Company Name: Telenet
Company Ticker: TNET BB
Date: 2021-04-29
Event Description: Q1 2021 Earnings Call

Market Cap: 3954.86479206
Current PX: 34.74
YTD Change($): -0.34
YTD Change(%): -0.969

Bloomberg Estimates - EPS
Current Quarter: 1.15
Current Year: 3.257
Bloomberg Estimates - Sales
Current Quarter: 630
Current Year: 2605.769

Q1 2021 Earnings Call

Company Participants

- Rob Goyens, Vice President, Treasury, Investor Relations & Structured Finance
- Erik Van den Enden, Chief Financial Officer
- Dieter Nieuwdorp, Executive Vice President Residential & SOHO Business

Other Participants

- Michael Bishop, Analyst
- Nayab Amjad, Analyst
- Nicolas Cote-Colisson, Analyst
- Emmanuel Carlier, Analyst
- Roshan Ranjit, Analyst
- David Vagman, Analyst
- Benjamin Lyons, Analyst

Presentation

Operator

Hello, and welcome to the Q1 2021 Telenet Group Holding NV Earnings Conference Call. My name is Dan, and I will be your coordinator for today's event. Please note this conference is being recorded. And for the duration of the call, your lines will be on listen-only. However, you will have the opportunity to ask questions, following the presentation today. (Operator Instructions)

I will now hand you over to Rob Goyens to begin today's conference. Thank you.

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

Thanks, operator, and good afternoon, everyone. My name is Rob Goyens, Head of Treasury and Investor Relations at Telenet. I would like to welcome all of you to our Q1 2021 earnings webcast and conference call. I trust you've all been able to digest this morning's earnings release. As a reminder, all earnings materials, including this presentation, can be found in the Results section of our Investor Relations website. And after this call, as per usual, we will also provide you with a replay and a transcript for those having missed this call.

Before we start this call, I would like to inform you that our CEO, John Porter, is unfortunately unable to attend today as he got infected by COVID in the private sphere recently. Rest assured, John is recovering at home, progressing well. So we wish him a swift recovery. From a practical perspective, this means that our CFO, Erik Van den Enden, will guide you through the management presentation. For the adjacent Q&A session, he will be backed by Dieter Nieuwdorp, Executive Vice President, Residential and SOHO. Given a number of participants to this call and to allow an equal treatment, we would like you to stick as per usual to two questions each. Any follow-up questions can be addressed later on to Bart and myself, and we will gladly return your questions.

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

With that, let me now hand over to Erik for the management presentation.

Erik Van den Enden, Chief Financial Officer

Thanks, Rob, and good morning or good afternoon all of you. Thanks for joining this call.

Before discussing our results of the first quarter, I would like to remind you that we are working on an update of our sustainability strategy, which is expected to be finalized in the second quarter of this year. The new policy will not drastically change course, but rather built on the foundation of our current framework. This will ensure that we maintain our leading position in the Belgium market, when it comes to sustainability, as was confirmed by our first position in the most recent Dow Jones Sustainability Index for media. The ongoing work will result in a new sustainability framework for 2021 to 2025, which will be fully aligned with our key material issues and which will set new priorities and corresponding targets.

Our updated ESG framework will focus on three pillars, starting with digital inclusion, which has become increasingly important in these COVID times. And in this umbrella, we will continue to invest in broadband for everyone through our Telenet Essential Internet solution, complemented by hardware and digital training skills. Secondly, we will continue to focus on the social access, more specifically on diversity, inclusion and equality. And finally, we will raise the bar in terms of environmental responsibility, with the adoption of more ambitious targets in line with the Paris Agreement and to improve our climate performance in a substantial way by 2030. So more to come on this topic towards the end of June with the publication of our new sustainability report.

So turning to the next slide. As you have probably seen from our results this morning, we can look back at a strong first quarter of the year, featuring sustained FMC and ARPU growth, leading to an improved trend in our cable subscription revenue. Our cable subscription revenue, which comprises video broadband and fixed-line telephony revenue was up by 1.8% year-on-year on a rebased basis, and clearly show the materially improved trend versus earlier quarters. This positive trend was offset by lower order revenue as a direct result of the COVID pandemic, which we will discuss later in the revenue section.

Going to the next slide, and as you will remember from the previous earnings call, we have the ambition to return to top line growth in 2021. We will fuel this growth by focusing on our five key strategic pillars and want to provide an update on how we are executing against these pillars. On residential sites, we launched our new FMC lineup called ONE and ONEup at the beginning of this week, and we are breaking down the barriers between mobile and fixed data usage and replacing our former WIGO and YUGO bundles.

On the B2B side, we continue to see robust growth for our FMC click propositions, while our Q1 results also benefit from the partnership that we concluded in December of last year with the local ICT Integrator Connectify, in which we now own 60% stake. In terms of digital transformation, we see a continued increase in both the number of digital assisted service contacts, as well as online sales. And needless to say that the COVID accelerated these trends in a meaningful way.

Looking at the fourth pillar, Telenet success has been built on our leading networks and attractive customer value propositions. We've continued to make good progress in obtaining our customers with 44% of our broadband customers now having access to data download speeds of 300 megabits per second or more, an increase of 5 percentage points versus last year. And in terms of WiFi connectivity, we continue to deploy more WiFi boosters, an increase of 43% year-on-year and now covering more than half of our broadband customer base. Finally, on the people front, we've introduced a new homeworking policy in the post-COVID world and have taken several initiatives together with our employees to safeguard their wellbeing, which we will monitor on a regular basis through our checks.

Moving to the next slide, in order to strengthen and expand Telenet's activities beyond our core propositions of fixed and mobile connectivity, we've built a diversified portfolio of strategic partnerships and investments. On the media and entertainment side, we took firstly 50% stake in the local media company, De Vijver Media back in 2017, and we acquired the remaining 50% in 2019. You will probably remember that De Vijver Media covers both local free-to-air commercial broadcast channels, as well as a leading local content production company called Woestijnvis.

