Company Name: Telenet
Company Ticker: TNET BB
Date: 2023-07-25
Event Description: S1 2023 Earnings Call

Market Cap: 2340.8567059135275
Current PX: 20.8799991607666
YTD Change($): 5.1
YTD Change(%): 32.319

Bloomberg Estimates - EPS
Current Quarter: 0.795
Current Year: 3.128
Bloomberg Estimates - Sales
Current Quarter: 720
Current Year: 2849.667

S1 2023 Earnings Call

Company Participants

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

Other Participants

- David Vagman, Analyst
- Nicolas Cote-Colisson, Analyst
- Roshan Ranjit, Analyst
- Martin Hammerschmidt, Analyst
- James Ratzer, Analyst
- Yemi Falana, Analyst

Presentation

Operator

Hello and welcome to the Q2 2023 Earnings Call for Telenet. My name is Jess, and I'll be your coordinator for today's event. For the duration of the call, your lines will be on listen-only, however, there will be the opportunity to ask questions. (Operator Instructions).

I will now hand over to your host, Rob Goyens, VP, Treasury and Investor Relations to begin today's call. Thank you.

Rob Goyens, Vice-President Treasury & Investor Relations

Thank you operator and welcome everyone to our second quarter earnings webcast and conference call. We appreciate you all joining today in what seems to be a busy day in the European telco space. As always, our earnings materials, including this presentation can be found in the results section of our Investor Relations website. And after the call, we will also provide a replay and a transcript for those that may have missed this call.

Before we start today, I would like to remind you that certain statements in this earnings presentation are forward-looking statements. More information on these statements can be found in the Safe Harbor disclaimer at the beginning of our presentation. Let me now quickly introduce today's speakers. Our CFO, Erik Van Den Enden, will walk you through the main highlights of the quarter. He will then be joined by our CEO, John Porter for the Q&A session. And afterwards we will indeed open it up for Q&A, and invite you to limit yourself to two questions each.

With that, let me now hand over to Erik.

Erik Van den Enden, Chief Financial Officer

Thanks a lot Rob, and good afternoon or morning to all of you. Thanks a lot for joining us today for our earnings call.

Let me start with giving the main highlights of the second quarter. On the operational side, we had a rather soft performance, and this reflected a range of factors such as the pricing increase that we implemented in June of this year, but also the temporary IT system issues from the migration of customers to our new IT platform, and an overall intense competitive environment. In addition, we also decided to temporarily postpone some of our marketing campaigns following the aforementioned IT issues, which adversely impacted our gross sales performance.

Having said that, we are pleased with the progress we have made in recent weeks to improve our processes and reduce our backlogs. As such, we can confidently look ahead. Specifically, our B2B segment performed very well, adding large customer accounts such as Belnet and SchoolNet, which will significantly contribute to future growth. We also further strengthened our media franchise, adding Disney+ to our TV box allowing customers to subscribe to their favorite OTT channels through our box and receive one integrated bill.

The second quarter was pivotal for us from a strategic point of view as we received regulatory approval from European Commission for the launch of our NetCo partnership with Fluvius, which we now call Wyre. As a reminder, we hold a 66.8% shareholding in Wyre, and we'll be therefore fully consolidating the results into the Telenet numbers. We closed this transaction on the 1st of July. Wyre's ambition is to provide speeds of up to 10 gigabit per second across its entire footprint in Flanders and parts of Brussels over time. Moreover, there is a clear roadmap through a mixture of both DOCSIS and fiber technologies.

By the end of this year, Wyre aims to cover 100,000 homes with FTTH already. Wyre plans to invest up to EUR2 billion targeting to cover 78% of our regional footprint with fiber by 2038, with approximately 70% of the houses connected already in 2029. We have a fully-funded investment plan and will continue to pursue network and CapEx rationalization opportunities in line with the strategy that we announced during last year Capital Markets Day. Last week, our majority shareholder, Liberty Global, announced the results of their voluntary and conditional takeover bid on Telenet. After the initial acceptance period, which ended last year, Liberty will directly and indirectly own 93.2% of Telenet, including the treasury shares, which were already held by the company. As a consequence the free float has reduced from 37.7% before the offer to 6.8% now.

As you have seen from last week's announcements, Liberty Global has decided to weigh the conditions of owning together with Telenet at least 95% of the outstanding shares. As Liberty Global together with Telenet now owns more than 90% of all Telenet shares, the offer will be reopened as of the 24th of August. The reopening will provide shareholders who did not yet tender -- who did not yet tender, the opportunities to still tender their shares at the same cash price of EUR21 per share. All information regarding the offer can be found on the dedicated website mentioned on the slide.

