Company Name: Telenet
Company Ticker: TNET BB
Date: 2022-02-10
Event Description: Y 2021 Earnings Call

Market Cap: 3702.13600599262
Current PX: 32.5200004577637
YTD Change($): 0.46
YTD Change(%): 1.435

Bloomberg Estimates - EPS
Current Quarter: 0.86
Current Year: 3.288
Bloomberg Estimates - Sales
Current Quarter: 655.333
Current Year: 2623

Y 2021 Earnings Call

Company Participants

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

Other Participants

- Joshua Mills, Analyst
- Simon Coles, Analyst
- Roshan Ranjit, Analyst
- Emmanuel Carlier, Analyst
- Nicolas Cote Colisson, Analyst
- Ruben Devos, Analyst
- David Vagman, Analyst
- Yemi Falana, Analyst
- James Ratzer, Analyst

Presentation

Operator

Hello, and welcome to the Full Year 2021 Telenet Group Holdings NV Earnings Conference Call. My name is Lydia and I will be your coordinator for today's event. Please note this conference is being recorded. (Operator Instructions)

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

Rob Goyens, Investor Relations

Okay, thank you operator, and good afternoon, everyone, and a warm welcome to our full-year 2021 earnings webcast and conference call. As always, all materials for today including this presentation can be found on our Investor Relations website. After this call, we will also provide a replay and transcript for those having missed this call.

As per usual we'll start today with an Overview of the main trends and achievements in the quarter by our CEO, John Porter. Immediately thereafter, our CFO, Erik Van den Enden will guide you through our operational and financial results, and after that we'll open it up for Q&A.

As always, given the number of participants to this call and to allow for an equal treatment, we're limiting to two questions each. Any follow-up questions can be directed afterwards to Bart or myself and we will gladly follow-up any of open points that you will still have after this conference call.

Before we start today's presentation, however, I would like to remind you that certain statements in this earnings presentation are forward-looking statements. More information on these statements can be found in the Safe Harbor disclaimer at the beginning of our presentation.

As of this quarter, we've also changed our adjusted free cash flow definition. To now also include direct acquisition costs and principal payments on additions to network leases, priced in the 2018 InterKabel acquisition. As direct acquisition costs with essentially represent the cost that we make for future acquisitions and our disposals, such as corporate advisory fees were previously noted captured in adjusted EBITDA more than adjusted free cash flow, but also as they are growing year-over-year as you've seen, we will now include them as a separate line item in our adjusted free cash flow.

As for the historical InterKabel/Fluvius lease payments prior to 2008 these were previously not captured in our definition of adjusted free cash flow as they were represented in the financing cash flow. The lease additions after 2008 however, were already included in our adjusted free cash flow definition. So by now also including them in our adjusted free cash flow, will essentially be including all InterKabel/Fluvius lease payments in our adjusted free cash flow definition. To provide a greater visibility on all lease payments to Fluvius/InterKabel in light of the ongoing discussions on the data network of the future in Flanders and the implementation of the future NetCo.

For more information concerning the free cash flow definition, I refer you to Section 5.2 in our earnings release, but also to the toolkit where you can find a reconciliation between the previous definition and the new definition.

With that long introduction, let me now hand over to John for the rest of the presentation.

John Porter, Chief Executive Officer

Thanks, Rob and good day everyone.

Once again in 2021, we delivered a really fine set of results. We continued our operational momentum and succeeded in further expanding our fixed mobile of converged customer base by almost 108,000. Of which over 36,000 came in Q4, which is a clear acceleration relative to prior quarters. This shows the ongoing momentum for our new ONE and ONEUp FMC offers, which we launched in April of last year.

We managed to achieve growth in all segments as well adding almost 50,000 net, mobile postpaid subs 29,000 broadband and almost 9,000 digital TV subs. We also successfully completed our analog switch off program at the end of last year. And as a result, only retain a small proportion of basic video subscribers.

From a financial perspective, we succeeded in returning to organic top line growth in 2021, which was not just driven by a recovery in our media business, but also by modest subscription revenue growth with nearly 1% top line growth and a 1.6% adjusted EBITDA growth, both on a rebased basis. We delivered on our full year guidance.

