Company Name: Telenet
Company Ticker: TNET BB
Date: 2021-02-11
Event Description: Y 2020 Earnings Call

Market Cap: 4070.98344744
Current PX: 35.76
YTD Change($): 0.68
YTD Change(%): 1.938

Bloomberg Estimates - EPS
Current Quarter: 0.82
Current Year: 3.385
Bloomberg Estimates - Sales
Current Quarter: 647
Current Year: 2612.133

Y 2020 Earnings Call

Company Participants

- Rob Goyens, Telenet Group Holding NV
- John Porter, Telenet Group Holding NV
- Erik Van den Enden, Telenet Group Holding NV

Other Participants

- Michael Bishop, Goldman Sachs Group, Inc.
- Christian Fangmann, HSBC
- Nayab Amjad, Citigroup Inc.
- Emmanuel Carlier, Kempen & Co. N.V.
- Ruben Devos, KBC Securities NV
- Nawar Cristini, Morgan Stanley
- James Ratzer, New Street Research LLP
- Polo Tang, UBS Investment Bank
- Roshan Ranjit, Deutsche Bank AG
- David Burns, Joh. Berenberg, Gossler & Co. KG
- David Vagman, ING Groep N.V.

Presentation

Rob Goyens, Telenet Group Holding NV

Thanks, Patrick. Welcome everyone to our Q4 2020 earnings webcast and conference call. I trust you've all been able to digest this morning's earnings release. As a reminder, all the earnings materials, including this presentation, can be found in the results section of our investor website.

After this call we will also provide on the same website, a replay and also the transcript for those having missed this call. Following certain investor and analyst feedback, we will somewhat reduce the time spent on the management presentation going forward, so we can maximize the Q&A part.

Given the number of participants to this call and in order to allow equal treatment of (inaudible), we would like you to ask yourself -- to limit to two questions. Any follow-up questions can be directed afterwards to the Telenet Investor relations team, which are -- which is going to be standing by to address your questions.

Before we start the formal presentation, however, let me 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 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 the presentation. With that, let me now formally introduce our CEO, John Porter, commenting on our recent developments and strategic directions going forward. John, the floor is yours.

John Porter, Telenet Group Holding NV

Thanks, Rob. Good day, everybody. So a special year last year 2020. We certainly never intended to work from home for over 40 weeks or do over 250,000 video calls.

We -- there is some silver lining. We did manage to reduce our carbon emissions by 60% during the first lockdown, and organized drive-in concerts for our customers. In addition, we helped thousands of children attend classes from home and supported local entrepreneurs, so that they could keep on going.

I'm really proud of the efforts that we've done for all of our employees and society at large. It again underlines how important high-quality infrastructure and all the investments we made during the past years into our giga HFC network.

It was a record year for our phone and Internet usage. Both lockdowns resulted in record volumes of Internet traffic with 2.9 terabits per second during the second lockdown, which equals an incredible 190,000 pictures per second. We already reached the expected peak Internet traffic that we had forecast for 2022 this year.

The average daily up and downstream traffic over the Fourth Quarter increased by 62% and 42%, respectively, compared to pre-COVID times. The average fixed data traffic volume per user increased almost 50% year-on-year in 2020, and half of the volume goes to streaming.

In addition, we've seen massive increases in video calling and more and more customers switching to OTT applications instead of using traditional SMS. However, despite the popularity of video calling, our customers continue to call traditionally, even twice as long, predominantly with their fixed-line phones.

The impressive statistics I've mentioned can only be achieved by the enablement of our superior network infrastructure. We see that our customers' appetite for high-speed is increasing as the weighted average download speed in Q4 increased 8% to 212 megabits per second.

Over 40% of our broadband customer base is enjoying 300 megabits per second speeds or higher, an increase of almost 8percentage points compared to the same period last year.

We distributed almost 800,000 Wi-Fi boosters, which equals 46% of our broadband customer base at end Q4 2020, an increase of over 40% year-on-year. And our Giga Speedboost customer base continues increasing quarter-after-quarter, up 20% compared to Q3, underlying again higher speeds and resiliency are increasingly relevant.

Besides our high-quality fixed Giga HFC network, we also again confirmed our leadership in mobile. As in the most recent BIPT drive test survey, from September to October 2020, revealed that our customers have access to the highest 4G+ mobile download speeds, up almost 100 megabits per second.

Our operational performance continued its good momentum in the Fourth Quarter, and proved again resilient towards the ongoing pandemic. Our FMC subscriber base increased by over 94,000 customers over full-year 2020, a 17% increase compared to 2019. Our full convergence rate increased 2percentage points year-on-year to 33%, with a mobile attachment rate of 42%.

I'm also very pleased with the healthy growth of our broadband subscriber base, which increased over 38,000 customers over FY 2020. This is more than 5x what we achieved in 2019.

And finally, the erosion of our digital TV customer base is also significantly slowing down with almost 5,000 net losses compared to 38,000 in 2019.

Thanks to our strong financial performance and improving trends in the second half of the year, we were once again able to achieve all of our guidance metrics for FY 2020. We managed to limit the rebased total revenue decline to 1.9%, while our revenues, excluding other revenues, were broadly stable at plus 0.4%.

Our rebased adjusted EBITDA remained also broadly stable for FY 2020, while our rebased OFCF increased by 2.5% year-on-year. This brings us to an adjusted free cash flow of EUR 415.8 million, in line with the lower end of our EUR 415 million to EUR 435 million range guided.

Looking ahead, we'll fuel our return to full growth by focusing on our key strategic pillars. First of all, we will extend our customer relationships, enabling our customers to get greater value from living and working digitally.

We will also accelerate growth in the business segment by differentiating through our human touch. We will build a deep customer-centric experience underpinned by a digital-first approach and radical simplification on the back of our CRM platform transformation.

We'll continue to thrive via perfect networks tailored to our customers' needs and via flexible platforms. And we'll empower our people and our customers to create value through team collaboration in an inspiring culture.

As a result, we expect both our revenue and adjusted EBITDA to return back to growth in 2021, with a targeted rebased growth of up to 1% and between 1% and 2%, respectively.

We will also deliver healthy free cash flow between EUR 420 million and EUR 440 million in 2021, despite a modest contraction in rebased operating free cash flow in 2021 of around 1% on the back of higher targeted investments. Relative to 2020, we expect a modest increase in our investment levels, as the prior year was impacted by COVID-19 pandemic.

In addition, we anticipate higher IT-related investments as we finalize the implementation of our state-of-the-art customer-facing platform as well as increased investments in driving the customer experience, in line with the aforementioned strategic pillars.

Finally, we've also carefully planned for certain selective network-related investments, creating optionality for future cost-effective fixed and mobile network upgrades. With that, we still expect to deliver on the lower end of our 2018 to 2021 operating free cash flow CAGR of between 6.5% and 8%.

Finally, we will continue to deliver on our tightened shareholder remuneration policy as communicated at the end of October last year. This now includes a EUR 2.75 gross dividend per share floor, replacing the former 50% to 70% payout ratio relative to adjusted free cash flow, and representing the upper end of this range.

