Company Name: Telenet
Company Ticker: TNET BB
Date: 2020-10-29
Event Description: Q3 2020 Earnings Call

Market Cap: 3590.57097126
Current PX: 31.54
YTD Change($): -8.52
YTD Change(%): -21.268

Bloomberg Estimates - EPS
Current Quarter: 0.965
Current Year: 3.243
Bloomberg Estimates - Sales
Current Quarter: 659
Current Year: 2579.769

Q3 2020 Earnings Call

Company Participants

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

Other Participants

- Nayab Amjad, Analyst
- Emmanuel Carlier, Analyst
- Paul Sidney, Analyst
- Michael Bishop, Analyst
- Roshan Ranjit, Analyst
- Ruben Devos, Analyst
- Christian Fangmann, Analyst
- Unidentified Participant
- David Vagman, Analyst
- James Ratzer, Analyst

Presentation

Operator

Hello, and welcome to the Telenet's Third Quarter Earnings Call. My name is Jas, and I will be your coordinator for today's event. For the duration of the call, your lines will be on listen-only. However, there will be the opportunity to ask questions. (Operator Instructions)

I will now hand you over to your host, Rob Goyens, Head of Treasury, Investor Relations and Structured Finance at Telenet to begin today's call. Thank you.

Rob Goyens, Vice President Treasury, Investor Relations & Structured Finance

Okay. Thanks, operator, and good afternoon, everyone. Welcome to all of you to our Q3 2020 earnings webcast and conference call. I trust you've all been able to have a look at this morning's earnings release. The release and the presentation for this call can be found in the Results section of our Investor Relations website. We'll start as usual with our CEO, John Porter, who will walk you through some of the main strategic and operational highlights of the third quarter. At the same time, he will address our firm's shareholder remuneration policy as announced earlier this morning. Next, our CFO, Erik Van den Enden, will guide you through our quarterly financial results and detail our full year 2020 outlook. Afterwards, we will open it up for Q&A.

Now, maybe a point of attention. Given the number of participants to this call and in order to allow an equal treatment of questions, we would like to ask yourself to limit to two questions. Any follow-up questions can be directed afterwards to the Telenet Investor Relations team, so please bring them to Bart and myself.

Before we start, however, I would like to remind you that certain statements in this earnings presentation contain forward-looking statements. This may include statements regarding the intent, belief or current expectations that are 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.

Now, with that, let me now hand over to John. John, the floor is yours.

John Porter, Chief Executive Officer

Thanks, Rob, and good afternoon or good morning to all of you. I hope you and your families and loved ones are in good health, as we've all been seeing the latest in the COVID-19 pandemic ramping up here on the European continent and, unfortunately, continuing to be much more intense since the last couple of weeks.

I am pleased that we were able, again, to continue the positive commercial momentum that we developed in the first part of this year, underpinning our resilience towards the COVID-19 pandemic. We succeeded in further enlarging our FMC subscriber base to just over 621,000 customers. That's a net increase of 22,400 and brings the full FMC convergence rate to over 32%. This solid FMC growth also drove mobile postpaid growth, with 21,700 net adds resulting in the mobile attachment rate of 42% across our entire digital base, an increase of 700 basis points year-on-year. And thanks to the success of both our summer and back-to-school students promotions, we again were able to enlarge our broadband customer base with 10,000 net RGUs. It's the fourth consecutive quarter of growth in broadband underlying the solid state of our connectivity business. Within the mix, our residential broadband offerings performed extremely well, with 8,100 net subscriber additions.

Our strong commercial performance was underpinned by both promotional efforts and new product launches. Broadband net adds in the quarter were driven by successful students back-to-back -- back-to-school promotions and the continued success from our FMC bundles. We launched in the beginning of August a new YUGO lineup called YUGO Connect and YUGO All-In. Both Connect and All-In include superfast fixed Internet at 300 megabits per second, up to 30 gigabits of mobile data to be shared over a maximum of two SIM cards and 300 mobile minutes with our premium entertainment offer, Play, being bundled into YUGO Connect. Our KLIK B2B FMC offer also had significant uptake, where the customer base grew almost 20% year-on-year.

We reached new milestones in our entertainment business by launching Streamz mid-September, the joint venture between Telenet and DPG Media providing a brand new local streaming platform with top-notch Flemish and international content. Through this joint venture, we are preserving value in our premium entertainment portfolio. We're very pleased with the first results, which evidences the fact that Streamz is a right way forward in the further execution of our connected entertainment strategy. The launch was very smooth and got a lot of coverage. We also got great customer feedback about the user experience and the wide range of available content. Streamz combines the best locally produced series of VTM, VIER and Een, supplemented with must-see international content from HBO among other studios, in addition to extensive kid zones, films and documentaries. Local content is king in Flanders, and with Streamz, we ensure that this will continue to be the case.

The ongoing COVID-19 pandemic clearly also accelerated further the digital transformation that we see in businesses and homes. We observed a 40% increase of upstream traffic and 20% for downstream compared to pre-COVID times. Fixed data volumes per user per month increased 37% year-on-year. Our customers switching more from traditional SMS to OTT video messaging applications. The number of digital assisted service contacts increased with almost 150% year-on-year. The percentage of online sales of broadband Internet increased 2 points. When we -- and where we sell broadband online, we've seen an increase of 13 percentage points of the number of self installations. All of these trends reinforce the quality of our digital back-office and of our networks to continue to support our customers in an exceptional way through these challenging times.

But, however, at the same time, we also see that the digital divide is magnified in our society. Starting in December, we'll focus more intently on digital inclusion and will develop a structural plan for this purpose. We want to provide basic Internet to vulnerable groups who have no or only very limited Internet access at home, so that they too have the opportunity to participate in the digital society. Our Telenet Essential Internet solution works via the mobile network, and will be -- only be offered via social organizations, such as the public centers for social welfare and organizations that are committed to the digital inclusion of disadvantaged groups. It is not a commercial offer. We will also continue to offer a WiFi voucher program for free Internet access, more than 1.5 million WiFi locations through at least June 30, 2021. 30,000 vouchers have already been distributed. We also supported the Digital4Youth in the donation of 15,000 laptops for school children, underprivileged school children.

Looking back to the financial impact of COVID-19 in the third quarter, our rebased top line decreased just over 1% year-on-year, mainly because of 7% lower other revenues following the effects of COVID-19 pandemic. With that, our rebased revenue trend in the third quarter recovered sharply from the 5% rebased decrease we reported in Q2 2020 on the back of relatively higher other revenue partially offset by the annualization of the August 2019 price adjustment. Excluding other revenue, our rebased revenue in Q3 2020 was stable compared to Q3 2019. And this was also the case for the first nine months in line with our full year outlook.

