Telenet 2019 Q3 Results

Thursday, 31st October 2019

Questions and Answers

Operator: Ladies and gentlemen, if you wish to ask a question, please press 01 on your telephone keypad. The first question comes from Michael Bishop from Goldman Sachs. Sir, please go ahead.

Michael Bishop (Goldman Sachs): Yes, thank you. Just a couple of questions from me, please. Firstly, you reported pretty solid KPIs, as you highlighted in the presentation. So, I was just wondering whether you're actually seeing any impacts from the slightly higher competition and the Love Duo launch or whether your propositions are just holding up very well against that.

Secondly, you're pushing B2B a lot harder and you mentioned that that had a 20% increase in the broadband intake. And could you just give us a bit more colour on how you see the B2B opportunity progressing and what the opportunity is there perhaps sort of near– and medium-term?

And then thirdly, just on the dividend, I was wondering if you had any formula that you're using for the interim dividend and whether we should extrapolate to the full year dividend, given you've still got a bit of a wide range in terms of free cash flow payout? Thanks very much.

John Porter: Okay. On the commercial issues, I think, as we've mentioned in the overview, we have increased the segmentation of our FMC bundles and targeting now not just families but households with two SIMs, households with one SIM, households with more focus on television and households focused on less television. It's been our intention all along from a competitive standpoint to cover as many segments and they go deeper into segmentation this year. I'm pretty confident that between the WIGO ecosystem and the YUGO ecosystem that we have a lot of bases covered.

But one other thing we did in the quarter, which I felt was very strong, was to dial up our – the visibility and the access to a more a la carte approach. So, a good example of that is – was the very strong offer on our standalone broadband, targeting more heavily the student community, but something that was promoted across our entire footprint, which was – which is 300 megabits per second on the back of our 1 gig launch and speed boost, 300 megabits per second for €25 a month. So, we feel that we compete very strongly with most of the offers that are in the market, whether it's Love Duo or epic combos or these types of things. We've always felt like we need to get out there first and claim the high ground in the different segments. And then, I believe, in the quarter, we've successfully done that again.

So even on the back of a rate increase where we saw probably the least amount of volatility in our customer base that we've seen on the back of any rate increase that I've been associated with. So just sort of 1.5 points of annualised churn tick up in August but came back very quickly.

So I mean, the commentary from our competitors is that it's early days for their dual products and standalone products and stuff like that so too early to judge. But from what we're seeing, our offers are successful. And in the B2B environment, you really have to divide the B2B world into between the SOHO market, where we have – we're pushing 50% market share, very strong. We've underpinned that in the period with KLIK, as we described. That's had a very positive effect. That's something that's very valuable to the SOHO market, which is, we call –

I call it affectionately, service as a service. And we think that's really going to underpin more growth in the SOHO business for us, which has been kind of flat but – on a volume basis but rising in terms of ARPU.

And then we also have the LE and the SME market, which is getting a lot of attention right now with the integration of Nextel, launches of new services like IoT and some high-volume SIM connections with certain Nextel products. That business is going to cause our B2B revenues in that sector to be a little bit more choppy because saw – the ICT world is much more revenue associated with integration – call it, we'll work for food. I mean, we're just getting paid for a lower margin to deliver these ICT services.

Now there are still substantial amount of subscription. And we're very optimistic about the directional performance of that business but it will be a bit choppier. And in this quarter, we had less activity in that sector than we've had in the previous quarter and probably we'll have in the next quarter. So that's that B2B story. And Erik, you want to – the dividend?

Erik Van den Enden: Yeah, dividend. I think, first of all, on the dividends, I think we're very happy that we're able to start this journey and that we can do what we said last year. You will probably remember that we said that announcing first intermediate dividend was subject to us coming back to the mid-point of the range, around 4.0 times. Of course, we had big shareholder disbursements last year and also in the first part of this year – 600 million of the extraordinary dividend, 300 million share buyback. So again, very happy to see that despite almost paying a billion, 900 million, we were able to deliver very, very quickly. So we're in a very good position now to have this first announcement.