In addition to the EUR 1.375 gross intermediate dividend per share paid in December last year, the Board of Directors will propose to the April 2021 AGM to approve a gross dividend of similar size. Combined, they represent the aforementioned EUR 2.75 dividend per share floor, up 47% year-on-year, compared to the total dividend per share we paid over our 2019 adjusted free cash flow.

Once approved, we intend to pay the dividend in early May, funded through our estimated cash and cash equivalents at the time. With that, I'll now hand it over to Erik to comment on our operational and financial results.

Erik Van den Enden, Telenet Group Holding NV

Thanks, John. Good morning or good afternoon to all of you, and thanks for joining this call. I'm pleased to see that we delivered a robust performance in 2020 despite the impact of the COVID-19 pandemic on certain parts of our business.
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From a financial point of view, we delivered on all financial metrics, but also from an operational perspective, we had a very strong year. So if you zoom in on our operational performance on the next slide, you can see that in the Fourth Quarter, we were able to maintain the strong commercial momentum that we enjoyed all year long.

Especially, our broadband performance stands out. We added, again, more than 10,000 net customers in the Fourth Quarter, which is our best quarterly results since the Fourth Quarter of 2015. And if you look at the full-year 2020, we added over 38,000 net broadband customers, which is the best organic results since 2014.

And this strong operational trend is also visible on our other product lines. So we recorded more than 17,000 mobile postpaid net adds and added more than 20,000 fully converged customers.

Our full convergence rate increased by 2percentage points year-on-year and now reaches 33% of our customer relationships with a mobile attach rate of 42%.

And finally, on the digital TV side, we were able to limit the organic customer losses to just over 3,000 RGUs. For the full year, we recorded almost 5,000 net losses. And as John already mentioned, that is really a very significant improvement versus price.

If we then move to the next slide, you can see that the consistent growth in our monthly fixed ARPU per customer relationship continues. And as you know, it's one of our core operational metrics. The fixed ARPU per customer relationship came in at EUR 58.7 in the Fourth Quarter, which is a modest increase compared to the same period of last year.

If we move on to the next slide, and we look at the quarterly trend in our rebased top line adjusted EBITDA, we can clearly see a marked improvement vis-à-vis the previous quarters. Our rebased top line in the Fourth Quarter decreased almost 1% year-on-year, and that is mainly because of 8% lower other revenue.

As mentioned in previous calls, our other revenue, which includes, amongst others, interconnect revenue, handset-related revenue and the contribution from our entertainment business, De Vijver Media, is mainly impacted by the COVID pandemic, while other parts of our business have proven to be very robust. Excluding this other revenue, our rebased revenue increased just over 1% in Q4 compared to Q4 of '19. And the same improved trend also applies to adjusted EBITDA.

Our adjusted EBITDA actually grew nearly 1% year-on-year in Q4, driven by, on the one hand, lower direct expenses and on the other hand, lower expenses related to outsourced labor and professional services.

Let me now zoom-in in our full-year 2020 financials, starting with top line. For the full-year 2020, we generated revenues of EUR 2,575 million, which was broadly stable relative to last year on a reported basis. And as you probably know, this includes the organic impacts of both the acquisition of the De Vijver Media in 2019 and the divestment of our Luxembourg cable subsidiary.

On a rebased basis, excluding these two inorganic impacts, our top line contracted nearly 2% year-on-year, significantly impacted by an 11% rebased decrease in our other revenue, as I already mentioned, as a result of the COVID-19 pandemic.

Particularly, in the Fourth Quarter of 2020, we generated EUR 665 million, which was a 1% decrease year-on-year on both on reported and rebased basis. And excluding the other revenues in both periods, our rebased top line grew slightly for the full year, in line with our outlook.

Moving on to the cost side. As we already did in previous years, we maintained a very tight focus on costs, and that led to a 4.6% year-on-year improvement in our operating expenses on a rebased basis.

Except for a small increase of around 1% in network operating costs and staff-related costs, all our cost buckets showed an improved trend versus last year, also, of course, benefiting from the impact of COVID-19 on part of our business and definitely, on our direct costs, where the impact was most feasible, showing 8% increase -- decrease, sorry, compared to last year. And that was on the back of lower interconnection and roaming expenses, but also lower costs for mobile handsets.

If we then move to EBITDA on Slide 18. I would first like to remind quickly 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 our premium entertainment packages and also for the Belgian football broadcasting rights.

This change is really due to the nature of the underlying contracts. More details can be found in our release where we show both reported and rebased numbers for these changes.

But having said that, our adjusted EBITDA was up by 0.5% versus last year on a rebased basis. And we succeeded in expanding our rebased adjusted EBITDA margin by, again, 130 basis points versus last year, and it now stands at

53.5%. In Q4 specifically, adjusted EBITDA was up 0.7% compared to Q4 of last year, driven by lower direct costs and lower costs related to outsourced labor and professional services.

If we then move to the next slide and take -- to take a look on investments. You can see that our accrued CapEx was EUR 597 million for 2020. And that is 2% higher than last year and stands at almost 23% of revenue.

2020 accrued CapEx includes, first of all, the organic impacts that we mentioned before, but also almost EUR 40 million higher lease-related capital additions, so directly linked to IFRS 16, and also the recognition of the Belgian Jupiler Pro League football broadcasting rights in the Third Quarter of this year.

If you exclude the recognition of the football broadcasting rights and IFRS 16-related capital expenditures for both periods, which is consistent with the basis that we have set our 2018 to 2021 operating free cash flow CAGR guidance, then our accrued capital expenditures in 2020 actually decreased modestly by 1% versus last year and standard around 21% of revenue.

And that is obviously a much more apples-to-apples comparison because the headline number, as I mentioned, is quite impacted by the lease additions.

If we then move on to the operating free cash flow view. So we reached an operational free cash flow of EUR 787 million in 2020, which is a 4% decrease year-on-year, but again, due to those lease-related capital additions in Q4.

So if you look on a rebate basis, excluding the recognition of the football broadcasting rights and the impact of this lease on our CapEx numbers, then our OFCF would have been up 2.5% versus 2019.

And with that number, we actually outperformed the guidance that we gave of a growth between 1% and 2%. So the rebased number is actually a growth of 4% -- sorry, 6% in the last quarter versus the last quarter of 2019.

And then turning to the last financial metric in terms of adjusted free cash flow. So the adjusted free cash flow showed a very nice growth of 6% year-on-year. We reached EUR 416 million, with especially Q4 contributing quite significantly with EUR 157 million.

The strong growth in our adjusted free cash flow was driven by lower cash taxes and also lower cash interest payments. And that's a result of the financings that we did at the beginning of the year, but it also includes almost EUR 4 million negative contribution from our vendor financing program.

So excluding these headwinds from vendor financing, our adjusted free cash flow would have grown over 7%. And with that, we delivered on the outlook, which was to be at the lower range of the end of the EUR 415 million to EUR 435 million range.