Moreover, last year, we incorporated Streamz, a local OTT streaming service together with DPG Media, and we also further expanded The Park, which is our virtual reality theme parks. So we went into the Netherlands, which of course is going beyond our footprint. And more recently in April, we successfully closed the Ads & Data partnership, which is a national advertising sales house in which we have a 44% stake. Finally, we announced the acquisition of a 49% stake in the media group, Caviar, just a few weeks ago. The transaction, which we expect to close on the 1st of May.

And then in terms of connectivity, we sold our Luxembourg cable business Coditel to Eltrona last year and took a 50% minus 1 share in the newly combined entity. In addition, we also have a 30% stake in the local subcontractor, Unit-T, and a 60% ownership in Connectify. And finally, looking at the third pillar, as far as the digital ecosystem is concerned, we have several minority investments as you can see on the right-hand side of the slide.

Then moving to the next slides. At the beginning of this week, we launched our new FMC lineup, ONE and ONEup. We'd like becoming more and more digital, customers expect more digital freedom as well. Customers want a possibility to connect on their own terms, where they want, when they want and as much as they need. Telenet wants to support its customers in their needs by changing its one-size-fits-all offers to a more modular approach in which customers choose just what they need. The larger ONE marks an end to the limit that's held customers back and it brings one connection for a fixed price. Both fixed and mobile usage are covered without any volume restrictions. This means that the difference between WiFi and 4G disappears and makes room for one continuous Internet experience irrespective of whether you're inside the house or a room. The customer is left with just three decisions, speed, the amount of family members that need SIM cards and the choice to add the television products.

So let us now have a look at the operational and financial performance in the first quarter. We're assuming in our operational performance, you can see in the first quarter we were able to maintain the strong commercial momentum that we've been enjoying for more than over a year now, especially broadband performance stands out once more as we added another 9,000 net customers in the first quarter, with a very nice and balanced blend between residential and SOHO customers. Secondly, we also added almost 19,000 FMC customers to our WIGO, YUGO and KLIK bundles, leading to full 4P convergence rate of just over one-third of our total customer base.

And in contrast to the two preceding quarters, we managed to record positive net adds for DTV, capitalizing on our analog Signal Switch campaign with an ambition to phase out or analog TV platform by the end of year. And finally, in mobile, the rate of net postpaid subscriber additions decelerated modestly due to lower FMC attach rate and the impact that the COVID imposed semi lockdown still has on our retail channels. But despite this restrictions, we still have just over 15,000 net organic mobile postpaid net adds in the first three months of the year.

On the next slide, you can see the consistent growth in our monthly fixed ARPU per customer relationship, which is one of our core operational metrics. The fixed ARPU per customer relationship came in at almost EUR60 in the first quarter, marking a solid 3% increase compared to the same period of last year. Growth in the ARPU per customer relationship was underpinned by four factors. Firstly, a greater share of higher tier broadband subscribers in our overall mix. Secondly, the favorable impact of the October 2020 price adjustments. Thirdly, a higher proportion of multiple play subscribers. And fourth and lastly, relatively lower proportion of bundle discounts. And on a more technical note, the year-on-year strength in the ARPU per customer relationship is also no longer distorted by the bundle revenue allocation between fixed and mobile services, which changed as of the first quarter of last year as you may remember.

Moving to the next slide and looking at the quarterly trends in our rebased top line and adjusted EBITDA, we do see a clear improvement vis-a-vis previous quarters. Our rebased top line in the first quarter decreased almost 1% year-on-year, mainly because of 9% lower other revenues. As mentioned in previous earnings calls, our other revenue, which includes amongst others, interconnect revenue, handset-related revenue and the contribution from our entertainment business De Vijver Media, net revenue is mainly impacted by the COVID pandemic, while other parts of our business has proven to be very resilient. And if you were to exclude other revenue, our rebased revenue increased just over 1% in Q1 as compared to Q1 of last year.

On the right-hand side, you can see improved trend in our adjusted EBITDA, which was up nearly 4% year-over-year on a rebased basis. As a reminder, we incur substantially higher direct cost in the first quarter of last year because of the accelerated write-down of sports-related broadcasting rights. This was the consequence of the COVID crisis, which led to the mandatory suspension of several large sports events. Accelerated write-down resulted in lower direct costs in the second quarter of last year, which means that we will face this adjusted EBITDA comparison for the second quarter of this year. But having said this, even without the benefit of easier comp in the first quarter, we would still have grown our adjusted EBITDA by more than 2% versus the first quarter of last year.

Let's now zoom in and our top line performance in the first quarter. As part of our full year 2021 outlook, we intend to return to top line growth this year on the rebased basis. As the first quarter of 2020 did not yet fully reflect the impact of the global COVID pandemic on our business, we faced a tough revenue comparison base this quarter. Therefore, leading to a modest minus 1% revenue decline on both reported and rebased basis to EUR646 million. This included a 9% decrease in other revenue compared to last year, driven by significantly lower interconnect revenue as a direct result of the COVID-19 crisis. Excluding our other revenue, our rebased revenue grew nicely by just over 1% year-on-year and reflected a solid 1.8% growth in our cable subscription revenue, partially offset by lower usage related mobile telephony revenues. Given the negative COVID-related impact on the revenue profile as of March of last year, we do expect our revenue to rebound meaningfully in the second quarter, which is fully embedded in our 2021 outlook.

