Telenet - Capital Markets Day Q&A Session

Monday, 26th September 2022

Questions and Answers

John Porter: On the DOCSIS question, I was – we've been discussing this. And the upgrade to DOCSIS 4, where we feel it's the most appropriate technology, essentially integrated into our ongoing run rate in the core network.

The €2 billion is the incremental investment for the fibre, but we are covering essentially through the cash flow of the NetCo and incremental upgrades to first to probably 2.5, which is really a modem upgrade and maybe some small network work. But the 4.0, you're correct; there is some active electronics that will need to be switched out and maybe respaced to some degree. But we feel that if we take a long view through the network build cycle that we can keep up with the existing investment necessary in the DOCSIS 4.0 in the 20% of the market, where we think we'll need it. And then on the –

Erik Van den Enden: Yeah. If I'm still on mic. So what I think the optimisation that we see today is not so much about reducing the scope of fibre. Our teams have done a very long and extensive analysis to understand what is the economically viable scope and coverage of the network. And we're very confident that that 78% is the right number. What we have done is we looked at upgrade costs, both for DOCSIS, both for fibre digging cost.

At the one hand, we see the benefits that fibre can bring in terms of operating costs. We've looked at the topology and that is what the number that comes out. So the optimisation at this point in time are not so much about reducing the scope. It is much more about decreasing the cost of the rollout of fibre within that 78% coverage.

The lever that we see there, there are multiple. There is, at the one hand, more efficient rollout by ourselves and we've come to explain some of the levers in terms of the mix that we use, some of the optimisation that we can do. So that is one element. The other element that we also clearly see is indeed working with partners where we may be – I mean, we hold buyer, we may also offer some wholesale opportunities to other strategic partners to make sure that from an economic perspective, I mean, this is a doable and variable investment.

So those are the levers that we think we can pull, but really optimising rollout rather than really reducing the scope.

John Porter: Polo, go ahead.

Polo Tang (UBS): Thanks. It's Polo Tang from UBS. Just have a few different questions. You obviously outlined your agenda for growth going forward in terms of revenues. But what are your latest thoughts in terms of the impact from a new entrant, but also just to clarify the growth drivers in terms of revenue. It sounds as if you're emphasising more the entertainment side than B2B side. But if I think about the absolute contribution in terms of revenues, is the growth actually more balanced across all areas? Or is it actually more emphasis on media and B2B? So that's the first point.

Second point is really just about the NetCo because you've obviously mentioned in the presentation the possibility of bringing in a third-party investor. But what feedback have you had thus far from third-party investors? And were there any discussions with strategic investors? And why was the discussion not done or why was the new third-party investor brought on at the time of the NetCo JV signing?

John Porter: Well, the answer to the last part of your question is that due to the fact that there's merger review, hopefully not regulatory clearance that if we were to engage seriously a third-party investor on behalf of the pro forma NetCo that we would be gun-jumping. So we couldn't do it.

Are we confident and have – we've built quite an extensive knowledge of the infrastructure investor market through the tower transaction. We think we understand it well. We think we can understand who are the potential players. And the infra investors are cautiously moving up the value chain in terms of their interest in active networks. And so it seems like time is a little bit on our side on that one.

And our position is that, first of all, we need to close this transaction. We need to stand up this business with us in control of that business so that we can bed down the OSS relationships, the structure of the delayering and the structural separation and get this build underway. There also is a potential, obviously, also to have more – during that period of time, have more clarity and more transparency on strategic – on the strategic optionality on the existing players in the market. So I think that answers fully that question.

And then in terms of our attitude towards new entrants, I think you saw in one of my slides that we feel the market is pretty mature, pretty comprehensive in terms of its pricing inspects. And we know that it's tough to build a network in Belgium. I mean, if you have to put up a tower, it's 400 days on average of civil engineering clearances. There's – we're doing our 5G upgrade, just an upgrade to active electronics, and that's a three-and-a-half-year project.

So if we can take the – I call them the 14th entrant because there's already lots of MVNOs and everything else going on in the market. But if we can take them at their word, their intention is to build a quality, be a quality challenger in the market over time, and we'll see it. The mobile market doesn't stand still. The specs get better every six months, the prices get lower every six months.