Let's now zoom in to our operational and financial highlights. As I just mentioned earlier, we had a soft operational performance in the second quarter. Our broadband customer base contracted with 5,000 RGUs, and also in mobile postpaid, we saw a net decline of 5,400 RGUs. However, our FMC customer base continued to grow with 5,500 net FMC customers, reaching almost 840,000 subscribers. Meanwhile, the six-monthly ARPU per customer relationship continued to grow, up 2% year-on-year in the second quarter to reach just over EUR59.

Let's now zoom in on our topline performance. We achieved revenue of EUR1.4 billion for the first half of the year, which is a 9% increase year-over-year. This is a result of the revenue contribution from Caviar and Eltrona, both businesses, which were not yet included in last year's numbers. Excluding the impact of both inorganic transactions, our rebased revenue growth almost 2%. Organic revenue growth was driven by a similar increase in total subscription revenue and a 6% increase in business services revenue.

As was the case in previous quarters, our cost base continues to be impacted by higher energy cost and overall inflation. Our operating expenses were up 3% year-on-year on a rebased basis in H1, which included a EUR10 million one-time benefit as disclosed in our release and as contemplated in the guidance that we set earlier this year. As you can probably see from the chart, we incurred higher staff-related expenses following the 11% mandatory wage indexation, which became effective as of January earlier this year. Also our network operating costs increased on the back of higher energy costs. Our expected energy spent for the entire 2023 is covered by fixed price agreements. And for next year, we have already covered around 42% of our exposure with hedges. This helps us to reduce earnings volatility heading into 2024.

Turning to EBITDA, for the first half year of 2023, we achieved adjusted EBITDA of EUR677 million, which is up 1% year-on-year on a reported basis. Excluding the impact from the Caviar and Eltrona acquisitions, our rebased adjusted EBITDA was broadly stable, benefiting from the aforementioned one-off of EUR10 million. This one-off also boosted our adjusted EBITDA performance in the second quarter, which was up 4%, both on a reported and a rebased basis. Turning to Adjusted EBITDA after lease costs, our adjusted EBITDAaL. We generated adjusted EBITDAaL of EUR619 million over the first half year, up 1% and 3% year-on-year on a reported and rebased basis. These essentially reflected the same factors as those have impacted our adjusted EBITDA performance. EBITDAaL also benefited from lower interest expenses on the Fluvius lease as a result of the Wyre transaction. And with that, we are trending well against our full-year guidance with respect to EBITDAaL.

On the investment side, our accrued capital expenditures excluding the recognition of certain football broadcasting rights and certain lease-related capital additions reached EUR342 million in the first half. This was equivalent to approximately 24% of revenues. Our accrued CapEx was up 16% year-on-year, reflecting higher investments in 4G and fiber-to-the-home. As embedded in our full-year outlook, we anticipated higher CapEx in the second half of the year, driven by the start of Wyre. As already mentioned at the beginning of the presentation, Wyre aims to pass more than 100,000 homes with fiber already by the end of this year.

Turning to the next page. Adjusted EBITDA less property and equipment additions reached almost EUR335 million for the first half year of 2023. 11% year-on-year decrease was mainly driven by higher accrued capital expenditures versus last year.

And then turning to cash flow or free cash flow, year-to-date we generated adjusted free cash flow of EUR103 million. A 39% year-on-year decline is driven by a couple of factors. Firstly, we incurred 17% higher cash capital expenditure, as a result of our increased capital intensity. Secondly, there is a negative trend in our working capital, which is seasonal and which we expect to reverse in the second part of the year. Thirdly, we incurred higher payments for cash interest and cash derivatives compared to the half year of 2022. And lastly, there is also a EUR4 million lower contribution from our vendor financing program compared to last year, and which is just a result of some phasing our payments. In line with our full-year outlook, we expect the trends in adjusted free cash flow to significantly improve in the second half of the year, reconfirming our full year objective of around EUR250 million.

We ended the first half year with a comfortable cash balance of more than EUR1 billion. We also increased the size of our senior revolving credit facilities by a net EUR90 million to EUR600 million altogether. Moreover, we succeeded in extending the maturity of our RCF by an additional three years to the end of May 2029. The sum of our cash balance and undrawn revolving credit facilities amounted to nearly EUR1.7 billion at the end of June. With that, we continue to have a fully funded FTTH investment plan and we will actively deploy our cash balance in the coming years. Also, we have started to generate positive returns on our excess cash balance, which benefits our adjusted free cash flow.