Moving to the next slide, as in previous quarters, we maintained a tight focus on costs, leading to a 5% year-on-year decrease in our operating expenses on the rebased base. Compared to the first quarter of last year, our direct costs of EUR24 million or 16% year-on-year, thanks to significantly lower interconnect and roaming expenses, as well as lower programing costs compared to the first quarter of last year, which includes the aforementioned accelerated write-down of sports latest broadcasting rights. Elsewhere, we also incurred lower costs related to outsourced labor and to professional services, as well as sales and marketing expenses. This, however, was set by higher network operating cost, higher staff-related expenses and higher other direct -- sorry, and higher other indirect expenses reflecting higher outsourced call center cost among others.

Let's now have a look at our adjusted EBITDA on Slide 16. As a reminder, please note that as of the third quarter of 2020, our adjusted EBITDA is impacted by changes to the IFRS accounting treatment of certain content-related costs for a premium entertainment packages and the Belgium football broadcasting rights. And this change is due to changes related to the underlying contracts. More details can be found in our release and in our toolkit, where we show both reported and rebased numbers. These changes in accounting treatment, resulting in a shift from CapEx to OpEx explain why our adjusted EBITDA is down 3% year-on-year on a reported basis to EUR334 million.

On a rebased basis, however, our Q1 2021 adjusted EBITDA increased, of course, almost 4% year-on-year driven by significantly lower direct costs as our Q1 2020 direct costs reflected the accelerated write-down of the sports rights. The latter resulted in substantially lower direct costs in the second quarter of 2020 and, therefore, we expect to face a tough adjusted EBITDA comp in the second quarter, but again this is fully part of our full year outlook. And as I mentioned before, but I'm going to repeat it, even without the benefit of easier comp in Q1, we would still have grown our adjusted EBITDA by more than 2% in the first quarter of last year if you took out these one-off effects.

If you then turn to investments, our accrued CapEx was EUR143 million in the first quarter and this represented a 17% decline compared to Q1 of last year and it is equivalent to around 22% revenue. Excluding the recognition of certain football broadcasting rights and the temporary retention of both our 2G and 3G mobile spectrum licenses, our Q1 2021 accrued CapEx expenditures were EUR132 million, equivalent to approximately 20% of revenue. And finally, approximately two-thirds of our capital expenditures in the first quarter were scalable and subscriber growth related.

Moving onto operational free cash flow, which, as you know, is one of our key financial metrics and which has also been the North Star our 2018 to 2021 financial plan. We delivered a strong performance with operational free cash flow up 15% year-on-year, reaching EUR202 million. This number reflects substantially lower investments in Q1 2021 on the rebased basis and excluding the recognition of both football broadcast rights and mobile spectrum licenses, as well as the impact of certain lease-related capital additions on our accrued capital expenditures, our Q1 2021 operational free cash flow grew 16% year-on-year. In line with the aforementioned phasing in our adjusted EBITDA in Q2 2021, we also expect a similar reverse trend in our OFCF for the second quarter. As a result of the COVID pandemic, our Q2 2020 accrued CapEx expenditure substantially decreased to around 20% of revenue. And therefore, we do expect significantly higher investments in the second quarter relative to the prior year, which will of course impact our operational free cash flow.

And then turning to the next slide, I'm happy to confirm that we delivered strong adjusted free cash flow performance for the first three months of the year. Our adjusted free cash flow reached EUR124 million in Q1, which is a 49% increase versus the same period of last year. The strong growth in our adjusted free cash flow was driven by EUR10 million less cash interest and derivative payments, which is a result of last year refinancings and included a nearly EUR2 million positive contribution from our vendor financing program. This puts us very well on track to deliver on our 2021 guidance, despite an expected lower adjusted free cash flow performance in the second quarter of the year because of both our annual cash tax payments and the lower operational free cash flow performance.

Turning to the overview of our debt position, we continue to enjoy a very strong liquidity and long-term debt maturity profile. At the end of March, the weighted average maturity of our debt, excluding short term dated commitments under our vendor financing program was 7.3 years, and we faced no debt amortizations prior to March 2028. Including our cash balance, we have total undrawn available liquidity of almost EUR755 million. Moreover, all of our floating rate debt has been swapped into fixed, which means that we are not exposed to future interest rates.

In terms of net total leverage, we were at 4.0 times at the end of March, exactly at the middle of our leverage framework. The modest decrease compared to the end of December is attributable to the strong cash flow generation in the first quarter, with total cash and cash equivalents of EUR118 million to EUR200 million. As a reminder, we intend to maintain net total leverage around 4.0 times in absence of M&A, as we will continue to drive attractive shareholder value in 2021 and beyond.

Let's now review our guidance for 2021, which we have reconfirmed this morning. Having delivered a strong financial performance in the first quarter, we are clearly on track to deliver against the 2021 objectives as presented in February earlier. This means a return to growth for both revenue and adjusted EBITDA on a rebased basis versus 2020. We also remain on track to deliver against our three-year operating free cash flow, targeting the lower end of the 6.5% to 8% range is a higher investments this year as mentioned earlier.

And before opening up for Q&A, we can confirm that yesterday, shareholders approved the proposed gross dividend of EUR1.375 per share to be paid next week. Together with intermediate dividend of the same size that we paid in December of last year, we will have returns, the total gross dividend of EUR2.70 per share, which is in line with the dividend floor that we communicated in October of last year. The total dividend per share over the 2020 adjusted free cash flow is up 47% compared to 2019 and it's well covered by the underlying adjusted free cash flow evolution from the business.

So this concludes the management presentation, and I will now hand back over to the operator for the Q&A session. And as mentioned earlier, we also have Dieter Nieuwdorp on the call, who will participate in the Q&A. Operator, over to you.

Questions And Answers

Operator

Thank you. (Operator Instructions) The first caller we have on the line is Michael Bishop from GS. Michael, when you are ready, your line is now open. Please go ahead with your question.