When I first started – we first heard about the interest in the government of lowering the on-ramp for another operator, prices were higher. There wasn't really – it wasn't an unlimited market. It's now substantially an unlimited market. So I think I would – I mean, I believe a bit more in the kind of the city mesh side of the investment, where they're going for network slicing in NPNs, and I can see how that could work, and I could see how they would want to have a relationship with either with existing MNO or with an emerging MNO or something like that. But just going down and dirty on the consumer market, I think pretty high mountain to climb.

Yes. All right, you got to come up here and see who we're going to talk to because I can't do it. It’s too much pressure on me too.

Nicolas Cote-Colisson (HSBC): Thank you. Nicolas Cote-Colisson from HSBC. Questions on the NetCo, please. How do you see the regulation evolving when it comes to both cable and fibre networks? And also, how do you see the overbuild paying out from a wholesale tariff point of view?

And maybe a last one around the opportunities to go outside your footprint. Because when I look at the top of your press release this morning, the old model or the old tagline included footprint and the new tagline doesn't include footprint. So is that now kind of a general strategy or national strategy for broadband?

John Porter: Very subtle. Well, let me answer the regulation question. Currently, we are not regulated on fibre. We think given the amount of fibre that's being rolled out in Belgium, particularly in the North that we think that should be the status quo.

Now obviously, there's – where we will have a new market review by the BIPT next year. And I'm sure additional decisions on fibre will be reviewed at that time. And also, I'm sure, a relook at the HFC access – regulated access regime as well in the context of other networks that are available on a commercial basis could go either way.

So next year kicks off the market review. And based on the last month review, which took two-and-a-half, three years, I think, up and down and sideways, it could be – it will be a twisty road. So we'll see. But right now, we're – Proximus is regulated on fibre, but we are not regulated on fibre. Sorry, what was the other?

Nicolas Cote-Colisson: [Inaudible]

John Porter: Remains to be seen. I mean, I think, look, being a wholesale – even being a wholesale access seeker is not cheap. I mean the cost to entry, particularly in – with the architecture of XGS-PON, which is what the architecture we're looking at, you have to bring to the table the electronics on either end. You have to do all the things you have to do to build a product and everything else. So it will be scale players to – who are going to be interested in accessing networks in Belgium, substantial scale players.

And, yeah, I mean, will there be competition in the wholesale market? Probably. And there has been with MVNOs. So I can't tell you how that's going to play out. But considering that we might be an access seeker as well, it will certainly be interesting. But I'd be hard pressed to predict, although it's not a race to the bar.

We – that's certainly part of the model, and that's where asked question about what happens in the middle, the 25%, that aren't a slam-dunk from a return on capital and aren't in the DOCSIS? It's a question of getting the right balance, right in the areas that are subeconomic, or – I mean, there's a lot of social benefit to not just duplicating capital investment.

I mean, that money can be better allocated to digital acceleration to maybe extending the fibre deeper into rural areas. There's a whole range of societal benefits to not just building side-by-side and very – pulling up 300-year-old cobblestones and putting them back down again the way you took them out. So I hope there's some rationality and network rationalisation.

And I think the important thing is that when we close this transaction with Fluvius that we'll be on a very strong footing to be a very strong seat at the table when it comes to that network rationalisation. And in all transparency, we'll do it with the regulator and everybody else, but I think there are real benefits to not duplicating more CapEx than necessary to be competitive.

Because, look, at the end of the day, two fibres with – two bundles with 50 fibres in each in XGS-PON architecture with one bundle with 100 fibres, it's no different from a retail competition standpoint. So I would hope that there will be – we'll be able to do something like that. Yeah.

Yemi Falana (Goldman Sachs): Hi, John. It's Yemi from Goldman. Thanks for taking my questions. The first one's on the network rationalisation, which you were speaking to just then.

Have you seen any movement from any of your stakeholders on that, whether that's strategic partners or the regulator in terms of how open they are to that possibility of more rational fibre build with whole buyer on the other side?

And then secondly, I think from your slides, just doing some rough math, it seems like the maintenance cost portion of your CapEx envelope is in and around the €250 million mark. Is it the right way to think about that as falling off to maybe €150 million over the very long term as you add a more efficient network?

And then finally, maybe over on the consumer side. You've talked about a number of great initiatives today like the zero voluntary churn. But I think a lot of your European peers are talking about things like retention discounting. So could you maybe talk to some of the trade-offs on that side of things? Thank you.

