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CORPORATE PARTICIPANTS

Erik Van den Enden *Telenet Group Holding NV - CFO*

Jeroen Bronselaer *Telenet Group Holding NV - SVP of Residential Marketing*

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

Rob Goyens *Telenet Group Holding NV - VP of Treasury, IR & Structured Finance*

CONFERENCE CALL PARTICIPANTS

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

Emmanuel Carlier *Kempen & Co. N.V., Research Division - Analyst*

Guy Richard Peddy *Macquarie Research - Head of Telecommunications, Media, and Technology*

James Edmund Ratzer *New Street Research LLP - Europe Team Head & Analyst*

Matthijs Van Leijenhorst *Kepler Cheuvreux, Research Division - Analyst*

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

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

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

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

Stefaan Genoe *Banque Degroof Petercam S.A., Research Division - Head of Equity Research*

PRESENTATION

Rob Goyens - *Telenet Group Holding NV - VP of Treasury, IR & Structured Finance*

Good afternoon, everyone. My name is Rob Goyens, Head of Treasury and Investor Relations at Telenet. I would like to welcome all of you to our Q3 earnings webcast and conference call. I hope you have been able to have a look at this morning's earnings release. The release and the presentation for this call can be found in the results section of our investor website.

We'll start today with a presentation of the main strategic and operational highlights by John Porter, our CEO. Next, our new CFO, Erik Van Enden, will guide you through our quarterly financial results.

As a reminder, certain statements in this earnings presentation 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 on these factors, we refer to the Safe Harbor disclaimer at the beginning of our presentation.

So John, the floor is yours.

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

Thanks, Rob. Hi, everybody. This is John here. Let's first go through the key highlights of the third quarter of 2018. Our WIGO quad-play proposition continued commercial traction, adding a net 10,300 subscribers to 361,400, representing a 36% growth compared to a year ago. Thanks to the growth in WIGO, our mobile post-paid subscriber base increased 5% year-on-year, or 108,800 subs in absolute terms. We did softer net adds in the third quarter, impacted by competition, particularly Orange Belgium's unlimited offer and the price adjustment.

For the first 9 months of 2018, we achieved an ARPU per customer relationship of EUR 55.40, representing a modest 1% year-on-year increase as compared to EUR 54.70 for the first 9 months of 2017. We achieved again a solid 9 months 2018 adjusted EBITDA growth of 7% year-on-year on a rebased basis of EUR 991 million, resulting in a 410-basis-points margin improvement. The third quarter 2018 adjusted EBITDA was EUR 345,500,000, up 8% year-on-year on a rebased basis, resulting in a 480-basis-point rebased margin improvement year-on-year of 53.8%. We decided to upgrade the full year 2018 adjusted EBITDA outlook following our strong financial performance over the 9 months of 2018 in the range of between 8% and 8.5%.

Our commercial performance in the third quarter of 2018 was impacted by higher churn in the acquired SFR footprint, following our accelerated customer migration strategy. This skewed the underlying trends on video, broadband, and fixed telephony segments and resulted in higher churn in the third quarter.

Our total RGU customer base decreased by 2% year-on-year. Excluding the impact of SFR, churn numbers are broadly in line with what we typically observe during a quarter with a price adjustment implementation. It's also important to note we have a 4,000 install backlog of Internet subscribers at the end of September, and we expect to better Q4 net adds as we catch up.

After the successful launch of Go with the Good Flow and a first connectivity campaign, Welcome to the Smartest WiFi System Ever, we introduced at the beginning of October, Welcome to Telenet TV. Telenet TV refers to our brand-new TV platform offering a 360-degree content experience for our customers across multiple devices and platforms.

In that respect, we launched a 3G option for both our current and future WIGO customers, enabling them to use certain apps, including our Yelo Play, Play Sports, WhatsApp and Facebook Messenger without impacting their mobile data allowance. In addition to 3G, we also launched our brand-new Telenet App. It helps you to optimize your WiFi experience to control everything down to the last detail. You can control your fixed Internet usage at home. You can also do a WiFi test. You can order a WiFi booster, of which we delivered already 150,000 by end of September, around 20% of the broadband subscriber base as a WiFi booster. In addition, you can easily share your WiFi password with your guests.

People in Flanders love regional movies and series. This is confirmed by recent research we did on viewing habits in Flanders over the past 3 years. In Flanders, we watch television on average every day for almost 4 hours and 24 minutes. Our own series, De Dag, was very popular in all major cities in Flanders, especially in the Ghent area. By the end of September, over 900,000 episodes had been watched, underpinning the success of our own productions.

On our broadcast channel VIER, the local quiz, De Slimste Mens, was highly watched across all major cities in Flanders, especially in Antwerp. It's the second-most-watched program currently in Flanders, with an impressive 43% market share and over 1 million viewers.

The importance of local content is underpinned by the growth in our subscription video-on-demand packages, Play and Play More, which had 410,200 customers as of September 30, 2018, up 3% compared to the prior year period. We also served 231,400 Play Sports customers at the end of September, which remained stable compared to the prior year period and a marked improvement compared to second quarter 2018.

Besides residential, our B2B remains an important growth driver. I'm very happy that we've acquired some new, very solid customer accounts. We also managed to surpass the 50,000-subscriber milestone for the WIGO business offer, again underpinning the relevance of FMC in the business segment as well. And thanks to the acquisition of Nextel, we are now able to foster the digital transformation for existing and new B2B customers.

Besides our core business, we also continue looking into new growth projects, and IoT is definitely one of them. We are very proud with the earlier announced strategic partnership we signed with Charleroi Airport. This collaboration, which will span 5 years, aims to make Charleroi Airport a truly digital dome. With its 25,000 passenger visits per day, the main objective is to optimize the operation of the airport and improve the passenger experience from home to the boarding gate, thanks to digital solutions such as smart parking, public WiFi network optimization and analysis of local visitor location data.