It is, of course, the start of a journey with the desire and the ambition to really now go to recurrent dividend streams. And this one is, of course, to be seen as the first part of the dividend that we will be paying over the 2019 cash flow. Note that the guidance on the cash flow is relatively tight. It's between 380 and 400 million. We also reconfirmed that guidance today. So that will be the basis for the 50 to the 70% dividend payout.

And of course, the final dividend will be announced in February when we publish our full year results. We can't be too prescriptive now on the formula in the sense that, of course, this is still, first of all, subject to board approval and shareholder approval. And we have taken this first step now with the final dividend to come early next year and the payment will be done in May. But it will be fully consistent with what we said before. So all in, you can count anywhere between 50 and 70% of the range.

Michael Bishop: Thanks. That's really helpful.

Operator: The next question comes from Paul Sidney from Credit Suisse. Sir, please go ahead.

Paul Sidney (Credit Suisse): Good afternoon. Thank you. I'll just go for three questions as well, please, if I can, hopefully, quite quick. Just firstly, on the revenue guidance, you obviously tightened it up a bit saying that your top line has held up better than you expected at the beginning of the year. I was just wondering if you could give us a bit more information around that, about what has gone a bit better in terms of the revenue picture over the year?

And secondly, just on the sort of fourth entrant 5G debate. We've observed recent comments from the Belgian telecom minister being pretty critical of the mobile operators. I just wanted to ask you whether you thought that this risk of a fourth entrant in the Belgian mobile market was still a risk. It just seems to never go away.

And just lastly, building on your comments on the previous question, do you think with different products coming to the market and in particular, different customer behaviour, different methods of watching video, do you think we should be looking at your subscriber base, both mobile and fixed, more as a whole to sort of judge your success when looking at the KPIs rather than just perhaps looking at the TV number as a sort of a gauge for your overall customer numbers? Thanks.

Erik Van den Enden: Yeah. Paul, Let me take the first question on the revenue. So I mean, indeed to your point, I think we – I mean, the revenues are better than expected year-to-date minus 1.4. And as already mentioned in the deck, if you take out the MEDIALAAN effect and kind of wholesale effects, essentially flat.

I think that that comes from a couple of factors. I think, first of all, if you look at the underlying subscription revenue, I think that has been strong in the sense that we have been able to put pricing very effectively. That, of course, is always a bit of a question. But I think, first of all, we have been able to price at inflation and we've seen that the churn, which is always, of course, goes up a little bit. This year is very benign so I think we are comfortable and happy on that front, which again, plays through into the fourth quarter as well, which is the reason that we have been able to kind of improve the full year guidance.

Secondly, also on the wholesale front, we had the conversion from light to full MVNO a little bit later with the wholesale players, which also gave us kind of a temporary one-off improvement.

And then lastly, there's, of course, also the handset sales, which is always for all of the players a bit of a volatile element. And of course, we've had quarters where that was below expectation. But I think also more recently, we're seeing a bit of upside from that front.

So if you take it all together, it's indeed, a pretty solid performance year-to-date. And also for the fourth quarter, we feel confident enough to improve the guidance from minus 2.5 to 2%.

John Porter: Yeah, and Paul, I'm going to take your last question first because it is my favourite subject, which is the way we think about our business and the – our customer value proposition and how we go to market.

The days of using either TV or broadband as a proxy for the health of our business are well behind us. Our strategy has been, since we launched WIGO, to really move post-product, as I call it, and to really have a more – a data-centric, platform-agnostic relationship with the consumer or, in fact, with the small business to provide an end-to-end user experience where they see value in the overall price that we charge them. This, of course, means that the consumer trends and the tech – being driven by technology, which are resulting in a value diminution of fixed line and to some extent television are really becoming less and less relevant.