John Porter: Retention discounting, that's a terrible idea. I mean I just have to react to that because I think one of the things that we are most proud of at Telenet is that we don't have a front book/back book problem. It's all one book. And yeah, do we offer incentives for people to come on board? Sure. But we don't have fixed term contracts. So we're not playing a fixed term contract game and then giving people deep discounts to stick with us when their contract runs out.

So we've sort of been on the – getting off the wagon when it comes to fixed term contracts and having a deep discount people for a period of time. And so we're – I think what we're trying to explain today is that we're really investing in the value side. And I mean, I think that given what we've been through in the last three years that value has come back into vogue, I mean, if you're working from home or your kids are working from home or anything, you want five-nines reliability at least. I mean I can tell you, I'm telling a customer, my broadband never went off once during the pandemic, and that's the way I want to keep it. So – and that's where it should be for everybody. So I think we can play the value game and not have to do the deep discount to keep customers.

Erik Van den Enden: Moving on the maintenance question. So maintenance will come in two pieces. You will have a fixed network, of course, in NetCo, and then the mobile side in the commercial side of the business. So I'm not sure if exactly the absolute numbers are right. But I think in terms of directions, I mean, we showed you on the slide, yes, we do expect very significant reductions in running a fibre network with the 20% or 22% coax is also going to be there. So there will be coax maintenance as well.

But all in all, there will be very sizable benefits on the fixed side but also on the 5G side. So 5G comes with two things. There is, of course, the commercial opportunities, where I think we can all see that they mostly rely on the B2B space, where there's probably more proven business models of how you can monetise low latency and kind of private virtual networks. So that is on the revenue side.

Yes, there may also be the B2C component to it. But the key reason also to do – to move to 5G is really to keep the cost of delivering the service under control. Micha has shown that we've seen enormous amounts of data increases and nobody expects that to stop. So they have to do that on 4G, but 4G is not designed to do that. So for sure, also there, you will have tangible cost benefits on 5G versus the [inaudible].

John Porter: On your first question, I would say that the existing operators in the market have some priorities that they're dealing with. We want to close the transaction with Fluvius. Orange is pretty busy trying to close the transaction with VOO, and Proximus is busy being Proximus, I'm sure. And so let's just say these conversations are not the first priority right now, and we need to get those – get a couple of things done before we really dive in.

All right. We got to kill the bar, I return the microphone.

Roshan Ranjit (Deutsche Bank): Hi. It's Roshan from Deutsche. Thanks for the questions. Just a couple on the NetCo going back to CapEx, sorry. So you said the upfront, you're looking at around €650 CapEx per premise ex the connection charge. And you've talked about some of the ways which you could become more economical façade, place in and [inaudible]. So what is the, I guess, upside to how low could that €650 go as a result of deploying those methods?

Secondly, in the B2B discussion, you talked about quite a big market share in terms of customer base. But in terms of value that was much, much lower. So is that a function of the products you are offering, or just a variation in the pricing to where your peers are and there's a discussion to kind of meet in the middle?

And then tied into that, on the NetCo side, your wholesale rate was €22. That was with, I think, 7% B2B. So how much upside is there to that €22 as you increase your B2B presence within the NetCo?

And finally, just a question on the spectrum payment. Have we finalised if that's going to be a one-off payment or staggered over the future years? Thanks.

Erik Van den Enden: Micha, do you want to talk about the €650 or do I do it? Otherwise, it's just the two of us.

Micha Berger: So I mean the €650 million that we've mentioned is the figure that we see for about 55% of the homes passed, which is, again, the more dense areas of course. The more you go out into the less dense areas, of course, the pricing will go. And the average pricing across the footprint, if you take a look, would be north of 1,000.

But we do believe that we have good tools and good capabilities to reduce that to as much as we can. The €650 contains everything that we know today, okay, and every lever that we can use today. I don't think it ends there. I think there's opportunities in this space. But I think it's a very safe number to use, I would say, for our dense areas as such. For the other areas, I would say –

Erik Van den Enden: Maybe just to add to that. Because the question that I'm asking Micha is like, Micha, with all this inflation, we will get to the €650. So I think, first of all, the €650 is probably a little lower than what you see in the market. So it is already a sharp number. As Micha mentioned, I think, of course, in terms of – I mean there's inflation everywhere. So you see inflation in labour now, to be honest, materials in fibre, although sometimes there are some rumours about it. It's not something that we see. So we don't see kind of pressure on materials that you would see on chips and sort of stuff.

