-iStart investment fund, featuring -- fostering digital innovation and entrepreneurship in Flanders.

With that, I'll hand back over to Birgit for our review of our financial performance.

Birgit Conix - *Telenet Group Holding NV - CFO*

Thank you, John. As John mentioned in his introduction, we faced an increasing intensely competitive market environment in the first quarter of 2017, impacting our operational results mainly in the video area with 21,000 RGU loss and impacting our overall rate of net subscriber additions due to higher churn.

On the other side of the spectrum, our converged visual bundles continue to perform well, as John mentioned earlier, while we also enjoyed robust growth in mobile postpaid with 43,000 net adds in the quarter.

Turning to our financial performance. For the first 3 months of 2017, we generated revenue of EUR 616 million, representing an 11% increase compared to the prior year period when we produced revenue of EUR 553 million. Our reported revenue increase was primarily driven by inorganic movements, as flagged in our earnings release.

On a rebased basis, which provides a better reflection of our underlying growth, our revenue in the first quarter 2017 remained broadly stable compared to the same quarter last year, in line with our full year 2017 outlook.

Also, as I'm sure you've seen from our release, we changed the way we present our wholesale revenue, which is now reported under other revenue versus mobile telephony revenue before. The change is due to the future composition of our wholesale business, which also contains regulatory wholesale. You can find all relevant details in our toolkits on our IR website.

Then on Slide 20, let's have a look at the underlying revenue drivers. Our cable business continued to deliver solid mid-single-digit top line growth on a rebased basis, driven by 3% higher cable subscription revenue and a EUR 3.3 million increase in our B2B revenue coming from security services and connectivity solutions for the SME segment. This was offset by a 4% decrease in our mobile telephony revenue, which continues to be impacted by structural and regulatory challenges. In addition, we also generated lower revenue from handset sales compared to Q1 last year. As this is generally a low-margin revenue, it actually has a positive impact on our underlying margin.

Then on Slide 21. As you may recall from the Q4 2016 earnings call, we expect 2017 to be a year of increased efficiencies. We have synergies from the BASE acquisition, lower integration costs versus last year, and overall tight cost control will compensate for the revenue headwinds we face. And we are well on track to deliver on this promise, as you can see on Slide 21, which I just said. On a rebased basis, our operational cost base is down 5% compared to the first quarter of 2016. Higher network and outsourced labor costs are more than offset by lower costs related to mobile handset sales and subsidies, lower interconnection expenses as well as lower marketing and sales expenses due to phasing.

These improvements in our operational cost base, together with lower integration costs, have resulted in strong rebased adjusted EBITDA growth of 6% year-on-year for Q1 2017, totaling EUR 289 million.

In Q2, our EBITDA will be broadly stable on an absolute rebased basis, and this is due to a EUR 6 million one-off benefit in Q2 '16 as a result of the Orange settlement. And I just would like to already preempt on that.

Then on the next slide, our accrued capital expenditures represented approximately 20% of our revenue in Q1 2017, reaching EUR 126 million. Compared to Q1 last year, our accrued capital expenditures decreased 33% on a reported basis, but this is mainly due to the fact that we capitalized additional football broadcasting rights for both the U.K. and Belgian football championships in Q1 last year. Excluding this impact, our higher accrued capital expenditures primarily reflected the impact of higher network-related investment, both on the fixed and mobile front, as mentioned by John earlier on this call.

Then on Slide 24. For the first 3 months of 2017, we generated negative adjusted free cash flow of EUR 60 million compared to negative adjusted free cash flow of EUR 69 million for the first 3 months of 2016 when our adjusted free cash flow was impacted by EUR 42 million of nonrecurring items. Our adjusted free cash flow in the first quarter of 2017 was impacted by the payment of EUR 140 million of cash taxes in Q1 2017 and higher cash -- capital expenditures as a result of our network modernization program. Both items more than offset our underlying robust adjusted EBITDA growth, lower cash interest expenses, benefits from our vendor financing program and an improved working capital trend. As we do not anticipate paying additional cash taxes in 2017, we expect our adjusted free cash flow to materially improve throughout 2017.

