Full Year 2017 Results

Tuesday, 13th February 2018

Executive Summary

John Porter

Chief Executive Officer, Telenet

Putting Innovation at the Core

Through Telenet's own innovation centre

Welcome everyone to our earnings webcast and conference call. This morning, we had our press conference at our brand new innovation centre in Brussels. As you know, innovation has always been embedded in Telenet's DNA. We have consistently been delivering on our promise to provide a great product and service experience to our customers. We are all very proud and excited at Telenet about our innovation centre acting as a European hub for the entire Liberty Group, and confirming our focus on bringing new innovative products and services for our customers in the future. We are underway with several exciting projects. For example, the partnership we have with imec on NarrowBand IoT.

Improved WIGO Line-Up

Drives quad-play penetration

Looking back at 2017, I am very pleased and excited about the things we achieved here at Telenet. First, we revamped our quad-play WIGO bundles in June of last year, including higher mobile data allowances which can be shared across multiple SIMs within the same household or company. As a result, net subscriber growth for our WIGO bundles remained robust in Q4 at just over 38,000 net adds, despite the continued intensively competitive and promotional environment. Therefore, we ended at just over 300,000 WIGO subscribers at the end of 2017, with around 75% of our WIGO customers effectively being able to save on their overall telco spend.

Revamped BASE Tariffs

Tailored to customers' needs

In the mobile-only space, we launched a new BASE post-paid line-up in September last year. Based on You represents the first offer in Belgium which automatically adapts to the customer's use patterns, addressing a key customer need providing maximum value and simplicity. Through the re-launch of our WIGO bundles and the product enhancements to our mobile-only line-up, we were able to achieve nearly 44,000 net post-paid subscriber additions in Q4 – again, a strong performance taking into account the heavy promotional market environment in the end of the year.

Unique Market Positioning

In premium entertainment for sports, series and movies

Our robust Flemish entertainment catalogue positions us well against international OTT competitors. We are very excited about the imminent launch of a second production of exclusive local content in cooperation with VIER and Woestijnvis, namely De Dag, after the successful inclusion of Chaussee D'Amour in our extensive content portfolio. The new cooperation models for Flemish series provides oxygen to the local media ecosystem, ensuring a win-win-win situation for viewers, for us as aggregators of content and securing premium VOD rights through co-investment, and for our partners, the broadcasters, who can continue to produce and offer top-class fiction in this way. This positions us well against the competition.

I am also very pleased that our strategy of taking the lead in offering convergent entertainment services is paying off in 2017, with a subscriber base for our premium entertainment products Play and Play More increasing around 12% year on year to almost 400,000 subscribers.

Continued Customer Experience Focus

Introducing our latest flagship retail store concept

As I mentioned before, the central theme in everything we do at Telenet is to continuously deliver a great product and service experience to our customers. What you see here on this slide acknowledges this. Therefore, we officially inaugurated our new Telenet flagship store in Antwerp this past December, showcasing not only today's products but also looking ahead towards what is coming. We are very happy that this new store concept is exceeding sales expectations since December opening.

The foundation of all of this is powered by a solid state-of-the-art fixed-mobile integrated network. I am particularly pleased with the strong progress the technical teams have made in modernising both our fixed and mobile infrastructures and laying the foundations for the converged network of the future.

Building the Gigabit Network

Enabling Data Download Speeds Of At Least 1 GBPS

Our Grote Netwerf HFC network upgrade programme reached around 67% of nodes at the end of 2017. And we will be able to deliver data download speeds of at least one gigabit per second, truly supporting the Flemish and Brussels digital economies.

And Expanding Our Upgrade

To the acquired SFR network in Brussels

Recently, we started to upgrade parts of the acquired SFR Benelux network in order to be able to fully capture the projected 16 million of annual run rate synergies by 2021. These targeted and scheduled investments will make it possible to offer the same high-quality products and services as we offer in Flanders, and will enable us to drive fixed-mobile conversions in these newly acquired territories.

Mobile Network Modernisation

Around 90% of full MVNO customers onboarded

We continue to make solid progress on the modernisation of our mobile network. By the end of 2017, we had succeeded in upgrading around 87% of our 2,800 macro sites and employing around 210 new sites. We have been able to accelerate the on boarding of our full MVNO customers and are on track to complete the full on boarding by the end of Q1 this year, versus our initial plan of finishing up at the end of 2018. This is an incredible result. The noticeable progress in the ramp up of our mobile network across the whole of Belgium allows us to engage into new commercial MVNO partnerships, including a new five-year agreement with the Walloon cable operator, VOO, which we announced last week.

With that, let me hand it over to Birgit for a review of our operational and financial performance.

Operational Highlights

Birgit Conix

Chief Financial Officer, Telenet

Fixed Multiple-Play Penetration

ARPU per customer relationship up 2% in Q4 2017

Thank you, John. Let us zoom in on our operational performance. Operational performance in the fourth quarter continued to be impacted by an intensified competitive environment. The net subscriber trend for our fixed services modestly improved in quarter four on a sequential basis, thanks to our attractive campaigns and fixed-term promotions.

Looking at our fixed multi-play penetration, two things stand out. First, our share of multi-play customers continues to increase, with triple play now being at over 54% of cable households. Second, the ARPU per customer was up 2% year on year to just over €55 in quarter four, with a similar increase for the whole year.