Our rebased adjusted EBITDA in Q3 2020 decreased 2% compared to the same period of last year, driven by higher network operating expenses, higher sales and marketing expenses as a result of stepped up commercial activity and higher staff-related expenses. With that, our year-to-date adjusted EBITDA is modestly up versus the same period of last year. Looking back at the first nine months and looking ahead, we are trading well relative to our full year outlook and believe we will outperform our rebased adjusted EBITDA outlook based on the trends to-date. As such, we upgraded our rebased adjusted EBITDA outlook for the full year from around minus 1% to broadly stable. All other guidance metrics for the full year have been maintained. And as a reminder, our guidance assumes no second full-scale lockdown for the remainder of the year.

Considering the robust underlying adjusted free cash flow conversion and the healthy operating free cash flow outlook for both full year 2020 and the three-year period over 2018 to 2021, the Board of Directors has decided to firm up the existing shareholder remuneration policy. The updated policy aims to achieve a balance between attractive shareholder distributions on the one hand and optionality for future value-accretive M&A opportunities on the other hand.

While the 4 times net total leverage target has been reaffirmed in absence of any material acquisitions and/or significant changes in our business or regulatory environment, the Board of Directors has introduced a dividend floor of EUR2.75 per share 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 intends to commit a larger share of the adjusted free cash flow towards ordinary 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.

The Board of Directors intends to propose a total gross dividend of EUR2.75 per share, up 47%, EUR300 million in aggregate, up 47% from last year's level and representing the upper end of the aforementioned 50% to 70% range. The proposed gross dividend of EUR2.75 per share consists of the gross intermediate dividend of EUR1.375 per share to be paid in December 2020, subject to shareholder approval, and a gross dividend of EUR1.375 per share to be paid in May 2021, subject to Board and shareholder approval. This puts us in the vanguard of the European cable and telecoms industry.

With that, I'll now hand it over to Erik who will discuss our Q3 operational and financial results. Over to you, Erik.

Erik Van den Enden, Chief Financial Officer

Thanks, John, and good morning or good afternoon to all of you on this call. And like John, I also hope that you and your loved ones are healthy and safe, which is unfortunately very important in these times.

If we take a look at our operational performance, I'm very pleased to see that we were able to continue the strong positive commercial momentum, which we built in the first half of the year and which really underpins the resilience of our business with respect to the COVID-19 crisis. Thanks to the success of both our summer and back-to-school student promotions, we grew our broadband customer base with 10,000 net RGUs, which represents our best quarterly performance in almost five years, and at the same time, the fourth consecutive quarter of growth in the broadband space.

Within the mix, our residential broadband offerings performed particularly well with 8,100 new adds, underlining the strength and attractiveness of our core connectivity business. Moreover, we succeeded in further enlarging our fixed mobile converged subscriber base to just over 621,000 customers, which is a net increase of 22,400 customers in the third quarter. Full FMC convergence rate now stands at 32%, which is an increase of 250 basis points year-on-year. The solid FMC growth also drove robust mobile postpaid growth, with 21,700 net adds, resulting in a mobile attach rate of 42%, which is an increase of 700 basis points year-on-year.

Our subscriber count at the end of the third quarter included the successful recovery of certain non-paying customers. You may remember that we actually moved these customers from our accounts at the end of the previous quarter, which was in line with our accounting policy, even though we were only allowed to effectively disconnect them as of the 1st of July due to the specific COVID-19 regulation that was imposed by the national telecoms regulator, BIPT.

If we turn to the next slide, you can see that the quarterly evolution in our fixed ARPU per customer relationship, which was up 2% year-on-year over the first nine months and which is up 1% in Q3 specifically. The slower pace of ARPU growth in the third quarter relative to the previous quarter is linked to the annualization of the rate adjustments that we did last year in August. Growth in the fixed ARPU per customer relationship continues to be driven by an ever-increasing share of multi-play customers and higher tier broadband subscribers in our overall mix.

Let's now zoom in into our financial performance. So, starting with top line, we delivered a strong financial performance over the first nine months of the year, despite the impact of the COVID-19 pandemic on certain parts of our business, which was most outspoken in the second quarter. For the first nine months of 2020, the generated revenues were at EUR1.9 billion, which is a stable evolution relative to the same period of last year. And this reflect the inorganic impacts of the acquisition of De Vijver Media in June 2019, as well as the divestment of our Luxembourg cable business to Eltrona in April of this year.

On a like-for-like basis, our rebased revenue for the first nine months decreased 2% year-on-year, and this mainly reflected a 12% rebased decrease in our other revenue and it was a direct result of the COVID-19 pandemic. And that's part of our revenues includes amongst others interconnect revenue, handset-related revenue and advertising and production revenue at De Vijver Media. In the third quarter of the year, we generated revenues of EUR638 million, which represented a 2% year-on-year decrease on a reported basis and 1% year-on-year decrease on a rebased basis.

If you were to exclude other revenue, our rebased top line was broadly stable for both the first nine months and for the third quarter. In both periods, the impact of the COVID-19 pandemic on our ICT integrator business resulted in low revenues in our B2B division, but this was fully offset by higher recurring subscription revenues. And as such, we are tracking in line with our full year outlook.

If we then move to -- on to costs, we continued to show strong focus and discipline in cost control, leading to a 5% year-on-year increase in our nine months total operating expenses also on a rebased basis. Except for our network operating costs, which reflected higher core network and IT expenses, all our cost buckets showed an improved trend versus the same period of last year. Our direct costs decreased by 8% due to significantly lower interconnect expenses and lower costs related to handset purchases during the lockdown in the second quarter. Costs related to outsourced labor and professional services declined 24% compared to last year, while our other indirect expenses fell 7% year-on-year mainly driven by lower facility-related costs and tight cost control.

Finally, our sales and marketing expenses dropped 7% year-on-year due to the lower commercial activity in the first half of the year, again, a direct result of the COVID-19 pandemic, notwithstanding an anticipated pickup in the third quarter as we restarted commercial activity after the lockdown.

Then moving to the next slide, we generated an adjusted EBITDA of just over EUR1 billion for the first nine months of the year, and that was up 2% year-on-year on a reported basis. Then again on a rebased basis, our adjusted EBITDA increased by 1%, which was driven by lower sales and marketing expenses and continued tight cost control. Also here, we are performing well relative to our full year outlook as John mentioned in his part.

