Company Name: Telenet
Company Ticker: TNET BB
Date: 2022-10-27
Event Description: Q3 2022 Earnings Call

Market Cap: 1641.520931948339
Current PX: 14.5600004196167
YTD Change($): -17.5
YTD Change(%): -54.585

Bloomberg Estimates - EPS
Current Quarter: -0.738
Current Year: 6.17
Bloomberg Estimates - Sales
Current Quarter: 682.857
Current Year: 2622.556

Q3 2022 Earnings Call

Company Participants

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

Other Participants

- Roshan Ranjit, Analyst
- Nicholas
- David
- Martin
- Ben record
- Unidentified Participant

Presentation

Operator

Hello and welcome to 9M 2022 Telenet Group Holding NV Earnings Conference Call. My name is Laura and I will be your coordinator for today's event. Please note this call is being recorded and for the duration of the call, your lines will be on listen-only. However, you will have the opportunity to ask questions at the end of the call. (Operator instructions) I will now hand you over to your host, Rob Goyens, VP, Treasury & Investor Relations to begin today's conference. Thank you.

Rob Goyens, Vice President Treasury and Investor Relations

Thanks operator and welcome everyone to our third quarter earnings webcast and conference callAs always earnings materials including this presentation can be found in the results section of our Investor Relations website and after this call, we will also provide the replay and a transcript for those that may have missed this call.Before we start, I would like to remind you that certain statements in this earnings presentation are forward-looking statements, I won't dwell too long on the safe Harbor disclaimer, but I will refer you to the beginning of the presentation where you can find more details on these forward-looking statements.

Let me now introduce today's speakers. As always, we will start with our CEO, John Porter, who will provide you with some strategic insights on the quarter and the current trading environment. Next, our CFO, Erik Van den Enden will walk you through our operational and financial highlights for the quarter. And afterwards, we will open it up for Q&A and invite you to limit yourself to two questions each. With that, let me now hand over to John.

John Porter, Chief Executive Officer

Thanks, Rob and good afternoon or morning to everyone on the call. And on the webcastAs we already higher I at the time of our Q2 results announcement, we were expecting an improvement in our financial performance going into the second half of the year and I am pleased to see that the third quarter delivered on that expectation, our revenue growth was driven by a high proportion of recurring monthly subscription and index-linked revenue respectively 75% and 60% and so benefited from the 4.7% rate increase, we successfully implemented in June.

On top of that we recorded both higher wholesale and higher revenue with our media business. This resulted in a clear acceleration in our year-on-year top-line growth in the third quarter to just over 3%. This also translated into an important inflection point for both adjusted EBITDA and adjusted EBITDA after leases increasing irrespectively 3% Year-on-year in the third quarter. Year-to-date however, we still see a modest contraction in our Adjusted EBITDA reflecting higher staff and energy costs of EUR16 million and almost EUR15 million respectively. But as Eric will detail later on, we remain on track to deliver our full-year outlook. Our operations remain resilient despite a more intense competitive environment, we continued the expansion of our FMC customer base by one one up tactical promotions and managed to keep our broadband customer base stable.Our broadband net adds in the quarter were negatively impacted by the removal of 2000 inactive TADAAM customers, without which we would have had very solid quarter in terms of net broadband subscriber growth. Thanks to successful up tiering and the recent price adjustment, we managed to grow our third quarter fixed customer relationship ARPU by almost 33% year-on-year, reaching EUR60 for the first time and finally, growth in postpaid net additions accelerated driven by both Telenet Mobile and BASE the latter, thanks to a successful web deal promotions.We're making good progress in preparing for the Netco setup with Fluvius.The regulatory process is fully ongoing and the same applies for the internal Fluvius approvals. Meanwhile, we are fully focused on preparing the operational design, systems and framework. Therefore, we will be incurring certain upfront costs or so called cost to capture as Eric will explain later on and which are excluded from our full-year outlook. We consider Netco to be an important future value lever to us and refer to the recent CMD presentation for more details. To conclude, let me come back on what we communicated during our September CMD and recap the ample value-creation opportunities we see across our Company. And this applies to both the commercial Telenet organization as well as to the Netco. Telenet value upsides are both driven by growth opportunities in all our business domains as well as efficiency gains. Thanks to substantial investments that we have already done in our new digital CRM platform.The Netco can unlock significant value by attracting additional investors into this entity while already benefiting from 60% network penetration as of day one. In addition, we see scope to deploy fiber to the home and a smart and efficient way and hence underspend versus the EUR2 billion CapEx envelope, which we provided earlier. At the bottom of the slide, you can see a snapshot of our long-term consolidated ambition to which I, my leadership team and the Board are very much committed. I hand it over now to Eric, for the operational and financial highlights of this quarter.