Our ARPU growth was driven by four main elements. First, a higher proportion of multi-play subscribers in our overall customer base. Second, a larger share of video customers subscribing to premium entertainment. Third, the benefit of a selective price increase. Fourth, a decrease in the total number of unique customers.

Broadband Internet

Modestly improved run-rate in Q4 due to attractive offers

Looking at our individual products and starting with broadband internet, you see an improved net additions run rate in quarter four, with an underlying strong result in the business segment. Our annualised churn rate continues to reflect increased competition but remains stable in quarter four.

Fast, Faster, Fastest

Supersonic WIFI with MBPS Speedboost

Customers increasingly expect to enjoy super-fast connectivity. The need for additional bandwidth continues to increase. Recently, we launched Speedboost through which customers can reach data download speeds up to 500 megabits per second for an additional recurring fee of €50 per month.

Fixed-Line Telephony

Impacted by competition and declining market trend

Coming to fixed-line telephony, we have seen a modest recovery in quarter four relative to the RGU declines we have seen in quarter two and quarter three. Still, the overall market remains highly competitive and impacted by a structural shift away from fixed telephony.

Mobile Telephony

Continued robust net post-paid subscriber additions

Mobile continues to be a dynamic growth segment of our business. We are very happy with the nearly 44,000 net post-paid additions in the fourth quarter. This is driven by the continued strong uptake of our WIGO offers as well as our revamped BASE post-paid tariffs.

In prepaid, commercial momentum has been restored after the impact of the June mandatory prepaid registration. Quarter four was impacted by the transfer of JIM Mobile to MEDIALAAN, as this was the EU remedy associated with the BASE acquisition.

Finally, as John mentioned before, we continued to make great progress onboarding our full MVNO customers to our own mobile network. As such, we are confident to complete the full migration by the end of quarter one this year.

Video

Net loss mirrored tough competitive environment

Hopping over to some video stats now. Total video losses remained stable throughout 2017. The step-up relative to the same period of last year reflects the impacts from increased competition in our overall market.

Premium Entertainment

Continued traction for our subscription VOD offers

To conclude, our very strong premium entertainment offers go from strength to strength. Our premium SVOD packages Play and Play More grew by 12% year on year to reach nearly 400,000 subscribers. Play Sports saw a modest in flow in quarter four with a stabilising RGU base of over 230,000 customers and an average ARPU of €16.

Financial Highlights

Birgit Conix

Chief Financial Officer, Telenet

Revenue of €2,528.1 Million for FY 2017

+4% YOY on a reported basis, +1% on a rebased basis

Moving to our financial performance. The team is extremely gratified that we managed to outperform on all metrics of our full year 2017 outlook. Revenue for the full year 2017 reached just over €2.5 billion, up 4% year on year on a reported basis, predominantly driven by inorganic movements related to the BASE and SFR acquisitions and the sale of Ortel. On an organic basis for both the full year and the quarter, we achieved a 1% year-on-year growth which is well in line with our stable growth guidance in 2017.

Rebased Top Line Growth of 1%

Versus our stable outlook

Our rebased growth was driven by three main factors. First, we saw a strong wholesale performance, including the on boarding of Lycamobile full MVNO. Second, an increased ARPU per customer. Third, a strong Telenet business growth of 7% year on year, driven by higher security-related revenue as well as higher revenue from business connectivity in the SME segment. These factors were partially offset by lower mobile and fixed-telephony revenue, lower revenue from handsets and CPEs, and lower interconnect revenue.

Operating Expenses

Demonstrating continued cost control

We are delighted to see our overall cost base reduced by 3.5% versus last year. Our direct costs were down 5%, including lower cost related to handsets and subsidies, lower MVNO-related costs and lower copyright expenses.

Other indirect expenses for the full year decreased by 14% through continued focus on acquisition synergies, more effective innovation and process management and a further reduction of overhead expenses. Our staff-related expenses showed a 5% decrease for the full year.

Adjusted EBITDA of €1,209.9 Million

+6% YOY Rebased Versus Mid-Single-Digit Outlook

Let us take a look at our adjusted EBITDA. We grew with a stellar 8% for the full year on a reported basis and 6% on an organic basis, outperforming our mid single-digit outlook. As you see on the right-hand side, we were able to boost our EBITDA margin by 240 basis points versus last year. Quarter four shows a 9% adjusted EBITDA growth driven by substantially lower MVNO-related costs and smarter cost management.

Accrued Capital Expenditure

Equivalent to around 25% of revenue

We remain in an intensive investment cycle with accrued capital expenditures of €729 million for the full year. This translates to 29% of our revenue and is impacted by the recognition of the Belgian football rights for three seasons. Excluding these football rights, our accrued capital expenditures represented around 25% of revenue, with nearly half of our CAPEX related to mobile and fixed-network improvements.

Adjusted Free Cash Flow

+44% YOY to €381.8 million for FY 2017

In addition to EBITDA growth, our adjusted free cash flow was further improved by 44% versus prior year and exceeded our outlook of €350-375 million. Growth in our free cash flow was due to our EBITDA growth, lower cash interest expenses and increases in our vendor financing programme.

Net Total Leverage of 3.9X

Versus net covenant leverage of 3.2X

Let us have a look at our net leverage profile. At 31st December, our net covenant leverage including unrealised OPEX synergies reached a 3.2 times ratio. Our net total leverage excludes unrealised OPEX synergies and includes all other short- and long-term balance sheet liabilities. Net total leverage reached a 3.9 times ratio for the same period.