Let's now have a look at our leverage profile. Following the tower disposal in a subsequent move to Adjusted EBITDAaL, we assess our net total leverage using net debt excluding leases divided by the last two quarters annualized adjusted EBITDAaL. On this metric, our net total leverage at the end of June remained broadly stable at 3.5 times. Under the previous net total leverage definition using net debt including leases divided by the last two quarters annualized adjusted EBITDA, our net total leverage at the 30th of June was unchanged compared at 4.0 times. In turn [ph] our leverage continues to be towards lower end of the target range.

Finally, taking a look at our guidance. Having completed the first six months of the year and looking ahead to the second half, we remain on track to deliver on our financial objectives as presented at the beginning of this year. The rebased revenue and adjusted EBITDAaL growth rates in stable do not yet include the benefits of the Wyre transaction with Fluvius, which closed on the 1st of July. This mainly affects our full-year 2022 rebased adjusted EBITDAaL given the removal of the Fluvius lease payments as from the closing date.

This brings us to the end of the management presentation. And I will now hand it back to the operator to start the Q&A session.

Questions And Answers

Operator

(Operator Instructions). And the first question comes from the line of David Vagman from ING. Please go ahead.

David Vagman, Analyst

Yes, hi, good afternoon and thanks for taking my questions. So, I've got two. One on the IT issue and one on Wallonia. So the first one on the IT issue, it's a bit long, but basically asking a bit of an update on the situation. So what has been going on or is it being fixed, how much time it could, you know, it could take before seeing an improvement in the churn and the commercial momentum. So does it imply some additional cost? Could you, you know, skip or push actually on marketing for the rest of the year. So that's my first question.

And then secondly on Wallonia, so Orange Belgium has now disclosed, communicated on its ambition in term of network upgrade for VOO. What is your take? I guess you were sort of aware, but what's your take on the strategy, especially compared to Proximus' plan? And/or maybe to rephrase a bit, so what makes it a better or a more suitable partner wholesale for Telenet other than Proximus in Wallonia? Thank you.

John Porter, Chief Executive Officer

Hi David, it's John. I'll answer the first question on the CBI [ph]. I can say that we've made substantial progress against the IT issues that impacted our transformation onto a state-of-the-art CRM platform. In fact in most categories, we -- our call volumes and our customer contact volumes have returned to sort of 2022 levels, particularly on billing and on retail, which was impacted by some supply chain issues with the IT platform initially. In addition to that we -- sorry I guess my thing is beeping here.

In addition to that we have had a tremendous amount of work being done literally around the globe on the CRM issues themselves, particularly in areas of fulfillment and activation, which are somewhat non-regular. So for example, someone notifies us that they want to move, and in between the time that they move and the time that they notify us, they want to add a SIM or subtract a SIM from their package, this kind of thing was not contemplated in the initial design, and therefore we have to write code to accommodate it. Those things are being burned [ph] down every day. And I can say that they are obscured enough at this point where there are not really people out of service any more than our traditional, we serve you, we'll get you back up within 24 hours commitment. And we're confident enough about the levels of these kind of things that we are back to marketing above-the-line full-time and reinforcing the customer promise through various channels.

So we are really getting back to business as usual. So in terms of any forward-looking impact, we actually expect to see a nice recovery in the subscriber numbers. And allowing for the fact that in this context, we also took a 6% rate increase. It has been a challenge, but I am pretty confident that we're getting back to the good numbers. In terms of the churn, yes, there was a slight impact on full churn, but quite low and quite manageable for a period of about six weeks. But where we've seen more -- where we always see more churn and more churn this time of year is in people just readjusting their packages based on the rate increase and manage -- optimizing their price profile.

So pretty confident about the second half of the year, and that this is going to be in the rearview mirror.

David Vagman, Analyst

Thanks.

Erik Van den Enden, Chief Financial Officer

Yeah. Let me maybe then take the second question with respect to the network strategy for Wallonia and use of the Orange/VOO network. Well, I think one thing that makes the proposition -- the wholesale proposition from VOO and from Orange really interesting is the mixture of coax and fiber. So, what we see is a strategy there being consistent with the strategy that we have for Wyre where we believe that the future will hold a large part in fiber, but where also coax will continue to play a very important role, especially in the less dense areas.