The partnership will initially focus on 2 concrete solutions: passenger flow analysis and connected smart parking systems. But the ambitions won't be limited to these 2 solutions. The objective is to pursue the development of IoT solutions at the BSCA site as well as enabling the enrichment of the Charleroi Airport application.

The significant network investments we are doing in fixed and mobile network are clearly showing results. This is confirmed if you look at mobile data consumption numbers over the past summer festivals. For example, mobile data usage at Rock Werchter increased fivefold compared to 2 years ago and 10 times as compared to 3 years ago.

I'm proud of the fact that Telenet has been rewarded for the sixth time as a sustainability leader for the global media industry for the strong performance in economic, environmental and social areas. With an overall score of 78 points, Telenet reconfirms its leadership in sustainable development.

Following shareholder approval of the AGM of 26 September, we executed the extraordinary dividend payment of EUR 600 million, equivalent to approximately EUR 5.30 per share. On top of the extraordinary dividend, we also progressed very well in the share repurchase program and spent EUR 105 million, resulting in 2.3 million treasury shares by the end of September 2018. As such, around 30% of the program was fulfilled.

With this, it's my pleasure to hand over to Erik, our new CFO, to go through the financial highlights.

Erik Van den Enden - *Telenet Group Holding NV - CFO*

Okay, thanks, John. Hi, everybody. It's Erik here on the line, and I would now like to run you through the main highlights of our financial performance.

Speaking of with revenues, you can see that for the first 9 months of the year on a reported basis, our revenues were up 1% versus the same period last year due to the acquisitions of SFR, Benelux and Nextel to nearly EUR 1.9 billion. However, on a reported basis, revenues decreased by 1%. The decline on a rebased basis was largely driven by a EUR 9 million decrease in mobile handset sales, but we also encountered lower usage rate of revenue, and we continued to face competitive and regulatory headwinds.

Within the third quarter of 2018, our revenue was broadly stable versus last year on a reported basis at EUR 642 million and decreased nearly 2% year-on-year on a rebased basis, again driven by the lower handset sales versus the same period last year. Excluding this impact, our underlying revenue would have decreased modestly by 0.5% year-on-year. And more importantly, the trend in our cable subscription revenue improved on a sequential basis as our third quarter revenue also reflected the benefits of the July 2018 rate adjustment.

Then moving on to operating expenses, on a rebased basis we managed to reduce our total operating expenses for the first 9 months of the year by 9% versus last year. This strong result was predominantly driven by a 14% reduction in direct costs as a result of the accelerated onboarding of our full MVNO customers to our own network, which we completed at the end of Q1 this year. But on top of that, also our indirect expenses decreased by a solid 8% as a result of tight cost control amongst others, resulting in lower outsourced labor and professional services expenses.

Turning then to EBITDA, for the first 9 months of the year we realized an adjusted EBITDA of EUR 991 million, up 9% versus the same period in 2017 on a reported basis and up 7% year-on-year on a rebased basis, driven by the solid reduction of operating expenses that we just discussed. Within the third quarter of 2018 on a rebased basis, our adjusted EBITDA reached nearly EUR 346 million, which is a robust 8% increase versus last year. Also, note that our EBITDA margin expanded by 480 basis points to reach nearly 54% in the third quarter. This really represented our best quarterly achievement in the last 3 years. Moving on to the next slide, accrued capital expenditure for the first 9 months stood at 26% of revenues and decreased 9% versus last year. But please note that CapEx in the third quarter of 2017 was impacted by the recognition of the Belgian football broadcasting rights.

On the other hand, CapEx in the third quarter of this year includes the expansion of the current 2G mobile spectrum license until 2021. So if you exclude both effects, you will see that our accrued CapEx within the quarter decreased 2% year-on-year, driven by lower network-related CapEx, as we've made good progress on the modernization of our integrated fixed and mobile networks. Finally, also note that over 70% of our accrued CapEx is either scalable or either growth related.

Moving on to free cash flow, you see that we have a modest reduction in free cash flow generation for the first 9 months of the year. For the third quarter, however, it was a steep decrease of 69% versus last year, but this is really due to the expansion of the 2G mobile spectrum, which impacted our free cash flow by EUR 6 million in the quarter and due to higher repayments of short-term commitments under our vendor financing program, which is mainly a phasing effect. As you have seen in our release, we are now targeting the upper end of our free cash flow guidance, and we are nicely on track based on our 9 months' performance.

And finally, in terms of leverage, net total leverage decreased from 3.8x at the end of the second quarter to 3.6x at the end of the third quarter thanks to the strong EBITDA generation and a decrease in vendor financing commitments due to phasing. However, this number does not yet factor in the payment of the EUR 600 million extraordinary dividend on the 4th of October, which brings back the ratio to 4.0x on a pro forma basis, exactly at the midpoint of our leverage framework.

And finally, as you can see in the graph on the right side of the slide, we have a well-spread debt maturity profile, with no debt amortizations before 2026 apart from vendor financing-related commitments.

So let's conclude now with our outlook for the full year 2018. In terms of revenues, we continue to anticipate stable revenue growth on a rebased basis. As a result of the faster-than-expected execution of our synergy roadmap and continued disciplined cost control, we will be capturing essentially all planned cost-related synergies in 2018 as opposed to our initial outlook. This will result into higher adjusted EBITDA growth on a rebased basis for 2018, yet resulting in a tougher comparison base heading into next year, as we will have captured the vast majority of our cost synergies this year. And on top of that, we will be losing an important MVNO contract as of early 2019.

As a result, we now expect our adjusted EBITDA to grow between 8% and 8.5% for the full year on a rebased basis as compared to our initial outlook of 7% to 8%. Our medium-term adjusted EBITDA outlook over the period of 2015 to 2018 is now expected to reach the mid to upper end of our 6% to 7% range.

