

Company Name: Telenet
Company Ticker: TNET BB
Date: 2021-10-28
Event Description: Q3 2021 Earnings Call

Market Cap: 3693.02845202203
Current PX: 32.439998626709
YTD Change(\$): -2.64
YTD Change(%): -7.526

Bloomberg Estimates - EPS
Current Quarter: 0.74
Current Year: 3.369
Bloomberg Estimates - Sales
Current Quarter: 666.667
Current Year: 2597.571

Q3 2021 Earnings Call

Company Participants

- Rob Goyens, Vice-President Treasury & Investor Relations
- John Porter, Chief Executive Officer
- Erik Van den Enden, Chief Financial Officer

Other Participants

- Analyst
- Roshan Ranjit
- Emmanuel Carlier
- Ruben Devos
- David Vagman
- Joshua Mills
- Nayab Amjad
- James Ratzner
- David Burns

Presentation

Operator

Hello, and welcome to the Nine Month 2021 Telenet Results Presentation. My name is Lydia and I will be your coordinator for today's event. Please note, this conference is being recorded. And for the duration of the call, your lines will be on listen-only. However, there will be an opportunity for the live questions at the end.(Operator Instruction)

I will now hand you over to your host, Rob Goyens, VP Treasury and Investor Relations to begin today's conference. Thank you.

Rob Goyens, Vice-President Treasury & Investor Relations

Okay. Thanks, operator, and good afternoon, everyone. Welcome to today's third quarter earnings webcast and conference call. I trust you've all been able to digest this morning earnings release as well as the other transformational press release we've posted this morning, on a non-binding agreement with Fluvius, on Flanders data network of the future and a strategic review of our tower business, in addition to the announcement of the intermediate dividends and share buyback program.

As a reminder, all earnings materials including this presentation can be found in the results section of our investor website. After this call, we will also provide a replay and we will also publish the transcript for those having missed this call. As usual, we'll start with an overview of the main trends and achievements in the quarter by our CEO, John Porter. Immediately, thereafter, our CFO, Erik Van den Enden will guide you through our operational and financial results. And after that, as mentioned by the operator, we'll open it up for Q&A. As always, given the number of participants to this call and to allow an equal treatment, we're limiting to two questions each. Any follow-up questions can be directed afterwards to Bart or myself and we will gladly be of assistance.

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Before we start, I would like to remind you that 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.

Also effective with the release of our third quarter earnings this morning, we have stopped using the term operating free cash flow or OFCF, and now use the term adjusted EBITDA less property and equipment additions. As we define the term, adjusted EBITDA less property and equipment additions has essentially the same meaning as operating free cash flow had previously. And therefore, it does not impact any previously reported amounts and does not impact our forward-looking statements.

With that, let me now hand over to John.

John Porter, Chief Executive Officer

Thanks, Rob, and good afternoon, or good morning to all of you. Thanks for joining the call. I'm pleased to share that in recent months we've made great progress on many strategic files, which will lay the foundations for long-term sustainable shareholder value. Before discussing those in greater details I am going to go through high level results of our third quarter.

First, it's worth to note though that we recently celebrated our 25th anniversary and what a ride it's been for us as a company, for our employees and customers. The ambition in 1996 was great, to connect the whole of Flanders, to provide access to high-quality broadband internet for families and businesses. For 25 years, we've kept on investing and innovating, and hence, now capable of delivering a future-proof fixed network with gig speeds to over 1.6 million customers in Flanders and Brussels. With the acquisition of the nationwide mobile operator Base in 2016, we swap rental economics in mobile with ownership economics and now operate our own mobile network, connecting over 2.8 million Telenet and Base mobile customers across Belgium.

Our customers and their digital experience are at the heart of everything we do. We have offered and will continue to bring them innovative products from the well-known shakes and multi-play bundles, like Whop and Whoppa to the innovative WIGO and the brand new ONE FMC modular bundle. Telenet business was set up now almost 20 years ago. Their mission toward entrepreneur's flourish with fast, safe and reliable ICT and telecom services, but above all with the human touch. Over the past years, we have further expanded our portfolio in B2B through smart bolt-on acquisitions and as such B2B has been and is expected to remain a key growth pillar for us. And over the past 25 years, we have grown beyond a traditional connectivity provider, offering thriving content to our customers and areas such as sports, premium entertainment, OTT services and production with the acquisition of media outlets, De Vijver Media, (inaudible) and more recently Caviar. With that, we are more than ready for the future and I'm particularly excited about the growth prospects of our business.

Looking back at our operational performance for the first nine months, I'm certainly pleased with the results so far. We managed to expand our FMC customer base by adding 71,000 net ads to just over 713 customers in total. Thanks to the success of our new ONE and ONE Up bundles and the back-to-school promotions we launched in the third quarter. Year-to-date, we added over 22,000 broadband customers, both fueled by the residential and business segments, and again, underlying the demand for reliable, high-speed connectivity. In Mobile, we have increased our postpaid customer base by 36 -- over 36,000 net new SIMs both driven by Telenet mobile and our standalone Base mobile brand. It also reflects an inorganic adjustment in Q2 related to the removal of 9,500 data SIMs as mentioned in our release.