And so, when we look at the network strategy of Orange in Wallonia, we are happy and pleased with the fact that they will also do a fiber upgrade for parts of that territory. But we also believe that, the fact that they have coax today gives us a very performant wholesale network from day one. We also know that Proximus is building fiber across Belgium, but at the same time their build out has been skewed towards Flanders, so they're less advanced in Wallonia. And of course, we are very familiar with the coax technologies, we're familiar now or becoming more familiar with the fiber technologies. Needless to say that the legacy copper technology would be less interesting for us both from a performance perspective, but also from a product and just implementation perspective. So we think that a very healthy mix between coax and fiber in Wallonia is something that works very well for us. And then therefore, we think it's the best choice.

David Vagman, Analyst

Thanks, both. Very clear.

Operator

Next question comes from the line of Nicolas Cote-Colisson from HSBC. Please go ahead.

Nicolas Cote-Colisson, Analyst

Thank you. Hi. Hi, everyone. Few questions on the customer trends. Did you notice a change in competition pattern recently? Eventually did you see Proximus fiber being more of an issue in Q2. I mean any light around this would be helpful. Also in mobile, by the way. And another question is, how do you explain, you are still adding fixed mobile customers when your IT issues were preventing you to add the broadband and in mobile. So I'm just curious to see why one particular category was doing better?

John Porter, Chief Executive Officer

I'll let Erik answer the question in full, but I will say that the second part of your question, how can we add mobile customers? We didn't have any issues adding new mobile customers or upgrading our accounts unless it was kind of a unique situation. So, generally speaking, activating -- adding and activating SIMs we were able to do. There was, for example, real-time activation was disrupted for a short period of time, but that didn't mean that SIMs weren't activated, just maybe took two or three hours in some cases to activate them.

So the issues of the CBI were very much around the margins, but at scale, when you have millions of customers, very small margins are noticeable. So the main slipstream of how we run our business was not affected by the CBI. And in fact 98% of customers who would not have felt anything to do with the CBI. So just to -- just to set the record straight on that. And then you want to talk about the subs, Erik?

Erik Van den Enden, Chief Financial Officer

Yeah, so I think other question was, whether we see strong impacts in the areas where Proximus has already deployed fiber (Multiple Speakers).

Nicolas Cote-Colisson, Analyst

No. Yeah, well, yeah, more generally speaking, if anything from -- yeah, I mean, this is the question or more generally speaking, any change in competition patterns yeah, sorry.

Erik Van den Enden, Chief Financial Officer

Nicolas, we have not seen dramatic, I don't think there are systematic changes in the competitive environments. And so I don't think necessarily that the behavior that the players in the markets have exhibited in this quarter is very different from the past. So I think the strategy to go to market strategy has probably been more or less the same, also the promo strategies. However, we do see of course, periods of higher intensity with stronger promos and sometimes periods with less intensity. So we would say that this is definitely a period where the competition has been fierce, and it always is by the way. But we have not seen any truly disruptive promos, anything like that. It is competition as usual, but obviously very fierce competition. And again as we would see maybe in other quarters as well.

Nicolas Cote-Colisson, Analyst

Got it. Good. Thank you.

Operator

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

Roshan Ranjit, Analyst

Oh, great. Afternoon everyone. Thanks for the questions. I've got two, please. Firstly, on the provision unwind, Erik, that you mentioned, which had the EUR10.5 million, is that more a timing thing, so the provision we should expect in the second half of the year? Or are kind of integration costs as part of the, as part of Wyre less than you had previously expected. So I guess if I look at the Q2 costs to capture, you actually got a reversal, a small reversal in the cost booked in itself. So I'll be interested to know if there is some upside in the costs there?

And secondly, just going back to the competition point, you mentioned a good progression within B2B. And again, this is an area, which you guys and OBEL have identified as target areas. Is that still more in the SME and SOHO business? Or are you seeing a bit more scope to address the larger corporates, again I guess as you're network becomes more nationwide, do you see upside there? Thank you.

Erik Van den Enden, Chief Financial Officer

Yeah, so I may start with the last...

John Porter, Chief Executive Officer

I can answer...

Erik Van den Enden, Chief Financial Officer

Okay, go ahead John.