I think the most important thing to look at is on a net basis, you can see, we're more or less breakeven on broadband, and we are seeing cord shaving on television and fixed line. But if you – the real underlying proxy for value is the fact that the overall customer relationships are fairly stable to growing and the ARPU is increasing. So to have 4% ARPU in that environment is very strong. Where our – so our underlying subscription relationship, the revenue is growing quite nicely. And the Q component of the relationship is fairly stable.

So where we have the headwinds, of course, is in usage and out-of-bundle fees, which has come down dramatically over the last four years, along with the – driven by consumer behaviour and regulatory headwinds. But that will flatten out over time. And as an overall percentage, it is flattening out now that it's almost down to single digits in terms of our overall revenue as a percentage.

So yes, it's a long answer to your question but we do need to think about the business in a different way. Of course, everything gets down to P times Q and that is quite healthy even though there is a shift between the way people not only use but value the products in their bundle.

Then your second question about the fourth entrant in 5G, I guess, there's a lot of things that our ministers in their infinite wisdom talk about. This fourth entrant thing has been going on forever. I think you got to look at more sort of the global scene on fourth entrants, which is not particularly healthy. You're seeing a lot more four to threes than you're seeing new fourth entrants. It's the – I think the devil's in the details in where we left off with the government. There were some, I wouldn't say, hurdles but there was quite a commitment necessary from a potential fourth entrant. It was 200 or 300 million before you would get to even step one of being able to negotiate a roaming agreement, etc.

So I think there are – even if the government believed that the fourth entrant will create more competition, two things have changed. One, the global market for fourth entrant sucks. Secondly, we haven't been standing still over the last few years. We now have not just several MVNOs competing with us but we also have unlimited offers. We also have cheap and cheerful offers. We also have flanker brands and there's not a lot of headroom for the fourth operator. 5G is just a question of when the spectrum auction will happen, probably 2021. Of course, we'll all be involved. And hopefully between now and then, we can start to develop a more cogent business case for 5G in Belgium. It's not something we're feeling a lot of pressure or need to do today. Fair enough?

Paul Sidney: Thank you. That's perfect. Thank you very much.

Operator: The next question comes from Emmanuel Carlier from Kempen. Sir, please go ahead.

Emmanuel Carlier (Kempen): Yes, hi. Good afternoon. Three Questions. First of all, on your growth profile, so sales and EBITDA on an underlying base is flattish. I think it's a good performance. But how do you expect mid– to long-term to accelerate sales and EBITDA? So if you could just explain a bit the drivers.

Secondly, on VodafoneZiggo. So if I compare the operating free cash flow margin of VodafoneZiggo with Telenet, it is a very big gap. I'm just wondering what, yeah, what that means, if the business would get combined. In other words, do you see a lot of synergies and where do you see them?

And then thirdly, a quick one on the mobile ARPU, so it's still down quite a lot. I know it's related to discounts and out of bundle. I'm just wondering if you could disclose how much of the ARPU still relates to out-of-bundle revenue. Thank you.

John Porter: I'll take the first one, while Erik noodles over the other two questions that you have. So mid– to long-term growth in sales and EBITDA. As we continue to get a higher percentage of our customers into bundles, we do think that pricing power returns to mobile and into the bundle more generally. We have had a fair bit of success there. So clearly, we think there's upside in price and I think we've proved it through the increase of ARPU that we've enjoyed so far this year. And that's not on the back of just raising the prices for the same stuff. It's about offering a wider range of services, a broader range of prices but also improving the value for our customers in a number of ways that – and services that it's still early days for.

We have a very aggressive smart home platform here where we're developing flagship services, which will start to come on stream in the fourth quarter and into next year. We have a quite successful IoT platform, narrowband IoT platform, across the whole country. So it's not just getting customers to pay more for the same services. It's about getting them to opt in for more interesting services.