Michael Bishop, Analyst

Thanks so much. Good afternoon. I just had two questions, please. Firstly, looking at the Telenet ONE tariffs, that clearly quite innovative and a big change away from WIGO and YUGO in the composition. Could you give us an early sense of how you think the impact will be on the ARPU mix as customers in particular moving I guess from WIGO bundles as a household maybe with multiple SIMs move over to the ONE tariffs? Are you expecting that to be accretive? And could you sort of explain what type of customer journey you expect given the tariffs are quite different in that composition?

And then my second question was really just around the ARPU pick up. I think you've mentioned upfront this morning that the market was very competitive, but then within your comments on the ARPU side, you mentioned that was benefiting from low discounts. So could you just give us a sense of what you're seeing in terms of competition relative to the very strong ARPU trend? And how we can just piece those two comments together? Thanks very much.

Erik Van den Enden, Chief Financial Officer

Sure, Michael. So first on the ONE and the ONEup, I'll come immediately to the ARPU, but then just want to reiterate that the reason that we launched ONE and ONEup is really because we see the market and the customer needs evolve. And so customers increasingly want a more tailored approach where they really have more freedom to configure their bundles really based on their individual needs. And this trend is not new, so we have already made a first step in that direction last year with the launch of YUGO, which was really our first step into the direction of catering for customers that has different needs and in the case of YUGO, a more fluid lifestyles. And with the launch now of ONE and ONEup, we further want to extend this freedom towards a broader customer base, offering more modularity, but also new features that we know are increasingly important for customers.

And so security is something that clearly we see increasing in relevance for customers, but of course, also the convenience of not having to distinguish between fixed data and mobile data is also something that we saw quite clearly and where ONE and ONEup is providing an answer. So it is all about offering more for customers, more tailored to their needs and also more modular, but it is not necessarily designed to about lowering prices. And so let me give you an example, on the most popular and the biggest product that we had under the WIGO umbrella, which was the bundle with two SIMs and 9 gigabytes that came at the price point of EUR106. And if you compare that with the new line, so if you would take ONE bundle with two SIMs, essentially the same price point, so WIGO was at EUR106.02 and at ONE plus two SIMs would also come at the EUR106. So again, this has really moved that we do to offer more to customers and to respond better, but not so much about changing ARPUs and changing prices.

Now one thing that I would like to mention is that we have decided to also migrate a large part of our customer base to these new proposition, simply because as we mentioned before, it offers more to customers, and we want to make sure that our customers can benefit from that without really having to do any effort or having to calling into customer centers. And so the customers that we will be auto-migrated will get a richer offer with more security and unlimited data, but they will not be paying more. If you look at the aggregates, these auto migrations will have a small effect on ARPU, but the effect is really small, and we will also convince that this ARPU impact will be more than offset by an improvement in what we call customer lifetime value, which is really a very important and a sustainable driver for long-term value creation. So again, it's something where we think the new lineup will provide significant value as we have always managed to do with refreshments of our offer in the past.

And then with respect to the -- with the comparative market environment, what we think the market is not very dissimilar from previous times. So we always see that Q1 remains very competitive on the back of the increased competitive intensity at the end of the previous year, so around Christmas. So that is no different, but also we have not seen Q1 being that much different from previous first quarters of the years. And so we've seen in terms of the competition, definitely investing so we see 360 campaigns that are often focused on bundle discounts or an unlimited mobile offerings. Of course, also the promotions in terms of handset sales continue to be in the markets that is sometimes with subsidies, sometimes without subsidies. But all in all, we think that the kind of intensity remains more or less as we've seen it in previous quarters and years.

Michael Bishop, Analyst

Great. Thanks very much.

Operator

And the next caller on the line is Nayab Amjad of Citi. Nayab, when you are ready, your line is now open. Please go ahead with your question.

Nayab Amjad, Analyst

Thank you for taking my question. My first question is that your guidance EBITDA trends to be affected by tough comp in the second quarter, but then you reiterate your guidance 2021 EBITDA growth of 1% to 2%. This implies potentially an improvement in the second half. Can you give us the building blocks of the EBITDA improvement in the second half? And then my second question is that of course you're ramping up fiber investments quite rapidly and anything to share from Telenet in the north. Have you seen any impact so far and how confident are you on defending share? And then of thinking about fiber at times, which are based on utilization rate, how do you view that the Telenet offers Internet particularly with regards to Orange Belgium that will be taking wholesale probably from only one of your offers? Thank you.

Erik Van den Enden, Chief Financial Officer

Yes. Thanks, Nayab. I will take the first question. So in terms of how we see the year unfold? So I think we clearly highlight that there will be quite an important phasing effect between Q1 and Q2 as we have at one hand affecting EBITDA sports rights, but also in the second quarter of last year, there was an important impact on marketing and sales especially as the flux in the market came down there were significantly less sales commissions paid, which of course had a positive impact on the cost base. So yes, Q2 on EBITDA will be a little bit soft at the same time revenue will be very strong, but let's not forget that we have a 4% EBITDA increase in the first quarter as we report now. So we do expect that after the first half year of 2020, we will already be quite well on course and not that far off necessarily from the full year guidance.

Now having said this, I think you're right, that if you look at the seasonality of the business, Q2 is always a bit strong and it's a typical seasonality, and we do not expect it to be different for this year. Typical building blocks are, as I mentioned, seasonality that we typically see in the entertainment part of our business and so with SBS, and withstand this the second half of the year is always the most important one that's when advertisers invest mostly into the business. So that is always a bit stronger with of course on the connectivity side, we also have the effects of the price increases that we have been doing that typically annualizes. So yes, there is some seasonality, but all in all, we think that, again, not necessarily debts different between H1 and H2.