On accrued CapEx, we continue to target a CapEx-to-revenue ratio of around 26% for the full year, and we are fully committed to decreasing our accrued capital expenditure to around 20% of revenues for next year, excluding the potential recognition of football broadcasting rights and mobile spectrum licenses.

Finally, we see our adjusted free cash flow at the upper end of our EUR 400 million to EUR 420 million range, despite a EUR 25 million impact of payments on the 2G and 3G mobile spectrum license.

With this, I would like to thank you for your attention and hand over again to the operator to open up for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We'll take our first question from Paul Sidney with Credit Suisse.

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

I have 3 questions, please. First, the first 2 questions on the accelerated SFR footprint customer migration process. And firstly, when exactly did Telenet start the migration process and what were the problems encountered during that process, obviously leading to the pickup in churn? And secondly, following on from that, how many customers have actually been migrated from the SFR footprint, and how many do you need to do going forward and in what timeline? And then the third question on consumer mobile. Obviously, the Orange Belgium gang's in good traction on its unlimited tariffs. We've seen Proximus launch an unlimited data tariff just a few hours ago. I was wondering, does Telenet feel the need to launch bigger data bundles or even an unlimited tariff of its own to compete or even to react to these offers?

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

Okay, Paul, I'm going to give you just a brief introduction to the SFR migration story and then hand it over to Jeroen. But first I'll answer the last question, consumer mobile and the unlimited. We are very strong proponents of the FMC strategy. We're now up to over 360,000 fully bundled fixed mobile customers. We think that's the most resilient customer base. Churn results in that segment are well less than half of our average churn results. And given the competitiveness of the environment, we think that's where we want to take our customers.

Unlimited, to me, to us, is going nuclear. Essentially, you can only go unlimited once, and once you do, the only direction your price can go is down. So I'm not personally a huge fan of the unlimited strategy. We think we have a lot of other value creative strategies in our kit bag with our fixed, mobile, our premium entertainment and ways of putting those things together to create experiences and value price points for our customers that are in fact superior to unlimited data, an example being the recent launch of our zero-based rating products, where all of our premium entertainment products can be consumed over our -- for our mobile customers as well as communication apps like Messenger and WhatsApp, et cetera.

So we are increasing our specs. That's certainly something that we need to do within our bundles and in our standalone products, but I do think that once you go unlimited, you really are narrowing your customer value proposition choices. And so I would, although obviously, we reserve the right to change our minds and we're not going to give too much detail about our actual commercial strategies, I'm not a fan.

So on SFR, I definitely believe that we have taken on some challenges there. Certainly we have -- we really started in earnest in the Brussels part of the SFR area at the beginning of the summer, and we had a range of challenges including, obviously, getting installation capacity up, fine-tuning our customer value proposition to be able to move customers over from their historical product to a Telenet product, also some very big challenges in terms of the quality of data. In many cases, we had customers with no correct address, with no correct telephone number. Now we are remediating many of those challenges, and we're already seeing improvements in the percentage of customers that we're migrating.

But this is a long-term investment. The only -- it's really about getting critical mass in Brussels so that we can go above the line, which we have not really done yet, and start advertising Telenet to the Francophone market in Brussels. Brussels is very, very underpenetrated for a challenger cable company for a range of historical reasons, and we certainly believe that despite some initial startup pickups, that over time, we will be increasing our overall market share in the Brussels region.

So it's very, very early days, and we are learning daily on how to meet customers' expectations there. And obviously, we think we will do a much better job. But I'll hand it over to Jeroen, who's our head of consumer, who will give you some more color on it.

Jeroen Bronselaer - *Telenet Group Holding NV - SVP of Residential Marketing*

Yes, so hello, Paul. Just to maybe make the comments of John a little bit more material, on the timing, as John explained, I think we had done some smaller batches of clients before summer in some areas outside of Brussels, the outskirts of Brussels, and some in a small Walloonian part, but that was, of course, less than 10% of the base. Actually, we got quite some good and promising results there. We started to move in Brussels as of the second of July with quite evenly distributed waves of customers. We take it neighborhood by neighborhood, and these efforts will continue until -- in Q1 2019. Overall, we are almost halfway of that migration.

Now, what we saw when entering Brussels, as John explained, we encountered a number of challenges, and let me just list them for you. I think we indeed ran into some operational complexity that we did not have foreseen, very specific also for the Brussels region. Or maybe I should say we had foreseen it but not quite as much as we actually encountered. And that was the lower level of in-home installation quality. That was, again, very much a neighborhood effect in Brussels, but that was something that impacted the speed and the number of clients we could get onto our network.

There was indeed, as John pointed out, the data complexity or, yes, data complexity. The level of quality of customer data, customer contacts, email addresses, correct addresses was lower than we expected, which also impacts the entire movement.

And then very specifically, our most difficult months were also July and August because this was a holiday period, and certainly, in some more ethnic neighborhoods, that was quite an extended holiday, a period as they travel abroad, which also impacted the number of clients we could get onboard.

And all of these elements and the operational and the data, we have worked hard to solve them. For the operational ones, that means going more in houses and fixing the connectivity. We've up-staffed for that. On the data, it meant that we had to do some work on upping that quality, looking at all the data files, enriching them where we could, going into the streets and getting the addresses. But we've done that, and that has paid off. And of course, we are out of the holiday period now. September was back to business, and we already see that picking up a little bit.

Maybe one important element to stress is that it is, of course, it was on a forced migration, because from a legal point of view, there was too much change in the consumer offer, so it is a bit of a voluntary migration. That is also why there is some impact. Otherwise, it would have been a lot smaller. You have to contact people and they have to make a deliberate choice for Telenet.