But we do feel very confident that, in this environment of inflation, we can get to the – kind of stay to the €650 and hopefully optimise from there. But for sure, it's already a sharp number. Some of the things we talked about definitely are embedded in that number. But again, optimising these costs is going to be key because if you get 5%, whatever the number be, it's just a big quantum that is going to be really meaningful. So that is all what our technology teams will be thinking about going forward.

John Porter: Geert, do you want to answer the B2B question?

Geert Degezelle: Sure.

Erik Van den Enden: Geert, you can use this.

Geert Degezelle: Thanks for the question. It's absolutely right. Currently, we have quite some customers, where we just deliver one service. So one service could be mobile or fixed or one line or backup line or whatever. What we currently look for, and that's also one of the incentives of the sales teams is really to look at the full scope in the wide spacing on the customer and look at the full range of opportunities that we could sell to that customer.

So hence, the potential in upselling, so number of lines, number of sites, for instance, for one customer or really cross-sell towards other type of services. So fixed mobile convergence is typically still low. So we have quite some potential on that one.

John Porter: Carrier business too, with 5G. Probably, you're going to have a lot of growth in the carrier business, so with fibre backhauls and these kind of things. So yeah, we definitely would hope the B2B business will grow in the mix of the NetCo. I think that, yeah –

Geert Degezelle: That's from a connectivity point of view. But obviously, also the upsell towards ICT and vice-versa is also one of the key levers in the upsell and cross. So I hand over the mic to –

John Porter: Yeah, Bart.

Ben Rickett (New Street Research): Ben Rickett from New Street Research. Firstly, a quick clarification. With the €2 billion, does that assume any whole buy? Or that's assuming you build the full 70% and it's incrementally would be lower?

And then the second question, there's a lot of moving parts. You've provided a helpful sort of incremental CapEx guidance for the 5G and fibre. But where do you see sort of total CapEx going for the consolidated Group? I mean, could it reach €1 billion? Could it exceed €1 billion? Any sort of guidance there would be helpful.

Erik Van den Enden: Yeah. I mean, John addressed at the very beginning that we're not giving medium-term guidance. And obviously, three years ago, we did that. In the past, we also. I think one of the key reasons that we don't do it this time is because there is just – as we established the NetCo, there's a lot of uncertainty in terms of when we get regulatory approval.

Also in terms of the actual layout, it's really difficult to predict exactly within – even within a three-year time frame, where we will be in three years' time. And again, maybe who knows? By then, it may not even be consolidated in. So that's the reason why, at this point in time, especially if the transaction has not yet closed, we haven't done it.

But in terms of the capital intensity, it will really be a function of how quickly we deploy. I think our focus is very clearly on doing it efficiently. So that is absolutely key for us in order of making sure that the numbers we put out there in terms of cost per premise that will hit them.

We also have a plan today with the knowledge that we have today to really go as quickly as we can.

Of course, we could have decided to kind of spread it more over time. But as you have seen in the slide, the idea is to do more or less 70% by 2028.

So how we will phase it exactly over time? Again, there is a base plan. Here, almost the numbers are there. If you multiply it with kind of an assumption on the cost per premise, you probably can guess. But of course, if we roll out relatively fast and do 70% by 2028, the CapEx intensity is really going to be significant. We plan to spend a couple of hundred million euros on the build per year.

So – but it will depend on many factors. And again, we hope to – I mean, once we can, once the transaction closes, and maybe thereafter, we'll give more regular updates on what we see in the foreseeable future. But again, given the uncertainty, we don't think it's actually doable or wise to come up with three-year numbers.

Speaker: Thanks. Can I just come back to the NetCo and try and kind of, I guess, crystallise some of these different discussions? But as we think about the return on capital and your €2 billion investment over the next six, seven years, I guess, is the big question. Do you think you can grow revenues in that business? So it looks like your 6% network loading was quite high. It seems ambitious to think you can take that much higher. I mean can you – do you think you can increase ARPU in that business? Do you think you have the regulatory freedom? Or do you think higher speeds will allow you to increase the ARPU, as P times Q end up growing over the next sort of five, six years?

Or when we think about return on capital, do we have to think more about the sort of long-term cost benefits in terms of lower capital intensity, lower energy costs? Or is it counterfactual? If you don't do it, you're going to lose share? I mean how do we – it would be helpful to think whether return on capital is today and where you think you can get to when you've been through this sort of huge capital hump because it's all clearly very nebulous at the moment? So you can help answer any of those questions to be great.