And I think to your second question was about the impact that we see from the fiber investments with Proximus. So of course, Proximus continues to roll out fiber in Flanders. What we typically see when they roll out is that they are being hyper-aggressive with promotions. And as a result of that, we do see short-term impact. So when the rollouts, I would say, within the first three to six months, we do see a temporary impact on the key metrics so both on acquisitions and sales, also so much in churn, but we also see that if you didn't take a little further so as these promotions run out, that actually that effect very strongly diminish if not almost end up use altogether. So I would say, yes, short-term effect, but really driven very much by the aggressive promo that they do and not really a significant long-term effect that we see on our business in the areas that where Proximus rolling out fiber.

But I think there was also a question on utilization rates. So yeah, utilization of course is key as we all know, in the business case, if you want to invest in fiber, which of course is a very sizable investment. If it's in our territory, of course, we start from very different realities vis-a-vis our competitors so we have 60%, well, that means that Proximus has kind of part of the risks, and we also know that 60% to 70% is kind of medical fill rate that typically you need to get to an acceptable IRR in the long run. So if and when we decide to invest in it, and again that decision has not been made, moreover, as we mentioned before, we think that HFC continues to be very viable technology today and also in the years to come.

But even when we would decide to invest in fiber, that market share that we have would of course form a very strong basis. And as we would do the investments, as we have already announced with last year together with Fluvius, we are investigating the possibility to set up an open network that means that besides our own customers over time would definitely welcome other tenants on the network, which will only drive the occupation rates beyond the current market share that we have. But having said that, we have very different realities in the markets for the different projects and to your point utilization is key.

Nayab Amjad, Analyst

Great. Thank you so much.

Operator

(Operator Instructions) The next caller on the line is Nicolas Cote-Colisson of HSBC. Nicolas, when you are ready, please go ahead with your question.

Nicolas Cote-Colisson, Analyst

Hi everyone, I've got two questions. I may start with the best recovery wishes for John. First, a follow-up on the ONE package. You mentioned an auto migration of customers. Are you looking then for another year and reduce churn eventually by doing so? My second question is around (inaudible) you should now be very close to the beginning of the sales process. So I wonder if you can update us on the exact timing and method? And what would be your assumption around the regulatory consequences? Would you were to be a national cable after this operation? Should we assume the same type of wholesale prices? Or do you think it's about the reopenings at Pandora book with the regulator? Thank you.

Erik Van den Enden, Chief Financial Officer

Yeah, I'll take the second question, but just to be clear, Nicolas, because the line was not clear. Your first question is whether we would expect a reduction in churn, right? The...

Nicolas Cote-Colisson, Analyst

Yeah. That was -- yeah, because on the ONE package, so you mentioned you were auto-migrating the customers kind of will offer you more for the same price, but is there any trick in the background such as locking them into another year of contract, for example?

Dieter Nieuwdorp, Executive Vice President Residential & SOHO Business

Yeah. I will take that question, Dieter Nieuwdorp here. I'm heading the residential and SOHO business. So as Erik explained in this, in auto migration, we will be moving customers mostly from the WIGO -- some customers from WIGO to ONE. And actually, we all do a, let's say, a better fit move, meaning they pay the same or slightly less even, and they get more. And we do indeed expect a churn benefit over the longer time period and more customer lifetime value, but not through locking them in in a fixed contract that we work for a long time now without fixed contracts for all our products actually. So it is not through locking them in, in what contracts. So (inaudible) just a best-fit move as we call for the customers and they get more. They get the security features, they get the unlimited data, and they're at a same or even slightly better price point, which we think will have a very positive influence on their customer life time value.

Nicolas Cote-Colisson, Analyst

I see.

Erik Van den Enden, Chief Financial Officer

Nicolas, on your question with respect to timing and regulation on Voo, so first of all, there was this morning an article in the French Daily -- I mean, Walloon daily, but French-speaking, Le Soir, where the time line for the process has been explained. So first of all, we're very happy to see that the big hurdle has been taken in the process in the sense that Brutele has agreed to sell the network to Nethys, to Enodia, which means that both parts of Voo are now under ONE umbrella. And so you will remember that the Brussels based part of Voo was owned by Brutele, the communes of Brutele, and then the more Walloon part of Voo was with Nethys, and that is now all -- under ONE umbrella. So that's good.

In terms of the formal process, the revised time line is that in the middle of May, the process would begin. That means that the non-binding offers would be expected by the end of June and that the company would then, also Nethys, based on the offers that it received, would select a number of potential buyers for the second round by the 21st of July. And then the idea is to go into a second round and final signatures of the deal by the end of the year. So that's what was in Le Soir, and that's how we understand the process.

Then I think you asked about the regulatory situation and the competitive situation. So first of all, it's quite clear that, I mean, if we would end up being the buyer, there is no geographical overlap of the cable networks. So we don't have any fixed activities in Wallonia. So we think it should be a quite straightforward regulatory approval process.

In terms of wholesale access, the BIPT has last year confirmed wholesale access for Flanders, so for Telenet, but also for Voo, there is a regulated open access that is being used by Orange as is the case in Flanders on the Telenet network. And that is an exercise that the BIPT has conducted last year based on a common methodology leading to similar, but slightly different results, taking into account, amongst others, the different topology of Wallonia versus Flanders. But having said that, there is regulatory regime in both sides of the country is being successfully used by, amongst others, Orange as a wholesale access seeker. So there, we do not expect any changes really in the sense that clearly the regulation is doing what it's intended to do.

Nicolas Cote-Colisson, Analyst

Very clear. Thank you.

Operator

And the next caller on the line is Emmanuel Carlier of Kempen. Emmanuel, when you are ready, your line is now open. Please go ahead.