On a net basis, in terms of EBITDA, we still think we have opportunities on the cost side. We're moving our operating model to scaled agile. We think that's going to make us faster to market. It's going to make us more sharp in terms of the products and services that we offer to our customers. It's coupled with a dramatic digital transformation and simplification process, which means we will do more with less systems and we're paying less license fees and less maintenance, etc., etc. So there are a lot of levers to pull. We think we've got a lot of runway ahead of us that we're quite excited about the future. So you want to do the VodafoneZiggo and ARPU question?

Erik Van den Enden: VodafoneZiggo, yeah. Yeah, I think we talked about the logic of the combination or the rationale for that already in the previous call. And I don't think many things have moved in the meantime. So, I mean, of course, we don't have access to their data and the markets are different. So, I will not really specifically comment on their margins. I think in terms of rationale for synergies, I think the classical places where you look for synergies, I guess, would also pertain to potential combination here, which means, of course, SG&A, I think exchange of best practices. I think we've been fairly successful on the B2B side, especially on the SOHO. So that is something that I think is definitely a best practice that we have and that could be levered.

And then thirdly, I think if you think in terms of product development and other CAPEX, of course, the more scale you have, the more efficient it becomes. And again, of course, these are all pretty generic buckets. And again, it's difficult to see from the outside in but we do think that there is a logic for that. But again, nothing really happened over the quarter that is kind of new information on that front.

Emmanuel Carlier: And then the mobile ARPU question, please?

Erik Van den Enden: Yeah. So of course, the mobile ARPU, I think, first of all, has been pretty stable. I mean, that – of course, we've been converting, as most players in the market do from prepaid into post-paid. Having said that, of course, you see different trends between subscription revenue and out-of-bundle revenue, where the subscription, of course, benefits from the price increases that we have done as part of the overall strategy. Out of bundle, of course, continues to decline strongly. That is a headwind that we still continue to see. And I think broadly, I mean, it's a little bit, 80% subscription revenue, kind of 20% variable revenue. I think that is broadly the line that we see there.

Emmanuel Carlier: And is that the more important driver of the ARPU drop versus the discount you apply on the converged offers?

John Porter: Yes, definitely.

Emmanuel Carlier: Okay, thank you.

Operator: The next question comes from Nicolas Cote-Colisson from HSBC. Sir, please go ahead.

Nicolas Cote-Colisson (HSBC): Thank you, hi. Two questions, please. The first one is on CAPEX. I understand the big picture that it will go down next year. But can you tell us a bit more about network growth but also maintenance-related CAPEX growth now that you have the GIGA network in place and also, how we should see Docsis 3.1-related CAPEX in 2020?

And my second question is regarding Nethys and VOO. Do you still see some possibility to step in or do you think the transaction is now closed? And if it is closed, what do you think about the risks that could emerge from a market dynamic point of view?

John Porter: On the CAPEX, there's a lot of sort of competing factors. We have a – the 1-gig network is a denser network. So it does require a lot more hands-on. But on the other hand, all the active equipment in the network is new. So we should have a net positive effect on the maintenance side. And of course, we're not building a lot of new plants here. It's been sort of steady year-on-year and the plants that we are building new is fibre-to-the-home. So, but it's not a big number in the total scheme of things so pretty stable on that front. And the fact that our large programs of the XXL, 1 gig and then the radar network are reduced.

On the Docsis 3.1, that – because we have a very performant fixed network operating on 3.0 where we're getting between 500 and 700 megabits per second on a 3.0 modem, at the point of presence, we are not feeling as much pressure to move to the 3.1. The benefits of 3.1 really accrue to us as a network operator because it's much more efficient use of spectrum. But we don't need it to provide a superior user experience. We've got a lot of runway on the 3.0. So we're not going to see a lot of CAPEX against migration to 3.1. We have very few legacy pre-3.0 modems left in the network. So that's the CAPEX question.

Yeah. Well, look, we – it's impossible – I've given up prognosticating anything about VOO. So I – the only thing I know is what you know because you can read it in the paper. I don't think the game is over by any stretch of the imagination but we'll see. Nothing surprises me anymore. I think whether that presents – if Providence was able to close the deal with even at least Nethys in the near term, does that present a threat? I'd like to think we could make it an opportunity. So, I don't see it as a particular threat.