On the right-hand side, you can see a snapshot of our balance debt maturity profile, with an average tenure of just over nine years and an all-in cost of debt at just below 4%. All of our floating interest rate risk is fully hedged until the end of the maturity.

Redefined Leverage Framework

Board will continue to assess potential shareholder distributions throughout the course of the year

As you have seen from this morning's release, the board of directors has decided to redefine the company's leverage framework. The leverage framework has been maintained at 3.5-4.5 times net total debt to consolidated annualised EBITDA and is based on net total leverage as opposed to net covenant leverage.

At the current 3.9 times net total leverage, the company remains within the midpoint of the range. Given the company's strong delivery towards its three-year EBITDA outlook, the board of directors acknowledges the company's potential deleveraging profile.

The board of directors has considered different forms of shareholder remuneration in view of the company's full year results, balance sheet and leverage framework but has, for now, not decided on any other form of distribution, with the exception of a share repurchase programme. The board of directors will continue to assess potential shareholder distributions throughout the course of the year. For now, the board of directors has authorised a share buyback programme of up to €75 million, or up to 1.1 million shares, effective today.

FY 2018 Outlook

John Porter

Chief Executive Officer, Telenet

Delivering on our Vision 2020 Strategy

Laying the foundation for healthy profitable growth

Thanks, Birgit. This brings us to our full year 2018 outlook. In April 2016, we presented our vision 2020 strategy to be the leading converge, connected entertainment and business solutions provider in Belgium. The targeted and complementary acquisitions of the nationwide mobile operator BASE company in February 2016, SFR's Brussels- and Luxembourg-based cable business in June 2017, and the leading B2B integrator Nextel more recently, pending regulatory approval, demonstrate that we are on track to deliver on our strategy.

We remain focused on providing a great product and service experience to our customers through super fast and reliable fixed and mobile connectivity solutions, complemented with a leading 360-degree premium entertainment experience. We continue to see solid growth opportunities in the B2B market and are excited about our growth plans for 2018 and beyond.

Beyond these traditional revenue layers, we have laid the foundations for potential new revenue streams, whether through commercial MVNO partnerships or targeted investments, in new activity domains and innovation. To enable all of this, I am pleased with the continuous upgrade of both of our mobile and fixed infrastructures, as mentioned in the beginning of this presentation. On top, I'm excited about the start of our IT platform upgrade plan leading to digital innovative capabilities and additional cost opportunities for the future.

FY 2018 Outlook

Targeting an improved rebased adjusted EBITDA CAGR of 6-7% over the 2015-2018 Period Versus 5-7% initially

For 2018, we target continued healthy financial growth. Our 2018 outlook does not yet capture the impacts from the Nextel acquisition. Our revenue in 2018 is expected to remain stable versus 2017 on a rebased basis, as higher cable subscription revenue and higher contribution from our B2B business and MVNO-related partnerships will be offset by continued regulatory and competitive headwinds.

We anticipate a solid 7-8% rebased adjusted EBITDA growth for 2018, driven by lower full MVNO-related costs; driven by the accelerate on boarding of our full MVNO customers to our own network; and a continued focus on our overhead expenses and indirect spend resulting in a further margin expansion.

As such, we remain well on track to deliver our medium-term rebased adjusted EBITDA CAGR over the 2015-2018 period now targeting an improved 6-7% versus 5-7% we said initially.

As for our accrued capital expenditures, 2018 will be the final full year in our anticipated investment cycle, due to the modernisation of both our fixed and mobile infrastructures and the start of our IT platform upgrade plan, leading to innovative digital capabilities and additional cost-saving opportunities. As such, we anticipate accrued capital expenditures to represent around 26% of our revenue for the full year.

Finally, we targeted an adjusted free cash flow between €400-420 million, driven by healthy adjusted EBITDA growth, partially offset by higher capital expenditures, lower cash interest expenses and an increased contribution from our vendor financing platform.

With that, let me hand it back to the operator for the Q&A session.

Q&A

Michael Bishop (Goldman Sachs): Yes, hi, good afternoon. A couple of questions, please. Firstly, could you give us a little bit more detail on the considerations the board took in deciding on both to not pay dividends at this point in time and also the change in leverage range? Because what I am trying to understand I guess is taking your comments that you will continue to consider dividends throughout the year. Should we read that as your continuous look at the dividend with the new leverage range but on a forward-looking basis? Because it seems given your guidance that you would fall below the end of the range potentially by the end of FY18 on the new guidance.

Secondly, was really interested just to dig a bit deeper into the incremental CAPEX. From a headline perspective, is that CAPEX being brought forward from 2019? Or should we view the incremental CAPEX perhaps versus consensus as being all related to the IT and digitalisation project? Then just on that digitalisation project, how do you expect the phasing in terms of the cost-cutting benefits to come to the numbers? Thanks very much.

John Porter: Thanks for the questions. This is John. I will take the first one and Birgit will talk to you about CAPEX. The board did a very thorough job in considering alternatives for capital management. We were optimistic last quarter that, as a management team, we felt that we certainly had the capacity and that the timing of the full year with the other results, etc., would be a good time to implement a capital management strategy.