And then on the retail side, I thought it was very interesting the kind of pivot that's being made. It would be – I wondered if Dieter could maybe help us understand how his team is being remunerated or targeted now that you've made this change. I didn't hear MTS being mentioned in the presentation. Is that sort of key steering tool for the retail team going forward? How do you measure success as you make this kind of big ambitious change in the next three, four years beyond the basic numbers coming through, obviously? Thank you.

John Porter: Why don't you do that while he thinks about your first question? It was a big one.

Dieter Nieuwdorp: So yes, indeed. I mean, the so-called zero voluntary churn. Ambition is one of the key metrics for all the teams – for all the commercial teams. You didn't hear NPS because what we believe is NPS is quite of a – it's still a very relevant metric, but it's quite a broad metric. As Benedikte explained, what we're trying to do is really drill down on that metric and see, okay, what are the few KPIs that drive customer loyalty the most.

And is it product engagement? Yes, probably, but what product, what time, how much. And so we drill down and we give the teams actually very specific KPIs that may be different KPIs for different teams.

So in the past, we had NPS as a sort of overall metric. But in my personal view, it's too generalist. So now based on our data models, we actually drive it down to the low details, and we give individual teams individual incentives or by keeping that customer – keeping them happy, keeping that relationship with the customer. The customer may move in the customer base, not longer. Your hard bundles, you cannot step out. You don't have alternative for stuff we're doing. We want to keep that relationship and look for the best fit of that customer. And there, we put the incentives for the teams.

Speaker: [Inaudible].

Dieter Nieuwdorp: No, that's indeed a good comment. We still spend quite a lot above the line. We will continue to spend some money above the line for brand-building campaigns. So it's always important for your brand building. But you're right, that the metric is already shifting and will shift further, of course, towards these more targeted campaigns, more digital campaigns using our own channel using third-party channels, of course.

But it is right that we are – we have actually started that a couple of years ago already, but will now accelerate that shift. But obviously, I mean, in keeping with our number one brand [inaudible] we will do still above the line campaign.

Erik Van den Enden: Maybe just to add, one key metric there. We're also looking into – especially and that Dieter is very much focused on is what we call customer lifetime value in the sense that customer lifetime value is, if you will, ARPU divided by churn, which drives indeed the fact that it's important to have the customer at the right fit. It's you – we do not believe in that you kind of maximise ARPU over two, three years within the customer churns.

It's much better, I guess, and that's also what we have done with, one, providing much more modularity. If we see, for instance, that the customer has not used his TV subscription for six months, probably means it's not so relevant to him. So we're much more proactive but also willing to kind of go to a best fit for the customer if we know from our models that also the lifetime value of the customer and the churn is going to go down. So that is going to be a key metric. It is already a key metric for us today, but definitely going forward will remain very well[?].

John Porter: Growth in NetCo.

Erik Van den Enden: Yeah. So maybe the first question. So yes, the ambition is to grow revenue in the NetCo. When we say we start from a 60% network penetration, I think that goes a long way to say that with the project that we have today, there's only two ways you can get to a decent IRR, that is when you build it efficiently and you operate efficiently, but also when you have sufficient network utilisation.

I mean these are huge investments for us. I mean up to €2 billion, we generated €400 million of cash flow. So that's many years where you kind of – I mean, that's equivalent of many years of cash flow generation is not different from the competition. So utilisation is key. And I mean we are very well-positioned to win at 60% to drive return on these investments. But having said that, we will – I mean it is really our ambition to drive top line growth.

I think if you look at where the wholesale rates today are on the fixed side, given the ever increasing needs for both volume and speeds, if you take the wholes – I mean, the average kind of regulated fees, say, three years ago versus today, there is a kind of an increase in that.

So I mean, as we see the needs of customers, wholesale customers continue to evolve over time, we think we can drive the top line. That is going to be one element of value creation.

Now the other one, clearly, also on the cost side is going to be really important. It is going to be about decommissioning. Of course, first, putting the customer, making sure that from a customer perspective, this makes sense, but at the same time, making sure we don't run two parallel networks longer than we have to.

I mean, coax network is powered. It has a lot of active equipment. We have to send out technicians to kind of maintain and repair that. So to the extent that we can bring that down, you will definitely also make financial benefits. So it's really an interplay of ambition to grow the top line, and at the same time, decrease the cost base, both on an operational perspective but also on a CapEx perspective. And that does bring IRRs that are significantly in excess of our cost.