One of the key attributes of our company remains our leading infrastructure and continued focus on in-home connectivity experience. This translates into top quality in-home connectivity with a weighted average download speed of 238 megabytes per second, up 12% year-on-year. At the end of last year we nearly reached the milestone of 1 million WiFi boosters representing around 57% of our broadband customer base. And we executed firmly on our shareholder remuneration policy distributing EUR319 million of capital back to our shareholders in 2021 by a dividends and our ongoing share buyback program.

This slide nicely illustrates how eventful and intense 2021 has been for Telenet. I just wanted to highlight a couple of things such as the launch of ONE, our new FMC product lineup. The numerous initiatives we did for our society, such as a refresh of our essential Internet bundles distribution of laptops and connectivity in schools. We also launched commercial 5G services in December last year and announced our intention to create an independent self-funding NetCo structure together with Fluvius and the strategic review of our towers. I'll come back to these two transformational projects in a few minutes.

We continued our digital transformation trajectory and will finalize our IT modernization project this year. This will deliver a state-of-the-art platform with enhanced capabilities to further drive and personalize the customer experience, while substantially reducing our time to market. In the meantime accelerated by this still ongoing pandemic, we significantly increased our online sales.

We also observed an increased take-up of digital migration and up-sell and we are serving our customers also more and more in digitally assisted fashion. When we sell a set-top box solution online nearly 40% are fulfilled by the customer him or herself. Thanks to all the efforts I mentioned, we once again delivered on our full year 2021 outlook and ticked all the boxes, but realizing nearly 1% organic revenue growth and 1.6% increase in adjusted EBITDA.

Our operating free cash flow remains stable and bottom line, we outperformed the midpoint of our adjusted free cash flow range by EUR1.2 million. We also achieved our medium-term operating free cash flow CAGR target between 6.5% and 8% as we managed to grow this metric, up by 6.9% over the three-year period.

Looking forward to the current year, I'd like to share with you the main strategic building blocks. We will further elaborate on these at the next Capital Markets Day, which we intend to host in early June of this year. First of all we want to continuously grow our core connectivity business by focusing further on fixed mobile convergence, but also by leveraging on customer intimacy and differentiating via that tactic.

Secondly, we what to expand our new business segments, like the Park, Internet-of-Things, Smart Homes and certain home appliances. B2B will become even more important as a growth engine for us combining our strong connectivity propositions with integrated IT services. And finally, we are convinced that our entertainment business is set for another chapter of growth by focusing on local content, smart advertising and international expansion.

Our media business as far larger than just De Vijver Media business that we are consolidating as it also includes other partnerships like our OTT service streams, Caviar which is a national and international content powerhouse and our advertising hub as in data. In the past few years, we deliberately invested for growth and will continue on this path in 2022. This includes amongst others selective investments in 5G and fiber as Erik will explain later in part of our '22 outlook.

ESG is an integral component of our strategy and is well embedded in our D&A. It is built around three axis being progress, empowerment and responsibility. We want to help bridge the digital divide by offering connectivity solutions for all in combination with hardware, technical support and basic digital skills training. We are a responsible employer who grows and develops future proof talent who respects the diversity of all and who cultivate fosters and preserves a culture of inclusion in belonging. And we are also committed to improve our environmental performance by becoming net zero in our own operations by 2030. We have recently committed to adopt the science-based targets.

2022 will be a pivotal year for Telenet in which we aim to complete two major strategic projects. Firstly, we continue to engage in constructive discussions with Fluvius on the data network of the future in Flanders and remain confident of our ability to enter into binding legal documentation in the spring as earlier mentioned.

Secondly, we have made good progress on the strategic review of our mobile tower business including a preliminary market assessment, which we will finalize towards the end of Q1. The Board of Directors of Telenet remains highly committed to continue to execute on the Company's shareholder remuneration policy.

The Board proposes to the April 2022 AGM to approve a final gross dividend of EUR1.375 per share, which represents 50% of dividend floor and complements the intermediate dividend we paid in December last year. We're also making good progress on our share buyback program, which will be completed by the end of February.