Then, the next slide. At the end of March 2017, our net leverage ratio stood at 3.5x, which is expected to increase to 3.7x post the SFR BeLux acquisition, which is currently pending final regulatory approval. This adjusted net leverage ratio remains within the board's medium-term net leverage target range and provides us with ample financing flexibility for potential future growth-related projects, in line with our previously communicated Vision 2020.

Also, please note that the debt maturity profile on Slide 25 does not reflect the effects of the successful syndication of the new term loan facilities, which will only finalize in the beginning of April. As a result of our latest refinancing, our 2025 debt maturity of around EUR 3.1 billion will be refinanced into a 2025 maturity of USD 1.8 billion and a 2026 maturity of $1.3 billion. As a result, we will extend the average tenure or debt maturities from 8 years to 8.6 years while reducing our annual cash interest expenses by around EUR 8 million going forward. More details on this transaction can be found on Slide 28.

Then we go to the next slide, 27. Having achieved solid results for the first 3 months of 2017, we reconfirm our full year outlook as communicated mid-February 2017. As a reminder, our full year outlook does not reflect the potential impacts from the SFR BeLux acquisition, which is pending regulatory approval. We are confident on our ability to close this acquisition before the end of the summer of this year.

With that, let me now hand back to the operator for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question is coming from Michael Bishop from Goldman Sachs.

Michael Bishop - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Just 2 questions, please. Firstly, I'm looking at the website. It looks like you've got some sort of modest discounts on the Whop and Whoppa tariff. So I was just wondering what the rationale is for that in the second quarter if we were seeing churn stabilize after the price adjustment in the first quarter. And also, whether you think that potentially slows the uptick of the WIGO product. Because in my understanding, looking at least in the first quarter in Belgium, that a lot of the incremental competition seem to be around fully-converged, say, quad-play tariffs in the market. And then the second question is, it's very helpful to see the rebased mobile growth of minus 4% as there's lots of moving parts. But I was just wondering, as we look forward throughout the year, how do you expect this to evolve? Should we think that it potentially can improve as you continue to add postpaid customers and maybe B2B mobile customers as well?

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

So I'll give the second one to Birgit. But look, on the -- to give you some clarity on the competitive environment, we -- I mean, you've got to put the first quarter in perspective. First of all, we did do a rate adjustment in the first quarter, and we also -- and that really goes from the second week of

January through February, and all the bills hit. So we obviously -- we're not shouting in the market particularly loud during in that period. The second thing is that the consumer numbers look a little bit worse than they really are because if you'll notice, the SoHo numbers are very, very strong. We had -- did a very good job of adding SoHo customers in that period, triple-play SoHo customers. But that's really -- many of those customers, certainly not all of them, but many of them, come out of our consumer base. So in -- on average, moving a consumer customer to SoHo customer can increase their ARPU anywhere from EUR 10 to EUR 30. So we encourage that kind of activity. That being said, obviously, that was an opportunity for our competitors to aggressively compete in the market and to make a lot of noise, and they did. But there's a reasonable consistency in the level of customers that they're winning from us. It's not very spiky, particularly. It's not causing us to do anything outside of our normal cycle of offers, either on fixed or on mobile. The churn is definitely not coming from the 4P base. It's coming more from the 2P and probably, a little bit more of the 3P than we had expected. But it's certainly coming from the 2P base. But we -- if there is some sort of discounting on Whop and Whoppa, it is no -- I'm not really familiar with it, but it's in no relation related to the competitive environment. It's our normal cycle, and we're confident that the level of losses to competition and wins from competition, for that matter, remain reasonably consistent. Is that it? Is that okay, Michael?

Michael Bishop - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Yes. That was pretty helpful.

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

And then Birgit.

Birgit Conix - *Telenet Group Holding NV - CFO*

Yes, yes. So indeed, on mobile, what we see is we saw that in the first quarter. So we do have a lower out-of-bundle revenue rather than the impact, let's say, that will continue throughout the rest of the year. That is what we expect, that trend. And then, what we also foresee is an impact of the prepaid registration. You know that there, by the 7th of June, the customers need to be registered. And any customer that hasn't been registered, there, will see a revenue impact. And then on the other side, on the other hand, we see -- we continue to see growth on video, which will be reflected in also the net adds. So I hope that is giving you a bit of flavor.