Speaker: The decision to keep 22% of the network on coax. Obviously, it's very expensive to upgrade that. But is there a – are you able to squeeze the costs by running a relatively small part of the network on coax? Or is there a bigger prize if you can figure a way out to retire that completely?

John Porter: Yeah, that remains to be seen. I mean this is what we see today. As I mentioned, when I was talking about kind of the social benefits of a more reciprocal access architecture in certain geographies, if that puts us in a position to build more or put somebody else in a position to build deeper into the rural areas and create – and have a more access whole buy, whole access whole-buy kind of back-to-back in less dense areas. That's certainly in the realm of possibility.

So – but it's just something we can't visualise today. But I hope – like I said before, I hope that further network rationalisation is in the cards, particularly when we're able to close and stand up this NetCo. And we can then get a decent conversation going with the regulator because it's just premature to really have those conversations in any depth until – so we know what the other operators in the market are doing.

Erik Van den Enden: Let's also be clear that coax is – yes, of course, it is power. So there are energy costs. Yes, you have to maintain it, but at the same time, of course, in terms of upgrade costs, especially when the distance to the home becomes longer, it's a very efficient technology. So we do think that in this 22% or whatever the number will play out, it is a very viable solution because it can get to 10 gig, which means that probably until 2030 at least, it's going to be as powerful in terms of speeds – as what fibre will deliver.

And at the other hand, again, as we have to upgrade it, it's much more efficient. If you have to start digging because in many cases, it is digging in the rural areas, the cost really go up very, very quickly. So it remains a very viable technology base and definitely part of our tools.

Benjamin Lyons (Credit Suisse): Hi. Ben Lyons from Credit Suisse. Thanks for taking my questions. The first one is a bit of a follow-up. So I mean, how are you going to think about sort of NetCo ARPU going forward, if you've got a trade-off between the cost and the Servco and the revenue growth in the NetCo especially if you're thinking of selling a stake in the NetCo?

And the second one is maybe a bit of a clarification on the whole-buy. I mean is your ideal to have a sort of IIEO[?] co-investment type strategy? Or are you quite happy to wholesale another network if it's accretive to value?

And maybe a last one. I think it was slide 60, there was a chart which basically said customer relationship would sort be flat to 2025 and then increase after that. Do you mind giving us sort of breakdown on how you're thinking about sort of the mobile customer relationship versus sort of fixed, how that sort of breaks down to flat versus growing after that?

John Porter: Can you do that, Dieter?

Dieter Nieuwdorp: Yes. So tackling the last question was a bit of a rough indication, at least over three years and then growing. How we look at the mobile business, and that's a combination of Telenet and BASE, and we clearly see – although as I explained, BASE has repositioned itself to a value seeker segment, very complementary to Telenet.

And there, we actually do expect a growth in customers over time. So there will be – there are no big banks that we do expect it. I guess your question also relates to a potential for the entrants coming in. I think as John explained, that remains to be seen how – if, when and how successful they are. But we think, certainly at the Telenet side, we're very well protected with the FMC base that we have and also the flexibility.

And if fighting is needed, we have the BASE brand to do it. So – and also don't forget sort of the deep selling of SIMs that we do. So because if it's mobile customers or its mobile SIMs, there's a difference in that. So we think we can all together Telenet brands and BASE brand grow that relationship.

And on the fixed side, that's where we also think we can drive somewhat further penetration. But that growth will be slower like it has been actually over the last quarters. But we will try to keep that growth sort of as it is actually.

John Porter: On your question about our preference for the architecture of further network rationalisation. I would say, at this stage, that we're pretty open. There's nothing we would rule out at this time. So there is a continuum, obviously, from just wholesale access, whole-buy, reciprocity to other options, which I wouldn't rule out anything at this stage. And then what was the first question? Yeah. Can you repeat that?

Erik Van den Enden: First question was –

John Porter: The balance between the –

Erik Van den Enden: I did not fully capture actually.

John Porter: The ARPU.

Erik Van den Enden: I think this is something we'll have to look at where the opportunity presented. It's a kind of a similar balance that we just did on the mobile towers, where clearly, at one time, did the contract drives kind of the valuation. So I think hopefully, we were able to demonstrate that when we think that the towers was a good transaction because we got a high multiple in a market that has challenges in terms of highly regulated but also because the underlying contract is a strong contract fulfilment.