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

Just to give you some numbers I just looked at while Jeroen was going through that, we have 34,000 more customers to migrate. We are migrating, we are moving up above 70% migration. Our goal was always -- our expectation was that we would get 80%. Of course, we're making sales outside of just migration, so there is a net effect of new customers coming onboard as well. So the difference between our expectation and what we're currently getting is about 3,500 customers. And we are improving every day in terms of our ability to bring these customers over.

So I think that pretty much covers it, and you will stay tuned. We have some significant remedial strategies which we'll start to roll out over the next few months as well. So obviously, we're not satisfied with that result.

Operator

We'll take our next question from Michael Bishop with Goldman Sachs.

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

Just a couple of questions from me. Firstly, just picking up on the churn impact outside of the SFR regions, I was just wondering if you could follow up a little bit on what you saw during the quarter. It sounds to me like the price increase bedded down quite well early on and then potentially there was a bit of increase in churn with the back-to-school promotions. And although having said that, Orange Belgium was claiming that they didn't really promote the fixed line offer too much in the quarter, so just be good to get into the dynamics.

And then secondly, a bigger-picture question. You've highlighted that you've effectively given yourselves a bit of a tougher comp now for '19 growth on '18 for EBITDA. So I was just wondering if you wouldn't mind extrapolating a little bit on those comments and whether you still think that growth is achievable, even with the MVNO headwinds, given you should have some synergies from SFR starting to kick in and other drivers.

And then thirdly, on the transfer of the field force, could you just give us the overall impact that will have on consolidated OpEx, CapEx? Because I believe you transferred it in 3Q and then you've taken a 30% equity stake.

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

Okay, yes. I think churn outside of Brussels met our expectations. We usually plan for about 1 point annualized of incremental churn in a quarter of rate increase, so that's about what we -- 1 to 2, that's about what we saw. And so we're not -- we were not concerned about the impact of the rate increase at all. In fact, it was really, from a public standpoint, it was a non-event, happening in the time that it did from an NPS standpoint. Of course, it was in the range of where rate increases have impacted NPS before, and we're seeing the NPS come back to expected levels after the 3 months after the rate increase. So reasonably fine with that.

Certainly, don't think that we are all of a sudden in any worse shape vis a vis future pricing power. You can see that that's still very much a part of the market, particularly as people's average bills come down. With usage fees coming down by the increase in specs and the launch of unlimited products and this kind of things, usage fees are coming down. So the ability to raise subscription rates is still very much a part of the strategy for Telenet and for this market generally.

In terms of the field force, we are -- we moved about 300 employees from our company into the joint venture with Solutions 30. We essentially, on Day 1, it was a neutral transaction at OCS. But as that company brings on other customers, such as they have a project now for smart metering installations and this kind of things, it overall lowers their cost to serve us. And we are, over the next 12 months, expecting some significant improvements in our OpEx, in the range of between EUR 5 million and EUR 10 million due to the transaction. So we have 30%, and we also have an option on another 10% there.

In terms of the -- our ability to grow as yet, of course, we're going to talk about that in some detail in a month. But I don't know, do you have any comments on that, Erik?

Erik Van den Enden - *Telenet Group Holding NV - CFO*

No. I think, first of all, it's true that as we pointed out, we're going to have a tough comp because the base-related synergies are essentially, we're all taking them accelerating in 2018. And then also on the MVNO side, we're going to be losing a contract there. The timing of that, it's not yet 100% clear. But John, as you say, I think we'll come back to that on the Capital Markets Day.

It's also important in that context there for 2019 where NOCF is probably going to be a little bit of a transition year as we kind of gear up for growth in 2020 and beyond.

On the CapEx side, that will come down a lot right next year. So we're committed to bringing that down to more a sustainable level. So if you think of 2019 in terms of OFCF, so OCF minus CapEx, there is going to be a very strong year.

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

We're also investing in -- we're not certainly satisfied with where the revenue project velocity is right now. And in 2019, another thing which we'll lay out in more detail in a month, we're going to be making some investments in top line growth, both with our legacy product portfolio, but also with several new initiatives in innovation. We're also going to be investing in the evolution of our operating model towards a more agile framework, which does take some investment upfront. But that is all toward the end goal of regenerating top line growth in what is, frankly, quite a competitive and highly regulated environment. But we certainly believe we can get back there.

Erik Van den Enden - *Telenet Group Holding NV - CFO*

In terms of the churn, just building on what John already said, so obviously, if you take the Internet number, the growth of that number, being down roughly 10,000 net us in the quarter, we already discussed it, there is the impact of the SFR. But John has already also referred to the fact that if you look at the backlog that we had at the end of the quarter, it is much higher than usual because of regional planning things and back-to-school campaigns. So that was substantially higher. If you correct for these 2 factors, you would see that the net of number for growth in this is pretty much in line with the numbers we've seen over the last 2 quarters.

Which brings me back to John's point that, again, corrected for these 2 factors, it is in line with the previous 2 quarters, and we did do a rate increase this quarter, so there's nothing worrying from that perspective. And again, it doesn't change our thinking in that respect at all because churn has been very much under control despite having done the rate increase.

Operator

We'll take our next question from Roshan Ranjit with Deutsche Bank.

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

Three quick questions, please. Firstly, just looking at the underlying cable revenue trends now, despite this elevated churn, I think you had an improvement in the year-on-year growth versus what we've seen over the last 2 quarters. Now if we were to think about the wholesale revenues, which is now an increasing part fitting into this cable subscription business, is it possible to get a sense of what the growth rate would be there because that's clearly an increasing component of your revenue stream.