Erik Van den Enden, Chief Financial Officer

Thanks, John and good afternoon or good morning to all of you and thanks for joining our call. As usual, we start with a review of our operational performance. We experienced an intensified competitive environment in Q3, some pleased to see that we managed to further grow our fully converged customer base to over 800,000 customers, driven by the continued success of our ONE and ONE bundles and successful back to school promotions.Growth of our mobile postpaid customer base has accelerated, we added almost 18,000 SIMs in the quarter, boosted by strong performance of our BASE mobile standalone brands.

In terms of broadband, we managed to keep our customer base, stable despite intensified competition and the removal of 2000 inactive customers.Excluding the down one-off impacts growth in our broadband RGU base, which have been accelerated compared to the previous quarter. And finally, our fixed ARPU grew almost 3% in the third quarter, driven by the price adjustments implemented over summer and reaching more than EUR60 for the first time ever. Looking at the financial side of things, our revenue for the first nine months of the year increased by 1% compared to the same period of last year, which at that time includes certain one-off impacts on our video revenue.Our subscription revenue generated from monthly recurring subscriptions and representing approximately 75% of our total revenue showed a similar upwards movement versus last year.

In addition, our other revenue improved 3% on the back of strong wholesale performance, higher advertising and production revenue and higher roaming income in the third quarter And in the third quarter, specifically, revenue growth accelerated significantly as a result of the price adjustments and reached EUR661 million on the cost side, our operating expenses increased 3% on a year-to-date basis. This includes EUR16 million increase in our staff-related expenses as a result of the mandatory wage indexation at the beginning of the year.

In addition, our operating expenses were negatively impacted by almost EUR16 million higher energy costs. As a reminder, we have hedged almost 90% of our exposure for this year and around 45% of our 2023 exposure and we will take an opportunistic approach to layering in additional hedges for 2023, if and when appropriate. These negative impacts were only partially offset by lower direct costs, lower outsourced call center costs and broadly stable. Sales and marketing expense.Turning to the next slide, you can see that for the first nine months of 2022, we achieved adjusted EBITDA of just over EUR1 billion Decline of minus 0.5% on a rebased basis driven by, first of all inflationary headwinds.Secondly impact of higher energy prices and then thirdly, a tougher comparison base as a result of the one-off impacts that we had in the first quarter of last year on the video revenue. Please also note that our year-to-date adjusted EBITDA also includes EUR1.3 million so-called costs to capture. These are one-off costs incurred in order to prepare for the Netco go-live and are excluded from our full-year guidance excluding this non-recurring impact, our adjusted EBITDA which has been remained broadly stable despite inflationary pressures on labor and energy. Similar to our top line 22 Q3, our adjusted EBITDA within the quarter also accelerated 3% year-on-year as a result of the price adjustments implemented over summer, but also our continued focus on costs through which we have been able to offset continued inflationary pressures.If we then move to Slide number 13, you can find our performance with respect to EBITDA, as you may remember, we sold our mobile tower business to DigitalBridge on June 1 early this year and as a part of the transaction, we have entered into a 15-year Master lease agreement with DigitalBridge and therefore have started to incur lease related tower payments since the beginning of June. Therefore, we have started to include Adjusted EBITDA after leases or adjusted EBITDA is a key financial metric and we started to do that in the second quarter. So last quarterAdjusted EBITDA includes all of our lease-related costs, out of which is packed with Fluvius and the tower MLA with DigitalBridge for the two most important ones. So then, looking at results on a rebased basis year-to-date adjusted EBITDA remained broadly stable and within the third quarter it was up 4%. Let's move on to CapEx now, for the first nine months, our accrued capital expenditure, which excludes the recognition of mobile spectrum licenses, football broadcasting rights and lease related additions reached EUR448 million this was equivalent to around 23% of revenues recorded over these periods. The 17% year-on-year increase in CapEx, primarily reflects higher network-related investments with respect to 5 G and fiber as well as higher CPE related spends. Increase is fully in line with our full year outlook where we expect to spend around 25% of revenue for the full year and on the upper pie chart you can see that around 62% over our year-to-date CapEx was scalable and are directly subscriber related. Turning to adjusted EBITDA Property and equipment additions now which we previously referred to as operational free cash flow. Adjusted EBITDA less property and equipment additions was EUR570 million for the first nine months of 2022, 11% year-on-year decrease was mainly driven by higher capital expenditure and a modest contraction in our Adjusted EBITDA as explained earlier.If we then move on to adjusted free cash flow on Slide 16, you can see that on a year-to-date basis we generated EUR291 million of adjusted free cash flow. This represented a 3% year-on-year decrease caused by two elements. Firstly, we incurred EUR14 million higher direct acquisition costs and secondly, we also had a decrease of EUR8 million in our vendor financing program, fully attributable to face. These two factors were more than offset were more offsetting EUR9 million lower cash taxes paid relative to the first nine months of last year. Our adjusted Free Cash Flow was strongly up in the third quarter as a result of strong growth in our adjusted EBITDA and improved working capital. Our debt maturity profile remains very robust with a weighted average term to maturity of almost six years and no debt amortizations prior to March 2020.In addition, we continue to have full availability of over EUR555 million of liquidity under our revolving credit facilities. In addition to the cash at hand, this brings total liquidity to almost EUR1.5 billion at the end of September. Also important to note, especially in today's volatile market environment is the fact that we've substantially hedged all of our floating interest rate and foreign currency risk until the end of the respective maturities.Linked to our financial profile is of course also our net total leverage ratio under the previous definition which was based on last two quarters, annualized EBITDA, our net total leverage reached 4.0 times at the end of September. The modest quarter-on-quarter increase was driven by the recognition of the recently acquired mobile spectrum licenses as we have opted for deferred annual payments as opposed to a single advance payments. The current definition which is based on EBITDA our net total leverage reached 3.5 times reflecting only four months tower lease related payments and therefore it's artificially low.For more details. We refer to the, on our website. Finally, looking at the outlook for 2022 based on the solid financial results that we had, over the first nine years that's outlook is reaffirmed indeed nine months instead of nine years. We do not expect the consolidation of Caviar Group in our financial accounts as of the fourth quarter to meaningfully impact the projected rebased growth rates. However, the absolutes full-year 2021 rebased headline metrics need to be increased to reflect the acquisition of Caviar and that is something that we will provide as soon as we have that information available. And with that, let me hand back to the operator for the Q&A session.