I mean, I've heard people mention, okay, well, okay, those guys will be the fourth operator and this and that. But I don't know that the capital return – the return on capital profile fits private equity to be a fourth entrant at this stage in the evolution of the mobile world. That means you've got to invest in 5G. It means you got to invest in new spectrum. It means you've got to compete with well-established operators, MNOs and MVNOs. I wouldn't take that on, that's for sure. So I'm not getting overly stressed about that either.

Nicolas Cote-Colisson: Okay, thank you.

Erik Van den Enden: Maybe just adding on to that, I think, again, of course, we don't have all the information but I think we're very convinced that what we can offer, not only in terms of price but also in terms of investments and other criteria, I think, is significantly superior versus what Providence offers.

Secondly, I think it's very clear that the whole process was flawed. So it was not a legitimate process. And I think we kind of look forward and hope that there will be a legitimate process in which we will definitely compete and take it from there.

Nicolas Cote-Colisson: Okay, that's clear. Thank you.

Operator: The next question comes from Roshan Ranjit from Deutsche Bank. Sir, please go ahead.

Roshan Vijay Ranjit (Deutsche Bank): Great. Thanks for the questions. Three, hopefully, quick ones from me. Just firstly, on your KPIs, now, I think it's been more flat the elevated churn from the price increase. But looking into Q4, should we expect to return to residential broadband net adds growth. I think you had previously cited some installation backlog. So, should we see that unwind in Q4?

Secondly, you flagged the higher content costs from De Vijver Media. I think that margin is running at around 26, 27% EBITDA margin? Where should we think about that into Q4? And looking ahead to 2020, what is the kind of normalised margin for that business?

And lastly, just on your free cash guidance. I think the guidance for the full year implies a bit of an acceleration in Q4 for the free cash. Could you just run through some of those moving parts? I think previously, you said from a working cap perspective for the full year, we should think about a neutral balance. Anything you could add there? Thanks a lot.

John Porter: Sure. I'll just answer the first one real quickly. The short answer is, yes. I mean, the trend has been in the three months in the quarter to return to positive growth as we got a little into the backlog. That was a function of the fact that we just keep – we've had very successful campaigns in the last 60 days of the quarter. So yes, we definitely are anticipating returning to positive in broadband.

On the De Vijver, the higher content, I mean, the content is not going to be higher year-on-year. But because of the nature of the broadcasting industry, which is very different from the cable industry, it's just that the profile of when – how the programming is amortised changes from quarter to quarter. And this happens – if you get the launch of the new season, you just have a higher content amort profile. And then De Vijver margins, do you want to take that one?

Erik Van den Enden: What was the question?

John Porter: The question is – what it – I guess, the margins we expect to be sort of flat to growing year-on-year.

Erik Van den Enden: Yeah. I think that the margins are pretty stable. I mean, to John's point, there is very strong seasonality, especially on the programming. I think you have to – in terms of programming costs, kind of, around 40% comes in the fourth quarter alone. But so it's a very seasonal business. Of course, we are – we'll always be working to expand margins as we do across the business but that should be relatively stable.

John Porter: And yeah, on the cash movements in the fourth quarter that are going to contribute to us achieving guidance?

Erik Van den Enden: Yeah. So Roshan, I must confess I did not hear all of – can you maybe just repeat the question on free cash?

Roshan Vijay Ranjit: Yeah, no, sure. To reach the full year guidance, it implies quite a great acceleration in Q4. So I just want to run through some of the moving parts there. And I think previously, you had said for working cap for the full year, we should think about a neutral balance. So is that still the case? Thanks.