Secondly, on the EBITDA trends now, we've seen 2 quarters of solid cost efficiencies. And now as you said, the MVNO synergies are starting to trend off. You've made it clear that there are still some efficiencies from SFR Belux. But should we be thinking more about a tighter kind of workforce headcount program which could play into '19 and '20? And finally, just on the price increases -- I think you kind of alluded to it, John -- but given where you had this, if I may term, an off-cycle price increase in July, does this adjust your thinking around what we've typically seen for price increases at the beginning of the year? Thanks.

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

Okay, I'm going to answer the second and third questions, and I'll let Erik either say something about wholesale or not, depending on how much we disclose there.

Yes, I think like your summaration of the EBITDA trends and our ability to take synergies on scale transactions is quite accurate. I think we pretty much have run that race. I will say even in 2018 that not 100% of the OpEx reduction comes from synergies. There's a lot of innovation, there's a lot of smart thinking, there's technology implementations in the form of AI and robotics, where we are getting some significant productivity gains.

It's very, very early days on that front, so we are kicking off a digital transformation where we'll be moving out our full CRM stack and our full ERP stack to new state-of-the-art, some cloud component systems, which will greatly improve our productivity. And in fact, what we've found is as we move to a more digital-first mindset that our historical operating model is less than ideal. And so particularly in the area of delivery in both consumer and B2B worlds, we will be moving to a more agile framework, which will deliver some significant benefits, both in terms of speed to market, productivity, but also ultimately cost.

So certainly, over the next couple of years as we invest to revitalize top line growth, we will find savings in the operating costs of our business, and we will reinvest some of those, and we'll take some of those to the bottom line.

On the price increase, yes, I did allude to it. I think we're -- our cycle of sort of price increases, we don't see any significant changes to that. We obviously review it periodically as a management team and as a board what price adjustments need to be done. But as I said, we are delivering incremental value and incremental savings to our customers through our FMC strategy and essentially working out of usage and out of bundled fees, so that we think that our ability to raise price or adjust prices on fundamental subscription fees is still as good as it's ever been. So we don't see any dramatic changes to that strategy.

And then Erik, did you want to make any comments about the…

Erik Van den Enden - *Telenet Group Holding NV - CFO*

Yes, sure. No, I mean, it is indeed true that if you look at the recurring underlying cable subscription revenue, that is pretty solid in Q3, so that was down 0.3%. In terms of the wholesale revenue, we reported all of it in other revenue, but also the handset sales was reported under that line, so of course, there's a big offset in the Q3 number because of the declining handset sales that we alluded to earlier.

So taking that into account, wholesale has grown a lot. And when I say wholesale, I do mean the regulated and the commercial wholesale together. As you probably know, there's a couple of mobile commercial wholesale deals that we have as well. So that has grown significantly. And if you would take the sum of the recurring underlying subscription basis together with that wholesale component, actually, we've grown. So it's really because of the handset sales that we're down on that front.

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

So it's, to push up the thought, I want to get a sense of what the, what we're talking about, what low, I assume low single digit, or we're talking about mid-single digit type of growth with the recurring on the wholesale business?

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

The wholesale business is growing double digits, exponentially. But overall, if you take the overall revenue stream from the cable, it's low single digit, of course. I average it across a bigger base.

Operator

We'll take our next question from Emmanuel Carlier with Kempen.

Emmanuel Carlier - *Kempen & Co. N.V., Research Division - Analyst*

Three questions from my side. But coming back to the SFR migration, so you lost, quarter-over-quarter, 10,000 Internet additions, just to be sure that I understood everything correctly. So you mentioned that 3,500, the loss of that is coming from the SFR migration? And on top of that, you see a 4,000 Internet backlog, which is higher than usually? If you could just clarify that.

And secondly on OpEx, so on the one hand, you mentioned that a lot of the synergies have been realized. But if I remember well, I think you guided at the Q2 numbers for something ahead of EUR 100 million OpEx savings over the next 3 to 5 years. Maybe you could clarify that.

And then another question on De Vijver Media. So you tried to acquire that assets. You have received some pushback, I think, from the European Commission. If you could give us a bit more color on that approval process. Thank you.

Jeroen Bronselaer - *Telenet Group Holding NV - SVP of Residential Marketing*

Yes, let me maybe first tackle the question on the churn. So you are correct that the total number of lost Internet growth was 10,000. However, what we said is that the majority of that, the vast majority of that 10,000, [just coming] SFR switch much larger than the 3,000 you just mentioned. That number would still be negative, so if I strip out the SFR impact from the 10,000 in the net that we made within the Telenet region, that number would still be negative. But as we mentioned before, the backlog of install, so subscriptions that we sold but we're not yet able to install, that backlog is much higher at the end of Q3. And obviously, in October we're installing many of these, of that backlog that is sales, and that is coming in as we speak.

But again, if I add that surplus versus the normal run rate of backlog that we normally see at the end of the quarter, if I net add these up, then we would come to numbers that are probably, that are actually slightly positive and very much in line with the numbers we've been posting for the last 2 or 3 quarters. Does that clarify?

Emmanuel Carlier - *Kempen & Co. N.V., Research Division - Analyst*

Yes, more or less. But the net adds quarter-over-quarter were down 10,000. And so probably around 5,000 is related to SFR migration and the other one is due to the price hike? Would that be a good assumption?

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

No, the SFR is more than 7,000, and then the -- so then the Telenet area was about 2,500. But if we were running at our normal backlog, it would have been slightly positive. That is what we're saying.

Jeroen Bronselaer - *Telenet Group Holding NV - SVP of Residential Marketing*

I think what we're saying is if you would have had the normal backlog, we would have seen numbers that are very much in line with the numbers that we posted before. And therefore also, if you think about churn related to rate adjustment, that has been well within our expectations, and again, not a number that we've not seen before with previous rate increase.