John Porter, Chief Executive Officer

Yeah, I was just going to address the B2B question. We have probably the best traction in large enterprise B2B than we've ever had in the history of the company over the last few months. It's been an area of focus to go out and capture these governments and other large enterprise accounts. And we have won virtually some or all of everyone that we have -- where we've (inaudible) the RFP. I said before that Telenet has now given our investments in ICT as well as a reboot of our sales strategy and leadership really ticking all the boxes when it comes to competing for the large enterprise accounts, in fact for all accounts. And we have added through framework agreements over 160 million of potential, now we have to go out and convert all the properties within those framework agreements. But the (inaudible) is extremely high once you have the framework agreements.

Erik mentioned the SchoolNet and the Belnet. SchoolNet is all of the schools, preliminary schools, and the Belnet is the -- essentially the federal government and ministerial distribution system. So there is also the Flemish government in play, which we have a lot of confidence about. And we expect to be able to continue to compete in this space as aggressively. And as I've said before, we see B2B, which is already without even SME -- sorry without even SOHO is a multi-hundred million euro business for us to have mid-single to double-digit growth over the next few years.

Erik Van den Enden, Chief Financial Officer

So I'll take your second question, Roshan. So I think you asked two things, so there was the one, one part of the question related to the one-off and the second one then to the cost to capture. So maybe on the one-offs, the one-off is really related to provisions that we had with respect to the network. And so we have had a very long relationship with Fluvius, of course the lease is running more than 20 years, so over the years, there has been certain provisions in the books on the balance sheet. And now with the transaction of Wyre closing, we have been able to unwind this provision. So that's just the one-off, there is nothing that we still expect in the second part of the year, so that is in a way done and dusted.

Then in terms of the cost to capture. So you're absolutely right that we had a very small reversal in Q2, and you may remember that in Q1, we had EUR1.5 million, of which we reversed EUR200,000, so for the first half of the year it is EUR1.3 million. This is just a matter of us just trying to be efficient in the support that we get to -- to get the company running. Obviously, the company is live now, so we have done a lot of preparation, and also in terms of operationals, we are off to a very good start. So this is basically, yeah, just a small part. But even if you would leave that out and you would take away the one-off, you would still have been in slightly positive territory for EBITDA. So no major further impacts there.

Also we do not expect very big cost to capture still, I mean the majority of the preparations have been done. We might have some marginal things left and right, but it's largely behind us.

Roshan Ranjit, Analyst

That's great. Thank you very much. And last just for -- I think you mentioned, we should be expecting a new rebased 2022 EBITDAaL for the lease adjustment, is that right going forward?

Erik Van den Enden, Chief Financial Officer

Correct, yeah, so as you know, we have very sizable or we used to have very sizable lease payments towards (inaudible) and that will now be rebased and of course as part of the Wyre transaction these lease cost will cease to exist.

Roshan Ranjit, Analyst

Perfect. Thank you very much.

Operator

The next question there comes from the line of Martin Hammerschmidt from Citi. Please go ahead.

Martin Hammerschmidt, Analyst

Hey, good afternoon, and thank you for taking my questions. I have two and a half, please. The first one is regarding a possible fiber cooperation with Proximus or Orange Belgium. I mean, I think you alluded to in earlier calls that (inaudible) that will actually depend on sort of the regulator decision, which I think is not due before sort of or due at some point in the first half next year. But do you see some opportunities to start conversations already with Proximus or Orange Belgium on any fiber partnership before that or is it pretty much clear cut that before the BIPT's decision, there is no point in talking?

And the second question is on -- so the trends in the third quarter, you said, the IT issues are pretty much all sorted now. When I think about competition, we've seen Proximus obviously increasing the price, base prices for the second time this year. Should we see sort of higher inflow, not just from sort of sorting the IT issues out, but also so maybe coming from Proximus given their sort of price increases metric assumption or is that something that you don't really see in your base?

And the half question is, probably as always on the new entrant. Apart from what we can read in newspaper, could you sort of share with us what you see on the ground in Brussels and Belgium taking place? Thank you.

John Porter, Chief Executive Officer

Okay, I can address those questions, Martin. So first of all, on the potential for network sharing, I would note that we already have quite an extensive deal with Orange, right? So they will have access to our both HFC and fiber networks in countries -- in part of the country with our footprint. And vice versa we will have access to their network. And therefore, we can both comfortably claim to be FMC national operators, in the south for us, of course, it will be through wholesale access agreement, and in the north it's through their wholesale access agreement. So I think it's -- it was a good outcome, certainly one in the context of not being successful in the acquisition in the south was the next best option. And we're quite happy with it. There is a lot of value in having certainty of carriage in a scale of wholesale access seeker like Orange for the Wyre business. Between Telenet and Wyre, we comfortably have 70% of the traffic that's on the HFC and fiber network in 65% of the country.