Questions And Answers

Operator

Thank you, ladies and gentlemen.

(Operator instructions) We will now take our first question from Roshan Ranjit of Deutsche Bank. Your line is open. Please go ahead.

Roshan Ranjit, Analyst

Good afternoon everyone and thanks for the questions. First question is regarding the costs, I think you booked this quarter as part of the Netco integration will start the integration process. Can you remind us what the total impact for the year would be of those costs and secondly, can you confirm that the around 1% adjusted EBITDA growth is excluding these costs, please? And secondly on the operational side, we saw a good pickup in broadband adds, even when we account for that cleanup, now this is a big change from what we saw in the first half of the year, yet you do sites the increased competition in the market. So, could we get a sense of what has driven that improvement in the broadband adds, because your other kind of fixed components still remain under pressure? Thank you.

Unidentified Speaker

You the cost to capture.

John Porter, Chief Executive Officer

Yes, so on the first question, Roshan and these costs to capture directly linked to the setup of the Netco and so we have various sections on going to be ready for the go-live ranging from of course advisory costs and lower cost and also costs to really get the best the business operational to give you one example, we are creating a separate ERP that will allow the operations to run, so within the third quarter, we have already recorded EUR1.3 million of these costs, but the bulk of the costs that we expect on the cost to capture side will come in Q4. So the full year outlook that we expect this round Million, so 1.3 already incurred probably around 3.7 to go and indeed, the guidance that we gave, which is around 1%, which we typically interpreters somewhere between plus 0.5% and plus 1.5%. So the plus 1.5% represent debt number is indeed excluding those EUR5 million, because they are clearly one-off and directly related to the setup of the Company. Broadband adds, I would say on the positive side, we certainly have had some successful campaigns and we've seen a take up in our acquisition rate through the quarter particularly going into the last month of the quarter, we have very successful campaigns targeted at young people or people who are establishing new homes. We have a campaign of a fixed discount for anyone who is under the age of 30 until they turn 30, which has been quite innovative and highly successful and our back-to-school campaign is working extremely well also, very pleasantly surprised that despite some of our competitors, particularly flank of brands like Mobile, Vikings et cetera targeting the specific group that we've had a very successful period focusing on young people establishing homes or new residents is for University period during that time. Typically, and if you look back pre-pandemic in the quarter in which we implemented a rate increase, we always sort of best case was to have a relatively stable net position in broadband during the pandemic, of course, we gained about 50,000 broadband customers across the two-year period. So lot of people establishing fixed services in second homes and in places where they might have been subsystem on 4 G for broadband in the home, so not surprising that during this period that broadband would be relatively stable but churn is still on a relative basis quite low. Acquisitions are kicking up and we're cautiously optimistic about Q4, which is usually a very active commercial period for us with a lot of aggressive campaigning as we finish the year. So those are some of the dynamics, some good tailwinds and