So that was on the financials. Maybe a quick look at the debt maturity profile, pretty much unchanged versus the previous quarters. Still remains very, very robust with no debt amortizations until 2028. And as you can see, more than EUR 600 million of cash and untapped revolver credit facility. So we continue to enjoy a very strong position there.

And last but not least, in Q4, we also extended our EUR 20 million bilateral revolving credit facility by another five years to December -- sorry, to September 2026 at very attractive conditions, so an even improved debt maturity profile.

If we look at leverage on the next slide, also there, a very steady picture. As you can see, we have a very slight increase to 4.1x at the end of this year. That's a direct consequence of the intermediate dividend that we paid in beginning of December, which was EUR 150 million. But again, as you can see, we stay very close to the 4.0x where we want to be in absence of M&A. So all good on that front.

Then before opening up to the Q&A, maybe a quick recap on the 2021 outlook. So we're very happy that after three years of top line decline, we're back to growth, both to -- on the revenue side, but also on the EBITDA side.

Also, cash flow-wise, we will generate between EUR 420 million and EUR 440 million in 2021, despite that small contraction operational free cash flow on the back of the higher investments that we have.

And so that is still fully consistent with our 3-year CAGR that we committed to in the 2018 Capital Markets Day to deliver a CAGR of 6.5% to 8% on operational free cash flow. So that's it on the financials. I will now give it back to the operator to open up for Q&A.

Questions And Answers

Operator

(Operator Instructions) And our first question comes from the line of Michael Bishop from Goldman Sachs.

Michael Bishop, Goldman Sachs Group, Inc.

Just the two questions from me, please. Firstly, thinking about the very modestly higher CapEx, you mentioned some targeted investments. Could you just sort of run us through what those might be? And whether there's any opportunity as Proximus rolls out fiber to sort of share any of the costs there? And whether there's any sort of rules and regulations around that in Belgium?

And then my second question, slightly more broader one is just what's been driving the better broadband performance? Has the overall market been stirred into life a little bit like in the past couple of quarters, or do you think you're taking a bit more share there because it's a very good performance?

John Porter, Telenet Group Holding NV

I'll take the first one and let Erik organize the CapEx question. Yes, on broadband performance, I mean, clearly, there is some market expansion going on. I expect that Proximus and Orange will both show some growth in broadband, although I don't think that really tells the whole story.

We are also on a trend, obviously, exacerbated or accelerated by the pandemic period of people focusing on quality, particularly in-home connectivity and speed and resilience. And these are 3 areas in which we believe that we perform extremely well.

As I said in the introductory remarks, we went from, I think, 550,000 broad -- powerline boosters to 800,000 last year. So we have quite a generous policy, vis-à-vis, boosters, and we do take full responsibility for the quality of in-home connectivity throughout the household.

In fact, we -- the first powerline booster is no charge to the customer, and there is no recurring fee, but we do retain ownership. The second one, the third one, they are charged. But this has been very well received in the market.

I also mentioned the fact that we -- our average customer is downloading at a rate of about 215 megabits per second. I don't have to tell you guys that, that is a significant gap to the VDSL experience or even the lower end sort of cheap and cheerful offers that are in the market, which aren't really getting it done anymore.

And in terms of resilience, as you know, we continue to push fiber deeper and deeper into our network. We continue to lower our node sizes. And we were extremely gratified by the performance of the network.

I think the timing of the upgrade to 1 gig means that our network is almost completely full of new active and passive equipment. So maintenance issues were extremely low. And so the network performed quite well, and I don't think we really gave people reasons to look for a better performance elsewhere.

We also have, to some extent, shifted our thinking a little bit more towards volume on the old classic volume versus value sort of dynamic, which is a very prominent one in our business. And we continue to -- well, we don't concede, shall we say, so much, particularly in the mid range.

So with the launch of WIGO home, with the YUGO 2.0, which was a good upgrade to the YUGO value proposition, and the fact that between our value-centric mobile offerings at EUR 15 to EUR 20 plus our basic Internet, which is at EUR 30, we can provide those 2 products together for less than EUR 50.

So we're not as exposed on the back end maybe as we were before. And stay tuned, we'll continue to evolve our portfolio to make sure that we cover a broader range of price points with a superior product. So with that, I'll hand it to Erik to talk about CapEx.

Erik Van den Enden, Telenet Group Holding NV

So Michael, there are 3 elements that play on the CapEx guidance for 2021. So the first one is that there is, of course, a bit of a COVID effect also on the CapEx side in the sense that our CapEx in 2020 was probably slightly lower than we planned it to be.

The reason for that is that, first of all, as we talked before, the flux at some point in time, came out of the market. So that resulted in lower churn, but therefore, also lower CapEx on CPE, on customer premise equipment. So the base of 2020 is probably a tap lower than we anticipated.

But secondly, there's also a bit of a spillover into 2021 of works that we wanted to do in 2020, but because of the lockdown were not possible and slightly postponed. And that is -- it's not massive, but it's mostly on the fixed network side. So that's one element where the base of this year is a little lower and there is some spillover effect.

Second one is, as we detailed in the release, we are still fully working on the upgrade of our IT system. So we talked in prior calls about the fact that we are completely modernizing our back office and our customer-facing support systems. We mentioned that, of course, the company has grown a lot over the last decades.

As you know, with IT, I mean, you stitched on top, we did acquisitions. We integrated it in. But of course, it was a little bit of a patchwork. So we are in the process, and we've gone already very far in developing one unified systems that, first of all, is going to generate cost savings because it means that we will be able to rationalize licenses and reduce cost of licenses.

But I would say, even much more important, will also allow us to bring back or bring together in that system, all of the information that we give on customers from touch points in the shops, from contact centers and therefore, have much more intelligence and increase our ability to really serve the customers with the products and the services that they need.

So that's all very exciting, but it is a huge undertaking, probably taking a little bit longer than we anticipated, and therefore, also in 2021, that will be a very important project for us with some associated CapEx to it.

And then the third element, which you already alluded to in your question, there is indeed also a component on the network. So as Proximus is rolling out their networks, it means that they are doing civil works.

So they are opening up curbs and street walks in Flanders. There is indeed a legislation that at the point when either a telecom operator, but also utility gas or water electricity, when you open up a site work, there is actually the opportunity for other operators to join that. But if you don't do it typically, you cannot open up the site work again for the next five years.

So we are looking at that very carefully. So on a very selected basis and very much from a network planning perspective, we have considered what it makes sense for us to also put infrastructure in the ground there because for the 2 reasons you actually mentioned yourself, first of all, if we don't do it now, we may not be able to do it over the next five years.

And secondly, there are obviously synergies attached to that. As, of course, civil works are pretty expensive, so that makes a lot of sense.

And that element is essentially bringing forward a little bit, I guess, the timing of investments that we would anyway do over the next couple of years. You can see also by virtue of the numbers that is not huge, but it just makes a lot of sense to do that.

Operator

Our next question comes from the line of Christian Fangmann from HSBC.

Christian Fangmann, HSBC

Yes. I actually have a follow-up on the CapEx one. You're spending more and you're alluding to the fact you're opening up site walks in the streets, and why not putting in renewing your own staff. But Proximus is not just building for one year. So is that an incremental spend that you're now doing for a few years?