So as far as Proximus is concerned, there are of course -- there is of course merit in certain parts of the country to network sharing arrangements between Proximus and their proxies and ourselves and Orange on the other side. And we will explore those opportunities in time in cooperation with the BIPT. There is, I think some interest in that from the municipalities in Flanders, they don't want to see things dug up twice, et cetera. But I would note that Wyre is already sitting on 800 kilometers of ducted underground fiber without the fiber being in the ducts yet, but very simple to blow it through by the synergistic trench sharing that we've done over the last two years to three years.

So we're going to get a running start with Wyre already, but that 800 kilometers is already passing about 120,000 homes. And I think there is a -- there is a lot of movement towards a more rational approach to this, this investment cycle than would have met the eye six months ago. The reason we didn't talk about it a lot before is, we wanted to talk about it from this position of strength. And we think that our partnership with Fluvius and Orange in Wyre is a position of strength, and gives us a very firm foundation to have meaningful discussions with anyone else who wants to participate in this endeavor.

I think capitalized -- the second question sort of capitalizing on issues for other operators in the second half of the year. I mean, it's always a battle, we are, you know, constantly remind people that, yes, Proximus is building fiber. There are 20% to 25% of the country or whatever where they can offer 1 gig services. We can offer 1 gig services in 98% of the country, if not a 100%. So we still feel that for the foreseeable future, we have a network advantage. We think we are, despite some customer issues that we're in a recoverable position vis-a-vis our brand and reputation of our brand is superior customer option.

We don't tend to lose customers based on network performance or speeds or glass versus copper or HFC or whatever. We do -- we tend to lose customers who are much more aggressively value-seeking. And that's -- that's why Orange has had a decent run during this period of time. And that's why we will do some things to ensure that, that we cover a broader spectrum of the market going forward.

And then finally on the new entrant, I think what you see is what you get. There is not -- there is not, I mean there is, I am sure on their part plenty of work being done behind the scenes. But it's going slow. That's about all I can say. And I don't -- I don't doubt their motivation and their intent. But remember their liability on the spectrum in their partnership is paid for over 20 years. So being -- having option value in Belgium is really only costing the (inaudible) JV around EUR10 million or EUR11 million in spectrum cost per year or even less actually. So they're not really on the hook for the full amount that they pay for their spectrum. So they're being prudent and these aren't maybe the best of times to be taking a punt on being the fourth operator in a highly performant market like Belgium.

Martin Hammerschmidt, Analyst

Understood. That's helpful. And if I can come back to the second question, I think my question was more towards, do you see sort of churn from Proximus post their July price increase coming your way in sort of some visible way or is that something that you don't really see like for the first sort of for the last full three, four weeks?

Erik Van den Enden, Chief Financial Officer

Yeah, I think...

John Porter, Chief Executive Officer

(Multiple Speakers) I'll speak generically, because I don't want to really speak about Proximus necessarily, but that's for them to do. But generically, we don't see a lot of full churn in this market based on price between the operators. I would say there is -- when we do have churn and we do have churn, but it's some of the lowest in the European telco market that I know of between 7% and 8% full churn annually. If it is, what we would call discretionary churn, which is one operator going to another operator, as opposed to moving out of the country or God forbid passing away. But that's less than 5% in our case. And if we do see it, we see it more of customers going to more of the cheap and cheerful options. And therefore, that's something that we need to address in our portfolio a little bit better, and we will over time. So that's all I can say about that one.

Martin Hammerschmidt, Analyst

It's very helpful and clear. Thank you.

John Porter, Chief Executive Officer

Okay.

Operator

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

James Ratzer, Analyst

Yes, good afternoon. Thank you very much indeed. So two questions. Firstly, I don't know if you're able to comment on this much, but just love to get an update on your thinking around a sale of the stake in the network business. And I believe it's something you had talked about in the past and said was on hold until the Wyre transaction should actually close. Now that has happened, could you just give us an update on the timetable around potentially starting the process for sale, if indeed that process is going to start for the time being?

And secondly, I'm just interested in some of the smaller acquisitions that you've been doing. I know it's not a huge use of your capital, but you have been, in this month of July, and in the past buying up some media assets. And I am just interested, given the decline that you continue to see in your TV customer base, why you feel it's a good use of your capital to be making some of these smaller bolt-on media acquisitions? Thank you.