Unidentified Speaker

Obviously a very competitive window with back-to-school and everything else. So we'll see how things go into Q4.

Roshan Ranjit, Analyst

That's great. Super helpful. Thank you. If I may, just a quick follow-up on the first question around the cost, does that suggest that the regulatory process is going according to your expectations at this stage and do we know if that is a decision, which is going to be held within Brussels or at the wider European level. Thank you.

Unidentified Speaker

So I would say that the preparation obviously, I mean there is very track that we are preparing of course, the regulatory track is a very important one. So that is fully running, and we don't have clarity yet there, so there, not much that we can say about it today, but having said that the net debt, the Netco by itself is a very important and it's a complex transaction, as you know we're gonna be carving out all of the network assets of the Company and setting that up as a separate entity. So that is operationally, a very large and also a complex operations, so we are fully moving ahead of that, also because we want to be ready as soon as we can and so these costs are incurred as we speak readability ID to be able to move forward as soon as we can and also as soon as we have clarity on the process.

Roshan Ranjit, Analyst

Great, thank you.

Operator

Thank you, we'll now move on to our next question from Nicholas of HSBC. Your line is open. Please go ahead.

Nicholas

Well, hi, everyone. Just to follow up on the previous question, I'm interested in a bit more details on the competitive environment. Do you tend to see much activity on the retention side at your competitors and also if you can precise what is happening with the cheaper brands you mentioned Mobile Viking anything else happening and maybe last on your range of products, do you see some downs pinning clients trying to downgrade to cheaper offers? Thank you.

Unidentified Speaker

Well, there certainly is tied activity in customers looking to rightsize their bundles, you can see in the quarter, we did have very good success in moving an additional 15,000 customers into fixed mobile converged packages and these packages can in with the right combination of the household can actually be extremely cost effective, and even more cost effective than trying to cobble together the cheapest stand-alone all the card prices in the market. So

Unidentified Speaker

We, the one offering in particular has been very successful as a landing area for customers, so the hierarchy of need is very much obviously fixed telephony well, first of all, premium TV is something that people are looking to cut back on, not just Streamz but other streaming services, so is definitely a lot of activity there not so much in sports, which is remains relatively stable despite the high price, that's a very sticky product and then you move on to TV more generally. So there is pressure on TV as a category with some existing customers, but we're still selling in TV, even though it's not hard bundled in the offer at pretty high rates at around 85% of new acquisitions to one and one up taking a TV product and then I think the finally, you do see the potential for people taking unlimited one gig broadband maybe saying, you maybe they don't need all of that, maybe I'll move down to the basic Internet, which is 200 banks, but I think in the 1 P standalone area,

I think we compete quite favorably with the pricing for our basic Internet to be a little bit over EUR30 but for 200 megs of service. I think that's maybe a slight premium to one or two of the low-end offers but with much higher specs. So look, we look at the whole pricing end to end and we're always if we see a gap in our offering, we're always looking to close that gap and obviously I can't say anything about what we'll be doing in 2023 or at the end of the year. But let's just say we're not prepared to cede any particular segment of the lineup particularly in a period of time when people are looking to optimize their household spend.

So it's important that we have a strong lending area for people who are looking to move slightly down in their household spend on telecommunications. But as a percentage of GDP, Belgium generally is quite low, even though you will say, okay, Belgium's higher price compared to the surrounding countries as a percentage of GDP, we're actually in the middle to lower end of European spend

Unidentified Speaker

So we think where we're in pretty good shape. Although down spinning is a factor and, but when you look at the fact that our ARPU is actually increasing, you can see that we're doing a reasonably good job of offsetting it.