We succeeded in expanding our rebased adjusted EBITDA margin by 150 basis points compared to the same period of last year. Then zooming into the third quarter specifically, our adjusted EBITDA was EUR343 million, which represented 2% decrease on a rebased basis versus the same period of last year. This decline is driven by higher sales and marketing expenses within the quarter as we kickstarted the commercial activity after the lockdown. As of the third quarter of 2020, our adjusted EBITDA is impacted by changes to the IFRS accounting treatment, certain content-related costs for our premium entertainment packages, and also by changes to the IFRS accounting treatment for the Belgian football broadcasting rights. And that is because there were some changes in the underlying contracts. These changes had a EUR9.6 million impact on our adjusted EBITDA during the quarter.

We then take a look at our CapEx. So, for the first nine months of the year, our accrued CapEx was almost EUR428 million, which is equivalent to more or less 22% of our revenue year-to-date. And if you were to compare that to the same period a year ago and you were to exclude the one-time impact of the recognition of the UK Premier League rights in last year in 2019, our accrued CapEx was up 6% year-on-year. The increase was mainly driven by higher investments in customer premise equipment, which includes our WiFi boosters and set-top boxes, as well as higher investments in our IT platforms. In the third quarter, specifically, our accrued CapEx reached almost EUR130 million, which is equivalent to 20% of our revenues and that is also in line with the second quarter.

Moving on to operational free cash flow, you can see that we reached EUR620 million for the first nine months, which is a 1% decrease year-on-year. The increase in our adjusted EBITDA that we mentioned before was more than offset by higher accrued CapEx, and that excludes the recognition of the UK Premier League football broadcasting rights as we discussed before. So, if you exclude the impact of IFRS 16, the lease accounting changes and the recognition of the football broadcasting rights, our rebased OFCF was broadly stable for the first nine months of 2020. And also here, we are tracking well against our full year outlook of growing OFCF anywhere between 1% and 2% versus previous year.

And then finally looking at adjusted free cash flow, we achieved EUR259 million for the first nine months, which is a decrease of 4% versus last year, but this number is impacted by a EUR54 million lower contribution from our vendor financing program versus what we had in 2019 in the same period. And if you exclude this impact to have a more like-for-like comparison, our adjusted free cash flow would actually had increased 18% year-on-year, which is really due to higher EBITDA growth, lower cash taxes and also lower cash interest expenses, which are the results of the refinancings that we did earlier this year.

In Q3 specifically, we incurred a negative adjusted free cash flow contribution of EUR5 million that is fully explained by the payment of our annual corporate tax bill in September, which was settled in the first quarter in 2019. Excluding the impact of vendor financing, our adjusted free cash flow would still have been positive in Q3, even despite the aforementioned cash tax payment.

Now moving to the next slide, you can see that our debt maturity profile remains broadly unchanged compared to the previous quarter. We continue to enjoy a long tenured profile with the weighted average term to maturity of almost eight years and our weighted average cost of debt, excluding leases and vendor financing, amounts to 3.1%. And just to remind everybody on the call, all of our floating and US dollar denominated debt has been fully hedged in order to minimize any volatility on our cash flow profile. And lastly, I would like to mention that we almost had EUR640 million of liquidity at the end of the quarter, which is the sum of our undrawn revolving credit facilities and the cash on our balance.

If we then look at leverage, our net total leverage continues to be very stable at 4.0 times, which is exactly at the midpoint of our framework and that was also the case in previous quarters. And as John mentioned, the Board of Directors has agreed to firm up Telenet shareholder remuneration policy by setting a EUR2.75 per share dividend floor going forward. In absence of any material acquisitions and/or significant changes in our business and regulatory environments, we do intend to stay around the 4 times midpoint to an attractive level of recurring shareholder distributions.

And to conclude, I would just like to come back to the full year 2020 outlook. Looking back at the first nine months of the year, we are trading well relative to our full year outlook and we do see scope to increase our rebased adjusted EBITDA outlook. And, therefore, we decided to upgrade our rebased adjusted EBITDA outlook for the full year from the minus 1% that we guided for at the beginning of the lockdown now to broadly stable. All of the other guidance metrics for the full year have been maintained. And just to remind you, our guidance assumes no second full-scale lockdown for the remainder of the year. And beyond 2021, we also reconfirm our 6.5% to 8% operating free cash flow CAGR for the period 2018 to 2021.

So, that concludes the discussion of the financial slides. And I will now hand it over to the operator to open up for Q&A. Thanks, everyone.

Questions And Answers

Operator

Thank you. (Operator Instructions) And we do already have a couple of questions in the queue. The first question comes from the line of Nayab Amjad from Citi. Please go ahead.

Nayab Amjad, Analyst

Hi, thank you for taking my question. Firstly on the KPIs. The KPIs seem strong, but then at the same time churn has gone up. Could you give us some details on what's the underlying KPI momentum? And secondly, if you could update us on competition in the Belgian market and, obviously, Orange Belgium has launched some broadband-only offers and how do you expect Telenet to be impacted by that? And then my third question is just on the fiber investments with Fluvius, is it still planned to be off balance sheet and if you were to rely on an off balance sheet structure that would mean that you would have to pay wholesale prices, which means your margin would be diluted. So, any light on that would be very useful. Thank you.

John Porter, Chief Executive Officer

Certainly, I'll take those questions. All the KPIs, we have seen a substantial recovery in gross connects, obviously, from the second quarter as we opened up our retail presence, as -- some probably pent-up demand and movements across our footprint took hold, as well as a very successful student return result, which is the campaign that we do run annually, but this was the best result that we've ever had in it. We saw the mix of those gross connects increase more towards the the 2P and the 1P offering, but we have been quite successful at moving up our customers and moving them up the value chain over time, even if they do come in on the lower tiers.

The churn in effect has returned to pre-COVID levels during that period. And I will say, and it kind of leads to your second question, all of the operators came out firing after a relatively quiet period in Q2 and even in the beginning of Q3. So, as you can see, our sales and marketing expense increased, our PAT, our cost of selling increased and we didn't hold back in terms of the communication and the campaigns that we ran. Our -- so, leading into your second question, the aggressiveness of the competition, we saw some very heavy offers out there from our competitors. A lot of focus on the handset discounts and virtual giveaways, which we in fact didn't go down that road as -- quite as extensively as our competition. We saw some spec increases from both of our primary competitors, which we certainly increased the flux in the mobile piece of the market. But, overall, I think there is a couple of things happening. I think we are seeing some market expansion in broadband and in fixed, whereas previously people might have gotten by with a 4G unlimited mobile phone or something. We're not seeing people move to quality in the -- towards the fixed connection because obviously the amount of time people are spending at home and working remotely. So, I think probably you will see growth in broadband from Proximus and Orange as well, but certainly some of our growth, I'd tell you, was due to some solid campaigning and some good messaging. Some of it was due to getting our fair share in a slightly expanded market and the approach that we've taken.