John Porter, Chief Executive Officer

I'll address the first one and Erik maybe M&A is in your purview, you can -- that's the second one. So there is no formal process to attract additional investment into Wyre. We have said, you're correct, historically that we are open to that possibility. We are in somewhat of a different sort of high-interest environment than we were two years ago when we started talking about this thing. So I would say, this is probably, if we were going to do that, this is probably not the ideal time. We have been very focused on getting a regulatory approval to for both the Wyre merger, but also our position as a remedy taker in the south of the country, and getting an understanding of how that's all going to work. So we've been very busy in that regard.

Also structural separation is a very operationally intensive endeavor. And we've been working on that. And we've also been working on this transaction with Liberty. So there have been a lot of distractions relative to that possibility. I mean the business is fully funded based on our current capital structure, and the capital structure of Wyre. So there is no great need I think in the context of us probably being a more wholesome part of Liberty going forward. It's really a question in the broader Liberty context exactly how we would get the value recognition for this asset that we should get.

So I think there will be -- there will be activity in that area at some time, what form it will take, whether it's a formal process or -- but a recognition of the fact that this network asset is as valuable as it is given that it has long-term commitments for 70% of the traffic in a substantial portion in Belgium, I think you will see something down the road. So -- but what form it will take is going to be a matter for us to discuss with Liberty Global and to see it timing-wise and what shape that will take down the road. But no rush because of course it's fully financed, we want to see it really accelerate. And so, I imagine in this sort of medium-term, we'll see some activity around that.

Erik, you want to talk about the small acquisitions and the strategy there?

Erik Van den Enden, Chief Financial Officer

Sure. James you're right, within the quarter we had two smaller acquisitions that we acquired (inaudible) which is radio and then Sputnik production company through our Caviar subsidiary. But to your point, these are relatively small transactions, so combined less than EUR5 million. I think we do -- we have this strategy for two reasons. There is I think value within the production sector itself and expand on that. But then, secondly, there is definitely also strategic value between broadcasting and production and then keeping customers on our TV platform.

So if you look at the value within the production sector, the Flemish production sector itself, we see a couple of things. We see first of all very, very strong content and a very rich landscape of often very small production companies within Flanders. And when we say there is strong content, there is strong content locally, but it is also content that can travel more broadly and internationally. So, we have indeed already taken an approach of very targeted making some acquisitions there. It's probably a strategy that we may continue to pursue going forward. And I think there are two key elements there. There is first of all, consolidating a very fragmented landscape, and obviously, that creates some sort of synergies. Now, of course, the creative talent is really important, so synergies only go so far, but definitely, in the back office et cetera, there is some scope there.

But secondly and maybe even more importantly, it also -- what we're trying to create is also a platform to have this content travel more internationally. And for sure, Caviar acquisition has been very important there. They are present across the globe, they are present in the US, they are present in other countries in Europe, in London and Paris. And so, we're trying to create a platform where we can generate strong local content and then monetize that content within Belgium, but also more internationally. And we think that is a very interesting business.

Second part is indeed the strategic overspill or cross-fertilization between production and broadcasting and then our TV platform. So we have a strong conviction that having very strong content and some sort of vertical integration there helps us to keep customers on our platform. And I think that goes a couple of -- to couple of ends, first of all, making sure that, that content is being generated locally through our support and we can broadcast that. Then secondly, if we have that content, we can also activate that more from a 360 perspective. So we will, of course, bring it to our customer on our box through -- through Play Media, but it also allows us for instance for the most popular shows to bring additional features that are not necessarily available on our competitor's platform.

And a good example of that is The Mole. Mole is a sort of reality show that, that is a top show in Belgium being produced by our production company Woestijnvis and brought on air through Play Media. So we have couple of things there. We have of course the broadcasting itself, which attracts top audience across TV viewers, but we have also created through our interactive TV platform, The Mole zone, which is a kind of a bespoke place where viewers can go for additional content, can subscribe to contents et cetera. So enriching the content that is already there through -- through the normal broadcast. But also through our VR platform The Park, we have also created a game around The Mole, again bringing people even more into the franchise not only through watching TV, but then even being able to play The Mole game through VR.

So again, bringing all these things together, we think it is something that strengthens our own platform, but also hopefully reduce the (inaudible), which as we have said before, we are seeing that in Belgium, but less so than in Anglo-Saxon countries, and maybe on the strategy of making sure we can offer great content is one of the reasons that we seek less than maybe in some other markets.

James Ratzer, Analyst

Interesting. Thanks very much.