Erik Van den Enden: Yeah, so that's a good question indeed. Q3 was a little bit softer in terms of working capital but that is entirely really kind of one-off in seasonality. So for the full year, that's absolutely right. I mean, we are very confident on reaching the full year guidance. Q3 was indeed quite outspoken. That really has to do with the fact that we had some – actually, one or two contracts shifted a little bit between the quarters, Q2 and Q3. So, the payments fell more in Q3. And then also just a couple of very technical things in terms of prepayment of the Premier League contracts that also, actually, were sitting in vendor financing last year and that's not the case anymore this year. So again, a bit technical and really one-off. But that within the fourth quarter is going to fade out. So all in all, indeed, we do see kind of a smooth pattern for the full year in terms of working capital and feel confident on getting to the guidance. But indeed, if you look Q3 on a standalone basis, it is a little bit atypical.

Roshan Vijay Ranjit: Okay, great. Thank you.

Operator: The next question comes from David Vagman from ING. Please, go ahead.

David Vagman (ING): Yes. Thanks. Good afternoon, everyone. So, I've got a couple of questions. The first one is on the guidance. When thinking about the sales guidance, what has been holding you back, let's say, from increasing the other guidance given that you've increased a bit the sales guidance? That's my first question.

And then maybe to come back on VOO and indeed, I think, John, that you've expressed yourselves in the press about the VOO opportunity. Can you comment a bit about the transaction price? I have seen a few numbers being mentioned in certain interviews, if you can come back on that?

And then maybe last point on, let's say, the commercial momentum in Brussels. What has been happening in Q3 compared to the start of the year? And especially given that some – I think some discount has expired that you were offering to your Brussels customers. Thank you.

John Porter: Okay. Do you want to answer the first one, Erik?

Erik Van den Enden: Yeah, I'll answer the first one. So in terms of the full year guidance, indeed, we improved on the top line, not on the EBITDA. A couple of reasons there. I think we already talked quite extensively on Q4 being a tough quarter in terms of programming costs. So not only there is seasonality in terms of programming costs for Q4 for De Vijver Media, it's always going to be much more intense. But also there, there's a little bit of a shift between Q3 and Q4, where Q3 was a little bit more benign and we're catching up on Q4. That's the first element.

Secondly, as we also already mentioned in the press release, it's – we had a strong performance in Q4. So that presents a little bit of a tougher comp. But let's also not forget that when we set the guidance at the beginning of this year, we had not yet fully acquired DVM. So the minus one to the minus two was really set on a kind of perimeter that excluded the DVM. Then, of course, as of 3rd June, we have fully consolidated DVM. And again, there is a little bit more outspoken performance this year versus the full year guidance. So that has a small technical effect as well, which leaves us to kind of keep the guidance for EBITDA and the rest of the other metrics where it is.

John Porter: On the VOO opportunity and the price, yes, we did speak publicly about the indicative offer, subject to due diligence and subject to having more than a cursory knowledge of what that business is of 1 to 1.3 billion, excluding the Brutélé component. So based on – we have no visibility of what Providence's offer was. But based on anecdotal information, we're pretty confident that that bid is our bid or our indicative bid is superior.

Also, there's no lack of flexibility in the indicative proposal that we made. We made a lot of alternative models in terms of share of ownership, in terms of also guarantees on employment, which has been some public commentary that they were willing to take a cheaper offer from Providence because they were willing to make employment guarantees. But we were also willing to do that, the same way we did ten years ago in Đakovo[?]. So, it's a model that we're very familiar with. We've done it before and we know – it's a business, obviously, that we know extremely well. So we are confident in our pricing strategy and the fact that we feel that we can derive, obviously, more synergies than a PE bid. It gives us confidence that we would certainly be superior.

On Brussels, yeah, you're correct to point out that the offers that we made in Q1 that essentially turned around and righting the ship in Brussels are now expiring. We're working hard to retain those customers. And the retention of those customers is going reasonably well. What we're seeing is, obviously, some downgrading and some cord shaving because our offer was, no matter what you take, we had a flat price. So we are seeing churn tick up because that was a super offer that we had there before.