So I think those dimensions in doing that transaction is something we will also consider if and when we look into a partial sale of the NetCo. So there will be a key element for us to take into account and to indeed come to a balanced approach on both sides.

Andrew Beale (Arete Reserach): Hi. It's Andrew Beale from Arete Research. Can you talk a little bit about the way you approach switching customers from DOCSIS to fibre? I mean how do you approach that? Do you start by upselling to the new speeds? So it's customer demand driven at the start? At what point do you force migrate? Because I mean the problem you have is your churn starts really low, and there's a risk as you try and force migrate, that churn goes up rather than down. So interested in that.

And then coming back to the 60% network utilisation and wholesale opportunity whole-buy and all of that. I mean, clearly, the first order driver of return is that network utilisation. You start from a great position in Flanders. But you're clearly saying there's a point of your cost per home, where the economics are slightly more marginal than you'll consider whole-buy, etc. But do you think there's going to be a grand realisation at some point from the other guys that their low utilisation doesn't actually make sense? Do you think the credit markets are going to force this as that provider sort of say, well, am I going to really going to fund this at 20% or 30% utilisation?

John Porter: No, I mean it's hard to comment on that motivation of other network builders. I mean we know that Fiberklaar is motivated to increase the carriage, the utilisation of their network. They obviously always have some deal with Proximus that I'm not privy to. But they're advertising that they're open to all comers.

Proximus at this stage is more discrete, so although they – I think they have said publicly that they also are open to network rationalisation. As you point out, they're much more on the hook on even than we are. I mean, I don't know what their current cumulative commitment is, but it's probably 3 or 4 times what ours is with lower utilisation.

So I would hope that there'd be enough motivation for network requisition amongst all the market participants to really do the right thing. So – but we'll have to see.

In terms of how we get customers from HFC to fibre, that is certainly something we're going to have to work on because first things first. We have a comprehensive end-to-end strategy on that, although I think it's important, as you alluded to, to have discrete product portfolio for the fibre, not just in the speed category. So we certainly will - that's how we've moved customers up the value chain historically.

So you saw the graph. We're moving people up the value chain. How we move from WIGO to ONE. So we have some pretty good capabilities in that area. We've also, in the business case, given ourselves a reasonable period of time to follow that path. So I think we've given ourselves kind of like five years, almost to coexist between HFC and the fibre offer.

So it's – there hasn't been a lot of – there's any fibre that's overbuilt a one gig network. Certainly, in today's market, where you can see – I think Proximus, I don't want to speak for them. But I thought that their results, they said they had about 900,000 homes passing about 150,000 fibre customers. So you can see it's a bit of a challenge even getting your own customers over to the fibre network, even from VDSL. So good to point it out. It will be a challenge.

Martin Hammerschmidt (Citigroup): Martin Hammerschmidt from Citi. A couple of questions. So the first one is, so you will probably sort of keep the part of the HFC network, have fibre network possibly also hold-buy auction. So that keeps some complexity in the business also for wholesale – future wholesale customers compared to, for example, let's say, Proximus will be pretty much all FTTH. So how do you square that? How do you make that proposition more appealing to a wholesale partner compared to the Proximus?

And then the second question is, could you give us an update on the cost of the sort of CPE when you operate customers from cable to fibre, given sort of inflation and supply chain tranches, etc.?

And then the last question is on the stake sale in the NetCo. Do you still sort of want to deconsolidate or how much of the – of your stake are you still considering selling to a possible financial partner? Thank you.

Erik Van den Enden: I'll take the first question on the wholesale side. So I think what we are going to see a little bit like in the mobile wholesale space is different customers are going to have different needs. So you may – you may have customers who say, like, listen, I want to be only on fibre and perhaps not on coax. I think you'll also see players who say, even if I'm on fibre, I won't have different access to – is it completely going to be passive. Is it going to be an active solution that is kind of virtualised?

So I think when you look at the landscape today, I think you see people using different technologies that are going to cater for different solutions. If you really say a B2B player, not that big, maybe the active solution is going to be really interesting. If you're really a large-scale provider, we want to control a lot of SLAs and speeds and profiles on the network, maybe you want to cater for different.

Now very clearly, we have chosen for an approach that relies all the possibilities open. So where we have a lot of flexibility to cater for different needs in the wholesale market, simply because we see exactly the same on the mobile side today. Of course, that's one technology, but you do see completely different piece. So we have some – I would say, we have some experience with that.