Driven by the up-tiering of our customers and the benefits of the earlier rate adjustments, we managed to increase the nine months fixed customer relationship ARPU by 1% year-on-year to EUR59. Zooming in on our ONE and ONE Up bundles, which we launched at the end of April and have been well received by both existing and new customers, a couple of observations. The mix between ONE and ONE Up remains well balanced. And you can see on Slide 6, the same holds for the proportion of multi SIMs versus one SIM bundles. Interestingly, we see that ONE Up customers appreciate the convenience of having unlimited access to both fixed and mobile data with increases of 1.5 and 2.5 times

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respectively compared to the former WIGO bundles. This is enabled by excellent in-home connectivity as 54% of our broadband customers have taken a Wi-Fi booster from us at home. This is also reflected in the weighted average download speeds, which have now increased over 10% to 232 megabits per second at the end of Q3 2021, underlying the power of our gig network.

We recently launched a new KLIK FMC offer for our SOHO customers applying the same modular approach as we do in the one echo system for residential customers. We completed the portfolio with an entry-level product and introduced unlimited tiers as well. And on top, we deliver a top-notch, tailor made, customer service besides 4G backup and many other available options such as professional security. From a financial perspective, I'm very pleased with our third quarter performance and the continued growth trends, allowing us to partially upgrade our FY 2021 outlook. We now anticipate our adjusted EBITDA to be at upper end of the 1% to 2% range, having delivered nearly 2% over the first nine-months. And we also expect our adjusted EBITDA less property and equipment additions, as Rob mentioned, formerly referred to as operating free cash flow, to be stable instead of the previous decline of around 1%. With that, we will now be towards the mid end of our three-year outlook.

As announced this morning, we have reached a non-binding agreement with Fluvius to create Flanders data network of the future. By signing this term sheet, Telenet and Fluvius take a further step in the realization of the data network of the future, including fiber to the home technology. The network of the future will be fully open, ultraperformant, accessible to businesses and families both in urban and rural areas and built at the lowest societal cost. To this end, we will create a new self-funding independent infrastructure company that will run an open access network, contributing both existing HFC and fiber assets as well as developing new fiber assets into the future. NetCo intends to operate an open access network and is expected to enjoy a high network utilization rate from the start driven by Telenet's customer relationships and the incremental traffic generated by wholesale partners. It is intended to be a multiparty partnership, i.e. to open to further partnering with strategic and/or financial parties to develop this ambitious this ambitious network of the future. Final legal agreements are anticipated in the next spring, and I'm like -- we're all very excited about the journey ahead.

In addition, our Board of Directors has decided to commence a strategic review of our telecommunications tower business, including a preliminary market assessment. Today's announcement is consistent with the view we outlined in the context of potential broader strategic transactions for us as a company and generally strong demand for telecommunications infrastructure assets. As a reminder, we operate a nationwide mobile network in Belgium consisting of 3,300 sites, including 2,100 own sites, of which 37% are towers, the remainder being rooftop sites.

Just as a reminder, the Board of Directors decided at the end of October last year to firm up the existing shareholder remuneration policy. As you know, our new policy balance is attractive shareholder distributions with optionality for value accretive M&A opportunities in the future. While the four times net total operating leverage has been reaffirmed in the absence of any material acquisitions and/or significant changes in our business or regulatory environment, the Board of Directors introduced a dividend floor of EUR2.75 per share gross going forward. This dividend floor assumes no significant changes in our business or regulatory environment and replaces the previously communicated 50% to 70% payout range. With that, the Board of Directors is committed to a larger share of the adjusted free cash flow towards recurring dividends. The remainder of our adjusted free cash flow may still be considered for accretive acquisitions, extraordinary dividends, incremental share buybacks, deleveraging or a combination thereof.

We also announced this morning a continued execution against our existing shareholder remuneration policy and leverage framework as the Board of Directors has approved both EUR1.375 per share gross intermediate dividends equivalent to 50% of a dividend floor we communicated last October, and a share buyback program of up to EUR45 million equivalents of up to 1.1 million shares. The commitment to repurchase our own shares underlines the Board's confidence in our growth profile and the company's appealing intrinsic valuation. The Board agrees with the company's valuation dislocation, but has decided to limit the initial buyback considering potential future M&A opportunities. The Board of Directors reaffirms its intention to continue to execute the EUR2.75 per share dividend floor as evidenced by this proposal to pay a EUR1.375 per share gross intermediate dividend in early December, 2021.

So with that, I'm going to hand it over to Eric to deep dive into our third quarter operational and financial results.

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Erik Van den Enden, Chief Financial Officer

Thanks, John, and welcome everybody to our Q3 results call. As John just mentioned, we have made significant progress on a couple of important strategic files, but we're happy also to see that we managed to sustain our operational and financial performance within the quarter.

So turning to Slide 14, you can see that we continue to enjoy strong commercial momentum across our core products. On the back of a successful launch of our ONE and ONE Up bundles early this year, we added more than 27,000 FMC customers in the third quarter, leading to a total of around 713,000 fully convert subscribers. On the broadband side, we added 7,500 net new broadband RGUs in the quarter, thanks to a strong performance in the residential market. And finally, on the mobile side, we added just over 9,000 post-paid subscribers broadly similar compared to Q2.

Let's now have a look at our top-line performance in the third quarter and for the first nine months of the year. After having grown our top line by almost 4% in the second quarter, on the back of a favorable comparison base against the second quarter of last year as a result of the COVID pandemic, I am pleased to see that we managed to maintain the positive growth trends in Q3. The solid expansion of our total subscription revenue and 4% higher B2B revenue within the quarter was however almost fully offset by a 5% decrease in our rebased other revenue due to lower interconnect and handsets related revenue. In the third quarter, our revenue was therefore modestly up to EUR641 million, bringing revenue for the first nine months of the year to just over EUR1.9 billion, which was up more than 1% compared to the same period of last year.