The fact of the matter is, is that city churn, whether it's Brussels or Ghent or Antwerp or Mechelen, inner city churn is higher by a fair bit than our sort of suburban Flanders areas. And that's just something that we're going to have to contend with for some time. We have – once again, our segmentation of strategies will start to pay off in Brussels. We need to have targeted sales channels and product solutions that, for example, appeal to the – much more to the youth market, that also appeal to the North African market, that also – these are challenges that we have faced in a minor way in our other cities but we're facing in a major way in Brussels. But I say the net-net result is, we're reasonably stable, SOHO is growing – reasonably stable on the consumer end, SOHO is growing, it's a point in time and we'll continue to do better and better in Brussels.

David Vagman: Thanks very much. And maybe just a very quick follow-up on the VOO price. When you were discussing – talking about the 1 to 1.3 billion offer, that was excluding or including the network? Or that's basically why you gave the range?

John Porter: Yeah. That includes everything. That's an enterprise value. So that's end-to-end. But if it was to be – we also said, yeah, we're willing to buy 51% or we're willing to –

we're willing to do a netco/servco model. We basically said, look, just talk to us; we'll do whatever you want. And we were never able to engage. It was pretty clear that that whole process was structured to keep us out and keep price tension out of the discussions with the...

David Vagman: Yeah, very clear. Thanks very much.

Operator: The next question comes from Ruben Devos from KBC Securities. Sir, please go ahead.

Ruben Devos (KBC Securities): Yes, good afternoon. I've got two questions left. The first one relates to TADAAM. I think in the press release, you surely touched upon TADAAM, a new service that has gone live early September, I believe. I was curious whether you could share some of the early feedback you've been getting from customers. Also, it seems that the offer is still in beta testing. So it would be great to hear your thoughts, yeah, on this new technology that you're introducing and basically what your ambitions are at this stage.

And then secondly, just looking at the other revenues line, I'm a bit unsure how I should model that business line going forward. I mean, it also comprises De Vijver Media next to the wholesale business, fixed and mobile, interconnection, handset sales, reminder fees and so on. So I mean, I've got some idea of how these various activities could trend going forward but it would be helpful if you could give a rough sense of the size of the various components and maybe whether you're exploring the idea to give more granularity on the other revenues line. Thank you very much.

John Porter: Okay. I'll take TADAAM and let the guys decipher the other revenue line for you. So the TADAAM, it is a beta test. We have several thousand units out in the market where we certainly get growing in confidence about the technological integrity of the offer. It's self-install. It's online only for the billing. Typically, customers register a credit card so it's very low touch. It's a product that we can use in other ways, where, for example, on a temporary basis, if people are moving or if we have an installation backlog and people aren't satisfied with waiting, we could get a TADAAM unit to them very quickly and put them in business. So people going on holiday, people using it in – on the coasts. So there's a lot of applications. And that's what we're learning about now is – and of course, in the south, we have customers in the Mons region as well. So that's what we're learning about now, where are the segments where it's most attractive.

The other thing is, of course, its scalability. So we know that – I think everybody would concur that it's not a mass-market product but it will scale up to a certain level depending on the – which tower site it's associated with. So we'll have to see where – how scalable it actually is. I mean, I think the average fixed-line TV customer uses like 300 gigs or something like that. So, it's an important learning that we're getting there.

And then the other thing is that it's kind of a – it's a pre-5G initiative as well. Obviously, in the 5G world, fixed – mobile substitution becomes more viable. So both from a competitive standpoint but in a defensive standpoint as well, we want to come out of the box with a good product when 5G comes along. So that's the TADAAM story. Yeah.

Erik Van den Enden: Yeah. So on the other revenues, Ruben, you're right. Of course, it is a bit of mixture of different elements. And there are things that are a little bit more stable there in terms of wholesale revenues, both regulated and commercial ones. I guess, this is probably a little easier to kind of model in and predict. There's also things that, indeed, are very volatile. Interconnect revenues are very volatile. The same goes for the handset sales.