On the sort of looking forward front on competition, we know, of course, that both of our primary competitors will have a standalone broadband offer. We don't see that as necessarily transformational from where we are today. There --

Telenet has two standalone broadband offers. One is a base -- what we call basic Internet, but it is a 100 megabits per second downstream and it's slightly under (technical difficulty) Proximus has a product that's competitive with us from a pricing standpoint, but not necessarily from a spec standpoint. And we also have a more premium Internet standalone offer, which is a 300 megabits per second downstream and unlimited use policy. So, I think we're well positioned in the standalone broadband space. We're comfortable with it, but we (technical difficulty) with the status quo. This market is progressive, it's competitive, it has a history of innovation in the product portfolios of all the operators and that's something that I think makes us all better companies. So, not particularly worried about anything disruptive to the competitive environment, and we'll just continue to try to punch above our weight and outperform on our fair share. So, that's on the competition and the KPIs.

And on the fiber investment, I -- the -- I think sometimes people will make -- make too many assumptions on what these discussions are. I mean, to me, these discussions are really about the next 5 to 20 years with a partner that we -- that is already our partner in the HFC business. And the question is, is it at -- what is the pace of the evolution of our network? How do we -- at what point do we feel there is a crossover in terms of investment in fiber, potential investment in fiber versus continued investment in HFC? It's an evolution not a revolution. It's something that will take place over quite some years. And it's something that we think we can support, we would be doing it anyway by ourselves. These are just more structural discussions, whether there is an (inaudible) model or whether there is an off balance sheet model or there is just a (technical difficulty) where we deploy capital (inaudible) because essentially that's what we do is far from being determined. But there are -- it is an opportunity that's in front of us. There are -- they and us, both, we need to address this issue at this time and we will. But one of the subtext on our commitment to a floor on the shareholder remuneration policy is that we are convinced that we can have these conversations and that we can look at accretive M&A opportunities like (inaudible) within the envelope of our cash flow profile. So, whether it's moving non-fiber-related -- reducing non-fiber-related CapEx more aggressively or going to the top of our leverage range in the case of an acquisition, we think we've set ourselves up to have a -- to maintain and sustain this generous remuneration policy and take advantage of the transformational strategic opportunities that we see in front of us. So, I think that answers your question.

Nayab Amjad, Analyst

Thank you so much. Very helpful.

John Porter, Chief Executive Officer

You're welcome.

Operator

The next question comes from the line of Emmanuel Carlier from Kempen. Please go ahead.

Emmanuel Carlier, Analyst

Yes. Hi. Good afternoon, all. My first question is on the 2021 free cash flow. I know that you don't give guidance yet on that. But given that consensus is on the expecting EUR8 million in free cash flow growth, could you may be just give an update on the most important free cash flow drivers that you see into 2021? And then secondly is on OpEx savings. Could you give an update on the level of savings that you still see in the future because your digital sales, if I'm right, is still only around 10%, if I'm right, so it looks like there is still quite some scope for cost savings in the long-term? Thank you.

John Porter, Chief Executive Officer

Erik, do you want to go with those?

Erik Van den Enden, Chief Financial Officer

Yeah. So, on the first question with respect to free cash flow 2021, it's a little early, I think, to discuss in detail. I mean, typically, we give, of course, guidance in conjunction with our Q4 results. Having said that, I think we look at the levers that are typically at our disposal, so I think we will be looking at OFCF to see if we can expand it there, see if we can further optimize working capital items, the tax line, so those would be the levers that we will work on to come up with the guidance for 2021.

Then the second question on the OpEx. I think as part of our Capital Markets Day back in 2018, I think we have given already the indication of where we see CapEx further come down, and that was in two areas. That was indeed on the digital front, where our interactions with customers are increasingly growing via digital means, and that actually is happening ahead of the curve. So, I think when we look at our projections, that is going a bit quicker. And in previous calls, we have a couple of times already mentioned that the compression in indirect costs was driven by digital sales. So, the rate at which we can bring the interactions to the digital channels and also the effectiveness or the efficiency in terms of cost of those interactions are two things that go well.

And then the second element that we highlighted towards the transformation of our IT platform, that is a very large program that we're running and that will result in two things. At the one hand, we will have a more powerful platform to manage the customer interactions. I mean, with that is that we will have better understanding of the history of the customers, we will have more insights in his behavior and its needs, which will allow us to better provide the projects that you really need. So, there will definitely be commercial capabilities backed by AI and all kind of algorithms. But on the other hand, it also helps us to clean up the spaghetti of legacy systems and various licenses that we had from the past. So, what we're really doing is putting all of those techs together into one unified stack. And that also will yield operational savings, as I mentioned, we will have less licenses. That is something that we are still working very on and it is still too soon -- I mean, the first results are coming through, but not yet at run rate synergies. So, it is something that, especially in 2021 and beyond, we expect to get more savings from.

Emmanuel Carlier, Analyst

And could you be a little bit more specific on the savings you see just in order of magnitude?

Erik Van den Enden, Chief Financial Officer

Yeah. We said that we would -- yeah, absolutely. So, we said that we are targeting 15% of the combined spend, so across the digital interactions and across the IT spend. And we are still targeting that number.

Emmanuel Carlier, Analyst

Yeah. But we don't know how much you realized already, so is it possible to give us the incremental saving that you would expect in the coming years?

Erik Van den Enden, Chief Financial Officer

Well, Emmanuel, we will come back on that as part of -- I mean, it's a journey. So, as I mentioned, I think we are running a little bit ahead in terms of the savings on the digital front. We are probably running -- well, the program on the IT side, this is going a little bit slower as anticipated. So, I think in the mix, we are probably where we wanted to be, but it's a three-year journey really, especially on the IT side. So, I think we'll come back on that in due time.

Emmanuel Carlier, Analyst

Yeah. Okay, thank you. And on 2021's free cash flow, you mentioned working capital, which is logic, but taxes as well. I thought you expect the taxes to be at EUR130 million also in next year. The fact that you mentioned this item, is that because you believe there could be some additional savings here?

Erik Van den Enden, Chief Financial Officer

I think when you look at, for instance, this year's tax line versus last year, I think you see already a very important decrease. So, there is definitely various initiatives that we have taken. I think as part of managing our overall cash flow, it is just something that we always look at also to find sometimes relatively small incremental savings, but it is something that is always part of the mix and where we always want to make sure that everything is efficiently managed. But I agree with you that there is already quite a large compression happened, so it's probably not going to be the same. That's what we're seeing this year, but still part of what we try to manage.

Emmanuel Carlier, Analyst

Thank you.