And also related to that, I mean do you see generally CapEx normalize or coming down slightly in 2022, maybe? Or what about the 5G investments as part of your CapEx guidance here for 2021? Is anything included or will that happen incrementally maybe in 2022? That's my first question on CapEx.

The other 1 is just generally, if there are any updates on the negotiations with Fluvius, or when we can expect something to hear? And secondly, also, anything new in the VOO process?

John Porter, Telenet Group Holding NV

That's a lot of questions. Yes. So on the VOO front, we are -- been discussing the process with the Nethys representatives as well as the political leadership of the region.

We fully expect there to be an open and transparent process kicking off early in Q2. We are confident that we are as an industrial -- potential industrial partner that we are extremely well-positioned to participate in that auction, and ultimately, to win it.

We have -- I think because the Walloon Region will likely retain some ownership, at least initially, in VOO, it is important for them to have an industrial partner with a track record of investing back in it's network and capitalizing in the marketplace as successfully as a company like Telenet, particularly on the fixed side.

So we think we're well-positioned. Any sort of historical sort of legacy feelings about flemish companies going into the south or whatever. Those, I think, are all well and truly behind us, and I think probably the highest bid will win. We don't expect there to be a lot of sponsors or PE interest, probably some. But we think, once again, we're extremely well-positioned.

The discussions with Fluvius are ongoing. We have a strong belief that both HFC and fiber will ultimately deliver sustainable networks in terms of speed and capacity. I think it's a very clear roadmap for HFC to 10 gig, which is gathering some momentum very quickly as Comcast and other scale operators develop their technology. So we have no lack of support for the HFC roadmap.

There is also the opportunity to be building more fiber deeper and deeper into our network as we have done historically and in certain situations to take fiber all to the home as we're currently doing in the enterprise market as well as in greenfield new build.

So the network will continue to evolve. The discussions with Fluvius are complicated because it involves capital allocation. It involves potentially renegotiating existing deal that we have with them. So I'm not going to put a specific date on it. The talks have been constructive, and there's a range of ways that we can continue to move forward.

There is no -- this is not a binary situation of, okay, now we're going to build a whole lot of more fiber or we're going to build or when a -- not support HFC's roadmap to DOCSIS 4.0. It's not that binary. It's a hybrid future, as it always has been, for that matter, to stay one step ahead in terms of speed and capacity and performance, so that we can retain the types of market shares that we have.

On 5G, we're well and truly in. We have -- we will be making some announcements in the not-too-distant future on our partners in that endeavor. There will be a spectrum auction in 2022. So as you know, we pay for our spectrum over time as we use it, not all upfront. So there's no massive hit there.

But I think if you take all these things and to the discussion of CapEx overall, there are -- there is substitution. Erik mentioned the fact that we're investing heavily in our digital CRM transformation, BSS and OSS and what we call the CSS layer to be operating a highly intelligent AI data-centric omnichannel CRM platform in the future, which is going to deliver a lot of benefits.

But the spending on that will start to taper out. And probably network spending, either on 5G or on duct deployment or whatever, will go up. I mean, that happens every year. Things shift, and things will shift again, probably more towards these -- both the wireless and the fixed network.

But we don't expect it to be, like I said, right now, a major shift in the free cash flow profile of the company unless things change. And right now, we don't think they need to.

Operator

Our next question comes from the line of Nayab Amjad from Citi.

Nayab Amjad, Citigroup Inc.

So you guide for operating free cash flow to be lower due to investments, however, make up on the free cash flow. I understand the plymouth, it is tax and interest. Can you elaborate on this further? More specifically, can you give us the building blocks of the free cash flow for 2021 with some numbers as possible?

My second question is, if there is an update on the monetization of the tower assets, is it likely to be timed around an update on Fluvius or the potential sale of VOO, which is probably likely in 2Q '20?

Erik Van den Enden, Telenet Group Holding NV

I had a little trouble understanding the first question. Is the question, how we go from OFCF to free cash flow next year?

John Porter, Telenet Group Holding NV

Yes.

Erik Van den Enden, Telenet Group Holding NV

Okay. So indeed, so we're going to go from an OFCF from operational free cash flow, which is slightly contracting then to a growing free cash flow. So there's a couple of components to that.

First of all, we will further decrease our cash taxes. So that is one component where, as we mentioned before, we have been doing quite a bit of planning. So we will benefit from that in 2021. So that's a component going down.

Secondly, also on the interest rate side, there will also be a modest improvement versus prior year. Again, as we continue to have very favorable conditions there with an all-in coupon of 3.1%, that is giving some improvement.

And then lastly, also on the working capital front. This year's working capital was impacted by a couple of one-offs and timing differences. So there, they will iron or flatten out over the two years.

And it also means that on the working capital side, we do see an increase versus 2020. And so those two elements combined will more than offset the slight negative impact that we have from the OFCF side.

John Porter, Telenet Group Holding NV

And then the tower?

Erik Van den Enden, Telenet Group Holding NV

The towers? The Towers, as we mentioned before, we have an attractive portfolio of towers, for sure. So that's more than 3,000 towers. Of course, we know that it's a team in Europe.

So it's a well-known team. It is something that we continue to see through the lens of strategic optionality. It's something that is at our disposal. We've been doing a lot of work around it, understanding exactly our inventories also considering some tax aspects, which are quite important actually.

So it's something that we see as a strategic optionality, and we continue to believe that it's something you would rather consider if you had specific funding needs as part of maybe a broader or more transformational transaction.

Nayab Amjad, Citigroup Inc.

Could you give us the EBITDA on the towers, if possible, please?

Erik Van den Enden, Telenet Group Holding NV

So Nayab, I think on the towers EBITDA, of course, a lot will depend on the potential, theoretical and constant revenue that Telenet is actually willing to pay. So that's why the EBITDA numbers are, of course, very variable and will actually be determined by that factor. So we cannot give any specific comments on that one.

Operator

Our next question comes from the line of Emmanuel Carlier from Kempen.

Emmanuel Carlier, Kempen & Co. N.V.

Two questions. The first one is on subscription sales. So do you expect that subscription sales will structurally grow from 2021 onwards? And what are the assumptions based on that?

So in 2020, we saw the volumes improving. I think, on the ARPU side, you didn't really have as much of a tailwind as you usually have because you put price up less than expected.

And I would expect that going forward, you might see bigger positive mix effects from more and more customers taking higher -- high-speed broadband. So if you could just give some comments on that.

And then the second question is on the -- on an article that was in the date this morning on the schools. So there was an article that Proximus is targeting, yes, to take off that contract.

I was just wondering if you could disclose the kind of revenues you make from that. And how well protected these revenue streams is in your opinion?

John Porter, Telenet Group Holding NV

Sure. Well, you asked the -- of course, the most important crystal ball question of P x Q, it'll look like going forward. We -- you're correct in that our normal sort of annual rate cycle was delayed into the Fourth Quarter. And because of the macroeconomic effect on CPI, we took a -- there was a more muted approach to the ARPU.