Given some, let us say, doubts about the viability of a buyback or a self-tender, the focus was on a dividend. We have given some changes in the tax code and I think some timing issues. The board decided to not act on this particular quarter but to hopefully see more clarity emerge as the year progresses.

I cannot really give you a lot more colour than that, other than the fact that as a management team and as a board, we still believe in an active capital management and an actively managed balance sheet.

In terms of what we can expect as the year moves on, I think you are correct in assuming that we will be below the range by the end of the year, which hopefully, as I said, as the year progresses and as we further de-lever, it will put us in a position to reconsider a decision sometime in H2.

There is not any lack of desire, either from the independent or from the reference shareholder, to continue to optimise shareholder returns through capital management strategy. It is just that it needs to be done in an aligned and tax-effective manner. On the CAPEX.

Birgit Conix: Yeah. So, on the CAPEX, so first what I would like to mention is that around 26% is for us between 25.5% and, let us say, 26%. That is the first thing to note. So, if we then we go back, because I am going to make this fairly simple, if we say stable growth and suppose that the revenue would remain exactly stable, which would be the €2,530 billion which is the newly rebased 2017 number, this includes the 12-month SFR. So, if you would do that, then you would take for instance 25.8%, just to pick a number, you get to a CAPEX of €652 million, compared to €629 million that we had in 2017. So, it is more or less an increase of €23 million. I am taking this now, of course, on a stable revenue and guidance. Stable can also very well mean minus 1% or plus 1%.

But then doing that for clarity's sake, the €23 million then, half of it is related to SFR. So, we have modernisation CAPEX, which was not yet included in the numbers, which we then include. The rest of this is around €10 million released to the IT digitalisation project which is called Darwin. That is the name that we have internally. Here, as I just mentioned, increase from 2017 to 2018 is approximately €10 million.

Now, the total programme, the additional spend, the additional CAPEX requirement for the programme 2017 and 2018 is €40-45 million. Actually, the run rate savings, because that was also part of your question, I can already mention that by 2020, we would have an OPEX saving of €17 million. And that increases. By 2022, we expect to have a €25 million run-rate OPEX savings.

Why is that? So first of all, we see IT synergies. So, this is, for instance, system consolidation because we have currently various older IT systems running in parallel, or applications running in parallel. Then on the business synergies, we would see advantages in cross and upsell, channel mix, call reduction, process automation but also reduced training costs. So, all of that goes into the OPEX savings. So, we see this as a tremendous opportunity not only to further digitise the way we operate, but also in terms of cost savings which will benefit also 2019 and beyond.

Rob Goyens (VP Treasury, Investor Relations & Structured Finance, Telenet): To your final point, we also mentioned in the release this morning that 2018 is going to be the final year in our investment cycle. We anticipate also our capital expenditures to drop off as we move into 2019.

Birgit Conix: Yes. This is a very, indeed, important addition and we continue on that track. Yeah, it is part of our – well, our three-year plan communication was 2015 to 2018 but we immediately added that in 2019 we would drop to that number. Also there, as you can see from the rest of our financial numbers, we are on track. Also, in terms of CAPEX guidance, we are on track.

Michael Bishop: Great. That is really clear. Thanks.

Paul Sidney (Credit Suisse): Yeah, thank you very much and good afternoon everyone. I had three questions, please. Firstly, on the new leverage framework, the 3.5 to 4.5 times, should we now see that as a moving target, i.e. will the board be constantly reviewing whether that range is relevant, as well as any potential shareholder distributions?

Secondly, do you have any data points on how the BASE network quality has improved as you have invested over the last few years? Anything you can give us there just to highlight the quality improvement would be great.

Lastly, can I just clarify on the CAPEX point? I am not sure I understood that. Did you mean that CAPEX sales will fall to 15-18% in 2019, or it will drop off in 2019 and then head towards to 15-18% longer term?

Birgit Conix: I will clarify the CAPEX point. What I said was in 2019, as we always said during also the past two years, the CAPEX would drop to around 20% in 2019. I also said still, we are on track with our programme to deliver on that commitment.

John Porter: Yeah. So, on the leverage framework, the board is the board. So, never, as I have learned, second guess what they are going to do. But I think we feel very safe that the 3.5-4.5 on a total debt to EBITDA basis is a solid positioning for the company going forward. We are de-levering at an even more rapid, given our accelerated growth in EBITDA over the last couple of years.

As you can see, 2018, we are adding over €100 million of EBITDA. But we do think that, yes, it is slightly more prudent than it was before. There has been volatility in the market. There has been Altice sector volatility. We think in the current environment that it is a prudent positioning. I think the board is certainly sympathetic to the fact that we need some consistency going forward. So, hopefully that answers the first question.

On the BASE quality, we have ongoing drive tests that reinforce our view that on key measurable, starting with voice reliability, voice call completion and dropout rates, that we have the best voice network in Belgium. That is backed up by independent drive tests from a couple of different vendors.

We also have substantially better data throughput average rates than our competitors. We have also the highest performing 3G network. We are at parity on 4G coverage with our competitors. The one area where we are slightly behind but catching up is 4G deep indoor. That is a function of the densification of our network which is ongoing. As we say, we added 210 macro sites over the last 16 months. We continue to add them at a very firm rate.

In the same way, we feel we need to lead in terms of the fixed network performance, and hence are investing in Europe's first end-to-end over 1G gig network. We are doing the same with the wireless network. The only thing that holds us back slightly, like I said, is the densification. Incumbents always have an advantage because on initial rollout, they got a lot of wave-throughs from the municipalities on tower placements, etc. We will slowly close the gap on that.