Michael Bishop - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Yes. Just maybe as a quick follow-up because you mentioned in the press release you're 2/3 of the way through the prepaid registration. So should we think that the impact either is -- particularly, as you probably focused on the higher-value prepaid customers in the first quarter anyway, so the remaining 1/3 is fairly low value. Is that the right way to think?

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

Well, there's -- will be a little bit down to around 50,000, 60,000 SIMs. But there also is a period at which we -- everybody in the market needs to switch off any SIMs that aren't registered. So that's both a risk and an opportunity. So we -- because we think we've done a good job of registering our customer, we think we're ahead of some of the other operators. That maybe -- present as much opportunity for us as risk. So I don't expect to see a lot more impact from the prepaid registration. Now I mean, anybody who covers mobile knows that we're going through a substantial period of headwinds, both from a regulatory standpoint but also just from a consumer behavior standpoint in terms of out-of-bundle revenues drawing up, roaming drying up, changes in MGR and et cetera. But we'll be out -- we'll be through those headwinds by the second half of 2018 and expect a lot more stability and growth. In the meantime, we're still having great success in winning both our customers and former BASE customers and the customers of our competitors into WIGO.

Birgit Conix - *Telenet Group Holding NV - CFO*

And just to add on that, these trends are as we planned for this year.

Operator

The next question is coming from Vikram Karnany from UBS.

Vikram Karnany - *UBS Investment Bank, Research Division - Director and Research Analyst of Telecommunication*

I have 2 questions. Firstly, in terms of fixed-line regulation, there's a lot of noise that the regulator could announce a potential cost-plus regulation in its market review. How do you see this as an opportunity to expand in the Bologna region, taking advantage of any potential regulatory changes if it moves to cost plus? Or is it still more of a headwind in terms of competition? How do you see that? Secondly, in terms of BASE network, can I check, how do you see the network evolving as you have migrated now 135,000 customers? Do you see that migration trend to accelerate further this year? Are you seeing improvement in terms of your NPS exposure in there? And finally, a question in terms of your network upgrade plan. You're targeting speeds of 1 gigabit, that's what you're saying, to 60% of nodes by '17. What's the medium-term target beyond '17? And do you have ambition to accelerate this further? Or do we see 2017 as the peak year in terms of CapEx intensity and we should see a normalization of that trend as the network upgrade program kind of moves slowly and gradually from here on?

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

Those are some big fat questions you're asking. Let's see what I can do. Yes, look, on the fixed regulation, I know certain -- one of our competitors in the market is beating the drum on cost plus. It's -- I think it's very premature to anticipate what the outcome of the regulator's review is going to be. We expect their commentary at the end of May or into the summer. There's a series of reviews at the European level amongst the regional regulators. So it's a marathon, not a sprint. It's a long way to go to determine what, if any, adjustments to the current regulatory framework are going to be made. So it's not a full-blown conclusion. And if they're telling you that it is, then they don't know what they're talking about. So is it opportunity? Of course. I think I've said before, it's Telenet's ambition to be a national 4P provider, and it's a little bit premature to tip our hand on exactly how we will be doing that. But certainly, over the next few years, we have a national wireless network. We will continue whether organically or inorganically to find ways to have a fully integrated offer across the entire national footprint by 2020, which is what we're targeting. In terms of the BASE network migration, the 150,000-odd, the ones that I referenced, these are -- a lot of it's about testing the network and testing the customer experience. We'll be entering a period here where we will be migrating between 150,000 and 200,000 a month. We just did a drive test, and the Telenet group or BASE network is -- was rated #1 in voice reliability and experience. Our data performance has improved markedly. And in some cases, it's better than certain aspects of our competitors. And that's on an national basis. We've only upgraded about 1/3 of the network. So we're very happy with the network performance. And so far, experience has been very, very -- quite a bit of confidence in our ability to accelerate the migration to the point where we will be substantially migrated by the end of the year. In terms of the network upgrade plan, it is our intention to have the full downstream capacity upgraded by the end of 2018. And then we'll be looking at the upstream capacity, which is very important, maybe not less so today for consumers, but very important for us in the business market because it puts us at parity in terms of the experience of fiber care premise. So we are not going to take our foot off the gas on the -- either the fixed or the mobile network. And your assumption that, that implies that we have -- sort of at a peak CapEx period between now and the latter part of next year is correct. And that we have even sort of soft guidance that our CapEx will be coming down as we move forward from '19 or '20. Hopefully, that covers it.