If we then zoom in on the cost side, as in previous periods, we maintained the tight focus on cost, although our year-on-year cost comparison base has started to become more challenging as you would expect given the COVID impact of last year. As a result, on a rebased basis, our nine months operating expenses remained broadly stable compared to last year. This was predominantly driven by a 5% rebased decrease in our direct costs by almost EUR20 million, which is partially offset by higher other indirect expenses, higher staff related expenses and higher network operating expenses.

If we then move on to adjusted EBITDA, you will see that during the first nine months of the year and on reported basis, we generated adjusted EBITDA of just over EUR1 billion, representing a 1% year-on-year decrease. This mainly reflect the changes to the IFRS accounting treatment of certain content-relates costs for our premium entertainment packages and the Belgian football broadcasting rights resulting from changes related to the underlying contract as of the third quarter of last year. Therefore, these changes will no longer impact our reported year-on-year growth rates as of Q4.

On a rebased basis, however, our nine months adjusted EBITDA increased almost 2% year-on-year, driven by healthy organic top-line growth of over just 1% over the period, whereas our operating expenses remained broadly stable. On a rebased basis, we succeeded in expanding our adjusted EBITDA margin by 30 basis points versus the same period of last year. And within the third quarter specifically, our adjusted EBITDA reached EUR338 million, marking a nearly 1% year-on-year decrease both on a reported and rebased basis. In line with our full year 2021 outlook, the trend in our adjusted EBITDA has started to decelerate in Q3 given a tougher comp compared to the same period of last year, but also some seasonality in some of our operating expense. And as you will have seen in this morning's release, we have upgraded our adjusted EBITDA outlook for the full year to the upper range, I would way, to the upper end of the 1% to 2% range. As such we are confident on our Q4 adjusted EBITDA outlook.

If you then move on to Slide 18, you can see that the accrued capital expenditure for the nine -- for the first nine months of the year reached EUR417 million, which is decrease of 2% versus the same period of last year and equivalent to approximately 22% of revenue over that period. Excluding the recognition of certain football broadcasting rights and mobile spectrum licenses from our accrued CapEx, for nine months, accrued CapEx, what is EUR397 million, equivalent to approximately 21% of revenue and representing a 6% year-on-year decrease.

Moving on to operational free cash flow or adjusted EBITDA less property and equipment additions as we're calling it for now. As Rob mentioned during the beginning, this only represents a name change and therefore there is no change to our previously reported numbers or definition. We delivered the strong performance with operational free cash flow

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up 2% year-on-year in the first nine months of 2021, on both reported and rebased basis. This increase is driven by substantially lower investments in the period compared to last year as well as our adjusted EBITDA outperformed. Given the solid performance of the first nine months, we've upgraded our full year outlook from a decline of up to minus 1% previously to now stable. With that, we will also end up at the mid end of our three-year CAGR versus the low end of that CAGR previously announced.

Finally, our adjusted free cash flow reached EUR340 million for the first nine months of 2021, marking a 22% decrease versus the same period of last year. Relative to last year, our adjusted free cash flow increased 22% driven by a combination of, first of all, lower cash taxes paid relative to last year. Secondly lower cash interest expenses as a result of last year's refinancing of our term loans. And lastly, a favorable trend in our working capital. Our year-to-date adjusted free cash flow also included a nearly EUR12 million increase in our vendor financing program, whereas last year our nine months adjusted free cash flow includes a contraction of EUR15 million due to phasing. Excluding these movements, our underlying adjusted free cash flow performance would have been more moderate. Our adjusted free cash flow in the third quarter of '21 was almost ERU112 million versus a negative EUR5 million in the same period a year ago, as a result of the phasing the settlement of our annual cash taxes and EUR14.5 million higher contribution from our vendor financing program due to phasing.

If we then move on to the overview of our debt maturity profile, we continue to enjoy a very strong liquidity in long term debt maturity profile. At the end of September, the weighted-average maturity of our debt excluding short date commitments under our vendor financing program was close to seven years and we faced no debt amortizations prior to March 2020. Including our cash balance, we have a total undrawn available liquidity of almost EUR750 million. Moreover, all of our floating rate debt has been swapped into fixed limiting the overall exposure to future interest rate swings.

Then zooming in on total net -- net total leverage, we're 3.9 times at the end of September of this year, which is a slight decrease compared to the previous quarter, as a result of the strong EBITDA and adjusted free cash flow within the quarter. As a reminder, we intend to maintain net total average around 4 times in the absence of M&A as we aim to drive attractive shareholder value in 2021 and beyond. In light of this morning's announcements on the intermediate dividends and share buyback, we expect our net total leverage ratio to be again close to 4.0 times by the end of the year. And then as John already mentioned, we have partially upgraded our full year outlook for 2021, especially on adjusted EBITDA less property and equipment additions, again previously referred to as operating free cash flow. With that, we now expect to be towards the mid end of our three-year CAGR on OFCF of between 6.5% and 8%.

This concludes the management presentation. Let me know hand back to the operator for the Q&A session. And as Rob mentioned at the beginning of the call, we would appreciate if you could limit yourself to two questions each. Operator, back to you.

Questions And Answers

Operator

(Question And Answer)

Operator

(Operator Instructions) Our first question comes from the line of (inaudible) of HSBC. When you're ready, please proceed.