With that, I'll now hand it over to Erik.

Erik Van den Enden, Chief Financial Officer

Thanks, John and welcome everybody on our earnings call.

As John just mentioned 2020 has been a busy year with a couple of big strategic files ongoing, but I'm happy to see that we also at the same time kept the eye on the ball and we were able to sustain our operational and financial performance in the last quarter, which allowed us to deliver on our full year guidance.

So I'll take you through the numbers. Starting with our operational performance on Slide 13, we're quite happy to see that we posted a solid operational performance in the fourth quarter with an acceleration in the uptake of our net new fixed mobile converged customer base to just over 36,000. And these number clearly underpins the continued traction of our ONE and ONEUp bundles, which we launched earlier in the year in April, to be more precise.

On top of the FMC rate, we're also able to further expense our broadband RGU base by just over 6,000 RGUs and that came with a nice split between residential customers and business customers. Thirdly, thanks to our successful end of year promotions but also the continued cross-selling from ONE and ONEUp. We were able to achieve over 13,000 net mobile postpaid subscribers.

And finally, we've also completed our analog switch-off project in the TV space, which allowed us to drive a solid uptick in our enhanced video or digital TV subscriber base in Q4, leading to net growth into 2021

Turning to top line. Consistent with our outlook we've been able to reverse the negative trend from the previous years in revenue into 2021. For the full year, we generated revenue of almost EUR2.6 billion, which was up roughly 1% year-on-year both on reported and rebased basis. And the growth was not just driven by an anticipated recovery in our advertising in production, revenue, which by the way, was double digits but it was also thanks to modestly higher subscription revenue in our core of our business.

Our subscription revenue for the full year 2021 was up 1.2% year-on-year as you can see on the graph. In Q4 specifically, our revenue was broadly stable both on a reported and rebased basis as higher subscription revenue was offset by lower B2B revenue due to seasonally lower revenue in our ICT business.

Then turning to the cost side. As has been the case in previous periods we maintained a tight focus on cost, although our year-on-year comparison versus 2020 has started to become more challenging given the strong impact of COVID that we saw last year. Against this backdrop, we managed to keep our operating expenses broadly stable, which was driven by a decrease in direct costs and sales and marketing but at the same time offsets by increases in our other cost lines.

Let's then have a look at our adjusted EBITDA. On a rebased basis our full-year adjusted EBITDA increased almost 2% year-on-year driven by healthy organic top line growth and stable operating expenses as we just discussed. We succeeded in expanding our adjusted EBITDA margin by 40 basis points versus last year, obviously from a high and solid base.

In Q4, our adjusted EBITDA reached EUR340 million, which was up 1% year-on-year. Again, both from reported and rebased basis reflecting lower direct and sales and marketing expenses which more than offset the increase in the other costs.

If we then turn to the next slide and we look deeper into accrued capital expenditure. You can see that our accrued CapEx for the year reached nearly EUR636 million, which is 6% increase versus last year and equivalent to approximately 25% of revenue over the period. This was primarily driven by the recognition of the U.K. Premier League broadcasting rights in the last quarter, a contract renewed on an exclusive basis for the next three years. Moreover, the CapEx of 2021 also reflected the temporary extension of the 2G and 3G Mobile licenses awaiting the start of the multi-band spectrum auction at the end of the second quarter of this year.

If you were to exclude the recognition of certain football related broadcasting rights, the extension of the mobile spectrum and also certain lease related capital additions from our accrued CapEx, our 2021 number would be more or less EUR540 million and that would have been equivalent to 21% of revenue, which would be broadly in line with the prior year.

Let's then zoom in on operating free cash flow or adjusted EBITDA minus property and equipment additions as we started to call it as of the previous quarter. So that metric the EBITDA minus P&E additions has been our key financial metric over 2018 to 2021 strategic plan where we promised to deliver on a target CAGR between 6.5% and 8% over the three-year period.