We certainly have -- we certainly would concur with you that there is a move towards better speeds and capacity. There's also other services that we're offering that have a positive influence on ARPU. Things like Safespot, our security product, which is in the tens of thousands now of uptake.

And other sort of what we would call experiences, connected experiences that we can deliver outside of purely video and broadband performance.

So we certainly understand the exponential impact of continuing to grow our broadband customer base. It tends to have a pull-through effect on video as well as you can see, the impact of gaining 37,000 plus broadband subs and the fact that our digital TV customer base was reasonably flat, that that's -- it's very positive on the overall -- our overall ability to get more and more products into the home.

We are certainly always looking at ways to move our -- to get our customers more products and services that they opt-in for. Although we do have a philosophy of not just continuing to upgrade our customers but to rightsize our customers and make sure that they have the right products so that -- and not more products than they actually need so that we can keep downward pressure on churn.

And volume is a function of better sales activity, and we're seeing good increases in digital sales. We're seeing good increases in the voice channel. This new CRM platform is going to have data capacity, data capabilities around what we call segment, which will give us a lot of tools in terms of how we identify selling the right products to the right people.

And so we're pretty optimistic that we can keep P x Q more than chugging along. And if 2020 is any indication, we're going to continue to see good results there. In terms of the impact of the announcement of Proximus this morning, I'm going to hand it over to Erik and he can give you some very specific details on our current...

Emmanuel Carlier, Kempen & Co. N.V.

Yes. Can I maybe ask a follow-up on the first question. Is there any -- could you disclose the size of the speed boost customer base, just so we can kind of have a better feeling on potential mix effects?

John Porter, Telenet Group Holding NV

We did say, there was a 20% increase, I don't know, quarter-on-quarter. But I don't think we have the -- we're going to release the specific number because we haven't segmented reported different tiers of broadband customers in the past.

But it's strong growth. You can see from the average speeds, and what do we say, what percentage of our customers have over 300 megabits per second?

Erik Van den Enden, Telenet Group Holding NV

Over 40%. Yes.

John Porter, Telenet Group Holding NV

Over 40%. So that gives you some idea of what's going on out there.

Erik Van den Enden, Telenet Group Holding NV

Emmanuel, on the school topic. So school, they are part of the governmental services, right? So it means that every four years, there is a public tender with obviously very specific requirements and a lot of books.

So I don't know how to say it in proper English, but a kind of a contract that displays all the conditions. So that happens every over four years, and we have been the partners of the Flemish schools for the past eight years. So we had the last tenders we won.

So that means that today, we work with the schools. Already today, there are some schools that are on fiber. So what we have with the Flemish schools is a mixture of coax and fiber as we have it with many of our businesses.

So some on fiber, others are, of course, on coax. And also, of course, on the 1 gigabit per speed -- sorry, 1 gigabit per second product with 75 megabit. So again, we've been partners of the schools for a long time. We also have fiber at our disposal.

Now the current 4-year period is running out. So we will be competing with Proximus for the next four years. I think you also asked about the size of that contract. Again, of course, we don't -- we're not disclosing individual contracts, but it's not -- really not very significant.

So it's not a very major B2 billion contract for us. It's an important one, of course, we -- because, obviously, there's a lot of societal relevance to it. So we have been really putting our best foot forward for the last eight years, which is shown. We're going to do that again. But in terms of monetary value, it is not very, very large.

Operator

Our next question comes from the line of Ruben Devos from KBC Securities.

Ruben Devos, KBC Securities NV

Yes. Two questions, both are revenue related. The first one relates to guidance. I believe most trends were sort of factored-in by consensus, except for maybe the other revenue line, which is also, let's say, dragging down the overall group revenue growth rate.

Just curious to what degree you've sort of factored in an impact of COVID and maybe specifically on advertising, how that may have recovered since, let's say, Q2 of last year? That's the first question.

The second one, is more long term. When you think of the business after corona and the plans to get back to growth, I was curious whether you could give an update on the roadmap in terms of product innovation and some color on the levers that you're seeing that may drive growth beyond 2021. I'm talking about virtual reality, content production and also over upstreaming with streamed and even play sports now.

Erik Van den Enden, Telenet Group Holding NV

Ruben, I'll leave the second question to John, but maybe on the first one in terms of our revenue guidance. So you're correct that if we compare the guidance with consensus, I think, the revenue, except for other revenue, is pretty much in line with the market. It is true that the market is a little bit more, I guess, optimistic on the other revenues.

I mean, the way that we have baked in our guidance for 2020 is that we do not expect a full-blown new lockdown like we've seen in the Second Quarter of 2020. But we -- so we do factor-in kind of over the course of 2021, an improving environment. But on certain parts of our business, we think there will be recovery, but it will not necessarily be to the full extent already of 2019 or the world before COVID.

So one of those is indeed the advertising revenue at SBS, where we are today is very encouraging because in the first slowdown in Q2, the decline in advertising revenue was very, very steep.

So April, May were very tough months, not only for us, but for the whole sector. It then started to recover, but the recovery over the summer was still relatively slow.

We have seen, during the second lockdown in November and December, a very different reaction from the market. So whereas in the first lockdown, people really pulled very fast and also on a very short notice apps.

That has totally not happened in the second lockdown. So to put it very clear, November and December were actually strong months for SBS. So definitely comparable to the levels before.

So it gives us a lot of confidence going into 2021. But at the same time, we have not assumed a full recovery to pre-COVID levels. So we think there will be a very large recovery. So definitely not what we've seen in 2020, but not yet full. So we only expect full recovery of the market in 2022.

So that's one aspect. Maybe just also quickly, we know that the other revenues includes the De Vijver revenues, but for instance, also interconnect, roaming, et cetera. For those services, which we know they don't have a very large impact, if not almost negligible on gross profits, but they do have an impact on revenue.

Those are also areas where we continue to expect some path to recovery, but not full. So roaming, we expect still a very tough year, probably more or less in line with 2020, but we all see where we are.

Traveling is not yet permitted. Hopefully, that will recover during the course of the year, but we're quite prudent there. So again, we do not really anticipate all of the improvements there.

Interconnect is a little bit of a different story because there, we've seen, of course, the impact from the crisis and there is really the lockdown impact, but we also see that the crisis has changed the behavior of people. So SMS, needless to say, was already in decline for quite a bit of time.

So it was being taken substituted by OTT services. But that is something that we've seen accelerated during the lockdown and behavior is -- has not changed so much thereafter. So on interconnect, we think it's not temporary. We think it's more structural. So there, we think that the recovery is going to be less.

John Porter, Telenet Group Holding NV

Yes. On long-term growth prospects, we look at -- I guess, if we can break it down into two areas. One is about strengthening the core and innovating around the product portfolio, which I think we've talked a little bit about networks.

We certainly see the future as having a data-centric platform-agnostic relationship with the customers, both consumer and enterprise. I mean, this is a product that people are using virtually every minute they're awake.

I don't think any other industry has the challenges of delivering and leading with a product with that level of intensity with its users.