Emmanuel Carlier - *Kempen & Co. N.V., Research Division - Analyst*

If you do 7,000 just from SFR, I think on a broadband basis, the total subscriber base was only 55,000 or maybe 60,000. You mentioned that you still have 35,000 to migrate. So yes, the churn there was huge, then.

Jeroen Bronselaer - *Telenet Group Holding NV - SVP of Residential Marketing*

So the 35,000, Emmanuel, is actually -- just a minute. So here you are looking at RGUs, so there is, I think, a bit of a mismatch in the terminology. So when you look at it for all (inaudible), the end of period subscribers, but then you have to compare it to the end of Q2, rebased numbers. That's including the corrections that we did in the half-year report. You see the broadband subscriber base going down by 9,000 RGUs. Of that, SFR is a substantial part. And if you include that orders backlog that John spoke about earlier, and when you throw that in the mix, all that subscriber base would have been stable quarter-on-quarter. So the underlying trend, actually, despite the rate increase, has been pretty solid.

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

I think, quickly, the other 2 questions. I think the EUR 100 million is not relating to acquisition synergies. I think that's related to overall strategy of cost reduction against a cost base of over EUR 1 billion over the next 3-year period, so we're going to talk about that in more detail. I think that's what it's referring to. Certainly, we don't anticipate -- technically, there are synergies because we would have seen increases in cost in our MVNO. So by acquiring -- by moving to an MNO, we do in fact have synergies, but they are cost avoidance synergies. They're not synergies -- run rate synergies.

And on the M&A front, that was a question, really, about De Vijver process? Yes, I think that we expect that file to be referred to the Belgian authority, and we are -- we'll be pushing for a first phase approval once they take that file on. It's got caught up in the desire of the Belgian authority to take that file, and it's just been stalled for 3 months over a jurisdictional issue. And we still are very confident that we'll get it done. We already have remedies in place and 4 years of empirical data that the world didn't come to an end when Telenet invested in a broadcast and a production company. So we're still confident that that transaction will get approved sometime in the first half of next year.

Operator

We'll take our next question from Ruben Devos with KBC Securities.

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

I've got one on CapEx. So typically, we're looking at a decline in CapEx from this year's peak of 26%. Could you walk us through the various elements that would influence the total CapEx next year? When we think of mobile investments,[Soccerye], the fiber coax upgrades and so on? Also regarding 5G, could you give some color on the speed of rollout that you expect for this technology and what potential obstacles you still see in the near term after relaxation of emission standards in Brussels?

And the second one is on the marketing spend. I think the other marketing fell by 27% this quarter, by 10% in the previous quarter. So I understood that next quarter should see a take-up again. But I was wondering going into 2019 whether we should think of as structurally lower market spend over these last 2 quarters are rather atypical, let's say?

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

Okay, on the CapEx strategy, there's structurally a couple of key things. One is that our mobile upgrade modernization project is complete, and we are still installing new sites, and we have well over 100 new sites going in, into both the north and the south of the country. We also will be substantially completed with our 1-gig gigahertz upgrade of the HFC network about halfway through next year, so that spend starts to tail off. We also have essentially completed the investment in the new digital -- sorry, new video platform, the OSBox, which is now in friendly use testing with of all, about 10,000 boxes rolled out and looking extremely good.

But at the end of the day, to get from 26% to 20%, we need to make cuts in almost every category of our capital expenditure. As I mentioned, we have 2 very substantial IT programs going, particularly the transformation of our CRM platform. That will not be complete until about midway through 2020. So still a fair bit of CapEx going against that program. And if we had any CapEx left, we'd probably try to roll out the new video platform even faster than we're already going to roll it out.

In terms of speeds, a lot of good news on that front. We're getting very -- given the modernization, we're getting very good performance out of the 4G, the LTE platform that we already have, so we're getting average download speeds that are faster or as fast as VDSL speeds. So it gives us some interesting optionality there. In terms of going forward on our fixed network, I'm not going to be specific for commercial reasons, but in theory, with 3.1, EuroDOCSIS 3.1 modems, which we could be deploying as we speak, the hypothetical speeds in homes and businesses is around 1 gig.

So we don't have any news about launching services at those speeds, but we are offering a speed boost option to our customers where they can double their speeds, I think, from 200 megabits per second to 400 megabits per second today. Now that's across our entire network, end to end. It's not in just little patches of fiber to the premise or whatever. So we think we are well and truly winning on the speed front.

As far as 5G is concerned, I'm not the person to answer that question. We'll make sure we bring Micha Berger to the Capital Markets Day, who can really talk about our perspective on 5G. From a commercial standpoint, I'm still -- my desk is not piling high with 5G use cases, particularly in a market where we're seeing LTE speeds between 50 and 100 megabits per second. So that's my view on that.

And on the marketing spend, a bit of a surprise to me that it dropped that low.

Erik Van den Enden - *Telenet Group Holding NV - CFO*

Actually, I'll take that one. I think if you compare the 2 years, '17 and '18, in '17 we had quite a big campaign over summer with the launch of the second wave of WIGO. That's with the improved WIGO product which is, of course, a big launch for us. Wile as we're now looking for the 2018, over the summer we, of course, had the price increase which took most of the communication efforts. There was also no campaigning effort, so that reflects the difference between the two. It's really 2 ends of the spectrum, let's say, when it comes to a campaigning quarter. But in Quarter 4, as we are running it now and we've been running as of September, we've got the new campaign coming with the WIGO 3G, so the zero-based trading product, our new entertainment platform and propositions and some new hardware propositions as well. So it shifted, actually, quarter to quarter.

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

One way of thinking about the marketing in this market is share of voice. And I just looked at a share of voice report, and we were second. But it's a bit disingenuous for Orange to say they weren't marketing their product last quarter because they look like they were running just about 2 or 3 points behind us in terms of share of voice. And then Proximus is #1 but, of course, they have a national footprint and a much more developed enterprise business to support with their marketing.