Paul Sidney: That is great. Thank you very much.

John Porter: In fact, just one more point is that VOO had a very competitive tender for the MVNO. And at the end of the day, it came down to network performance. They did a substantial amount of work and as we have mentioned, we won that tender. So, I think that just reinforces once again from a third party that we do have very high network performance.

Paul Sidney: That is great. Thanks again.

Daniel Morris (Barclays Capital): Yeah, thanks for taking the questions. I have got two. The first is just a follow up on the CAPEX. You have obviously given us some colour around the moving parts in 2018. Now, I was just trying to think about 2018 versus 2019 and what the big project changes there are. I can see that the IT project steps up by about €25 million, the SFR project conversely should roll off and that should be a €10 million tailwind. What is the kind of magnitude of the big network upgrades which are rolling off 2019 versus 2018? So, that is the first question.

The second question is just on the mobile side, you are obviously guiding to a fairly substantial decline I think in the mobile revenue, something like minus 4% if we exclude the tailwind from Lyca. Is that the right kind of magnitude of decline? Why is that business continuing to decline quite to the level it is? Thanks.

Birgit Conix: Yeah, so on CAPEX, just would need to get the numbers for 2019. I do not have them of course in front of me. The big drivers are obviously XXL, which is the fixed-network upgrade of €500 million which will come to an end. We also have the mobile which we call internally radar, so mobile network upgrade that will come to an end. So, these are two very, very large programmes that we had up and running. Therefore, 2019 is the year when everything comes together. Also for the digitisation, we will still have some CAPEX on it but it will be at the tail end. We will cover for that.

So, this is the target that we have set. That is what I tried to mention earlier back in 2016. So, the entire company is working towards that target and everybody knows. Anybody who talks to Telenet knows that that is the target. As I said before, we are currently well on track to deliver that.

John Porter: Close to half, 50%, of our CAPEX is on essentially the infrastructure improvement, which is XXL, radar and Darwin, the IT project. Darwin wraps up by the middle of 2019, second to third quarter 2019. The other two will be fully wrapped up by the first quarter of 2019. We cannot be any more specific on that.

On the mobile revenue, there are some moving parts there. There is, of course, some mobile revenue that moves to wholesale. So, we need to keep that into consideration. We have, Birgit, the Ly MVNO, the full MVNO?

Birgit Conix: Yes.

John Porter: That is part of the drop-off in mobile revenue that goes back in through wholesale.

Birgit Conix: Yeah. So, that is part of the EU remedies. It is a total amount and that is something that we disclosed. Also EBITDA numbers, you have been provided this bridge separately by Rob as well. That was part of the EU remedies with BASE and it is €20 million that shifts. And it is from also retail to – from Ly to full MVNO also. All of our partners are now on full MVNO.

John Porter: Some of the drop also has to do with a continued evolution in the handset business and hardware, which the handset replacement cycle is not as robust as it has been previously. The two things that we focused on, that we believe very strongly in the future of, is the post-paid mobile subscriber base and the converged subscriber base. So, the attachment rate of 4G is up over 40%. And if you add in Telenet households where the BASE standalone phone, it gets up close to 50%. So, our attachment rate is very high. Those customers are very stable and reflect a very low churn rate. Standalone post-paid business is a growth business.

I think when you take all of the puts and takes out of it, we are growing the higher margin end of the mobile business. The zero margin stuff, like termination and some of the interconnect stuff and hardware of which there is essentially no margin, is dropping.

Birgit Conix: Yeah. Also, there is a decline in out-of-bundle due to obviously our WIGO product because there we see less usage. But all in all, we have an advantage from the WIGO customers.

Daniel Morris: That is helpful colour. Thank you.

Emmanuelle Carlier (Kempen & Co): Yes, hi, good afternoon. Three questions from my side. First of all on the shareholder remuneration, would you confirm that the postponement is not at all related to potential discussions between Vodafone and Liberty Global? The second question on the synergies. You guided for around €240 million from BASE and SFR. Would you let us know how much of these synergies have been realised by the end of 2017? How much synergies that will drive the EBITDA growth in 2018? The final question is on the partnership with VOO on the mobile phones. Basically, we do not really have any quantitative data here. Could you maybe disclose the number of mobile subs they have, the growth rate and any comment maybe on profitability? Thank you.

John Porter: Yeah. On your first question, from our vantage point, we do not believe Telenet is impacted at all from any discussions that may be going on with the reference shareholder and Vodafone. We certainly have not been drawn into anything. We do not see anything on the horizon that would impact us. From a gaming and out[?] standpoint, I cannot really see any advantages to Liberty or to any hypothetical transaction of just sitting on capital. We have reasonably good visibility on what is truly slowing things down. And as I said, it has more to do with tax, timing, shifts in the tax code, these kind of things which have to be worked through. We believe they will be.

Liberty and the independents were all strongly in favour of capital management up until the point where we ran into some difficulties on that front. So, I certainly do not believe it had anything to do with any prospective M&A activity.