Analyst

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Hi. Can you hear me? It's Nicolas (inaudible) from HSBC. I've got a question on the net core. Given the overall network will be contributed, is it fair to say that you would become a service company with variable costs and less operating leverage than you currently have. I was just interested in your long-term view of the company as you are taking away the -- I would say, the high-value part of the business from the service side. So if you could give us a bit more clarity on that? And just a follow-up on the NetCo, how would VOO fit into this? Could you have a different approach on a provision basis? Thank you.

John Porter, Chief Executive Officer

Sure. So maybe taking your first question, Nicolas, on the surgical part. So you are right that -- I mean, as we structurally separate ServCo and NetCo, there will indeed be a wholesale charge going from the NetCo into the ServCo. If you look at the consolidated profile of Telenet today, of course, many of these costs today sit in our CapEx, right? That's where we build the network and expand the network. So that will become a OpEx cost at the ServCo, which will indeed change the structure of the P&L and create more costs. So indeed a lower EBITDA margin, not necessarily, I would say, less operational leverage, but definitely a different profile. Of course, it also means that when you look at further down the P&L, if you think about operational free cash flow, there would, of course, also be significantly less CapEx residing in the ServCo. Also, the leverage profile between NetCo and ServCo will be different. You can imagine that NetCo having a very stable and long-term outlook. Such a profile probably tolerates a bit more leverage. So all these things will definitely come into play once we do that structural separation.

The second question about how -- who would fit in on this is a question that I cannot answer right now. I mean we are doing this move within the current footprint. That means Flanders and Brussels and the commitment that we have in Wallonia, that's the scope, and that's what it is.

Analyst

Okay. I appreciate that. Maybe can you just provide us with an update on the timing for VOO, if you have more indications?

John Porter, Chief Executive Officer

No, this is not something where we have indications of where we can comment. So that would be more, I guess, a question potentially for VOO sales, but it's not something that we can --

Analyst

Appreciate that. Thank you.

Operator

Moving on to our next caller. We have Roshan Ranjit of Deutsche Bank. When you're ready, please go ahead.

Roshan Ranjit

Great. Good afternoon. Thank you for the questions. Just two for me as well please. And going back to the NetCo So you put in your current, I guess, footprint into the vehicles, that 3.4 million lines. You say we know that 2/3 is controlled by Telenet onto Fluvius. So I guess as it stands as of today, is it fair to assume that you guys will have 2/3 of the NetCo with Fluvius, the remaining 1/3. You've been concern that you are looking for financial parties there. And

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again, we're expecting an update in the spring. But have discussions -- the guide, have you got initial interest from financial parties to participate in the vehicle? And then I guess my second question, just moving on to the towers. Is it possible to get a sense of any of the pricing discounts for the towers in Belgium, given the open architecture there versus the rest of Europe? And on your own towers, what is the current tenancy ratio? Thank you.

John Porter, Chief Executive Officer

Yes. I'll take the question on the NetCo and then maybe Erik can comment on the telco question. So I think you were asking about the contributions that both sides are doing and how that plays out in terms of -- on the equity. So we're not disclosing the exact equity holdings, but you're absolutely right that if you look at the network side, Telenet owns 2/3 of the network, Fluvius holds a long-term lease on 1/3 of the network. So that's where the network assets come in. Of course, on top of that, and that's actually very important. Telenet is also contributing its customers, right? It's customer base. I mean let me remind you that this is a NetCo, it's not a fiberco in the sense that all of the existing assets will be contributed being HFC. And the fiber that both through this already has on a couple of pilots. And also we already have in some of our greenfield and B2B perimeter. But of course, the customers are key on this one as well. But definitely, in terms of network contributions, you're right.

In terms of future investments, I think what we see probably a little bit in similar to the tower cost structures is that these are very interesting assets for investors. I think especially NetCo has the big advantage that from day 1, there are cash flows generated from wholesale fees on our customer base. Again, also in a venture like this utilization is absolutely key and with the very high market shares that we have on our retail footprint, but also really wholesale customers on the network that is a very interesting feature for investors in this type of network. So we expect that when and if we think is the right time to bring in other partners beyond Fluvius and that could be operational partners, but we need also financial partners. We think that this is a very attractive asset that will be valued accordingly.

Erik Van den Enden, Chief Financial Officer

Just for completeness, I would also say that it's important to focus on the fact that the partnership assets are the passive assets of the network that data centers, head-ends, everything from the network interface unit into the home, including CPE [ph] and everything else is will be continually owned by the access operators, including ourselves. But that everything that's out in the network today, including a substantial amount of fiber and the HFC component will be contributed to the venture.

John Porter, Chief Executive Officer

And I think Roshan on your question with regards to the towers. So as you rightly pointed out, there is a side chain regulation and obligation in Belgium, which means that operators essentially need to provide access to other MNOs at regulated prices. These are typically around EUR6,000 per annum, if you look at it on the average side setup. Now of course, Telenet and the potential tower co, I can virtually decide to deviate from that -- from the regulated fee. So that's a concept that the BIPT is looking into and should provide more clarity on, I guess, in the next couple of days. And so when you look at the tower review that we are currently doing, so we already mentioned in the release, the portfolio that we have, so 3,300 sites, of which around 2,200 owned sites. 37% of that being tower sites, where we have a decent co-location ratio of 1.6x. And on the total portfolio, it is actually close to 1.2x today.

Roshan Ranjit

That's great. Thank you.

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Operator

Our next question comes from the line of Emmanuel Carlier of Kempen. When you are ready, please go ahead.

Emmanuel Carlier

Yes. Hi. Good afternoon. Two questions from me as well. The first one is on Fluvius as well. Do you consider to potentially cooperate with Proximus and NetCo in order to avoid to build two fiber networks in Flanders? And then the second question is on costs and potential tariff hikes. So could you give us an update on how you believe the cost saves will evolve in 2022? And do you continue to see room to increase tariffs, at least in line with inflation? Thank you.