In 2021 we posted flat results on a rebased basis and excluding the recognition of football broadcasting rights and mobile spectrum licenses. As well as the impact of certain lease-related capital additions on the CapEx. At the same time, we also finished the three year period having achieved on the target CAGR with an actual of almost 7% for the three years compounds.

Then if we turn to slide and we zoom in on free cash flow generation, we exceeded the midpoint of the target range that we had announced being EUR420 million to EUR440 million which represents a 4% year-on-year increase on a apples-to-apples basis. The growth in adjusted free cash flow was driven firstly by nearly EUR50 million lower cash tax paid, secondly by EUR9 million lower cash interest expenses, which is a result of the refinancing of our term loans that we executed at the beginning of 2020. And thirdly, partially offset by a EUR5 million decrease in our vendor financing.

In Q4, specifically, our adjusted free cash flow was nearly 26% lower as a result of a lower contribution from our vendor financing program relative to the fourth quarter of last year purely due to seasonality in some of our payments. And as Rob mentioned at the beginning of our call, we've also changed the definition of our adjusted free cash flow, which will now include direct acquisition costs and also principal payments on addition to network users prior to the 2018 InterKabel acquisition.

This has an adverse impact of EUR12 million in terms of direct acquisition costs, and EUR14 million with respect to the network leases respectively in the adjusted free cash flow for 2021. And for 2022, we expect roughly the same impact from these two items, which is fully embedded in the guidance for next year.

If we then take a look at our debt position. As for long time, we continue very strong liquidity in long-term debt maturity profile. At the end of the year the weighted average debt maturity excluding commitments underpinning the financing was 6.5 years. And we do not face any debt amortizations or repayments before March 2018.

In terms of our liquidity position, if you combine our undrawn available liquidity under the revolver and our cash balance that stood at almost EUR700 million at the end of last year. And finally, all of our floating debt has been swapped into fixed debts limiting the overall exposure to future interest rate swings.

Moving on to net total leverage we were exactly at the middle of the range of the 3.5 to 4.5 times at the end of December, which is a very small increase from the 3.9 times, which was the leverage at the end of Q3. And that is a direct result of the EUR150 million intermediate dividend that we paid in the course of this year. And of course also the progress that we have made in our buyback program. But all very stable as you can see from this graph.

And then I'll finish off with the outlook for 2022. John already mentioned it, 2022 is going to be really a pivotal year for Telenet in which we aim to complete two major strategic transactions and the impact of these transactions are not included in this guidance. They will be reflected even when the closing of these transactions may happen.

If you start with top line, we expect to be able to keep the momentum that we built in 2021 and we are aiming to have our second consecutive year of top line growth where we target a number of more or less 1%. If we then take a look at EBITDA despite the outlook for higher staff related expenses following the mandatory indexation at the beginning of 2022 of 3.6% and also the adverse impact of higher energy prices on our network operating expense, we still expect to be able to grow our EBITDA by around 1% for 2022 through a continued focus on our operational expenses and tight cost control more in general.

2022 is another year of investments and we will accelerate some of these investments mostly into the 5G and the network area, which means that we expect accrued CapEx to reach around 25% of revenue. And this, if we would exclude those two investment buckets, the CapEx intensity would have been around the 21% of revenue that we have seen in 2021.

Finally, we target a stable adjusted free cash flow as compared to 2021 which means that we will be able to absorb the negative impact from the higher investments in our free cash flow to certain working capital improvements and by keeping our vendor financing commitments broadly stable compared to 2021.

Doing so, we more than cover our annual gross dividend of EUR2.75 share which is equivalent to approximately EUR300 million around. As a reminder, our full year 2020 adjusted EBITDA outlook includes around EUR30 million cash outs related to the direct acquisition costs and the principal payments on pre-acquisition additions to network. And when I said the 2020 adjusted EBITDA outlook of course I meant the 2022 adjusted EBITDA outlook.

So this concludes the management presentation. I will now hand it back to the operator for Q&A. And as Rob mentioned at the beginning of the call, we would appreciate if you could perhaps keep it to two questions per analyst. So, back to you, operator.

Questions And Answers

Operator

Certainly (Operator Instructions) We begin with Joshua Mills of BNP Paribas Exane. When you're ready, please proceed.