Just jumping on the VOO mobile, and then I will hand it over to Birgit for the SFR synergies. So, we obviously are not going to report anything about VOO's numbers. But I will say that Jos Donvil, who used to run BASE company, is down there running that whole business. He knows how to move mobile products and he is doing a good job. They are having good success. They launched in beginning of the fourth quarter their FMC product, One, which has been a very strong entrant into the market. We feel it a bit on our BASE standalone post-paid. So, we know they are having some good success. We would rather have them have the success, as a good customer of our wholesale business, than the others. Hence, we are happy with the deal and happy to stay close to VOO, as we are in a sense a complementary sector. Okay, Birgit, SFR synergies.

Birgit Conix: Yes. So, it was also BASE synergies where we are versus the €220 million run rate by 2020. So, in 2017, we realised €23 million of the total run rate. In 2018, we plan to have around €100 million of run-rate synergies. Obviously, you cannot really relate it from year to year P&L-wise because this assumes that you – the savings versus if you would have been on a rented network. In terms of real P&L impact, it will be around between €45-50 million. If you then go to 2019, it will quickly accelerate to what we had here, €180 million and then ending in 2020 with €220 million.

If I then go to the SFR synergies, so for instance for 2018, we currently have in our books a smaller amount. It is an amount like around €4 million in 2018, which is very small. But we also have integration costs, etc. Then if we look at the run rate synergies for SFR, [inaudible] part of your question, then we see revenue synergies by 2021 of an additional revenue of €28 million. This may be on the conservative side. We will see. But it is currently what we have here. EBITDA run rate by 2021, we expect about €22 million EBITDA run-rate impact.

Emmanuelle Carlier: Could you maybe repeat the net savings on BASE? So, what is the uplift [inaudible] for full year 2018?

Birgit Conix: Yes. The uplift would be around €45-50 million. That would be the uplift in synergies, if I really take the EBITDA impact.

Emmanuelle Carlier: Yeah, okay. Just coming back on VOO, is it fair to say that profitability on the VOO mobile product in the past, while still on the Orange Belgium network, was close to zero? That is from mobile[?] [inaudible] network would obviously be materially higher.

Birgit Conix: Excuse me, you mean the [inaudible]?

John Porter: To us?

Emmanuelle Carlier: Yeah.

Birgit Conix: Yes, I do not think I can disclose – I cannot say it. It is a small average ARPU.

John Porter: Yeah, structurally, you are correct. Let us put it that way.

Birgit Conix: Yeah, that is better.

John Porter: Yeah, NDA [inaudible].

Emmanuelle Carlier: Okay, thank you.

Roshan Ranjit (Deutsche Bank): Thanks. Good afternoon. Just a quick question for me. On your free cash flow guidance for this year, you talk about a growth in the vendor financing platform. First of all, just to provide a bit more colour on that versus the €144 million reported for 2017. Thanks.

Birgit Conix: I am going to hand it over to Rob who is our vendor financing specialist. But remember that we had in 2017 a really big year because we onboarded all of the suppliers on the vendor financing platform. Now, we are repaying suppliers. So, that is why we had a bit of a spike in 2017.

Rob Goyens: Yeah. Let me first take a step back and maybe highlight once again for those less familiar with vendor financing as to the reasons why we implemented it in vendor financing. So, essentially, it is a diversified way of funding of the overall cost, compared to our traditional source of financing. Also importantly, it has allowed us to bridge a timing in 2017 when we were still investing in the BASE network while the synergies were not really visible yet. Now, having this vendor financing programme basically will match the synergy involved with the cash outflow. So, that is, I think, a great achievement overall.

What we want to do with the vendor financing programme is really to build a programme that is going to be sustainable longer term so that we have incremental benefits that we generate. Although in the first year when we started the programme, we have highest contribution since we only have an extension of payment term but we do not have essentially repayment of suppliers.

Then if we look at 2018, of course, there will be repayments that will occur. At the same time, the suppliers who are onboarded will also generate incremental spend. They will be complemented with new suppliers that we add to the platform. Over time, you will still see a growing contribution. In 2018, overall, we have €150 million tailwind that was coming from vendor financing as part of the free cash flow growth. For 2018, we would anticipate a lower contribution, more in the area of €80-100 million.

Roshan Ranjit: Okay, that is great. Thank you.

Ricard Boada (Morgan Stanley): Hi. Thanks for taking my questions. I have three, if I may. So, on the dividend, in the long term, could you please let us know where within the 3.5 to 4.5 leverage range you feel comfortable being? If my maths are correct, the average of the last six years is about four times, using the new leverage definition, which by the way also coincides with the low end of Liberty's target leverage range. Secondly, Birgit, could you please confirm that you are expecting lower cash interest expenses during 2018? The reason that I am asking is that I think that it has some real cross also to your dividend forecast.

Finally, when we are thinking about the long-term sustainability or the long-term run rate of CAPEX, what is the right level to model going forward? Thank you.

Birgit Conix: So, on the cash interest, I can confirm, yes. We do see a benefit in 2018. It is around €30 million or €20-30 million, maybe €30 million, so, yeah.

John Porter: On the dividend range, there is no prescribed positioning in that range. The board has not given us any direction on that. I think the closer we get to the bottom of the range, the more actively, of course, we will be looking at capital management. I think the upper end of the range is certainly an area where we feel comfortable. In fact, should there be a substantial M&A opportunity, which of course we know there is only one, we might even go over that range.