John Porter, Chief Executive Officer

On the question of Proximus, we have been focusing on reconciling the -- what I would say is less than optimal market arrangements around the capital lease with Fluvius. We've done that, and there are substantial benefits to us, not the least of which is freeing up over EUR0.5 billion of capacity -- debt capacity in the transaction, essentially trading a long-term inefficient capital lease for equity in the NetCo. It's a question of whether there are opportunities to deliver a region-wide fiber access on better societal and costs and also costs to their respective ventures is still something that we have not addressed, although when you consider that we will have an open network. It's obviously something that philosophically, we're not opposed to.

So we can't speak for them. There are some inefficiencies to that outcome and the way that they're currently building their network with GPON that will need to change. But assuming we -- from a regulatory standpoint, can have those discussions that might be something that happens down the road, but it's not happening now.

Emmanuel Carlier

And do you believe you could build the fiber cheaper versus Proximus given your population in cities?

John Porter, Chief Executive Officer

Well, we have -- we have a different kind of split of the way our network is built. The lowest cost per home passed is in Facade construction, of which we have a heavy proportion, 45%. And underground actually only amounts to about 25% of our total network. Aerial makes up the rest, poles. So I can't speak to their cost, any sort of analytics around their costs. But obviously, partnering with 300 municipalities may have some additional benefits. So it remains to be seen.

Erik Van den Enden, Chief Financial Officer

Maybe on your second question in terms of future cost evolutions. So definitely one element where we are working heavily in order to keep cost increases as a result of inflation that was under control is on the digitalization side. We are doing it in two fronts. It is definitely firstly at the customer front end, where we have made significant progress in serving and selling and interacting with the customers digitally. That is something that we continue to invest in and where we see still a future upside potential. Secondly, as we have also mentioned before, we are doing a complete overhaul of our backbone IT system, which is a long journey. But where if you look at the past, we had a patch work of literally hundreds of IT licenses with very complicated interfaces. We're now bringing it all into one integrated system that is much more modular, but clearly, it's also cheaper to operate. So those are two important levers that we see to keep customer control.

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Operator

And then turning to our next caller. Our question comes from Ruben Devos of KBC Securities. When you are ready, please proceed.

Ruben Devos

Yes. Hello. Just to follow-up on the towers and the preliminary market assessment. You mentioned that this may materialize in view of broader strategic transactions. I understand you've talked about such a transaction before (inaudible). I just wanted to hear your thoughts on a potential scenario if ultimately, Telenet would not be successful in acquiring VOO. I'm assuming that even in a stand-alone scenario, there would be benefits to a sale of your sites other than securing financing. So any additional comments on this end would be helpful? And then second question, and I guess it's not a very surprising question, but following the update on the NetCo, its revolving around nonbinding agreements with Fluvius. You've been in discussions with them for quite some time, making an initial announcement back in June 2020. So I'm curious, but are still some of the obstacles today to prevent you from announcing a more firm commitment, let's say. Thank you.

Erik Van den Enden, Chief Financial Officer

I'll take the first one on the non-binding. I mean, first of all, we're already partners with Fluvius. And we have -- you're correct in that, we have spent a lot of time working through virtually all of the commercial elements of the equity partnership in NetCo. There is -- I mean, it's -- there's -- I wouldn't say never say never, but I mean, the likelihood of us walking back, this agreement is extremely, extremely low. But there is a lot of work to be done from the standpoint of due diligence and working out some of the operational components and how we migrate these assets into the venture and not only just the physical assets, but also people, et cetera. And so for that reason, we've kept it at a kind of a head of agreement level. But it is a very substantial document, and it's a very substantial agreement, which we believe covers all major commercial terms at this stage. And then -- what are the other questions?

John Porter, Chief Executive Officer

I think the other question was linked to the tower transaction and the potential link with the VOO transaction. So I think as Erik mentioned, we are not in a position to comment on the VOO transaction in itself. Of course, we have been speaking in the release about two things, and that continue to be the case. First of all, (inaudible) there is the very strong demand that we continue to see for infra assets in the market generally. So we believe from a timing perspective, it is the right time for us as a company to move forward with this project. But also there will be broader strategic opportunities that we can deploy as a company. So in that sense, it's not necessarily linked and there is no read from today's announcement into the VOO sales process.

Ruben Devos

Okay. So it doesn't necessarily -- so it's not necessarily conditional on a successful acquisition of VOO that you would go forward with such a transaction?

John Porter, Chief Executive Officer

That's correct.

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Ruben Devos

Right. Okay.

Operator

Our next question comes from the line of David Vagman of ING. When you are ready, please proceed.

David Vagman

Yes. Thank you. Good afternoon, everyone. So two question from my side. So looking forward, and post, let's say, imagining post your deal with Fluvius and the NetCo, how do you perceive your competitive advantage once the network is fully opened and how are you preparing yourself strategically? So that's my first question. And secondly, could you explain what type of partner you would typically prefer to work with on the NetCo side, so strategic, like, let's say, industrial, like let's say, an (inaudible) or financial like an infrastructure trend? Thank you.

Erik Van den Enden, Chief Financial Officer

I'll answer the second one, so it's a pretty quick answer, which is I think there are benefits to both depending upon valuation at the end of the day. And obviously, keeping the utilization high between 65% and 70% gives -- would give this partnership a very strong advantages in any ultimate rationalization or any further development to the market and certainly call into question some of the strategies of our competitors. So keeping utilization high is important.