So we typically run around 30% share of voice and in second position, but not by a lot. And then the rest of it's Proximus and/or other.

Operator

We'll take our next question from Matthijs Van Leijenhorst with Kepler Capital.

Matthijs Van Leijenhorst - *Kepler Cheuvreux, Research Division - Analyst*

Yes, I have one final question left. Would you help me out on how much synergy you still expect from the Base acquisition, but also the SFR acquisition and if you can change to this run rate savings targets due to the issues you faced in Q3.

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

The short answer is no. We exceeded our synergy targets on the Base acquisition, and we also brought many of them forward. So I think the results, one of the reasons we've had to upgrade our OCF twice guidance this year is that we are moving, bringing forward Base synergies that would have otherwise fallen in 2019. So we've substantially taken now all of the Base synergies.

The SFR synergies are still -- we're still planning to drive all of those synergies. And I think we were quite conservative on the synergies because we really didn't apply any top line synergies. And although it looks not great today, it's a marathon, not a sprint. We're in Brussels, an area with, what, 380,000 households, and we're sitting on 50,000 to 60,000 customers. It's a huge amount of upside. There's a quarter of a million businesses we don't serve in that territory. So we certainly believe very strongly that we will move the market share over time in that territory, which ultimately will more than underpin the value of the acquisition. Yes, so anybody want to add anything else to that?

Erik Van den Enden - *Telenet Group Holding NV - CFO*

I think you're right, John. Of course, as we had a bit of a slow start on the migrations we did before, we do see the whole case being realized. Probably it's going to be a little bit more back-loaded than initially anticipated. So again, the timing might adjust, but the full number we still anticipate.

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

Well, on the G&A synergies, we've definitely smashed those. We announced a collective dismissal of all of the SFR employees 2 weeks ago. So no problem there.

Matthijs Van Leijenhorst - *Kepler Cheuvreux, Research Division - Analyst*

Okay, and just to clarify, so what you're actually saying is you've fully captured the Base synergies, and you still stick to your previous guidance targeting EUR 16 million, one-six million, by 2021 from the SFR acquisition?

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

That's correct, yes.

Operator

We'll take our next question from James Ratzer with New Street Research.

James Edmund Ratzer - *New Street Research LLP - Europe Team Head & Analyst*

2 questions, please. The first one, John, you mentioned earlier in the call you're going to be start kind of gearing up for more top line growth in 2020. You can make the investments to help support that revenue growth. What can you say about that at this stage to kind of give us confidence that this isn't just going to lead to a broader step-up in competitive intensity across the whole market? What should we be thinking of as the drivers for revenue growth?

And then secondly, just be interested to get your latest thoughts about cash return to shareholders. How should we be thinking of the timetable of you making the decision? And obviously, you've got a spectrum auction coming up for the second half of next year. Can we expect anything more on cash return before the spectrum auction? Just want to get your thoughts on timing and potential magnitude. Thank you.

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

You very nicely preempted our Capital Markets Day, so I can't answer you fully, but I will try.

James Edmund Ratzer - *New Street Research LLP - Europe Team Head & Analyst*

I had to try.

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

Yes, yes, nice try. I'll try to answer you a little bit. I think the way to think about sort of reenergizing the top line is we have over the last 24 months soaked up well in excess of EUR 100 million of regulatory headwinds. We have soaked up the very aggressive positioning of our competitors. As I said, I don't know where you go once you've gone -- what's the next step once you've gone unlimited data? So I'm not expecting anything more particularly dramatic in the competitive intensity area.

We haven't made any substantial changes to our legacy product offering, although we've led this market in innovation on product for more than a decade. So as we work through our CRM transformation, I think you could fully expect that we are sharpening our swords, getting ready for some innovation around our legacy platform. At the same time, we are looking at some very interesting opportunities, organic opportunities, in sort of new business areas.

And once again, I think, still think there's inorganic optionality in this business. We sort of, as I said, I think I said before, if I got through this whole quarterly update without one question on Voo, it could have been special. But I'm going to mention Voo. So I think we've kind of shelved the Net is Voo file. I think we think maybe there's some possibilities in the Brussels region with Brutele/Voo.

So -- and we have demonstrated, I think, a pretty good ability to acquire adjacent companies to underpin our core strategy and to capture synergies, and we've got a very good track record on that. So those are some of the things that we think will underpin top line growth after a year of investment and retooling.

In terms of our view on the cash return, we have committed to making a definitive statement on that front at the Capital Markets Day. Our board has not formally approved a strategy, although we are certainly looking at a range of options. You are correct that the spectrum auction is impactful, but we're very much focused on giving our shareholders a view on shareholder remuneration -- a very firm view on shareholder remuneration over the cycle, which we will be laying out at the Capital Markets Day, which is sort of the next 3-year cycle. Typically, we have communicated 3-year strategies, 3-year cycles to the market, and we've got a very good track record of achieving those. And we intend to do the same thing over the next 3-year cycle, which we'll be talking to you about on December 5.

James Edmund Ratzer - *New Street Research LLP - Europe Team Head & Analyst*

Any still at this stage. I think you, John, still feel at this state kind of broadly happy with your 3.5x to 4.5x leverage target.

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

Yes, that's correct. We won't be changing that.

Operator

We'll take our next question from Stefaan Genoe with Degroof Petercam.

Stefaan Genoe - *Banque Degroof Petercam S.A., Research Division - Head of Equity Research*

First question on -- during the call you mentioned that there are, of course, some synergies from SFR in 2019, but there are some regulatory headwinds, some MVNO losses, et cetera. And you mentioned that on the contrary, operating cash flow minus CapEx should be favorable in 2019. Just clarification -- do you believe this would become a better benchmark or guidance for going forward rather than just guiding on EBITDA growth, given the weaker sales you expect in 2019 and the CapEx reduction? That's first.