Operator

The next question is coming from Paul Sidney from Crédit Suisse.

Paul Sidney - *Crédit Suisse AG, Research Division - Research Analyst*

Three questions, please. Question one, you made some commentary in the release that you've seen some positive postpaid subsequent to the BASE. I just wanted to clarify, does that mean that the BASE mobile postpaid adds were actually positive in Q1? Or does it just mean less negative in Q4? And just a follow-on from that, do you think this better momentum is being driven purely by the double data launched in the quarter? Or actually, is network quality starting to make a difference to customer choice? And then secondly, just on the video losses, do you think the price increase this year landed less well than last year? And then just thirdly, can I just clarify your answer to the previous question? Did you say the majority of the Telenet customers -- mobile customers will be migrated onto the BASE network by the end of 2017?

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

The answer to the last one?

Paul Sidney - *Crédit Suisse AG, Research Division - Research Analyst*

Yes.

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

The first one -- yes, BASE adds, we normally -- we don't -- I don't think we segment that. But just as a general commentary, we -- in the stand-alone mobile BASE environment, which is obviously, Brussels, some of Brussels and in (inaudible), we are adding postpaid subscribers. We are losing prepaid subscribers, but that's a structural change in prepaid. So that's quite encouraging. Under the footprint, of course, the BASE -- the stand-alone BASE is also competing with WIGO, so we target those customers to get them into WIGO packages. So on a stand-alone basis, we're not adding postpaid-based customers under our footprint. But the fact that we can still compete and we have compelling consumer value proposition for the stand-alone mobile offer is quite encouraging. And then I think the double data is -- clearly has been a sweet spot, I will say that. It's been more effective than forms of discounting and these kind of things in our handset offers. So that's also something that you'd probably see more of in the market also from our competitors. It's kind of a global phenomenon. We often see operators, instead of biting into their offers, they're throwing more specs at the competition. But generally speaking, it's just -- it's a matter of focus, and it's a matter of the BASE stand-alone consumer value proposition and the fact that we've really generated a little bit more excitement in our retail network and with our advertising targeting the stand-alone market since the beginning of the year.

Rob Goyens

Okay. And then maybe finally, so Paul, with regards to your question on the migration of the MVNO subscribers. So actually, the current plan is to have all the customers migrated by the end of next year, 2018, not '17.

Paul Sidney - *Crédit Suisse AG, Research Division - Research Analyst*

Okay. And sorry, just on the video losses, do you think the price increase this year landed less well or about the same as last year?

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

I would say less well because Orange was quite aggressive in advertising our price increase with some full-paid ads in the newspaper. And we have commentary from some of the politicians, which I think is very misplaced relative to the up-price. And the fact of the matter is Telenet has one of the lowest stand-alone broadband prices in Northern Europe. We have a stand-alone broadband offer of EUR 27.80, which is cheaper than France, cheaper than Netherlands. And we think because our triple-play packages have such a very robust video experience, which is what our consumers want, that that's not -- that's comparing apples and pears. So some of the price comparison that goes on in the market and some of the reaction we get is misplaced because our consumers -- and it's quite validated by our churn results, are voting for a quality experience not to stay to save a few shekels.

Operator

The next question is coming from Emmanuel Carlier from ING.

Emmanuel Carlier - *ING Groep N.V., Research Division - Research Analyst*

I missed part of the call, so I hope my question has not yet been asked. So 3 questions. First of all, on the market review, could you comment a little bit on when we expect an outcome and why it is taking longer than expected? Secondly, on VOO. That seems pretty silent on the file. So could you maybe comment a little bit if you believe that it could still be an asset for sale in the midterm or if you believe that opportunity is now away? And then thirdly on shareholder remuneration, could you just give a little bit more color on what is -- what will make you decide to distribute cash. Yes or not? Is that dependent on when the market review will be out or on some other stuff? If you could just provide a bit more color.