On the other hand, if high utilization also drives economic value. And therefore, a financial investor would be even more incented to invest in this business at a premium and obviously, more cash associated with the equity investment is most welcome. So it's a bit of a balancing act between keeping utilization high and keeping multiples high, and that's something that we hope to have the luxury of choosing between down the road.

In terms of the competitive advantage, Telenet has, in the last year, too, shifted its focus away from its network advantage as a long-term strategic -- the long-term strategic pillar. Obviously, we have a long tradition of having a superior network. We can see that over time, given 5G and fiber technologies, et cetera, that the gap will close. It will -- we don't think it will completely close because we have 1 gig across 100% of our footprint today. That's very hard to catch up with on a fiber basis because there's substantial amounts of the network that -- well, that will never lend themselves to the economics of -- to a fiber overbuild. So we still think we will have network advantages in some places. And at least parity in others from a network standpoint.

But given that sort of long-term effect and by the way, I don't think that's really the issue for the next three to five years, I think, but 5 to 15 years, it could be. We have refocused our efforts around what we call customer intimacy. That is the seamless customer experience, utilizing data and digital transformation to anticipate opportunities to do a better job for our customers or to get more products in the home before they even think about it. We're investing heavily, as we've said before in our Intelligent CRM platform, which comes fully online in 2022, which will deliver both real opportunities to engage much more deeply with our customers and provide a superior acquisition position and also reduce operating costs dramatically up to 15%. And we've also told you before.

But also, you would notice that we have been not backed off on our commitment to content. We offer 11 sports channels, proprietary -- some proprietary product, a state-of-the-art, we think Horizon 4 video platform that is a vital user interface in the context of real fragmentation of entertainment services. We also own a commercial broadcaster and are probably, at this point, the largest production house in our region. Production we -- companies are exploding right now. They're absolutely on fire, producing content, not just for us, but for the international market and even taking content that has been successful here in Flanders and reproducing it in English for Netflix and Amazon.

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So we're really excited about the opportunities there. So differentiating ourselves in the customer experience and content. And then the final piece of that is really the in-home connectivity experience in which -- We've also been out in front with 900,000 power line boosters. We're launching the Plume intelligence, spectrum allocation, spectrum management platform for in-home connectivity as well in 2022. We still think there's a lot of touch points with the customer and a lot of things that we can do beyond just sharing the passive components of our network to maintain our position as a preferred provider in the region. So we're not overly concerned about that. And also, of course, we have the experience of having Orange on our network, which they certainly have access to all the quality of the network that we have today and yet we're still able to grow our broadband business, maintain stability in our television business and continue to innovate around the product space as well, which also provides us -- we tend to stay one step ahead on the product side as well.

David Vagman

Thanks very much. Thanks.

Operator

And moving to our next caller. We have Joshua Mills of Exane. When you are ready, please proceed.

Joshua Mills

Hi guys. Thanks for taking the questions. Mine will be on Fluvius as well. So the first question is kind of a bigger picture one about this fiber versus cable to-date, which I think John touched on. But my question is, has your thought process changed at all since we spoke last in the second quarter call? And in particular, I'm drawing attention to the press release this morning, which talks about gradually increase the amount of fiber in the coax network. It also makes a point that longer-term, you expect to see the vast majority of Flanders with fiber connectivity. So I just wanted to clarify, in fact, what you're saying here is you think on a long, long-term basis, more than 50% of the cable network gets replaced with fiber or whether I'm reading too much into that?

And the second question somewhat related is when you think about retrofitting cable infrastructure with fiber, what are the key criteria. My understanding is that quite a small part of the Telenet network today is actually ducted most of it is baring. So will you only be looking at replacing cable with fiber where there is ducts? Or have you found a way of actually making it work even if the cables varies? And I guess just finally, if I could squeeze a third one in this, how do you think about the importance of having a majority stake in the NetCo or from your perspective, are you happy to be a minority shareholder? Thank you.

John Porter, Chief Executive Officer

So let me take on the fiber versus cable. So first of all, I'll say it again, we are in an enviable position because we do have a 1-gig network at 100% of our territory. The competition that we have today is going to 1 gig with GPON. That's not to say they won't retrofit the build they're doing with XGS-PON down the road, also considering that's the architecture that we'll be using that could change. But we don't have any immediate threat. We're certainly -- this is a strategic pivot that we're doing to -- because we need to make these decisions now for a number of reasons. One is, we have a partner and they -- this is the time that they want to really come to an alignment and agreement on the road map. And also because the going from EuroDocsis 3.1 to EuroDocsis 4.0, although it's an impressive road map is also a substantial amount of capital to be allocated. So if you're going to pivot towards fiber, you want to do it before you start spending a bunch of money on EuroDocsis 4.0.

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So we are making decisions now in the same way we made decisions in 2014 to upgrade our HFC network to 1 gig without really knowing exactly that every customer would want 1 gig or need 1 gig, we're glad we did it now. But we have to make decisions now that are going to put us in a position to maintain the competitive edge 5 -- 15, 20 years from now. So that's why we're looking at it now.

Yes, there is -- in that context, there will be a substantial amount of fiber to the presence more so in the other years. But there's also already a lot of fiber in our network where really the investment is going to be in the "last mile". I mean there's a lot of reusable fiber in our architecture today. The ring-ring fiber backbone is completely compatible with the extension of our network into XGS-PON point-to-point solution that we are leading towards in our partnership.