Operator

And your next question comes from the line of Paul Sidney from Credit Suisse. Please go ahead.

Paul Sidney, Analyst

That's great. Thank you, and good afternoon, everyone. And just a couple of questions from me, please. And firstly on regulation. We've been through a period of many years of regulatory uncertainty on cable and fiber wholesale. And I was just wondering, the recent Proximus fiber decision and obviously the cable decision earlier in the year, does that finally now give us a very healthy regulatory environment in Belgium heading forward with (inaudible) wholesale prices? Just be interested to hear your thoughts on that. And the convergence rate has hit 32% now. Just be very interested to hear what you think that could get to over the next few years, what would be a reasonable target to aim for? Thank you.

John Porter, Chief Executive Officer

So, we expect to going through a period of regulatory stability. All the focus and efforts of the BIPT are on the spectrum auction and really sort of preparing for the 5G opportunity. So, in fixed and wholesale access and interconnection type decisions, we expect a period of stability, which is good. We haven't had that in quite some time. The outcomes of the work that's been done, particularly in wholesale area, as you know, we think is, in the total scheme of things, fair. It's fair to everyone. If you benchmark it against other European markets, I think we are still more expensive than -- I mean, it's less expensive for the access seeker [ph] than the median. So, it's a fair decision and it's one that will stand and it will stand for some time.

On the -- sorry, on the percentage, what was it -- the 32%?

Paul Sidney, Analyst

Just the convergence rate, is coming at 32% as you set out or --

John Porter, Chief Executive Officer

Oh, the 32% -- the convergence rate. Yeah. No. Look, so, 32% is the level of what we call full FMC, so it's essentially quad play, it's voice, video and data plus the mobile phone and at least one SIM. But the average SIM [ph] is I think 1.9, it's just close to 2 per household. So, that's very strong, but the actual attachment rate is in the mid 40s, so in the lower end of the 40% range. So, a 2P with a (technical difficulty) as well, et cetera, we think there is still growth in both of those categories. I will say that the full blown WIGO over EUR100 it's -- (inaudible) everything you need (inaudible) is probably getting more mature. But seeing the attachment rate in the smaller products, such as YUGO and a la carte 2Ps that are taking -- also take a mobile phone from either BASE or Telenet, we're seeing a steady drumbeat of growth there. So, yeah, the full sort of family-focused big WIGO packages is a maturing sector, but the other is moving along at a fairly stable rate. So, overall, attachment rates should continue to grow, as will the full FMC attachment rates, but we think that piece of it will slow down a bit.

Paul Sidney, Analyst

Okay. Thank you very much.

Operator

The next question comes from the line of Danny Capper from Goldman Sachs. Please go ahead.

Michael Bishop, Analyst

Hello, can you hear me?

John Porter, Chief Executive Officer

Yeah.

Michael Bishop, Analyst

Hi, sorry, it's Michael actually, not Danny. I just had two questions, please. Firstly, just on the dividend decision, what made you ramp up the dividend and introduce this floor as opposed to doing share buybacks? Is that just the usual restraints that you feel around buybacks on liquidity on the stock, or was there anything else that you're considering there? And the second question, just a quick one, whether there is any update on the (inaudible) process at all?

John Porter, Chief Executive Officer

Sure. I mean, look, I think, yes, liquidity is an issue and it's not something that we want to exacerbate by shrinking the capital. We also went out to our shareholder base and to a lot of you guys and said, what is your -- where do you think are the threshold issues in terms of shareholder remuneration? We want to -- and I think couple of things. One, predictability and reliability, a firm commitment with solid coverage was a strong message that we got back. I think we also got back the message there wasn't a lot wrong with our policy. And at the end of the day, we haven't tweaked that much, we still have some headroom to do buybacks or other things. It's just that now -- our shareholder base is at an interesting inflection point. We have more yield-focused investors than we have value investors. And what the yield -- more yield-focused investors are looking for is real predictability in not just the free cash flow yield, but in the dividend yield. And by committing to an absolute number, we feel we've done that. But at the same time, we've reserved enough flexibility in our belief to -- as I said earlier, to tackle within the envelope that we've communicated some real transformational transactional opportunities. So, that's what entered into our thinking. Should share buybacks -- you can set a target, you execute against it, you have various degrees of success, it's not as eloquent and firm a commitment to the yield-focused investor that we were looking for. And that's why we went with the floor strategy, although not blowing our policy and -- but still giving ourselves some headroom to executing out these transactions when they eventuate.

Is that a decent answer on that one, Michael?

Michael Bishop, Analyst

Yeah. Absolutely correct. Yeah. And the second question was just on whether there's any (inaudible) VOO?

John Porter, Chief Executive Officer

Yeah. The VOO situation is, we are expecting a formal process either late in the year or Q1 2021. We remain intrigued and we expect it to be a quite disciplined structure, transparent process I think Nethys or Enodia, apparently VOO has already retained some quality advisers. And so, we expect a very, very different process than the one we saw before. And I'm hopeful that the outcome will be a sale of a majority or all of the business to the highest bidder. And we hope it's a -- we still -- despite the fact that everybody is beating their chests about (inaudible) everything else, we still think there is enormous amount of value and synergies in a possible merger with VOO. So, we remain optimistic and bullish about the opportunity.

Michael Bishop, Analyst

Okay.

John Porter, Chief Executive Officer

I think that's a yes.

Operator

The next question comes from the line of Roshan Ranjit from Deutsche Bank. Please go ahead.

Roshan Ranjit, Analyst

Great. Good afternoon. Thanks for the questions. Two from me, please. Firstly, just on the subscription growth, and I think, Erik, you mentioned you've had pretty good subscriber adds this quarter, but we did see a slight tick down in the year-on-year growth rate for cable. With the price increase coming in, should we expect that to return to positive into Q4, given obviously the launches of some of the other products from your peers? And secondly, a bit of a long-term question, and this is touching up on something which you mentioned earlier, John, on VOO and the material synergies. I'm not sure if you previously put some numbers or gave us a sense around there. But anything you can say that will be quite helpful. And I, again, appreciate that you have previously flagged the lack of investment in the VOO network historically, but if we look to the recently announced VMED O2 UK deal, are we thinking about those type of OpEx savings, is that kind of a ballpark figure, again, anything you can say will be extremely helpful? Thanks.

John Porter, Chief Executive Officer

All right. Why don't I answer the VOO question and give Erik and Rob a chance to get you some actual numbers on your first question, so the subscription growth in year-on-year cable.