Nicholas

Thank you, okay, cool. Thank you.

Operator

Thank you.

(Operator instructions) We'll now move on to our next question from David of I&J. Your line is open. Please go ahead.

David

Yes, hello, good afternoon everyone and thanks for taking my question. The first one is on is on costs, could you give us your view on the development of employee and energy costs, so the delta for next year, or at least a big-picture view and could you envisage some specific cost savings measure. so on top coming on top of your ongoing digitalization for the IT transformation. And the second question is on the potential scenario for recessionary impact, we could see on your different sorts of revenues from referring to business revenues and on of new lines and then for basically for TV, for broadband et cetera on what type of price adjustments, could you be agent for next year? Thank you.

Unidentified Speaker

Well, on the cost side, as you know on labor in particular, this is an indexed fixed index market, the last remaining on Earth and anticipating that that's going to be a little bit over 10% in January. Obviously, that's a fairly big impact on our labor costs, which are the largest indirect costs that we have in the business. Now there are mitigating factors because over the years, we have outsourced and partnered on some key cost components in our business. For example, 85% to 90% of the total phone traffic is handled through third parties, 100% of the maintenance and installation activity that requires a home visit is in our Unity partnership and we don't have fixed indexation elements in some of these key outsource

Unidentified Speaker

Managed service agreements, also a huge amount of work being done on our digital and the digital, and data front is also outsourced through managed service contracts. So that mitigates our exposure to the labor indexation, we have in terms of direct employees, we have around 3500 direct employees as a direct employee to revenue.We have, I think one of the best ratios in the business. So we also have also a range of internal strategies, certainly some of them as you alluded to coming out of the increased utilization of our digital customer journeys, some of the technologies that we're putting into virtual contact center, moving to a digital first environment and some very interesting results this year in terms of offers digital only offers, certainly we've taken base postpaid net adds to sort of all-time highs, since the acquisition by having customer journeys through digital channel with exclusive offerings, which we've moved a huge amount of acquisition activity from retail into digital for our base products, that's giving us an opportunity to rightsize, our retail presence in both base and Telenet.

So there are mitigation strategies, which we think we can accommodate at least in the short term, this big impact of labor indexation and on the sort of recessionary impacts on revenue, I think there are, there are pluses and minuses, certainly in the B2B and LE parts of our B2B business. I don't think we're expecting big impacts, there actually to the contrary, we are seeing a pickup in potential opportunities around managed services, migrating customers to the cloud, improving the security solutions and things like that. So growing stable to growing revenues in SME and LE for coming up SOHO is a little bit, a little bit different response more like the consumer market.

Unidentified Speaker

Where we're seeing so customers looking to rightsize their solutions and in terms of price on our products, we're not giving any guidance on that, but I think history is the best guide there, we've fairly consistently had annual rate adjustments for most of our products and because we don't have back book front book set up here with no fixed term contracts. A lot of our recurring revenue is exposed to any price adjustments we might do.

David

Thanks for incentives, quick follow-up on the price, could you change the timing for instance, so moving it to over the euro harder than summer?

Unidentified Speaker

We have changed the timing in the past, during the pandemic, we delayed a rate increase during the first year of the pandemic. And last year we moved it up, so it's happened in the past, but it's not, but again, as I say, in your business past history is, is there isn't indicator of future performance. Yes.

David

All right, thanks very much.

Operator

Thank you, we'll now move on to our next question from Martin of Citi. Your line is open. Please go ahead.

Martin

Thanks for taking my question. Thank you for taking my questions. The first one is on the CapEx for this year, I think, I mean the guidance for 25% but if of revenues, but if I look at the first nin months, it seems you're falling sort of short of that a little bit and that implies, sort of a very, very big step-up in the fourth quarter. I'm just wondering what is the reason you have not been sort of spending that much actually possibly have initially targeted and is that sort of an indication that next CapEx next year? So can be as much that sort of what you saw at the beginning and then the second question is some cost, we think about sort of the working capital and other line for next year, given that you might end up with a much lower outflow this year versus last one and in addition, we will get some cash savings from the leases related to the Netco? Thank you.

Unidentified Speaker

CapEx question is very simple one, it's almost all related to supply chain so particularly around 5 G upgrades, which are running and 20% below expectations, but still at a pretty high rate and

Unidentified Speaker

In some cases the deployment of NextGen household equipment like set top boxes and modems, but it's, it's a question of degree. I mean it's not really anything that's impacting us operationally are causing us to slow down on the go-to-market or CVP strategies. It's just a timing issue related to supply chain.