Operator

The next question there comes from the line of Yemi Falana from Goldman Sachs. Please go ahead.

Yemi Falana, Analyst

Afternoon, everyone. Thanks for taking my questions. It seems from our perspective, that the most value accretive kind of next step on your network journey would be some kind of network-sharing arrangement with Proximus et cetera in

Belgium, particularly in the rural areas. And there's been some talk around kind of different models that could take. But given we've been discussing this for some time, it would be great if you could give us a timeline on kind of what is the kind of the real trigger from a BIPT perspective on when we could see more on the network side, is kind of within the next 6 months to 12 months realistic now, given the Wyre company has been stood up. Any color around that would be super helpful.

And then maybe secondly, I think through the balance of this call you've really reflected some -- you really kind of given the clear message that you're confident in the outlook for the second half of this year. How much of that is to do with some of the marketing spend that you might have saved on this quarter, not recurring through the second half. Any kind of numbers you're able to give around that would be super helpful. Thank you.

John Porter, Chief Executive Officer

Yeah, on the first question, I think I did have addressed it a couple of times in the Q&A. But just for clarity, the BIPT is in its process of a market review, which usually leads to some fine-tuning of the legislation. The kind of macro issue of course across Europe is, you know, is there in the world of fiber is infrastructure-based competition the most important thing or is sensible capital deployment, which saves operators some capital, which they can redeploy to the social benefit of more end-user technologies or less price pressure or these kind of things, you know, what's the right place to come down on this issue in this dynamic. And I think the needle is moving much more in the direction of the latter, we see from a European regulation standpoint. And we think, obviously the BIPT, as you know, will read the tea leaves when it comes to what's happening in Europe more broadly.

So we have to wait for the BIPT to finish their analysis. In the meantime, as I said before, and this gets to what I've already said is that we are open structurally, we're not proprietary necessarily, that game is over. So having more traffic on our network is accretive, and not spending CapEx in areas where it's sub-economic to build fiber-to-the-home, is also accretive to our business case. So those are some of the drivers. And I think they will probably play out in 2024 because the BIPT is going to do their work through the end of this year on the market analysis.

And you want to do the other one?

Erik Van den Enden, Chief Financial Officer

Yeah, on the full year guidance, the other one was I think why we are confident on the full-year guidance? I would say two things, I think first of all, because we're halfway through and I think our numbers have been solid then when you look at topline, when you look at the EBITDAaL, which is up 3% year-over-year for the first half. I think we are trending well versus our full-year guidance. The one that of course is a little bit soft year -- well, I wouldn't say soft, you know the free cash flow is of course very seasonal number, I mean depending on when you pay taxes, how you're working capital sometimes on an organic basis shifts a little bit left and right. There is probably year-to-date, I mean, that number is probably a bit softer than versus last year. But again, we feel very confident that in the second part of year too savings et cetera will get to the EUR250 million.

So, I think it's a combination of being well underway for H1 on the more commercial metrics. And then on the financial metrics, the seasonality being under control and having confidence that we'll get to the full year numbers.

Yemi Falana, Analyst

Very clear. Thank you.

Operator

There are no further questions in the queue. So, I'll now turn the call back over to Rob Goyens for some closing remarks.

John Porter, Chief Executive Officer

Hey, Rob. This is John.

Rob Goyens, Vice-President Treasury & Investor Relations

Yeah. Hey, John.

John Porter, Chief Executive Officer

I'll make some closing remarks. Just wanted to say, well, I had a chance and I hope there is few people still left on this call that having been CEO of public companies with Liberty as a substantial or a majority shareholder for the last 26 years that is coming up on a bit of inflection point for me and for the whole team here. But before we don't talk to you at least in the foreseeable future, we just wanted to say thank you very much for the working relationship since 2005 I think, since Telenet has been a listed company. I've been here for 10 years, and the working relationship has been extremely professional and constructive, a lot of goodwill. We've had our ups and downs where the amount of stock that's traded in Telenet is unfortunately not at a scale to really reflect the full market value of the company. And which is a bit unfortunate, it's one of the reasons we think that rolling up into Liberty is the best move in this investment cycle. Saying that, there could be the possibility down the road of re-listing or some other version of that coming out of -- back out of Liberty Global or some other entities.

So we may not be gone forever, but we're going to be going for a little while. And once again, I wanted to thank everyone for the personal relationships and for the excellent job that you did -- have done covering our company over the last 15 plus years. So thank you very much.

Operator

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