Look on the -- a lot of the synergies are going to be dependent upon the type of transaction that's attractive to the seller. Don't forget this is a public asset, which is being sold for the first time ever. We have experience in regards to that. That's how Telenet was founded 25 years ago through the sale of the telephone network to the -- from the (inaudible). So, one of the things, of course, that can happen in those kind of situations is certain commitments around labor, certain commitments around locations, certain commitments around other things, which will cause your synergies to take longer than they would otherwise if you were in a private transaction. So, I'm hesitant to commit. I will say that cable-to-cable synergies in theory should be just as good, if not better, than merging of a mobile network with a fixed network, excluding, of course, any synergies that you get from an MVNO-related synergies, going from a venture economics to owner economics. So, in theory, your (inaudible) should be -- could be quite robust in the -- along the lines of the VMED O2 numbers that have been quoted, of course, not on an absolute basis, but on a relative basis. But I think we -- if we can take what we know about the Providence deal, for example, there was a period of time, not a long period of time, but a period of time in which Providence had to pledge stability of the workforce and a few other things to make this acceptable to the municipalities essentially that owned Enodia network. So, the short answer to your question is that we would expect over time the synergies to be as robust as you would see in any cable-to-cable deal, but they may rollout slower because it's a private to public transaction.

So, with that, I will hand it over to Erik and Rob to address your question about subscription growth.

Erik Van den Enden, Chief Financial Officer

So, Roshan, on the subscription growth, I think there are two effects that are at play while we have indeed lower than usual growth rate. So, first of all, there is a timing effect on the rate adjustments, which last year we did in August. And now, we will only be doing at the end of October. So, there is already in the Q3 numbers an impact where in August and September we didn't have the annualization effect, but it also of course will impact partially the Q4 numbers. And the second one that we had in Q3 was also as a result of the lockdown and then also the change of the football contract, we had temporary -- some lower subscription numbers on the Play sports packages. That is restoring, but it's also something that particularly in Q3 made the growth in the ARPU slow down a little bit.

Roshan Ranjit, Analyst

Okay, that's fair. And then if I could just quickly follow-up. You mentioned the expenses on the footfall. Should we think about the same run rate in Q4 as in Q3, so there's nothing strange going on there or obviously it was involved [ph] I guess 1.5 months in Q3, but in terms of the run rate, it's the same for Q4 and therefore flowing into your EBITDA?

Erik Van den Enden, Chief Financial Officer

Roshan, are you talking about the commercial --?

Roshan Ranjit, Analyst

No, I was talking about the the broadcast expense as a result of the accounting change.

Erik Van den Enden, Chief Financial Officer

Yes. So, that will be a bigger effect in Q4 because that accounting change is only applicable as of August. So, you will see that, as we mentioned earlier in the call, there is more or less a EUR10 million impact in Q3. The full year impact will be combined EUR60 million. So, indeed, Q3 has not yet the full effect, the run rate in Q4 will be higher. And again on an annual basis, you should assume more or less EUR60 million between the football rights and the reclassification of the content rights related to the Streamz transaction.

Roshan Ranjit, Analyst

Okay, great. That's helpful. Thank you.

Operator

The next question comes from the line of Ruben Devos from KBC Securities. Please go ahead.

Ruben Devos, Analyst

Yes, good afternoon. I've got two questions. First one relates to Streamz. The new subscription video-on-demand service, which was launched a few weeks ago. I was curious whether you could give some early feedback, early thoughts on the new launch, also interesting to get some indication of your ambition for the JV together with DPG Media. Then the second question relates to the tariff increase you mentioned at the end of October. It appears that this one, about 1% if I'm not mistaken, is more moderate versus prior years, although you could argue perceived value of the total bundle has actually improved this year. So, my question is, whether you could talk a bit about your thinking behind this year's price policy and why it has fallen somewhat later in the year? Thank you.

John Porter, Chief Executive Officer

Okay. Thanks, Ruben. I'll take on the Streamz question. I mean, first of all, we are super-happy with the launch of Streamz. I mean, I think, we achieved something like the value of EUR3 million or EUR4 million in publicity, it was the biggest thing since invention of the paper napkin. And Flanders is there for a while. And very happy with the establishment of the company, the management team and the partnership with DPG. I mean, one of the most important things coming out of this is actually in the partnership with DPG and the fact that we have a lot of touch points, a lot of relationships with DPG. They're the largest obviously integrated media house in the country. And it's just great to be aspiring to the same goal. So, very good launch, very good partnership.

First reactions of the consumers have been super-positive. We've seen great interaction from all players in the sector. Also, it's gotten a lot of good feedback from the suppliers from the studios, and in fact, it's a big -- it will be a big call for studios that don't already have a direct-to-consumer policy to say they're going to abandon our platform and go to their own direct-to-consumer policy because a very solid base of customers, it's growing, it will grow more quickly when we have worked through more integrated relationships with other ISPs.

As far as the numbers within Telenet, I can tell you that we -- it's achieving what we wanted to, stability in our premium entertainment offering and, in fact, actually overall stable to slightly growing. And this is -- really was our expectation for Telenet. Most of the growth is going to come from the 35%-plus of the market that hasn't had access to this service, to many premium entertainment services. Sorry, I don't want to denigrate movies and series at Proximus, but that at least has access to first-pay window offerings in Flemish. So, I think everything is on track. We have the guy who architected Play and Play More for us from a content and marketing standpoint, running Streamz and we have really strong commitments from the local market for original local content. So, everything is on track with Streamz.

Rate increase, throw that over to Erik and Rob.

Erik Van den Enden, Chief Financial Officer

Yeah, I can -- yeah. So, Ruben, I think you're right that the rate increase last year was a bit higher. So, last year, it was 1.9%. This year, it is 1.8%. I think in terms of magnitude and also timing of the rate increases, this is something where we don't take lightly, so we take a lot of factors into account. And also what we try to make sure is that our pricing policy is one that is sustainable on the long run. So, it's not something that we think has to maximize value over the one next two years, it's something that has to remain sustainable. In that context, both last year and this year, we have decided to keep our rate increases actually in line with the inflation that we see in those, more specifically with the health index. And the reason that last year was higher and then this year is simply because last year the inflation expectations were significantly higher. So, when we decided to do the rate increase -- sorry, the rate adjustment last year, the inflation stood at 1.9%. This year, it stood at 1.1%. And that's why the numbers have -- are somewhat different in last year versus this year.

Ruben Devos, Analyst

All right. And in terms of timing, there is nothing to -- that we should read into it because I think following this company for a couple of years, it was like clockwork in the past or was in February, but there has been over time has come -- has been delayed towards June, and I think now October?