But we are certainly committed to being in the vanguard when it comes to the network performance, but also in having a deeper and deeper relationship with our customers, and therefore, continuing to have pricing power, continuing to deliver innovation in the core, where people are opting-in for more services and not just us taking price.

But we -- it's going to be a very interesting period for the next 3 to five years because I think we'll -- we're certainly looking to maintain our lead in terms of -- or even be at parity with 1 gig competing with fiber on our HFC network or fiber competing with fiber. So we don't feel like we have massive threats on the core as long as we keep innovating and around it.

And then, we have the area of adjacencies, which you rightly point-out, where we have stuck our toe in the water in some areas around content production, around broadcasting, around virtual reality, AI as well as things like security, where we are a strong player in both the enterprise security and the consumer security markets with the products that we offer there.

I mean, we don't do these things necessarily because we think their scale businesses today, delivering sort of the bottom line profitability, but rather, to create leverage for future opportunities.

The VR, for example, we very much see links to -- for example, the development of the technology has been at hyperspeed. So the cost of entry and what you can do with it have improved dramatically.

But we're in VR because we think VR is going to be in the home, things like 5G and faster speeds and upload speeds associated with our fixed network will make VR in the home a reality. And we have a good -- it's good to be in the vanguard there as well. We also have an investment in a small company that develops the content for VR.

So I mean, where Streamz is a great partnership with the #1 integrated media company in Flanders or even Belgium, DPG Media. It's a great platform, not just for what it's doing for us today and protecting us on the downside and moving to more variable cost base, but it's also a platform on which we can develop over-the-top services and remain competitive.

We have a lot of -- we're spending time and investment in things -- other things in the home around the IoT space like smart entrants, smart door bells, smart entrances, where we're working our way into the -- a little bit into the logistics world with smart app-controlled package delivery solutions and things like that.

None of these are going to move the needle in 2021, but we have our foot on quite a few interesting innovations. If we grow the definition of our relationship with the consumers to include the home more holistically, there's a number of opportunities for us.

Also on the enterprise side, what we're really trying to do is continue to develop more and more competitive future-proof products.

We spent a lot of time this year around our cybersecurity offering. SD-WAN, cloud, these types of things, which are next-gen solutions that the Belgian enterprise market is only moving towards. And of course, I'd like to have more impact in the south of the country as well, which is going to be another huge opportunity for growth.

Operator

Our next question comes from the line of Nawar Cristini from Morgan Stanley.

Nawar Cristini, Morgan Stanley

So my first question is on the network upgrade strategy. So I guess there are many moving parts. On one hand, we have the previous discussions, which involved the capital allocation, but also the lease.

On the other hand, we have the Proximus rollout. So that opens the opportunity to share the civil work. But at the same time, it brings the 5-year constraint that you have mentioned. So really moving part.

So I guess my question is, how you reconcile all of these elements? I guess, as you are looking at the future upgrade roadmap, how you bring all these moving parts together?

And related to that, given that you will be ultimately sharing an element of the civil work, what is stopping Telenet and Proximus to share actually or to just co-invest in like a sort of straightforward manner? Are there any particular hurdles that are stopping this co-investment?

And my second question is on the broadband market expansion. So this quarter, we've seen a clear expansion happening, which we saw also last quarter. It would be interesting to have your insight on this. Is it something which is temporary and which is more related to COVID or do you think that probably, there might be more structural aspects to this?

John Porter, Telenet Group Holding NV

Yes. Let me take a couple of those. First, on the broadband expansion, I think it's going to be here for a while. I mean, so where are these customers coming from who did not have fixed broadband in their homes before?

There were certain people getting by on 4G. There was -- you have household expansion more generally. But I think what the COVID period has brought into focus is that shortcuts on broadband aren't going to get it done. And we have seen some market expansion because of that. And that will continue to -- that will continue.

There is also the challenge of the digital divide or the gap but between people who can legitimately afford fixed broadband services, who are in social network potentially. We have proposed a solution there, which is the Telenet Essential Internet. We're kicking that off very shortly, and we'll be very interested to see how much of that sort of -- digitally distant franchised market is there and what's the best way to reach them.

But I would see this continue to expand and I would see a move towards quality to also be a well embedded trend and that's certainly what we're seeing as we see the explosion of demand for better in-home connectivity, higher speeds, et cetera, et cetera.

Now when it comes to the network upgrade strategy, yes, there are definitely a lot of moving parts. We have one underlying principle, is that we will be -- we will continue to offer best-in-class network performance, and that involves resilience, reliability, speed and capacity. So what it takes for us to maintain that.

I think we -- once again, I would say, we are quite confident in the HFC roadmap, the DOCSIS 4.0, which has quite a clear path to 2.5 gig and then further -- with a further investment in active equipment path to 10-gig with 1 gig upstream capacity, which is more than competitive with fiber.

On the other hand, we think there are -- there is also a need for and selective fiber to the home investments. The other underlying principle is that Telenet has approximately 60% market share under our footprint.

Orange also has -- I don't know if they say what their market share is. So I won't say it, but has significant market share under our footprint. They're valuable wholesale customer. Between us, we have at least 2/3 of the market share under our footprint.

This puts us in a very good position to amortize, to invest in and continue to amortize our network. The question of how we do it, with what partners we do it with, partners who are in it for the long term. These things take a while to work out, and we will work them out.

On the Proximus rollout, it's quite clear that to maintain the optionality that we want to preserve that we should have some duct in some tranches that they're opening up. That's not a huge liability for us in the near future.

And this 5-year constraint, I think, look, if we don't figure out a way to do -- if we wanted to open other trench to be competitive, I think we could find a way to get around this 5-year constraint. It doesn't really make a lot of sense. It's a legacy from a different time.

So that's the way we see it. I think, your other question about, isn't there a way to cooperate a little bit more fully with the players that are building more network around? I think, yes, that's probably true. I think if you could roll the clock forward 10 years, probably networks are not where the competition is.

Networks will be increasingly commoditized over time and be open. And we have an open network today. So it's not something that we're overly concerned about or will be overly concerned about. I think there are lots of ways to compete in the market, but it starts with having a great network, and that's what we intend to do.

Operator

Our next question comes from the line of James Ratzer from New Street Research.

James Ratzer, New Street Research LLP

I had two questions, please. The first was just to come back to some of the comments you've made around enterprise. I mean, you saw very strong growth in business revenues in the Fourth Quarter.

I would love if you could just kind of talk a little bit more about what specifically drove the acceleration in the Fourth Quarter. Is this a kind of backlog of revenues from earlier in the year during the pandemic, or is this the start of something more structural in terms of a better growth driver there for 2021?

And secondly, also in the release on the cost side, you talk about programming costs coming down helping to support EBITDA. Again, I'd just love to hear a little bit more around the kind of drivers for that, how sustainable are those programming cost reductions. I mean, it's presuming more of your customers start using OTT services. Can we expect further programming cost reductions from here?

John Porter, Telenet Group Holding NV

Yes. Well, I just -- I would say, I don't have the numbers on my fingertips, and -- but Erik can finish the question. But I will tell you on B2 billion that what happened in the second half of last year is that, yes, there wasn't a lot of activity during the lockdown period.