And in terms of what -- where we would be utilizing our fiber, we're not discriminating against the 25% of our network that is strictly underground. As I mentioned before, 45% of our network is on Facade. That is the most inexpensive way of building with fiber. So 45% of our network that's in cities, population density, less lower drop costs, et cetera. 25% of it is aerial, and that's also more of an overlash solution, but less density, so a little bit more expensive than Facade. The last 25% is underground. Right now, we're taking advantage of -- for the last year or so, we've taken advantage of the synergies of where there are open trenches, we're putting duct-in. And we will continue to do that for probably forever because, first of all, there is rules in Belgium that when ducted -- when a trench is open, that the company that opens it needs to advise all parties through a specified platform that a trench will be open and how long it will be open for and if anybody wants to put ducts in, they can.

And theoretically, and I haven't seen this be in force, but theoretically, you cannot open that street again for another -- at least another two years. So there will -- there is a lot of duct in. There is more and more duct in the ground. And by the time we need to start blowing fiber, there will be substantially more. So fiber to the premise is coming. It's not a three-year project or a six-year project. It's the next decade. We will build it, where and how and when we need to, to continue to be competitive. We're not going to just sort of be passive in the context of more aggressive infrastructure competition. We'll see where it all goes, but we're going to -- we're going to control our destiny, not the least of which is because we have a substantial amount of utilization, and we can amortize that investment a lot quicker than some others can. So I hope that gives you some color.

Joshua Mills

That's very helpful. Yes. And maybe just on the second question, which was around your stake within the result in NetCo, how you think about ownership position and being a minority potentially?

Erik Van den Enden, Chief Financial Officer

Yes. So I'll take that question. So I think in many ways, this agreement with Fluvius is the first step in potentially a long road in the center. We clearly lay out that we see this fiber venture as a multiparty journey, right? So we're doing a first step, which is a very important one with Fluvius. Fluvius is a strong operational partner. They have been partners with us for 20 years and they hold this artifact [ph]. So for all these reasons, we're doing this first step. But as we mentioned before, we are completely open also to partner in the capital with industrial partners and with financial partners. And ultimately, the intention is still to take this vehicle off balance sheet. So indeed go towards a minority position. But clearly remain a very strategic asset for us. But we are absolutely open to that, and that's what we ultimately try to achieve.

Joshua Mills

That's very clear. Thank you.

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Operator

Our next question comes from the line of Nayab Amjad of Citi. When you are ready, please proceed.

Nayab Amjad

Yeah. Thank you for taking my questions, and (inaudible) a bit. If I can come back to -- on cost that was previously asked. So I think this year, you increased prices by 1%. Orange Belgium suggested the wage indexation will be roughly around, I think, 2.5% from the 1st of January. And in addition, you will probably incur some higher electricity costs. So to what extent can you set those inflationary pressures with price increases? So could you be higher than 1% next year? And will your wage indexation also be around this 2.5% that Orange Belgium mentioned? And then on the second -- my second question on competition. Again, so competition was effectively quite animated in the fourth quarter. And we've heard similar comments from all operators last time, but then the third quarter was relatively quiet from your side. So first of all, what was the reason for not sort of going out there with a more of a big commercial bank after the launch of the One portfolio. And in particular, I'm seeing Proximus making some inroads in Flanders. And what can we expect in turn in the fourth quarter commercially? Thank you.

Erik Van den Enden, Chief Financial Officer

Well, I'll maybe take the first question in the sense that you're right that inflation in general is going up and for sure, inflation on energy. Maybe to give some more color around that second element. So if you look at our total energy bill within our OpEx that is today around EUR27 million, and it's kind of half-half between the fixed network and the mobile network. We have an active hedging policy. So it means that, I mean, we fix at least part of the exposure on a forward basis, which means that for next year, we're going to feel some of the increases, but some of it is also hedged. And again, overall, it's not a massive amount. It's less than EUR30 million. So that is one element.

I think you also asked the question in terms of future price increases. I think consistent with what we have done in the past, we always take these decisions taking all of the information at that time into account. So it's difficult to anticipate whether we will continue to do that in the future. But if the past is any guidance to the future, I think what you will have seen us do in the last couple of years is price increases that were always very close to inflation, right? So typically, we have looked at the health index in Belgium, which is kind of a basket that is very close to CPI. There's some smoothing effects there. And this is something that has been taken into account in making the decision to do a price increase and not and also the size of it. And this may well continue to be the case, again, depending on the circumstances, it's difficult to anticipate right now. But to the extent that the health index would be higher, that could lead into a different decision.

John Porter, Chief Executive Officer

And we do have some tailwinds kicking in that offset some of these inflation-related headwinds. In the areas, particularly areas of digital and data utilization. The cost to serve is improving dramatically starting in '22. So we're confident that, in fact, I'll say it right now. I think consensus on the EBITDA for next year is 1.1%. And we're super comfortable with that. So --

Operator

We'll go to our next question, we have (inaudible) of Goldman Sachs. When you are ready, please proceed.

Analyst

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Good afternoon, everyone. Thanks for taking my question. Just on the towers again. Obviously, tower (inaudible) is a fairly new concept within the Belgium market ecosystem. I know it's still the preliminary stages as yet. But in your conversations with towerco, is this something that all of the operators across Belgium are more interested in? Just trying to kind of gauge the interest level in these tower assets. Thank you.