And then the second on the mobile. If I understand it well, it's mainly in the southern part of the country where you don't have the convergence offer that you seem to suffer on long on post-data losses to the Orange. Could you consider a new strategy with your King & Kong specifically for the southern part of the country to improve that situation? Thank you.

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

Erik?

Erik Van den Enden - *Telenet Group Holding NV - CFO*

Yes, sure. Let me take the first question on the OCF minus CapEx. So I think the question was whether we think that's on the long run a better metric than OCF. I think that's definitely how our thinking is evolving in the sense at the end of the day. Several companies, it is discounting of cash flow. So the closer you come to this metric, I think that is definitely better, also because, of course, the capital intensity of this industry is typically higher than other industries. So I think, looking after CapEx, increasing value there is indeed an important metric, and I think we'll be evolving much more to that going forward.

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

Yes, and on mobile, I think you're correct. As I've said before, standalone mobile, whether it's north or south, is a very challenging piece of our business, hence our substantial drive to get as many of our customers as possible in some form of combination with fixed and mobile.

And we have -- I will say -- I'm not going to say any specific commercial strategy, but I will say that we have kept our optionality by retaining the Base brand, particularly in the south, and still promoting that brand quite heavily, although we don't promote it very heavily in the north. So we've retained our optionality. It gives us the theoretical ability to have a more value-oriented strategy which wouldn't cannibalize the Telenet brand. So we retain that optionality; whether we need to use it or not remains to be seen. Some of it will have to do with whether there's a new entry in the market or what happens to MVNOs or et cetera, et cetera.

So but at least like I said, we have definitely retained the optionality, and we'll consider -- continue to consider it.

Operator

We'll take our next question from David Vagman with ING.

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

So just exactly on this comment on the value brands, could you update us on your view on the regulation for cable, and especially the broadband only and then the broadband with TV wholesale rates? And how would you plan to basically address yourself for that? Maybe indeed launching the value brands. This would be my first question.

And then secondly on the 2018 to 2019 EBITDA bridge, what would be the main, let's say, elements driving your EBITDA performance next year? I know you plan to update us on this during the CMD, but I've read your comments, and it does seem, let's say, rather cautious on 2019. Is there an underlying message to be read on price increase or cost savings potential that would be limited next year? Thank you.

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

Okay. Yes, on the cable regulation, it's 2 things, of course: what's going to be the impact on wholesale revenues of cost-plus, which we think the -- I don't know where other commentators seem to be getting their information, but the only ones who really know would be us and the BIPT. Our view is that the interim pricing is low, if anything. But when we do the math, we don't see significant material changes in the wholesale price. I think standalone broadband is not a mass market product. There is some appetite for it. We have standalone broadband customers who are paying us around EUR 30 a month. That doesn't leave a lot of headroom for a price war for standalone broadband. So we are not predicting, really, any material impact from that regulation in 2019.

On sort of the main elements of '18 going into '19, I think Erik's already alluded to the fact that we've pulled forward virtually all of the Base synergies. I still think we have -- we still have some investments to make, we think on, like I said, to really plant the seeds so that we can see some green shoots in 2020 and 2021 on top line growth again. So '19 is a year of investment in OpEx, at the same time a year where we will be looking for substantial elements of savings. We don't have any qualms about pursuing savings next year, nor do we have any qualms about pursuing a rate adjustment strategy or a new product strategy which could generate incremental ARPUs for us.

So it's a bit of a mixed bag, '18 and '19. It's a very different look because we are a company that is on a journey to being the telco, media telco of the future. We have a very robust entertainment business, we have state-of-the-art platforms and we need to invest in innovation to fully leverage that structural advantage that we have over our competitors. And that's what 2019's all about.

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

And it's very clear that Telenet is not going to be, let's say, to go for, at least if I listened to your comments, is not to go for unlimited data and so on. But could you go for unlimited you're your value brands like Base, for instance? Is that something you could do?

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

Theoretically. Yes, you're getting a little close to the bone there on the commercial strategies. But I hear you. Like I said, I'm not sure. I'd rather be in our position than in the position where I've already gone to unlimited data, and then what do you do for an encore? All you can do is lower your price. So that's not a great place to be. I think our strategy of really changing the overall customer value proposition to be a data-centric, product-agnostic relationship with consumers is the place to be for long-term value creation, and that's why we're here.

It's unfortunate this business is -- it's hard to -- it's not fully predictable on a quarter-by-quarter basis because there are a lot of moving parts. But I like where we're positioned.

Operator

We'll take our next question from Guy Peddy with Macquarie.

Guy Richard Peddy - *Macquarie Research - Head of Telecommunications, Media, and Technology*

Yes, just a very quick follow-up to your comment on wholesale cable. Does that mean that in your midterm EBITDA guidance, you don't issue any change in the current wholesale cable price? Thank you.

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

Well, not this year, definitely. There will be change next year. You'll have a -- the change, we did have a change that came into effect -- when? -- August, the first of August, so that is baked into our guidance. But in terms of moving from the interim pricing model to cost-plus, we -- I'm sure we've included something, but it's not overly material in 2019.

Operator

And that concludes the question-and-answer session. I'd like to turn the call back over to Rob Goyens for additional or closing remarks.

Rob Goyens - *Telenet Group Holding NV - VP of Treasury, IR & Structured Finance*

Okay, thank you, operator, and thanks, everyone, for having joined this earnings call. As I'm sure you have noted during this call, we are hosting a Capital Markets Day on the 5th of December in London and we hope to see you there. More details on this event can be found on our Investor

Relations website or can be obtained through the Investor Relations team. And in the meantime, do not hesitate to contact us in case of any additional follow-up queries. So thanks again and bye for now.