So a lot of the implementations of business that we had previously run, one was delayed until Q3 and Q4. So that was a component of it.

But I will say otherwise, that our acquisition of NEXTEL, the integration was really, really fully completed last year. And we're starting to bring on stream a lot -- a much more robust product portfolio.

Products like I mentioned, like the retooled cybersecurity platform, the which is really, we think, best-in-class. The SD-WAN product launched in Q3, the cloud products launched in Q3.

So we are getting some traction. We hope it's sustainable, but there wasn't a lot of flux in the market in the first half of the year. So where there's flux in B2B, that's good for challenges, and we're a challenger in the B2 billion market. So that's pretty much what was happening there. Do you want to talk any more about that or want to go to the cost?

Erik Van den Enden, Telenet Group Holding NV

No. I think it's pretty complete. And indeed, definitely a bit of a catch-up from the projects that were delayed in the first part of the end of the year. So then, James, secondly, on the programming costs.

So programming costs is something that, of course, we have on the Telenet side, but also at the SBS side. And we talked about the fact that revenues were, especially during the first lockdown, we're kind of collapsing right in front of our eyes.

So I think as anybody would do in that situation, we looked at -- as we were compromised on the revenue side with the DVM and SBS, we also looked at the cost side, and we made sure that also from a programming perspective, we were able to mitigate some of the impacts.

Of course, there's also the fact that just production was not easy during the lockdown. So also, there are some programs just got canceled or delayed. So it was a mixture of really making sure that, again, we adapted our strategy and our execution to the extraordinary circumstances held by the fact that indeed, some of the things we were just also not possible during the crisis. I think that's what it was.

James Ratzer, New Street Research LLP

I mean, are you seeing much in the way that of underlying reductions in your cost base as customers start using more OTT apps?

John Porter, Telenet Group Holding NV

Well, that part of the rationale for the move to streams was to get out of having a fixed cost exposure, particularly in premium TV. So it was really -- so we're really hedged.

If people start migrating more aggressively to OTT services, which we're not seeing in a period of time where Disney launched and Netflix got stronger and Amazon started to flex its muscles in this part of the world, I mean, we still grew our SVOD business. .

But what we've done with the -- with streams is because we're now a wholesale customer of streams is we now -- we moved what was more of a fixed cost base where we had output deals with studios to a variable cost base. So we don't have a customer, we're not paying for the programming. So that was -- that's kind of an underlying rationale to protect against what you're actually talking about.

Where we do have still sort of linear cost -- linear programming costs in the digital TV, we are seeing prices -- we are seeing costs come down because every time we renegotiate a contract, whether it's with Disney or Discovery or whatever, obviously, the linear program, a digital linear program is not as valuable as it used to be.

So hopefully, we can get the cost down pro rata with the way the customers are moving. But right now, we're not seeing the customers making binary decisions when it comes to their premium SVOD product.

And in fact, stats out of the U.S., you can see I think the average household has like 3-point something OTT services. So we like streams to be the foundation service and then people can choose whatever other ones they want from there. So we want to be the #1 on the hit parade, but that's the way the economics of that business works today.

Operator

Our next question comes from the line of Polo Tang from UBS.

Polo Tang, UBS Investment Bank

I have two questions. The first one is really just about Orange Belgium. So obviously, Orange is moving to acquire the minorities in Orange Belgium that doesn't own.

But do you think there are any implications in terms of the competitive landscape going forward? And also, what would be the implication for Telenet and maybe the broader market if Orange Belgium ended up acquiring VOO rather than Telenet?

And the second question is really just about broadband because you saw strong broadband net adds over 2020. But do you think you can sustain the momentum in 2021?

I'm just asking because you've indicated that there's scope to spend more CapEx this year in order to lay ducts and fiber at the same time as Proximus. Proximus is ramping up their fiber build this year. Does this suggest that you'll face rising competition sooner rather than later?

John Porter, Telenet Group Holding NV

Well, on the last one, I would say, Proximus has already said, they have 400,000 homes passed by fiber. So -- and we're still able to grow our business quite nicely. And I think in terms of -- from a reputational standpoint in terms of network performance, there's a lot of fiber to be built, and we're not going to stand still in the meantime.

So that's not an area where we're necessarily expecting massive disruption in the market share that we enjoy. We'd like to continue net adding broadband customers and we intend to do it. You'll just have to stay tuned and see what we have in the pipeline as the year progresses. But I think we have a great track record of innovation around the product portfolio.

We also have the BASE brand. We're going to be bundling, sort of creating a soft bundle with our down product in the BASE mobile lineup. So we have things in the pipeline that I think will give us a lot of cover to be able to continue to grow our broadband market share.

On Orange, I'm not sure privatizing Orange is going to change the market dynamics. I don't think Orange could try harder or spend more money to to win more customers necessarily.

I think they're trying hard and having some success. I think they're having the success that they expected to have and needed to have to make their position in fixed, meaningful.

So as we've said it many times, the economics of wholesale are not probably our biggest challenge. As long as Orange keeps winning customers from Proximus and us and putting them in our network, the materiality of a certain amount of our customers moving from retail to wholesale is not catastrophic by any stretch of the imagination. So yes, I think they'll continue to plug along, and they have a role to play. And as long as they're on our network, it's not such a bad thing.

In terms of -- if they were to be successful acquiring VOO, then that would make my life easier, but in some ways. But I yes. I think 1 thing to realize is that we are in a wholesale market. So there is wholesale available, would be available to us on the fixed network, if somebody else owned it. There is also fiber going to be built in the south, which will be available on a wholesale basis as well.

So it's not going to be all beer and skittles for whoever owns who and I would say that there are alternatives for us to reach the market in the south without owning boot. I would certainly prefer that we win it.

But once again, that would -- if we didn't win it, it would merely just pauses to pivot to some alternative strategies to be a participant in this business in the south of the country, which we are committed to.

Operator

Last question comes from the line of Roshan Ranjit from Deutsche Bank.

Roshan Ranjit, Deutsche Bank AG

Two quick ones from me, actually, please. On the cost side, so another good quarter of type cost control. Now I think, Erik, John, you both talked about the continued investment in the CRM system.

And looking at the guidance for FY '21, and given the, I guess, expected pickup in the content revenues does suggest another step-up in the OpEx savings for '21.

When should we think about you hitting the full run rate of those cost savings from the CRM system? And I think on the previous answer to a question was further statements on the programming side. When should we think about the full run rate there?

And secondly, just a quick follow-up on B2B, I think, a couple of years ago, you were talking about making a big push in B2B, you've clearly made the some small bolt-on deals. Fair to say that you guys are taking market share in the B2 billion space and approximately what is the market share, if I may?

John Porter, Telenet Group Holding NV

Okay. Look, on the digital and CRM transformation, I would say that we're certainly hoping to be a little bit further along right now. We have completely converted all of our base customer base. We have completely converted some significant amount of our enterprise customers. So we're moving along there.