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

Okay. On the market review, as I said earlier, we expect the BIPT to come out with its commentary at the end of May or sometime thereafter. It's the beginning of a long process. There is, of course, reviews at the regional level after that. There's reviews at the European level. There's -- just because the BIPT says, oh, we wish we have this or maybe we should have more of that doesn't mean that it's legislation. It means there's a lot of discussions to do. And it's a marathon, not a sprint. Why is it taking so long? Well, (foreign language). Everything takes long, okay? When you're dealing with the level of political complexity and regulatory complexity that we have here, things always take longer than people would like. When it comes to VOO, VOO is very much, I think, reinvigorated a bit under the leadership of Jos Donvil, who's the former CEO of BASE. And they're in the market, and they're being aggressive and, I believe, getting some wins, so that's nice to see. On the political regulatory front, I think VOO is part of Nethys. And Nethys is going through a review by the parties involved and by some external reviewers, and that's going to take most of the summer. So we're certainly, as I've said many times, are friends to VOO and want to support them where we can. We are a supplier to them in terms of MVNO, et cetera. So -- but in terms of anything transformational or strategic, that's all in the back burner in a normal reviews and stuff that's going on with them. And on shareholder renumeration, we're sort of out of cycle for the board to be reviewing shareholder renumeration. I'm sure it's something they will take a look at after they have audited financials from the first half and then something, I bet, they would look at again in the normal cycle, which would be in the -- after the full year result. But you can see from our leverage that even pro forma further, it's a par transaction where it's 3.7x. And there's really nothing else on the horizon other than, hopefully, a rapid acceleration of our free cash flow. So I would imagine these will all be things that they'll be thinking about when they look at it in the half year and the full year.

Operator

The next question is coming from Roshan Ranjit from Deutsche Bank.

Roshan Vijay Ranjit - *Deutsche Bank AG, Research Division - Research Analyst*

Just going back to the mobile migration. John, you're quite clear in the rate of migration. But given we have seen, I think, an increased frequency of these promotions -- and I think you mentioned VOO, you got your own promotion. I think we'll be seeing some from mobile. Is there scope or potential to accelerate that migration given that you got an 11% move across at present? And secondly, just on the CapEx side, thinking ahead to the SFR BeLux, potential closing on that deal. Is there a significant difference between the level of investment in the Brussels network in terms of the upgrade to 1 gigahertz? And how should we maybe think about that in the wider context of the EUR 500 million upgrade program?

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

Yes. The SFR footprint, although it was given a fair -- 100,000 customers or so, is quite dense. So from a network standpoint, I think we have allocated about EUR 30 million for the upgrade in the acquisition case. So it's not material what it will take to get that up to the De Grote Netwerf standard, which is certainly our intent. And there is quite a bit of fiber on the ground as well that we're aware of, and there's a lot of depth. So it shouldn't be that hard for us to start to address network issues, which have been a bit of a problem for Numericable or SFR over the last couple of years. So we should be able to make an impact at not a big price. Yes, the -- on the terms of migration acceleration, I would've -- before having done the Lyca deal, I would've agreed with what your assessment of we could really accelerate that. I think I don't know how -- Rob, we put something out in Lyca, right?

Rob Goyens

You mean on the migration part?

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

No. On the transaction.

Rob Goyens

Yes. So we actually -- so with regards to the SFR acquisition more generally, so we believe that before the summer or around summertime, closing of that transaction is (inaudible).

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

No, not SFR. I already talked about SFR. So I think we did, yes. We put something out on Lyca. So we have many, many SIMs that we'll be bringing over from a wholesale standpoint over the summer, so that's going to delay a little bit our migration plan. So that's why Rob said that migration will go into 2018. So we're certainly -- we were targeting to get as much over as possible at the end of 2017. But because of the -- we're really building a pretty robust wholesale business that's going to probably push it out a couple more months. But we're going to go as fast as we can, for sure.

Operator

The next question is coming from Ruben Devos from KBC Securities.