Emmanuel Carlier, Analyst

Yes. Thank you. Good afternoon all. I have three very quick questions. One, how many customers take 1 gigabit per second already? Secondly, could you disclose the level of the out-of-bundle mobile revenue in the first quarter? And thirdly, on ONE, you explained quite well the ARPU. But is it not fair to assume that you broaden your addressable market with ONE, and as a result of that, should improve your subscriber growth? Thank you.

Dieter Nieuwdorp, Executive Vice President Residential & SOHO Business

Yes. So Dieter here again. Let me start with your last question. So that is indeed a fair comment. Of course, we answered the ARPU question because it came, but of course, there is more to it, to our ONE launch. And indeed, with the EUR66 price points, we actually lower the barrier for FMC solutions. So yes, it will and should expand our customer base as well, while at the same time, offering this limitless connectivity and the additional features, as Erik explained. So yes, we do think there is this double effect, of course, of also addressing maybe segments that are interested in FMC offers that we weren't able to fully address now with one simple offer. So that is certainly the purpose.

Erik Van den Enden, Chief Financial Officer

Yeah. So let me address then maybe the two other questions, Emmanuel. First, your question on mobile out-of-bundle. And so mobile out-of-bundle is one of the elements that we still see as one of the areas where we see most of the COVID impact versus last year. And so if you look at Q1, things like advertising revenue are really back at where there were, handset sales as well. But interconnect is one area where we still see big impacts. And mobile out-of-bundle usage is another one. So you could say that on average, we are down versus last year 25% to 30%. This is really something where we continue to feel the impact.

And on the other question on the 1 gigabit speed boost, so I mean, the concept of speed boost is something that we have used in the past. To be fair, it is always, of course, something that is applicable to relatively small part of the customer base. It's really people who go for the very, very best and the very speediest.

Now, there is a couple of things there. First of all, we saw that the speed boost compares -- the pickup rate compares well versus previous pickup rates, which confirms that the speed continues to be a very important component of our proposition. What we also see in the behavior is that people take it for two reasons. There are a number of the people that really take it because they need it, because they have extremely high usage or very high usage. And so it's needed from a functional perspective, but we also see people who more take it as a kind of -- from a peace of mind perspective, who want to make sure that as broadband becomes so important in daily life, who want to make sure that they really have the best.

So the speed boost, as always, is relatively small. I mean, it grew nicely. It's better than what we have seen in the past, but of course, it's also important to emphasize that as part of our ONEup program, the new lineup, which of course is going to be a much broader proposition for a much broader customer base, all these customers will benefit from the 1 gigabit. So the number of people who will have it once -- either they sign up for ONEup or migrate to which will be significantly higher.

Emmanuel Carlier, Analyst

But the speed boost today, is it that -- could you just quantify it a little bit? Because with the EUR15 on top, it helps us to kind of look at what the potential upside from a revenue perspective could be. Of course, I understand that with ONE and the people that take the high end, that it's just, yeah, I would say, getting more or less more value for the same price. On the other hand, you also have some customers who take only broadband stand-alone. So it would be good to hear if this is 5% of the Internet base or maybe 10%.

Erik Van den Enden, Chief Financial Officer

Yeah. Emmanuel, we do not give the exact numbers because of competitive reasons, but I mean, it is a relatively small proportion of the customers. It is always like that. But also on your other question, it is something that we see across the product suite. So it applies as well to people that take a broadband stand-alone proposition as to people that are in a WIGO bundle with a 4P proposition. So we see that need and that attraction of the proposition regardless of the number of products that people take.

Emmanuel Carlier, Analyst

Yeah. Okay. Thank you. And on the mobile out-of-bundle, of course, I understand with COVID that there is an impact on the interconnect. On the other hand, this is not having an impact -- or hardly any impact on EBITDA. So the question relates more to the part of the mobile out-of-bundle revenue that is impacting the EBITDA. So could you provide a bit more color on how big that base still is?

Erik Van den Enden, Chief Financial Officer

Well, I presume that you're referring to the fact that, of course, if you're in a bundle that -- yeah, I mean, typically then, I mean, calling it unlimited and also, to a certain extent, data is -- there's a shared data pot. Of course, we see there that people still, from time to time, needed to have additional volume, which was out-of-bundle revenue that came on top. But of course, it is mostly on the stand-alone mobile customer base that the out-of-bundle was still coming in. So of course, as we move people into the bundles, it is clear that, to your point, the kind of out-of-bundle revenues decrease because the customer base is decreasing also there. So this is something that is a trend that we have already a couple of years as we sign up people into the bundle. We also think it makes a lot of sense in the way that, yes, we give up some out-of-bundle revenue, but at the same time, we see churn decrease drastically. You can see that from our statistics. That is exactly the essence of the 4P magic. So we think it's the right way to do it, but of course, it does eat into the mobile ARPU. And so what we see in the first quarter is a continued trend because of that. That, of course, has nothing to do with COVID. At the same time, we do see an important impact as well from the fact that people are less mobile, that they are not driving to work and giving a call to their families to say that they're coming home et cetera. So we do see that some of these things come down. And as I mentioned, if you take this thing all together, they are kind of more than between 20% and 30% decrease in the first quarter.

Dieter Nieuwdorp, Executive Vice President Residential & SOHO Business

And also Emmanuel, the effect will, of course, to some extent, annualize as we, of course, enter into Q2, which means also that the COVID effect will be annualizing in our numbers. And so while we still had 20% plus decreases on these lines, interconnect usage-related revenue on mobile, we do expect a much lower trend -- much improved trend, so lower declines as of the second quarter.

Emmanuel Carlier, Analyst

Thank you.

Operator

(Operator Instructions) The next caller on the line is Roshan Ranjit of Deutsche Bank. Roshan, when you are ready, please go ahead with your question.