Erik Van den Enden, Chief Financial Officer

Then I'll take the question on the working capital on the outlook for the free cash flow, so we're not giving guidance yet today, so we won't be able to give you precise numbers that we will do on the back of the full-year results, but if you think about free cash flow and also, when we look at where consensus is for 2023 that is coming down as a result of fire CapEx as we going to be rolling out and further investing into the network, in terms of working capital typically increased CapEx spend gives you a bit of a buffer, because normally payment terms on CapEx are typically higher than operational expenses.

So and that should be a positive in terms of working capital. If you look at the other key lines leading from operational free cash flow to free cash flow at all being interest and taxes. First of all, the interest, we expect that one to be relatively stable given the fact that we have fully hedged our debt stack, so no material changes to be expected there and also in Texas, we expect a fairly stable environment and so, those are by and large what we think about the key elements that will come back on that at the beginning of next year.

Martin

Thank you, just to confirm the stable interest expectations that is sort of excluding the Netco costs, I think there will be some interest savings there just to confirm that. Thank you.

Erik Van den Enden, Chief Financial Officer

So. Martin, I think of course the main impact is the removal of the lease with Fluvius that we have, so that obviously depending on the completion of the Netco transaction is going to be what could be an important lever for free cash flow, the impact actually is on every part of the P&L, I would say yes, so, as we discussed before that also had in previous disclosures, there is of course a positive impact on EBITDA as a result of the of the removal of the so-called market, we have within the previous contract, that is, of course, the end of the lease related payments, which actually triggers sports interest and depreciation, so that would be EUR17 million delta for full year and then those elements of course also trickle down in the free cash flow.

So I think that of course would be an additional, they have to put on top, so but that of course is dependent on the completion of the Netco transaction Also I hope I'm stating the obvious that if you look at the free cash flow versus the dividend, I mean 2023, the dividend is going to be very well covered with free cash flow so that should not be a concern.

Martin

Thanks very much.

Operator

Thank you, we'll now take our next question from Ben record of New Street Research. Your line is open. Please go ahead.

Ben record

And thank you for your question. So firstly, on the potential price rise next year, the Belgium inflation running at double digit, I'm just wondering about the scale of the price rise that you think you could be able to put through next year. And then second question interim any thoughts on the impact you're seeing from approximately is fiber deployment, so in areas where they're building, are you seeing any impact in your KPI churn subscriber losses and are you seeing any sort of impact perhaps from your wholesale partners as well, are they still using your cable network in areas where approximate spilt further? Thank you very much.

Erik Van den Enden, Chief Financial Officer

I'll maybe take the question on price increase. So price increases is something we decided on it, we take a lot of data into account, so it's not a decision that we take like lightly and of course, inflation is a key input to that decision, and of course, on a historic basis before we been very close to inflation, but the key element that we also take into consideration is also our expectations in terms of the expected churn. So, we always try to find a very good balance between doing the right price increase, but also making sure that we don't give back part of that price increase through increased churn.

So of course we came out of a long period of extremely low inflation and so we've seen the past couple of years, we were always somewhere between 1% and 2%. We also saw that indeed churn was very low. So it was clearly a very good balance between price increases and churn. 2022 was the first year where we saw much higher inflation and so when we took the decision on the 47%, we did do quite a quite a bit of data analysis but also research on the ability and the kind of absorbed and absorption rate, it's our customers would have, on that price increase and so what we've seen and we see that in our net debt is that we continue to find a good balance between doing are much higher price increase, of course, almost five times that we did the year before, arguably, slightly larger lower than Inflation was at that time and when we did the 4.7% inflation was not yet running at 10%. So we took, something that was close to it slightly lower, but it has proven to be a good balance for us. So you see it in our, in our Q3 results both from the fact that our top line and our EBITDA has improved a lot and actually the year-on-year increase is quite close to the nominal price increases that we took on the one hand, the other hand, we also had a good net adds performance. In the past we have seen quarters, we have seen a pattern where within the quarter that you took the rate increase, temporarily we went into negative territory, when it came to net debts that is not something that happened this year. So, of course, it was more or less flat, but it also included 2000 subscribers on programs, you could say that our tenant business broadband, this has probably expanded by 2000 RGUs. So long story short, we think that not only we found a good balance between price increases and churn, one was in a period when inflation was super low, we think we also found a good balance this year and we will definitely consider to do the same next year, where we know that inflation is a lot higher than what it was in 2022 and therefore will consider that as a kind of reference and see how we find that balance again between churn and price increase.So on the fiber impact from Proximus I think first of all started from a real macro point of view approximately this fiber build has been increasing over the last few years, but if you look at 2021 and '22, we've actually gained far more broadband subs than we did in'18 '19 kind of timeframe. So we haven't seen it on a sort of net net basis, I mean we took in the CMD we took it through, you guys through a lot of reasons why we think we're pretty well positioned. First and foremost, is that a 100% of our network is 1 gig and fiber cloud approximates is builds are not offering any products in excess of 1 gig and GEPON architecture very difficult to do so. But secondly yeah, arguably have a superior TV product, we have 12 channels of sports taken by like around a quarter 1 million of our customers, we have a superior integration of premium sports and stream.