Ruben Devos - *KBC Securities NV, Research Division - Equity Analyst*

Two questions, please. The first one, related to vendor financing. If I'm not mistaken, you've had a EUR 38 million growth impact from vendor financing your free cash flow in Q1 with the split between OpEx and CapEx of around 40% to 60%. Would it be possible to provide an idea on how this balance would look like going forward? The reason I'm asking is that I'd like to have a better view of your cash CapEx profile as it's quite distorted versus the accrued CapEx due to a different year. Recognition of (inaudible) the operating leasehold payments and now vendor financing. The second question regarding your net subscriber losses in video. You indicated the competitive environment has intensified. I understand that the opening up of cable has had an impact, but could you give an idea of the degree of cord-cutting at this point? Should we read that households are considering to cut their TV subscription is becoming more of a topic for Telenet?

Birgit Conix - *Telenet Group Holding NV - CFO*

Yes, I can -- I will answer the vendor...

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

Birgit, do you want to do the vendor financing?

Birgit Conix - *Telenet Group Holding NV - CFO*

Yes, the vendor financing. So indeed, so the EUR 38 million vendor financing impact that we had over last year. So the -- for '17 in total, it is around EUR 130 million to EUR 150 million that we see as vendor financing benefits. This is as communicated before, so everything remains unchanged. And as we discussed before as well, the growth is coming from annualization of the spend with current suppliers. So that is -- and then also, of course, new suppliers are onboarded, so that's why you have such a spike in 2017.

Ruben Devos - *KBC Securities NV, Research Division - Equity Analyst*

Yes. Could it be possible to provide a split between the OpEx and the CapEx that you recognize via the vendor financing? Because I guess, in Q1, it was -- around 40% of the total vendor financing impact, and your free cash flow was OpEx-related, and the 60% was CapEx-related. I'm just wondering because I'd like to have a view on your cash capital expenditures, which is quite different from your accrued capital expenditures.

Birgit Conix - *Telenet Group Holding NV - CFO*

Yes. It's a bit early to say, Ruben, because that depends on the suppliers that we have onboarding, so whether it's CapEx or OpEx. So probably, latest throughout the year, I can give you a better view on the new suppliers and so on.

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

Yes. And I wouldn't read any cord-cutting trends into that video number. I mean, as you know, we'd lose video, have been moving video every quarter for the last 5 years -- 10 years for that matter. But the majority of the lift is due to the excess gene.

Operator

The next question is coming from James Ratzer from New Street Research.

James Ratzer - *New Street Research LLP - Founding Partner*

I had 2 questions, please. The first one was just regarding this issue about your price increase and the impact it's had on churn, which I know churn in Q1 is normally seasonally high, but it was up kind of 1%, roughly speaking, year-on-year. I mean, how should we be thinking of churn going now into the back half of the year? Do you think churn will remain now structurally around 1% higher than what we saw in 2016? Or do you think actually we go back to the levels we saw during the rest of 2016? And the second question I had was just regarding exposure to out-of-bundle mobile revenues, which, I think you'd highlighted, was one of the drags we saw in Q1. How much kind of additional exposure do you think you still have to that, please?

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

Okay. I'll do the first one, and Birgit, you can talk about out-of-bundle revenues. Look, the -- I think there was a multiplying effect of aggressive competition during the period of price increase in the first quarter. There's no question, price increases are getting more difficult. And I think what we're trying to do is being a lot more innovative about how our customers -- how we increase our ARPU by giving a lot more value to customers and giving them reasons to consolidate their telecommunication spend with one provider, which is what WIGO is all about, and stay tuned because there may be other products that pursue that same growth. I could get out the rate increase business entirely. I would, for sure. But on -- in terms of its long-term impact on churn, I think it was -- I think we can do better. I think -- I don't think structurally we have a 1% increase problem, but we have some increase problem because we have a competitor that's using our network so, selling a very high-quality broadband experience, and they're going to get a certain amount of customers every month. Whether it's enough to make them happy or to make us unhappy, that remains to be seen. But it's -- churn is not going to be down 7% again. It's going to be somewhere in between that and where it was in the first quarter of this year. But I can't imagine a period of time in which something which happened, which would disrupt it even further because we're, as I've said, really looking at our whole product suite and really getting behind this whole house and home customer solutions, which customers are finding very, very attractive. The NPS of WIGO is extremely high, so it's clearly working. And there are improvements in WIGO forthcoming, which will -- even more embedded. And with every customer that's in WIGO, the churn rate is sort of not much higher than the debt rate. So the more we can get into WIGO, the less the market is for our competitors building share out. Answer your question?