Roshan Ranjit, Analyst

Great. Afternoon. Thanks for the questions. And firstly, best wishes to John for a swift recovery. So circling back to some of the previous points, firstly, on the pricing, we saw a nice pickup in the broadband ARPU, which I think, Erik, you cited, from the price increase in October and from customers taking bigger bundles. Is it possible to get a split of that? Because, I guess, you may also be seeing some of that migration to bigger bundles on the video side, but it's not quite as apparent in the ARPU there. So split between underlying price increase and migration would be good. And secondly, going back to the Fluvius point, I think some of the talks have been a bit delayed. So it would be interesting to know when we can expect an outcome. And as part of the discussions for a potential fiber rollout, should we be thinking about that just in the Fluvius footprint? Or is that also extended within onto the Telenet footprint? Or again, is that open for discussion? Thank you.

Erik Van den Enden, Chief Financial Officer

Yeah. Roshan, I'll answer the second question first on Fluvius. So on Fluvius, of course, we initiated discussions with them in the middle of last year. And we're investigating how we build together the networks of the future. I mean, these discussions are still ongoing. They're progressing well, but it's fair to say that we do need more time than we initially anticipated. The reason for that is that it's a very complex matter. I mean, we are looking here at network investments and have to look on a very long time horizon, next 10 to 20 years.

Of course, Fluvius is a very long-standing partner of Telenet right from the start. They own one-third of our network. We have sizable lease agreements with them and also these things have to be discussed and agreed upon. So it is just a complex matter and we think it's better to really take the time to go into all the level of detail, make sure that if and when we decide to work together that we have a very clear framework and very good arrangements around it rather than to rush it now for a quarter and then not have everything clear. So I know we said that we would -- which we were planning initially to come back in the first half of the year. That will not be possible anymore. So we do think that it will be more towards the second half of the year. But as I mentioned, the discussions are progressing constructively. So we hope to come with a conclusion as soon as we can.

Secondly, in terms of the footprint, yeah, I mean, we look, of course, at our entire footprint. So when we are considering how to evolve our network into the future on the long run, to make sure it remains as competitive and leading as it is today, it is something that we look everywhere, not just in the one-third where Fluvius is active. So it is indeed our entire Telenet footprint.

And then there was a second question on the breakdown or, let's say, on the impact of pricing and mix. Actually, it's fairly balanced. So I mean, those are two important and structural drivers of the ARPU upside. And they come roughly with equal powers. And of course, especially the fact that we see this continued uptiering is a trend that we like, that we also think is very healthy. So we expect and hope that this will continue. It's a strong driver of ARPU and it is complemented with the price increases, but it is kind of somewhat similar.

Roshan Ranjit, Analyst

Great. That's helpful. Thank you. And if I may, just a quick follow-up. The potential price increase for this year, should we be thinking around the October time as well? Or anything you could say there, please?

Erik Van den Enden, Chief Financial Officer

I mean, pricing is something that we take very seriously, Roshan, in the sense that we always look really every year and every moment to the market circumstances and take a very balanced decision if we take pricing and when we do it. So of course, we have talked about the fact that in the last couple of years, we have typically done annual price increases and also price increases that are very much in line with inflation. We've also discussed about the fact that we think that it's a good way to do it in the sense that, well, there is less churn. So of course, we take those learnings into account, but every decision in the future is always one that we take at the time and we try to make a good judgment based on the market circumstances, and that will be no different in 2021.

Roshan Ranjit, Analyst

Okay. Great. Helpful. Thank you.

Operator

And the next caller in the queue is David Vagman of ING. David, when you are ready, please go ahead with your question.

David Vagman, Analyst

Yes. Thank you. Good afternoon everyone and thanks for taking my question. And first of all, I would like, of course, to wish John a speedy and best possible recovery. And moving to my question, first, maybe on -- two questions on mobile actually. First on the Mobile Vikings acquisition by Proximus. What is your view from a purely regulatory point of view given it's actually a company that you -- basically, you had to sell as a remedy for Base. So do you think it's possible? Do you see problems, regulatory issue at this level? So that's my first question. And then secondly, on mobile towers, you've said in the past that you were considering potentially a sale as an attractive optionality. So could you give us your view on valuation and regulation in Belgium? Would you say this is not attractive or rather it's still financially a very attractive opportunity? Thank you.

Erik Van den Enden, Chief Financial Officer

Yeah. Maybe firstly, so -- thanks all for all the wishes to John, and I must say that it was difficult to keep him out of this call. I think he's very eager to come back to the business, but we all know when you get sick, you also need the time to heal. So he's healing well, and I'm sure he will be very grateful of all these wishes. So let me first talk about the towers. The -- our view on the towers, I mean, it's a question that has come already a couple of times before. I mean, it's -- our views are very much unchanged. So it is a topic that we continue to look at through the lens of strategic optionality. And what I mean with that is that we do not necessarily believe that it makes a lot of sense to spin out the towers portfolio for the mere purpose of doing so. And so when you don't really have either a strong strategic rationale behind it and not really have a strategic use of the proceeds, we don't think it's a good thing to do. And also it looks that also investors do not really give companies a lot of credit if they only look at towers from an opportunity standpoint.

But having said that, we do think that it makes a lot of sense if you have a clear purpose of doing so, and more specifically, if you have specific funding needs. In that case, it could make a lot of sense, especially when it's part of really a strategic transaction that also changes your equity story. So that's the way that we have been looking and that we continue to look at towers. We have what we think an attractive portfolio. It's, of course, not huge. Belgium is not a huge company [ph], but it is sizable. It is material. It's over 3,000 towers. So that's the way we look at it.

As we also mentioned in the past, we continue to do our homework because we say it's an optionality, but an option -- you have to be ready to execute the option. So we continue to do that. We do a lot of homework. We also know that there is a lot of operational aspects to be done in terms of the preparation. You have to look at your databases. You have to consider tax aspects. So all these things we are doing to be ready when and if we want to be. So that's what I would say on the towers.