Erik Van den Enden, Chief Financial Officer

Yeah. No, there is nothing to be read into that. As I said, I mean, we always look -- I mean, we take a lot of factors into account, but I think this year, we decided to do it at the second part of the year. Needless to say, of course, we had a very extraordinary year with the COVID-19 pandemic and especially the lockdown in Q2. So, that is obviously something that we're taking into account, but there is nothing specific to be read underlying there. I mean -- again, we take the circumstances into account and then we decide on best timing on the right amount.

John Porter, Chief Executive Officer

Yeah. (inaudible) our plan was to do it at the same time as last year. But given the implications amid pandemic we had to announce an August increase in June, which wouldn't have been, I think, the smart thing to do. So, that's why we decided -- but we'll get back on (inaudible) in the future.

Ruben Devos, Analyst

Okay. Very clear. Thank you.

Operator

Your next question comes from the line of Christian Fangmann from HSBC. Please go ahead.

Christian Fangmann, Analyst

Hey. Good afternoon. Thanks. I have actually also two questions. The first one is on the EBITDA. So, you increased the adjusted EBITDA guidance to broadly flat, but you don't touch the free cash flow guidance. So -- I mean, if I look at Q3 also, specifically, the vendor financing impact was negative. Are you expecting negative impact now from vendor financing for the full year, but you are not increasing the free cash flow guidance? That's the first question. And the second question is maybe for John on the strategy around 5G. I mean, I think in the past you have been a bit, I would say, cautious in terms of the pace of rollout, but how do you see the market evolving? And I'm alluding to the fact, for example, that Proximus is 5G live at least in certain areas and it's charging a EUR7 premium. Do you think that this 5G premium is sustainable in the Belgian market or is that just a very short-term thing from Proximus?

John Porter, Chief Executive Officer

Okay. I'd love to talk about 5G, but I'll let those guys to take the first one over.

Erik Van den Enden, Chief Financial Officer

Yeah. So, Christian, I'll take the first question on the effect of vendor financing. So, it's absolutely true that there is quite a large effect within the quarter. However, having said that, we continue to plan for a stable contribution of vendor financing for the full year. So, a little bit like last year. We think that we are at the right level with the vendor financing in terms of the overall program and, of course, you can never really manage it to the last euros, but by and large, we expect vendor financing also to be flat in 2020. So, no big changes there. You're also right that there is -- that we do upgrade the EBITDA to -- from minus 1 to broadly stable. The free cash flow is a range, I think at the end of the day, I mean, there are always pluses and minuses. So, there, we decided to keep it where it is, which is within the range, but probably at the bottom of it.

John --?

John Porter, Chief Executive Officer

Okay. Yeah, sure. On 5G. Of course, we observe with interest announcements from our competitors about 5G. I think we are working at our own pace. We are in the middle of an RFP and we're doing proofs-of-concept with a short list of vendors who all of -- you know, the suspects you could imagine are participating in stress testing some of their equipment. We have equipment from key vendors upon towers today. We have a slightly different attitude towards rolling out 5G than maybe you've heard others in the market. We're not -- it's not our overarching objective to be first, it's our overarching objective to be differentiated with 5G versus 4G. We have a very performance 4G network. Our average customer is getting getting 50 megabits to 70 megabits per second downstream on the 4G network, with 96% coverage and about 80% deep indoor coverage. So, very, very performing 4G network. I'm in London right now and any of you there in London would die to have the performance that we have on our network in Belgium. So, our (inaudible) is that for both industrial applications and the consumer applications, we have to deliver the real promise of 5G. When we launch 5G light, of course, it's pretty easy to -- it's not that hard to light up your Apple 12 or your Samsung Galaxy plus or whatever. So, your little 5G light comes on. But we -- when we launch it, we want to make a difference precisely for what the reason you mentioned, which is how do you maintain a price premium. Because the worst thing that can happen is that we all launch 5G and we get completely disintermediated like we did on 4G and the grabbers [ph] make boat loads of money and people bringing specific industrial applications make boat loads of money and we are not in the value chain where we should be, given the level of capital investment that we make. So, you have to remember also that we're still 12 months away from a spectrum auction here. And just borrowing spectrum from 4G or other parts of the spectrum is not really overly accretive, I don't think, to -- we're planning a longer game on 5G. So, we will, of course, be at the very least fast followers and we will -- it's very hard to amortize an investment, a big investment in 5G against just the promise of slight incrementality in the consumer revenue. So, some of these industrial applications are absolutely critical and our deployment will be over time and very targeted. And we can of course light up 5G across the whole territory when we get to 700 megahertz, which is the most economical way to do it and then preserve the 3.x for industrial applications and denser regional deployments. So, we have a very highly architected strategy and probably it's more than I should given the competitive situation, but that's the way we're going.

Unidentified Participant

Okay. So, let's assume that you're waiting more for standalone 5Gs who will make a real difference when you launch, it will differentiate in terms of latency to the current hybrid 4G, 5G thing?

John Porter, Chief Executive Officer

Exactly. I mean, we know what the real potential is, from a download standpoint, we're getting 2, 3 gig in the lab. And the latency, we're testing out proof-of-concepts and several proof-of-concepts in our territory. So, we have a good idea of what the potential is, and the key thing is to put ourselves in a position to monetize that potential and not to -- not for this to be seen as just some incrementalization of the 4G experience.

Unidentified Participant

Yeah. I hope we can keep that price premium. So, good luck.

John Porter, Chief Executive Officer

Yeah. And bring up -- and find new products and so on, you know, that's the key, the ones that we can monetize, not just the (inaudible). Right?

Unidentified Participant

Yeah. Thanks.

Operator

Your next question comes from the line of David Vagman from ING. Please go ahead.

David Vagman, Analyst

Yes. Thank you. Good afternoon, everyone. First question on mobile and the commercial strategy, what is actually your view on the multi (inaudible) discounts we've seen quite aggressive I think from Proximus in June with the Flex offer and then Orange Belgium answering [ph] fighting back, let's say, end of August? And to what extent does it -- yeah, does it impact your commercial strategy at this -- in mobile? I think you did this (inaudible) valid until end of October? So that's my first question. And then secondly on the -- it's around the fiber rollout. How open are you to work with other companies for co-investments to accelerate the fiber rollout, a bit like the Proximus with DELTA Fiber? And then the reason I'm saying that is Orange Belgium, you see -- you mentioned actually negotiation with Fluvius. I just wanted a clarification on that (inaudible) the investment strategy there. Thank you.