James Ratzer - *New Street Research LLP - Founding Partner*

Yes, that's great.

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

Birgit?

Birgit Conix - *Telenet Group Holding NV - CFO*

Yes. And then on the out-of-bundle, unfortunately, I have to tell you that we do not provide absolute numbers in the order of magnitude of out-of-bundle, and so just reconfirming what I have said earlier. So we are currently according to plan, so everything being calculated is in our guidance. And so out-of-bundle follows also the general trend in the market on that specific mobile revenue. And also, we have, as we also said earlier, a bit of an impact on the prepaid registration. That is also something that we had planned for. And so that's all, unfortunately, I can say about that.

James Ratzer - *New Street Research LLP - Founding Partner*

But that sounds like that it's something that's kind of -- could continue. It wasn't just a one-off effect in Q1.

Birgit Conix - *Telenet Group Holding NV - CFO*

No, no. It is something that -- it's a really general trend also as the consumer behavior of going, let's say, out-of-bundle. And then also more generally, texts are included in the bundle. So it is as foreseen. We always thought that would be the case.

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

It's also a great planned obsolescence by us. I mean, we're trying to take the competitive high ground. In WIGO, voice is unlimited. And in Europe, there's no other bundle roaming or anything that either. So we knew this day was coming, and what we've done is use it as an advantage as opposed to a threat.

Operator

We'll now take our final question coming from Thibault de Coincy from Raymond James.

Thibault de Coincy

Firstly, on the Jupiler Pro League rights, how important is it for you? And how confident are you to retain the rights? And then secondly, I was wondering what part of the decline in mobile revenues comes from possible revenue cannibalization as existing Telenet and BASE clients migrate to WIGO? And if you could give us what percentage of WIGO customers are new to Telenet.

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

Well, I'll answer the first one, and I'll give the second one to Birgit. So what I can tell you about the JPL is that the rights allocations will be selling up very soon and that we remain very confident that we will be able to get the rights that we require within the budgetary envelope that we've set for ourselves. So I mean, essentially, when it comes to the JPL, all the roads lead to Telenet. So it's really -- never feel like we're out of it when it comes to JPL. And we're doing some interesting things with it, too. So stay tuned. And when we get those rights, we'll be able to talk more about some of the ways that we're going to take it to the proverbial next level. So -- and then Birgit, you want to hit the mobile one again?

Birgit Conix - *Telenet Group Holding NV - CFO*

Yes. I, unfortunately, need to answer that this is commercially sensitive, of course, because it is between 2 of our own brands. So -- yes. So Rob, please tell me what is possible to say and what is not. Because normally, we do not disclose this type of number.

Rob Goyens

No. The only thing I would actually complement is that -- so the bulk of the WIGO customers that we have currently within our total customer base, which is just below 190,000, as you've seen from the release, have substantially come from internal migration. So those are customers that we already had a relationship with before. Of course, driving additional SIM penetration within the households, as you've seen from our robust mobile net adds that we have been delivering not just in this particular quarter, but also since the second half of last year when, actually, WIGO was first launched. So the 43,000 mobile SIMs that we generated in postpaid are actually underlying demonstration of the solid momentum that we have in this marketplace despite the competitive environment. But that's all we can say for now in terms of split.

Operator

This completes the Q&A session. I would now like to hand the call back to Mr. Goyens for any conclusion or additional remarks.

Rob Goyens

Okay. Thank you, operator. So ladies and gentlemen, that will conclude today's earnings call. Should you have any further questions, I look forward to further discussing it with you off-line during one of the next days. We also look forward to seeing you during one of our upcoming roadshows or conferences, and you can find an updated overview on our Investor Relations website. I would like to thank you all for participating, and goodbye.

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

Thank you.

Operator

This concludes today's conference call. You may now disconnect, ladies and gentlemen.