Unidentified Speaker

And of our direct to consumer apps. We have a really proactive singular approach to in-home connectivity, which we think with the use of data allows us to have a proactive and deeply engaged relationship with customers on that. On an individual basis on the performance of their Wi-Fi and their in-home experience, which is really kind of second to none in the industry that we know of our ability to to rightsize and cross sell up-sell or downgrade if necessary customers into the right package through the segment of 1 and our CRM platform, which provides every customer contact next best action that's best option capability, whether it's self service through digital or through voice or through retail channel.

All of these things combined two deliver us some of the lowest churn in the industry now on a sort of, neighborhood-by-neighborhood basis, we're seeing that just this is glass and that is HFC is the impact is quite limited what is an impact is there is, is very, very aggressive offers on the street by street basis. So obviously to justify the investments that are being made that they need to get that migration and the offers are getting stronger and stronger.

On the other hand, we're offering, we're making offers too and we have a very good idea obviously almost complete idea of where the fiber is being built. So this is an area that we've put a lot of focus on we need. We're not seeing a lot of movement today, but we're not naive to the fact that if we don't keep doing these things and more.

And in fact also build our own fiber over the next 5 to 7 years that we could be exposed. So we're doing all these things. And to the best of our knowledge oranges accessing our network be HFC network exclusively except for a small bit of fiber that there where they're doing a POC with with Fluvius in Flanders, so that's the extent to which to our knowledge, approximately.

I mean, excuse me oranges is working

Thanks. Great, thank you very much.

Operator

Thank you. We'll now take our next question from Emmanuel of Kempen. And is open, please go ahead.

Unidentified Participant

Yes, hi, good afternoon, my question is about costs. So you will have around EUR30 million higher salary costs next year. I think on top of that probably something like EUR20 million higher energy costs, the question I have is, how do you look at the MVNO with food that you will lose, will that be a EUR425 million negative EBITDA impact already in 2022 or do you believe it will be spread? And secondly, how do you look at the remaining cost base, is that something that will also go up or how do you look at it?

Erik Van den Enden, Chief Financial Officer

Okay, Manuel in terms of MVNO revenues so that contract is today is still running with full, course Orange is still going through regulatory process to complete the acquisition of and that has not finalized yet, which means that the contract is kind of ongoing and we expect also in 2023 for a substantial actually the most part of it to continue to keep as a customer on the MVNO side,then I think on the cost side to be a force has shown that in the Capital Markets Day. So I think it's probably anybody in our industry and probably around the globe, but at least in Europe, we are seeing pressures on labor on Energy, an important lever for us already this year, but also next year is our ability to at least partially offset these inflationary cost pressures with the benefits from all the investments that we have done over the last couple of years and we continue to do. So, I think we've already indicated in the Capital Markets Day that in our outlook for this year, which is leading to an expectation of 1% of around 1% EBITDA growth.

We see our cost base operational cost base, excluding energy and labor going down, so improving by 5% and half of that improvement, so, almost 2.5 percentage points are directly linked to the investments that we have done in the past. So that self-install that's less cost in the gold centers and it is also less IT licenses. Now, we are also really coming to the completion of our CRM overhaul. We stopped employee about the fact that we are taking out all the legacy old systems of the past and replacing that with one unified system, it's been a journey and it's been a journey that has always in IT has taken longer and probably was also more expensive than we expect that base, today's fully running it and we also have plans on the very short-term to bring Over Telenet customers on the new platform that also in 2023 will give us continued ability to take out costs, but also of course, have improved CRM capabilities towards our customers and so that should be a continued in powerful lever to offset some of the inflationary pressures.