I would say that the things that are typically more volatile are the ones that also have typically lower EBITDA contributions. Hence, of course, interconnect and handset sales have very low margin. So there is some volatility of this line on the top line. It is less so on the EBITDA. And I guess that's one of your guys' jobs as well to predict that. If we knew it exactly, we would be able to say exactly where we land with the fourth quarter. So that's difficult to do but hopefully, that helps a little bit.

Ruben Devos: All right, thank you.

Operator: The next question comes from Stefaan Genoe from Degroof Petercam. Sir, please go ahead.

Stefaan Genoe (Degroof Petercam): Hello?

Operator: Stefaan Genoe, your microphone is open. You could ask your question.

Stefaan Genoe: Hello?

Operator: Yes, Mr Genoe.

Stefaan Genoe: Yes, thank you. Two follow-up questions. One on the increased segmentation you were talking about. Yourself and Proximus have reacted to the duo offer from Orange Belgium with the Epic and YUGO offers, which both of them still include a TV offer. We've seen in the Netherlands an announcement yesterday or before yesterday by T-Mobile for a €50 internet only and mobile data only. Do you see an opportunity for this segment that, say, €40, €50 levels for no-frills broadband and mobile data-only offer? I think also, for example, Mobile Vikings have been – have indicated to be interested in this market. That's the first question.

And second, with the one-gigabit launch that you've announced in the business segment, do you believe you could make an additional push in the business segment thanks to this more stable increased speed offer? Thank you.

John Porter: Yeah. First of all, I have to violently object to your description of us reacting to the Love Duo because we've been out leading the market in terms of both the offers without set-top boxes, without a direct connection to the television set and 2P and a la carte offers for some time now. Now, we have, in reaction to a more aggressive market in that space, dialled it up to some degree and customised and productised it better. But we have been out in the market. And once again, I think we were out there first in front of – well ahead of the Love Duo.

But the – I think the 2P and the 1P markets were a lot more attractive a year ago when it looked like two competitors that – that to the incumbent, Proximus and to ourselves, that we were just focused on the 4P and the 3P market, which was never actually true. I mean, we have a quarter of a million 1P customers in video. We have about 175,000 1P customers in broadband. I mean, it's not a market that we haven't been playing in for quite some time.

I do think it's a growing market. It's one of the fastest-growing markets. So it's a market that needs to be served but it is definitely not a mass market at this time. I mean, certainly, our experience would say that television is still quite relevant. That's why in the YUGO environment, even though we're not supplying the customer with a direct connection to the TV set or giving them a user interface that they can use through their mobile or through their tablet device and they can flick it up onto their TV using Google Chrome or Apple or an Apple box. So TV is – I think the big learning there is that TV is still a lot more relevant than people think it is.

In terms of the 1-gig offer, we – that's an offer that – it's not just to the B2B market. It's also available, obviously, to the consumer market as well in the context of speed boost. I think what makes 1 gig more interesting and more exciting in the B2B market is our entrance into more ICT services, more vertical services and more cloud-based services that can really leverage that kind of capacity. The SOHO B2B market is really classic, really needs reliability because they're using EFTPOS terminals in there and they just need to be connected to their customers. And they don't have a huge demand for super high speed. But once again, just like the – in the consumer market with YUGO, it is a growing market, a very fast-growing market and we think we're obviously very well positioned there. But it's still very much a niche and SOHO is, to some extent, is internet-only. It's not a mass market.

Stefaan Genoe: Yeah, okay. Thank you.

Operator: We have no other questions. Mr Goyens, back to you for the conclusion.

Rob Goyens: All right. Thank you, operator, and thank you, ladies and gentlemen, for having attended this call. A replay of the call, but also the transcript, will be made available on our investor relations website pretty soon. Would there be any follow-ups after this extensive Q&A session, Bart and I will be available for any follow-up in the next couple of days. And finally, we look forward to seeing you during one of our investor relations roadshows and conferences. You can find all the details on our IR calendar on the website. So thank you for joining and bye.

[END OF TRANSCRIPT]