Rob Goyens, Vice-President Treasury & Investor Relations

Hey, Andrew, it's Rob here. So yes, I think we can, of course, only speak on Telenet's behalf only. So when we look at the opportunity at hand, there is, of course, that is all the context that in Belgium, there is no towerco of any size active yet in the market. Of course, there's also this regulatory framework, which is probably the reason why it isn't that happened in the past. But when we look at the opportunity, we definitely see an opportunity to monetize these assets at attractive conditions. We think we have an attractive portfolio, which is nationwide. As I said earlier, consisting of a good chunk of towers and also rooftops with healthy co-location ratios, but we cannot actually comment on the plans of the other operators. So I think that would be a question you would have to ask them as part of their earnings calls.

Analyst

Very fair. Thank you.

Operator

Our next question is from Jane Ratzer of New Street Research. When you are ready, please proceed.

James Ratzer

Yes. Thank you very much. Good afternoon. Had again a couple of questions, please, coming back to the NetCo creation. I mean, firstly, would you be interested in directly selling a stake in the company to help crystallize the value and make that more transparent to the market? And secondly, I mean it seems with this transaction as is or potential transaction as if you could end up deconsolidating EBITDA, especially if NetCo becomes a minority holding and becoming a smaller consolidated group. If that's the case, could you commit to retaining your current level of dividend from the current 2.75x level? Thank you.

Erik Van den Enden, Chief Financial Officer

So James, I think your first question was on whether we see the benefits of bringing in a financial investor to crystallize the multiple. There is definitely, in our view, merit in doing so in the sense that if you look at where Telenet trades today, we do not think that, that properly reflects the value of the company in many ways and for sure, not recognizing the value that (inaudible) towers, but also this NetCo venture potentially have which is also exactly the reason that we have announced this morning a share buyback. So I think when we consider that the dislocation that we see in the share price today is definitely one of the reasons to launch the share buyback. It's potentially relatively limited in size, but there are also -- when we took a decision, future M&A optionality has been taken into account. So we start with this and then from time to time, as we have done in the past because we have been using the share buyback lever quite a bit as part of our shareholder remuneration framework. We will reassess and the Board to reassess that and take decisions as we go. But so that's clearly indeed value that an infrastructure investor could bring, which is to crystallize the value of that network to the multiple.

Rob Goyens, Vice-President Treasury & Investor Relations

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Yes. I think to the -- to your second question, James, on the dividend flow. So as you've seen this morning, there has been a separate press release on this intermediate dividend, which is more short-term oriented. So it's basically part of the policy where we basically paid 50% of the dividend flow in December after shareholder approval at the AGM, then the incremental 50% to be paid in May next year. And then also, the Board made it clear that in light of the announcements that we've made today, but also considering potential future M&A opportunities that they have reaffirmed this morning that it is the intention to continue to execute on the inflow. So the dividend flow, as a reminder, is the EUR2.75 per share, as I just mentioned. And so it's indeed the intention to continue that past the year going forward.

James Ratzer

Thank you Rob for that. Could be -- that would be maintained even in the event of taking a minority stake in NetCo

John Porter, Chief Executive Officer

I can confirm that every analysis of M&A optionality and outcome for NetCo consolidated or deconsolidated includes the continuation of the dividend floor.

James Ratzer

Great. Thank you, John. That's super clear.

John Porter, Chief Executive Officer

Yes.

Operator

And moving on to our last question, we have David Burns of Berenberg. When you are ready, please proceed.

David Burns

hey everyone. David Burns from Berenberg. I have one clarification and one question. Following on from Roshan's question earlier on tower, is the 1.6x coming duration with 2005? And secondly, is there any detail on how this tenancy ratio has evolved over the past years? And I guess what I'm trying to understand is, what's the tenancy growth opportunity from a year on. Thank you.

Rob Goyens, Vice-President Treasury & Investor Relations

Okay. David, so I'll take that one. So when you look at the -- so the 1.6x colocation ratio that we mentioned before. This one is actually on the tower portfolio. So technically speaking, it's the 37% of the 2,200 onsite, and it's 1.2x across the entire portfolio that we have. When you look at the colocation ratio over the last couple of years, actually, it has remained fairly stable, as you would imagine, because the Belgium market has been to play a market for quite some time. So in that sense, also BASE when we acquired it in 2016, they were the last mobile operator to come in, in the market. So that also means that historically, there are a bit more sites that we read from the other operators than vice versa. So that's why, the colocation ratio hasn't really moved that much.

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When you think about the growth dynamics and, of course, the growth in the portfolio that we see from tenant itself as we will continue to build a certain number of sites going forward. And then, of course, we'll also look at the pricing mechanism under the contract as a way to drive value for potential buyers. But as mentioned this morning, we are still at the onset of the strategic review. So we cannot give any further details on that point at this point in time. But I think that will be the way we typically would look at it.

David Burns

Thank you.

Operator

And at this time, this concludes our Q&A session. And now I will turn it to Rob for any concluding remarks.

Rob Goyens, Vice-President Treasury & Investor Relations

Okay. Thanks, operator, and, yeah, thanks, everyone, for having joined today. Appreciate it has been a busy day with all the communications of this morning, but also, again, busy -- a very busy reporting date. On the topic of reporting, so we will be reporting our full year results on February 10 next year. So this is a bit more out. There's probably a day to put in your calendar. And for sure, we will be in touch in the next couple of weeks and months as part of our road show schedule. And you'll find also the updated agenda on our Investor website.

And as mentioned in the beginning, if you have any further follow-ups, feel free to ping either me or Bart and happy to reconnect on many of the topics. Thanks for now, and bye-bye.

Operator

Thank you for joining today's event. You may now disconnect your lines. Hosts, please stay on line.

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