John Porter, Chief Executive Officer

Yeah. I'll take those. First of all, the multi-SIM discounts for mobile standalone, we sort of made the market in multi-SIM with the launch of WIGO and even with the YUGO products, of course, we have multi-SIM (inaudible) go up to two SIMs in our YUGO Connect bundles. So, we are in that game. Whether we do it in standalone mobile, that's TBD. We're in a market where we're playing sort of spec leapfrog with our competitors. I think the good thing is that we are maintaining I think reasonable ARPUs in that kind of climate. And I'm sure one day this -- you will run the whole gamut of -- there won't be any more spec increases that can be done (inaudible) we'll run the whole race. But, yeah, I mean, this -- as I said at the beginning, everybody came out of the sort of lockdown summer or end-to-end summer period firing on all cylinders with increased specs and new bundles and promises to do this, that and the other. So, we all back ourselves to have innovative offers for our customers. We are seeing very positive results from the EUR5 discount for life. I mean, it's a very simple process (inaudible) and it's really something that the base market is -- get their heads around very easily. And so, we're having some good success there. So, I don't think -- we're not a company that tends to just go out and match our competitors. We have our own sort of portfolio evolutionary plan that we put in place and we execute against. And it's been a successful one. So, we'll keep doing that.

For mobile, they continue to be -- you know mobile is -- you have -- we don't have a lot of levers to pull there. You've got brand, you got pricing, you got specs. And that's about it. So -- and then front end offers, handsets. So, some combination thereof, everybody's playing. And just a question of where you want to put your money. On the fiber, I saw that comment that they were talking to Fluvius and they're more than welcome to talk to Fluvius, but we are in an exclusive negotiation period with Fluvius. So, it's important that we understand where we stand with Fluvius. And at that point, whether we will talk to additional players or not, I would say, depending on the outcome of discussions with Fluvius, why not.

So -- I mean, I think the future of fiber is xgs-pon, which is point-to-point that lends itself to being an effective wholesale platform and whether you would invite in equity partners or commercial access -- some sort of -- such as commercial access deals or these kind of things, I think you could probably assume that there would be things like that. Although we are in a nice situation because a lot of people are building fiber with very low utilization. And I think most people that are building fiber would love to have the 60%, 65% utilization that we already have just at a tenth. So, that's kind of where we stand. First things first, we're going to do what we need to do at Fluvius and then we'll see whether it makes sense to discuss things with other interested parties.

David Vagman, Analyst

Thanks. Thank you.

Operator

The next question comes from the line of James Ratzer from New Street Research. Please go ahead.

James Ratzer, Analyst

Yes. Thank you very much, indeed. Good afternoon. I have two questions, please. I was wondering if you could talk kind of longer-term around your network upgrade plans maybe independent from some of the discussions with Fluvius. And I know you've talked about moving to gigabit speeds on the network, but more from a technology perspective, interested in getting your thoughts about time table and costs of over time moving beyond gigabit speeds, which would allow you to have a competitive marketing differentiation versus Proximus. And then the second question just interested in getting an update on how TADAAM is doing and what consumer take-ups you're getting from that product at the moment? Thank you.

John Porter, Chief Executive Officer

Sure. Sure, James. On the network roadmap, we have a lot of confidence in HFC and in the economics of HFC for the foreseeable future, let's say, a year to five years. And we have a proven roadmap to go to 2.5 gig from the 1 gig network that we have today. A lot of the work that we did in the 1 gig upgrade put us -- puts us in a very strong position to get to 2.5 gig by 2025, if not sooner. So, that makes us very comfortable that in the near-term, even in fiber areas where -- which are probably predominantly xgs-pon [ph] right now, we can be a leader in network performance. It's really about -- the longer-term about when does the operating costs and the capital costs are going from 2.5 gig to 10 gig, let's say, when does that line intersect with the line of the performance and operating costs of fiber. And it's clearly somewhere between five and 15 year period. Sometimes you don't get the choice of when to optimally upgrade your network, sometimes you got to go when the trench is open or you got to go given it's competitive situation, whatever. So, our plan, as we said before, is to manage that -- those -- that progression for HFC against the opportunity -- the opportunities of fiber. Fiber has always been in our plan. We build fiber today. We believe in the future of fiber, particularly the xgs-pon architecture. So, that's something that we're going to manage over time. And also, as I said before, manage it within the envelope of the way we deploy capital and balancing that with delivering good shareholder returns. So -- I mean -- and the flip side of that is planning for what your network is going to be 10 years from now, 10 to 20 years from now is pretty damn hard, plus you wonder, hey, how much is the real potential of wireless fixed substitution, what kind of impact is that going to have, is fixed going to continue to be 100% essentially penetrated into markets or is this -- these HFC in fiber platforms create backbone networks and we're going to be doing the last mile wirelessly down the road. I mean, we just have to stay nimble and we have to keep optionality open and that tends to make the equity market nervous because they all assume the worse that will just kind of start hemorrhaging loads of CapEx, but that's not the way we see it. We just see it doing it smart and doing within the envelope that we have, which is substantial, 18% to 20% of our revenue in CapEx.

On the TADAAM front, we -- TADAAM has I think two things going for it. One is it's clearly a product that people love. It's a high -- it has the highest NPS of any product we offer practically. People absolutely will love it. And it's interesting the way people are deploying it. It is not in one sort of mass market attraction to TADAAM, but it's second home, it's people that are in flux, it's people that live in (inaudible) and they need coverage in their -- the back 10 hectares somewhere. It's all kinds of things. And it continues to grow. We can probably grow it faster. We've never taken it above the line and yet we're into the tens of thousands of these things, both on footprint and off footprint. So, it's a -- it's also TADAAM which is running off of 4G, of course, it is also (inaudible) for where we're going with 5G on wireless fixed substitution. So, in the not too distant future, we will be doing some talks with 5G TADAAM boxes and see where that can take us. So, the customer is a customer is a customer. (inaudible) we'd only get too hung up of -- on what network they're operating on. But I can tell you, it is a great product. The WiFi is already in there, starting to four floors of my skinny little townhouse here in London. No problems with (inaudible). So, it's a great product and one that has a real role to play in our future.

James Ratzer, Analyst

Thanks, John. That's great. Could I ask, do you know what average download speeds you're getting on to download [ph] at the moment?

John Porter, Chief Executive Officer

It's about 30.

James Ratzer, Analyst

30. That's great. Thank you so much.

John Porter, Chief Executive Officer

Yeah.

Operator

There are no further questions in the queue. So, I will hand the call back over to Rob Goyens to conclude.

Rob Goyens, Vice President Treasury, Investor Relations & Structured Finance

Okay. Thanks, operator. And I guess that indeed wraps up today's earnings call. We look forward to e-meeting you shortly as part of our investor roadshows and conferences. As always, the updated program can be found on our Investor Relations website. In the mean time, should you have any remaining question, you can of course address it to either myself or Bart. And for now, I would say, take care, stay safe and goodbye.

Operator

Thank you for joining today's call. You may now disconnect your lines.