Now, a lot of this depends on where the market goes over the months and years ahead. I think, like I said before, given the more recent volatility and some of the volatility in the sector, stocks, we think it is better to have a slightly more conservative position for now. Of course, we realise that we do rapidly de-lever and when we are doing capital [inaudible] dividends or capital management, we always look forward because we do not want to back right up again in the next 6 to 12 months and do it all over again.

I can assure you that the board will be looking at this very closely over the next few board meetings. And I certainly understand everybody's interest in the company having an active capital management policy.

On the run rate and CAPEX, as we said, we are getting through substantial transformational capital projects across all of our major infrastructure. Historically, a good target position for hybrid fibre-coaxial networks has been around 20% – or the low 20% range of revenue. If you look at the mobile networks, they have historically run around between 15% and 18% of revenue. We very much know that and see that. We also know that continued evolution of cloud, IP, video solutions and just the overall cost of chips that run our platforms continue to come down. So, we are hoping that we can get CAPEX sustainably below 20%, given those competing dynamics.

We know the set-top box we are coming out with later in year is substantially less expensive than the one we have been buying because it does not have a hard drive in it. All the replay capability is in the cloud. So, there are a lot of things that give us a lot of confidence that below 20% run rate is sustainable.

Birgit Conix: So, we mentioned that the percentages that we are quoting now are excluding spectrum and also sport rights in [inaudible].

Ricard Boada: Thank you. Can I follow up just like one on the dividend? John, I think you mentioned earlier in one of your responses that the board was considering a tender offer or a buyback but then the focus moved on to dividends. Could you please clarify why a self-tender was not an option?

John Porter: Yeah, a couple of things. One is the complexity, and just the timetable, it looked like it was going to be challenging. But I think most importantly is the liquidity. Considering the capacity the company will have to do what would amount to a special dividend, that it could take 25-30% of the free flow out. And we did not think that that was healthy for the medium term for the company. It would displace a lot of shareholders on technicalities which did not seem like it would underpin the value.

Ricard Boada: Thanks. That is very helpful.

Ruben Devos (KBC Securities): Good afternoon, I got three questions. The first one on cash taxes. So, these were somewhat higher in 2017 partly due to tax prepayments.

Considering the incentives to pre-pay taxes and the typical payments which fall in Q1 of each year, how should we think of cash taxes going forward? Also, given the reduction of corporate tax rates in Belgium, I am trying to get an idea of when the reduction of the corporate tax rates will feed into your operational cash flow.

The second question regarding the market analysis by the regulator and the proposals on fair tariff pricing. I was wondering whether anything has changed in the last six months that has made you more or less confident on regulation.

The third one regarding the takeover of telecom integrator, Nextel, which still needs to be approved by the Competition Authority. Could you walk us through the rationale and if possible the quantitative and the qualitative targets you set there for the company? Thank you.

Birgit Conix: Okay, I will start with the cash taxes. So indeed, we did a prepayment in 2017 of an amount of €20 million. There are two reasons for doing that. One is there was a benefit associated – it is a bit complex to explain but it is like the Belgian system, there is a penalty for insufficient tax prepayment[?]. That amount has increased. So, we thought it would be beneficial to prepay €20 million of cash tax. Also because there was room for it because, as you know, there is a two-year window in Belgium. So actually, the taxes due in 2016, for instance, are paid in 2018.

We believe there may be a moment in which the system will change. So, this is just a prudent way of building off this risk potentially in the future. Nobody has talked about this so far but this may be something that is coming ahead. So, that is how we slowly build that off to get to only one year. That is the reason basically.

Then for cash taxes going forward, what else is there to mention? I do not know, Rob, do you want to add something? We do see a bit of a lowering due to a restructuring that we did. That is around €60 million on an annual basis. That is the only thing to mention, apart from it being just what you will see as tax to be paid actually two years in advance. Hopefully, in three, four years' time, we just have a one-year window.

John Porter: Yeah. On the regulation front, I think ambiguity is the new normal. I think we are going to be under a cloud of several tracks on the regulatory front sort of interminably. We have legal track, which has essentially annulled the retail-minus legislation as of 1st May 2018, theoretically could throw everything into disarray. But we will be maintaining status quo in good faith at that point by keeping the wholesale prices at the same level while we negotiate the next step. There is also of course the BIPT's proposal which has been delayed significantly. They are now saying they will file it by end of March. Then the EU will have certain period of time to make comments. That will cause an extension of the consultation period.

So we actually have not planned on any impact this year. We think really the programme is already just gaining some traction as is. So we do not think it needs substantial revising. I know Orange has been in the market saying, "We do not make money." Well, if I opened a flower shop in Brussels tomorrow, I would not expect it to make money in 12 months either. So Telenet did not make money for ten years in this business. It is not for the faint-hearted so for them to have the expectation that all of a sudden they are going to be awash in [inaudible] businesses, quite I think unusual.

So, there is a lot of moving pieces. I will say that I think people's views change. I think in some ways we were quite aligned with the position of the EU. And sometimes we do not know exactly where BIPT is going, but it is going to be an ongoing thing. We are certainly not forecasting either in our short-, mid- or long-range plans, substantial volatility due to the access regime.

We would prefer it was not there. It is obviously gaining headwinds for our overall revenue profile. But we are just going to have to continue to innovate and compete in the marketplace. Is that okay?

Ruben Devos: All right, thank you very much. And maybe on Nextel, if you had some comments there?