There's a big migration towards the end of this year that will essentially put us in a position to switch off a great many of our legacy hardware and software platforms. It's going to change the economics of our CRM costs substantially.

Additionally, it's operating off of 2 networks and the fact that we are still supporting about 2 million -- or more than 2 million. So 3 million, 3.5 million customers on the legacy system as well as a couple of million on the new system means we're not able to really take full advantage of the economics.

The economics will really should kick in substantially in 2022. We expect to be able to switch off these legacy platforms by Q2 2022. And so we should see those savings start to really land.

That's not to say we haven't had some already, but there haven't been extensive to date. It's been more through sort of operational efficiency and effectiveness and quality management that's enabled us to to see a good drop in our customer management costs thus far.

In terms of the market share on Telenet business, we -- I mean, it's a little bit of a hard one to figure out, to tell you the truth. We do compete for -- we do compete on almost every RFP that's out there and are -- we win more than our fair share, shall we say.

We are probably, if you took large enterprise and small and medium together, somewhere around the mid-teens. In SoHo is a very different conversation. We have almost more incumbent like market shares in SoHo, more analogous to our residential business.

But what we've been doing in SoHo is increasingly selling them more and more products. So there's -- as the home office and the professional offices and these kind of things become more and more tech heavy.

We've been moving in a lot of software-as-a-service, cloud, what we call free business, which is an IP Broadsoft solution for telephony. We've been very successful in those areas. So we've raised the ARPU substantially in SoHo, and we continue to take market share over in SME and.

Now that we've fully integrated the NEXTEL acquisition, we expect to continue to grow our market share in a big end of town.

So there is a segment of the market we don't compete for, which, of course, is the more international, multinational, that kind of stuff that tends to be BT and cold, and these companies are in the mix there. But for the domestic stuff, we think we're very competitive with Proximus. A Proximus is a big dog, that's for sure.

Operator

Our next question comes from the line of David Burns from Berenberg.

David Burns, Joh. Berenberg, Gossler & Co. KG

It's David Burns from Berenberg. I have two questions, please. Firstly, on the 5G option, I've seen the Belgium cabinet have now approved draft legislation. Have there been any significant amendments in the draft legislation, which increased the risk of aforementioned?

And when should we expect the option to kick off? Secondly, could you please give us an update with regards to the tax implications, if any? If and so term monetization takes place?

John Porter, Telenet Group Holding NV

So yes, on the 5G legislation, it's still a work in progress. There are -- there is the draft that's not substantially changed from the one we saw a year or more ago. There are still substantial performance requirements. There is still an opportunity for a fourth entrant to be at the auction, but there are also substantial performance requirements.

So I think what we've seen so far is that fourth operator interest seems to be focused around the bespoke industrial space. And that not to say that somebody won't show up and have a nationwide consumer strategy, but it seems very -- not very interesting.

But there's certainly -- we -- I think we discount it mainly because there's a lot of money that needs to be spent for you can get national roaming, MVNOs are shrinking in this country.

There's a movement to big established brands when it comes to telecoms and new entrants are struggling. So it's a very different world than it was a few years ago. And so we remain pretty optimistic that fourth operator is a risk at best. So on the tax, Erik?

Erik Van den Enden, Telenet Group Holding NV

Yes. Some, we won't go into specific details, but of course, we want to make sure that if you do a transaction with towers and you carve them out, that that does not have adverse consequences from a tax perspective. So that's a detailed and lengthy process on which we have done quite a bit of work. But again, we won't go into specific details there.

Operator

Our final question comes from the line of David Vagman from ING.

David Vagman, ING Groep N.V.

So I've got two questions. And apologies, I got disconnected a few times. So could you come back on your comment on the CapEx and the link with (inaudible).

So is this something which is going to be like a long-lasting impact? So you're doing, let's say, some investment not together, but at the same time as Proximus open up branches. So that's my first question.

And then the second question, what is your view Proximus basically saying during the fiber -- especially referring wholesale strategy. So what could be the wholesale pricing strategy beyond the regulatory framework? And what is a bit that you return that you ambition for -- in wholesale, basically?

John Porter, Telenet Group Holding NV

Yes, we all have hopes and dreams, David. I'm looking for a full head of hair, but it doesn't seem very likely anyway. I think, look, I'm sure, everybody is looking at spreadsheets. And it's better to have utilization at 60% than it is to have it at 30%. Next year's spreadsheet looks a hell a lot better.

So yes. I intend to dine and ditch defending my current 60% utilization. So I mean, we'll see. We'll meet in the grower market and have a dual figuring out who's right. So I don't worry too much about that.

The CapEx for putting ducts and tranches against, what is it, EUR 550 million of CapEx is not material -- overly material. And I think, maybe what I said before is true.

There's plenty of scope for capital substitution in EUR 500 million to EUR 600 million in annual CapEx. So you do more of one thing and less of something else. Maybe there is a couple of years where we incrementally invest a little more. I think it's it would be a tough call to not do it, to not share a trench if the opportunity is there.

So we'll -- that's what we'll be doing for the foreseeable future. But we have massive coverage of the dividend. We have substitution -- CapEx substitution opportunities, we have more than enough firepower to accomplish all of the things that we -- that are on our strategic road map.

Certainly, there are some transformational things that we're staring at, but VOO is not -- buying 75% of VOO or 50% of VOO is will be an accretive transaction for us on a number of fronts if we're able to pull it off. The continued evolution of our network is business as usual, as far as I'm concerned.

So we'll see. There is maybe some material partnerships to be created in that context, et cetera. We already have an open network already wholesale. So no big changes on that front. But anyway, that's how I to see it.

David Vagman, ING Groep N.V.

And when you say no big change, you mean also in terms of wholesale strategy? Could you -- I mean, could you be more aggressive to keep an Orange Belgium, for instance, on your network?

John Porter, Telenet Group Holding NV

We like having Orange on our network. We've been saying for a while now that the wholesale business is a good business.

And we're -- whether it's a -- we're also in the commercial access business, we have big MVNOs on -- the biggest MVNO in Belgium on our wireless network. We have VOO on our network. We have -- I think, how many of MVNOs do we have?

Erik Van den Enden, Telenet Group Holding NV

Many because also many (inaudible) .

John Porter, Telenet Group Holding NV

Yes. B2 billion -- we have companies that we have a company that specializes in the diamond district and (Antwerp on) our network. So we like the wholesale business. It's a good business for us. Erik runs it, does a great job. So we want to stay in it.

Operator

There are no further questions in the queue. So I will turn the call back to Rob Goyens.

Rob Goyens, Telenet Group Holding NV

Thanks, Operator. Thanks all for the lively Q&A session, which I guess, took a bit longer than what we initially planned for or anticipated. But it's good to have such a lively debate.

I guess we might still have some questions later on. So as I mentioned, Bart and I remain then by for any further questions you may have.

We also have a full schedule of roadshows, albeit virtual that we have planned for in the next couple of weeks. So you'll find a schedule on our Investor Relations website. So if you want to participate, feel free to ping us. We're happy to discuss that with you in detail. So thanks for joining. Have a good rest of the day. Bye, bye.

Operator

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