I think your second question was in terms of if we deconsolidate or not. I don't think we have necessarily at this point in time kind of dogmas around us. I think what we will do is, to John's point, get the NetCo going, make sure that the transaction closes and then see what the – I mean, we will do a strategic review, like we did with the towers, and that is going to be – is going to give us a direction to go.

When we sold the towers, to be honest, we also left a little bit to open. Whether we want to sell a majority stake, a minority stake, it was very much our own strategic priorities coming together with the market environment. So we are going to look at this process with an open view, and along that path, make an assessment of what we think is most appealing for us and that could be indeed a minority stake would perhaps also still be a majority stake.

John Porter: But 25 times EBITDA, yes, we would. So just to be clear on that one. But yeah, you answered like the last question, you answered like the last question, you said [inaudible] all the question of the balance between the value generated but also the MLAs. So we could be in a minority position, still could control our own destiny and get a very nice payment. Then we'll play in that space.

If it's something different than that, and it's in our interest to retain all the rights that we have today as a majority owner, then we still have 16% to play with. So – 17%. No decisions yet.

Bart Boone: There are still three questions from the webcast. The first one is for Erik. it's from Emmanuel Carlier from Kempen. So the question is, how confident are you to offset wage inflation, higher energy costs and the MVNO loss in 2023, next year?

Erik Van den Enden: Well, as I mentioned a little bit during the presentation, of course, the size of these challenges are still not fully known. Now I guess, on wage inflation, we probably have a good idea of what it could look like. Definitely, the energy is very unpredictable. I mean we see currently prices going down. Is that going to stay in the next couple of months? Nobody really knows.

As I mentioned, we have already visibility on 45% of our total exposure in 2023. So we're not totally open. So it's difficult to say exactly how big the challenge will be, but what is very clear is that the ability that we show this year already to maintain our guidance of growth, that lever with the benefits in the OpEx is something that we're going to work very hard next year to make sure that even accelerates. We've given an ambition and we realised the ambition to phase out 15% of IT license costs while increasing that to kind of 20%.

The same on the customer interactions. We've done already a significant reduction based on the initiatives that we have we continue to – I mean there remains our ambition and it comes directly into the P&L. This is not something that you see over five years. So we will definitely continue to do that. As I mentioned, I think in this environment, it is extremely hard to accept all of the costs just by cost initiatives.

So definitely, we will have to look at our commercial profile and the top line as well, but that is a challenge for 2023, which we will come back to when we publish full year results.

Bart Boone: Okay. Thank you. And then two questions for John. First one comes from Luis Fernandes[?] . Given the significant drop in the share price of Telenet, have you thought about a more aggressive buyback programme? That's the first one.

John Porter: I think about it, dream about it every night. No, I don't. The – well, I'll be quite frank with you. Due to the Belgian Securities law, if we were to purchase more than 1% in a 12-month period of our outstanding shares, then any bid for the remainder would have to be in cash. This is a position that our Board doesn't want to put themselves in. So whatever we think about it, and certainly we do think about it, is it attractive idea at this level, our Board is not interested in exceeding the 1%.

Erik Van den Enden: Maybe adding to that, I mean, we have our framework that we put in the market, and hopefully, we convey that that framework still remains in place. So there is a kind of sustainable level of recurring dividends being reset from €2.75 to €1. Of course, the other tools in our toolbox in terms of extraordinary dividends and share buybacks definitely will be viable. It's definitely something that we can't see ourselves in the future kind of use.

And as John points out, I think that is something that the Board regularly assesses, and they may or may not come.

Bart Boone: Okay. Thank you. And then a final one for you, John, from David Vagman from ING. Do you see the BIPT getting more open to local FTTH monopolies in less dense areas?

John Porter: I haven't – well, do you have a point of view?

Erik Van den Enden: Well, of course, I can't look into the BIPT set, but I think what would be important, as we discussed before is to – the BIPT will definitely, if they were to consider such a setup, they would definitely look whether there are societal benefits. And that may well be the case.

So again, these are very, very large investments for our sales but all for all players in the field. And we do believe that there are significant societal benefits. So there may definitely be something that is relevant to the BIPT.

Bart Boone: Okay. Thank you. That was it.

John Porter: We arrived to the witching hour. Thank you very much for sticking with it, guys. I know it was a big afternoon, but we appreciate it.

Erik Van den Enden: Thank you.

[END OF TRANSCRIPT]