Rob Goyens: So Nextel, as we also referred to in the release, is still pending regulatory approval, which we anticipate to receive in the course of the first half of the year. Since this is still pending, we have not included Nextel in our 2018 outlook for the moment.

When we announced the transaction actually last year, of course, it has additional excitement about the acquisition opportunity of Nextel because it would strengthen the capabilities in the ICT space, and especially in the area of ICT integration, which was a blank spot, but also a growing market where we do believe we can play a leading role going forward. But that is all we can say about Nextel for the moment.

Ruben Devos: All right, thank you.

David Wright (Bank of America Merrill Lynch): Hello guys. I have just a couple of quick questions. Please, first of all, just on the revenue side, you did flag that your revenues are boosted by Lyca, some decent ARPU growth and strong business growth. There is no real reason why some of that should slow or go away this year and also maybe even some VOO wholesale etc., unless roaming pressure maybe. So I am just wondering if the revenue guidance feels a touch conservative.

And then just secondly, just from your sort of top-down view, do you think there is value and potential synergies in cross-border cable operations? So for instance, if Liberty were to have a look at yourselves and [inaudible] in the Netherlands, do you think there is actual financial synergies owning, putting the two assets together? Thank you.

John Porter: Yeah, well there is a lot of moving parts in the revenue. Like we said, one of the, probably, major downdrafts there is that by moving into fixed mobile convergence and products like WIGO and BASE for You, we are essentially getting out of the out-of-bundle business.

So, one of the reasons mobile has been regulated into the ground by Europe and by national regulators is things like super high roaming charges, out-of-bundled charges, which drive sticker[?] shock and heavy consumer dissatisfaction. By moving customers into these much more flexible products and converged products, keep putting the consumer more in control of the spending in the mobile space – which these had in a fixed space for a long time because fixed does not have a lot of out-of-bundle charges.

Customers are much more satisfied that WIGO customers have the highest NPS of any product in our portfolio. As we said, 75% of them are actually saving money on their total telco bill. So it is a downdraft. On the other hand, it is in a highly competitive market where we are very susceptible to churn increases. 4P customers churn at half to 70% less than the average.

So that is one example. There are some other examples where there are downdrafts in the revenue. But if there is upside, we are going to go find it and take it so we would be delighted if that was the case.

In terms of cross-border operations, I have always believed that there are substantial synergies to be had by adjacent cable companies where there is a natural border or not. I think it is an interesting idea because probably the two countries most in the vanguard of fixed mobile convergence are the Netherlands and Belgium. And as major players related in those markets, you could certainly contemplate there being substantially [inaudible] synergies despite being a cross-border operation. So I hope that answers your question.

David Wright: It does both of them. Thank you very much.

Marc Hesselink (ABN AMRO): Yes, thanks. One is a follow-up on the comment on the maybe pushed forward the decision on the dividend. So it also had to do with an update on the tax regime in Belgium. And if I am correct, you are also [inaudible] because you restructured as a reverse takeover of Telenet by BASE, and that could free up some tax benefits. Could you update on that one, and do you mean with that with the change of the tax regime?

And the second one is on more in general on the competitive dynamics of the Belgium market. You see that your churn is moving slightly up. It is still relatively low. I think there is not that much change anymore in the actual subscriber numbers – your total subscriber numbers on the fixed side. How do you expect, going forward? Do you expect that this is all further mature and we will see churn coming down again in this segment? Thanks.

John Porter: Yeah, so, on the tax thing, the dividend actually is not impacted by Belgium tax reform. It is more impacted by US tax reform. So I think that is the major issue there.

On the churn front, as we increase fixed mobile, bundle penetration and penetration of services like BASE for You, we do expect churn to come down. I think we are hopeful that over the next 12+ months that the churn will reduce. But we are in a situation now where we did have two fixed players in the market, substantially until the end of 2016, and now we have three in the market.

So, even if it is not hugely impacted, there is impact because there are more choices – well, there is actually four because you have Scarlet as well. You have some players in the market more, Orange and Scarlet. They are going on the value, attacking the value end at the market, and that is just going to create more volatility in the customer base. But the extent that the high value customers, we think our strategy should reduce churn. And that is the majority of the homes[?] that we pass in Flanders.

So hopefully, we can get back down to pre-access regime churn levels over the next couple of years. That is our goal.

Marc Hesselink: Okay, thanks. Then, as a follow-up, it has to do with the US tax. So what is the situation on that other tax issue that with[?] first takeover of Telenet by BASE?

Birgit Conix: So what just happened is that we had an intra-group restructuring and by doing so well – but that was not [inaudible]. And so we have an intra-group restructuring because of the fact that our ambition is a national strategy. So therefore the company base, the former base actually became Telenet [inaudible]. And the former Telenet actually became a daughter of Telenet [inaudible]. But that is actually unrelated to a tax benefit [inaudible] the strategy. But then following this restructuring, there was also associated with tax benefit and that is of around €60 million annually. But actually that is not that reason why we did it, of course.

Marc Hesselink: Sorry, was it €16 million or €60 million?

Birgit Conix: €60 million.

Marc Hesselink: Okay, thank you.

Rob Goyens: Okay, thanks everyone for joining today's video webcast and conference call. I hope you all enjoyed our new way of communicating results to you and we look forward to maintain an active dialogue with you going forward. In this respect you will find all the relevant data, our videos and conferences on our investor website. We look forward to meeting you soon doing one of these events. So thanks again and bye for now.

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