Yeah, then David, I think you asked a question on regulatory process of Mobile Vikings. I mean, that is very difficult for us to answer that question. I think it's something probably more for Proximus to answer than for us.

David Vagman, Analyst

Okay. And maybe I know -- or I think it wasn't your time, but when you had to dispose of Mobile Vikings, actually what -- could you remind me of the situation back then? Why -- what was the key rationale for disposing of Mobile Vikings when acquiring Base?

Dieter Nieuwdorp, Executive Vice President Residential & SOHO Business

Yes. Maybe I can answer that question because at the time, I was heading the strategy department and also doing the M&A part of it. So that was part of the remedies of the acquisition imposed by the European Commission that we indeed sell off 50% at that point; they held 50% in Mobile Vikings, in order to create a separate stand-alone company. And at that point in time, it was MEDIALAAN who -- or TPG Media who showed up as a buyer of that entity. So that was a remedy imposed that we would sell it before we could close the transaction.

David Vagman, Analyst

And the reason was the market share in mobile (inaudible) or was it also related to convergence?

Dieter Nieuwdorp, Executive Vice President Residential & SOHO Business

At that point in time, the reasoning of the Commission was because, at that time, Telenet was an MVNO, of course, being quote-unquote the fourth player. And they wanted to see that replaced by another strong MVNO. That was, at that time, the European Commission's view.

David Vagman, Analyst

Thank you. Thanks for that.

Operator

And we've just got time for one more caller. The last caller today will be Ben Lyons from Credit Suisse. Ben, when you are ready, your line is now open, please go ahead.

Benjamin Lyons, Analyst

Hi, thanks for taking my question. I just had one more follow-up on the new ONE package. I was looking at the speed-based pricing on the mobile side. Are you looking at this as a way to possibly monetize 5G going forward? And what was the impact on your deployment time? And also, as sort of part of the ONE bundle, should we expect marketing costs to pick up a little bit? And my second question, if possible, would be on what's going on in B2B at the moment. What's the competitive environment? If you're seeing any improvement, any color around, that would be really helpful as well. Thank you.

Dieter Nieuwdorp, Executive Vice President Residential & SOHO Business

Yeah. Let me take your first question on the mobile speed theory. So indeed, this is the first time that we tier on the mobile speeds in the packages. And although we have no broad commercial 5G offer yet, of course, that will be coming up at some point. And then indeed we don't exclude -- the mobile speed tiering that we use now could be helpful in how we launch our commercial residential 5G offers.

I think your second question...

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

Yeah. I think second question was on sales and marketing expenses. So obviously, we do expect sales and marketing expenses to pick up year-over-year. Those are actually somewhat down still in the first quarter, but in the second quarter, we expect them to be higher also because last year, of course, due to the hard lockdown we had due to the COVID pandemic, there was, of course, a material drop in sales and marketing expenses. So therefore, year-over-year, this will trend higher; obviously with the new launches always go hand-in-hand with some of the campaigning and activities. So not on pricing, but just more on billboarding et cetera. So this is part of the phasing of the EBITDA profile that Erik already explained and also fully embedded in our full-year outlook.

And then there was a final one on B2B. So when you look at B2B, so the way we report B2B externally, which actually isolates SOHO because that is captured already under the subscription revenue. But I would say the B2B revenue that is typically ICT related revenue, SME and large enterprises was typically up just over 3% in the first quarter. So good overall performance, of course, driven by some of the recovery in the ICT integrated business that was impacted last year due to COVID. And also, as Erik mentioned, we have, in December, an increased partnership in a local ICT integrator called Connectify. We have a 60% stake in that company, and that also contributed to the overall performance in the first quarter.

So on B2B, we continue to be a challenger in the market, as you know, so really competing head-to-head against Proximus and Orange in that market. And it's a market that we continue to gain share also on the SOHO part of the business. So we continue to see that also as a growth driver for us going forward. And also, as mentioned before in one of the slides, when you look at the key growth drivers for Telenet, B2B is still going to be one of them.

Erik Van den Enden, Chief Financial Officer

I think one of the nice things that we see in the B2B space is just as B2C, that it has proven to be fairly resilient in the crisis. So for instance, we do not really see increased bad debts amongst our customers. So that's something that I think going to the crisis and knowing the impact on the economy, is something that we watched very, very carefully, but we do not see that uptick. I mean, we do know that, of course, also in B2B, there is impact from the crisis. So we've talked about it before in -- sorry, mobile usage is down, but also, just like on the B2C side, we had an impact on mobile handsets.

The same was especially last year true on the B2B side with the delivery of equipment, and so CPE equipment. There you also felt it. So really also on the transactional side. But to Rob's point, I think the underlying business is performing well. For sure, SOHO continues to be a very important value driver for us and also a growth engine. So that continues to expand nicely. But also in the higher part of the B2B market, so with small and medium enterprises, but also with large enterprises, we do see that, first of all, the activity in the market has indeed picked up again. And secondly, that we are successful in renewing contracts with some of our top customers. And of course, we continue to challenge in that market to grab an even more share. So currently resilient and very good to see that.

Benjamin Lyons, Analyst

Great. Thank you.

Operator

And that's all we have for questions today. I'll turn it back to your host for closing remarks.

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

Okay. Thanks, operator, and thanks, everyone for joining this call. As I mentioned before, all the materials can be found in -- on the investor website. There will also be a replay and a transcript available shortly. And on our website, you'll also find a calendar with some of the road shows and also some of the conferences that we already confirmed for the next couple of weeks. So stay tuned for more information. In the meantime, should you have any further questions, feel free to ping either Bart or myself. I'm happy to follow up offline on any topics you want to discuss. Have a good rest of the day, and see you next time. Bye-bye.

Operator

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