Unidentified Participant

Okay, thank you. And then my second question would be on on on price as well. How do you look at pricing, taking into account that you will have the new entrant that will launch in the coming? Yeah, maybe it will take quite some time that let's say maybe it will take 12 months, which already anticipate on that because that is what you typically see in the market, that operators are a bit more prudent in putting prices up ahead of the new entrants.

Erik Van den Enden, Chief Financial Officer

So, I probably mentioned in my previous answer, I mean when we consider price adjustment, we take lots of stuff into account that is customer data also obviously the competitive environment, Digi is not expected to enter the market into 2023, but having said that, I mean there's a lot of focus on Digi, but I think we sometimes forget that in the market there is already a very vibrant spectrum of failure orientated brands.We have Scarlett, we have Mobile Vikings, probably more in the market, so you've got base. So when we, when we take decisions on price, obviously we look at the full spectrum in terms of offers in the market, but also needs of the customers and that we will continue to do next year, when and if we decide to either just prices.

Unidentified Participant

Okay, thank you and maybe a third very quick one, if I may, KPN mentioned that there were some labor shortages slowing down the fiber build out, I know that your plans are quite recent, but could you give an update on this topic in the Belgium market?

Erik Van den Enden, Chief Financial Officer

Yeah, so it's obviously we are giving up, I mean we are preparing for the Netco. I think we're all quite aware that we have created uDTA couple of years ago, together with with solutions, that's an entity where we have a 30% ownership stake and which is working extremely well. So I think we're very happy with the services that unit is doing for Telenet and by the way, we're also very happy and impressed with the way they have been able to build the business beyond the Telenet Business. So in terms of, I mean they do business for a whole range of other customers, so I would say that definitely that structural linked with Unity is something that is also expected to be very beneficial in the fiber rollout

Unidentified Speaker

Such. We do not at this point in time anticipate real shortages in our capacity

Operator

Okay, thank you. Thank you will now take our next question from (inaudible). Your line is open. Please go ahead.

Unidentified Speaker

Hi, good afternoon. Just one question please. I understand that. We took a EUR4 million provision in Q3, related to additional taxes on, can you maybe explain the background of that provision and can here with us if you expect more provisions to be taken in coming quarters.

Thank you.

Unidentified Participant

So it's correct that we have adjusted our provisions for Texas within the 3rd quarter in terms of the pilot Texas this is filed that that is already there for a long time. So there are kind of court cases with on various fronts. What we do every well, I would say every month, but definitely every quarter recently together with the lawyers, look at the latest legislative environment and so we do monitor very closely. If there are verdicts don't by judges or were there any other factors around those files have changed.

And if that is the case. We also adjust our provisions. So what has happened in Q3 is that there has been additional kind of verdicts or. Yeah, I mean outcomes of the court, if you will. And on the back of that for some of the cases we have adjusted the probabilities that the outcome would fall, it means that for some of the cases, definitely not all but for some of them we think it based on the latest inputs, it will be harder to argument against the taxes and therefore we have adjusted that, but needless to say that these are provisions. So it means that it's always the kind of theoretical assessment of what we think will happen in the future.

Obviously taking into account all of the facts and take into account, a lot of expert opinions legal expert opinions, but of course, combined with all the knowledge that we have on it and so on the back of that we have now increased the provisions of it remains to be seen how these files play out, but that's what we have done

Unidentified Speaker

We also, in addition to this, so we of course had to start with disposal transactions for Telenet early in the year, which will also trigger some changes. So in essence, the historical tax risk states with Telenet but other that we'll see the forward-looking filing taxes will be for the tower. So that is also a bit of a hedge that is part of the overall transaction which is relevant to also consider

Unidentified Participant

Yeah. Okay, thank you very much.

Operator

That's all the time we have for Q&A, I will now hand it back to Rob Goyens, for closing remarks, thank you.

Rob Goyens, Vice President Treasury and Investor Relations

Okay, thanks, operator and thanks everyone for having joined today's call. As I mentioned in the beginning soon, we will provide the replay and a transcript on our website and as always, Bart and myself, we are available to answer any additional questions that you may have. So wish you all a great rest of the day and bye-bye for now.

Operator

Thank you, ladies and gentlemen, this concludes today's call. Thank you for your participation. Stay safe. You may now disconnect.