Joshua Mills, Analyst

Hi guys. Hope you can hear me and thanks for presentation. So I got two questions, one on the CapEx and one on some of the cost pressures you highlighted in the press release. So on the CapEx, I guess it seems fair to assume that most of that EUR100 million step up this year is due to fiber upgrades? I'd love to know how your, can you kind of, got to that guidance on standalone basis the assumptions behind both the number of lines that you're looking to upgrade and the cost of doing so on a per line basis. And so perhaps if you could give some more color there, would be great.

And then secondly on the outlook for 2022 EBITDA you've highlighted wage cost and energy inflation as pressure points? I'd just be interested in how you expect marketing in HFC [ph] to develop next year, it looks like you did a good job on reducing spend in 2021 a few other operators have said that basically that was a headwind going into 2022 and just some thoughts around that and other cost-cutting opportunities you see to offset the pressures on the OpEx base? Thank you.

Erik Van den Enden, Chief Financial Officer

Yes, I'll maybe first take the question on CapEx. And so, to be honest the increase in CapEx, of the EUR130 million the largest share of debt is actually not -- fixed network-related expenses. It is mostly the 5G investment. And so, other the increase -- there was significant increase in 5G spend last year was a year where we did mostly pilots and smaller spends. 2022 is the year where on more broad basis we will be expanding and upgrading the network. So, to be honest that is the bulk of the increase.

Secondary, I would also just like to highlight that from a commercial basis we are also intensify and accelerating the rollouts of our in-home connectivity solutions. We know that is key for the experience of the customers of broadband and that is also an increased spend. So more specifically about the investments in the network I think already last year, we indicated that as some of our competitors are opening up streets to rollout the fiber network, this represents for us a unique opportunity in the sense that if we decided at that time to join them that allows us, first of all to make sure that their network is future proof.

But secondly if we don't do that under Belgian civil law you are not able to reopen those streets for five years. So we have decided already last year to make sure that whenever this civil works happen that we also put our infrastructure in there. This is not yet a full fiber rollouts. What we are doing there is mainly ducting and the reason we do that is that those ducts are both -- they are useful in a mixed strategy. So I think we already highlight a couple of times that we see the future evolution of our network as a mixture of HFC and of fiber, but whether -- in a certain area we would either go to a fiber optic network in the last mile or whether we keep it in an HFC network where over time we will upgrade to DOCSIS 4.0, those ducting are always useful simply because also DOCSIS 4.0 upgrade great will require further kind of bringing the fiber closer to the last mile.

So it is a future proof strategy, again it is a unique opportunity, if we don't do it, we cannot do it anymore for five years and that is very much also the strategy that we are falling for 2022. So it is not necessarily a kind of direct fiber related investment, it is really an upgrade of our network making sure whatever strategy, we decided to deploy in that area, we are ready to do so.

John Porter, Chief Executive Officer

Yes, and on the impact of inflationary pressures, I think we are confident that we can absorb fair bit of that through a focus on areas in which we see some significant tailwinds. First of all on overhead, we continue to make a lot of progress on that. We did have, compared to 2021 where we had a lot of transformational activity going on and a lot of G&A overhead going into that transformational activity. We're downscaling some of that and really this year is mostly about execution.

The productivity of our agile operating model means that we can continue to execute and implement new things without expanding our labor force, but in fact finding less utilization of managed services an outside consulting in these kinds of things in 2022. We're also probably the biggest opportunity for us in 2022 and 2023 that you'll see is the overall downward trajectory of the cost to serve. So as we implement our digital transformation as we bring data forward and real-time predictive analytics into our operating model, we're seeing the cost to serve continue to come down, our customers utilizing our most cost efficient channel, which is our digital channels, which we pointed out even in 2021, we started to see some good results there. So there are elements across our whole business that we hope to utilize in terms of offsetting inflationary pressures.

I think of course its February and we're still looking at a year of potential volatility there. So I think, we're relatively conservative in our outlook to try to cope with that potential volatility, but we have a lot of levers to pull on that front, which we look forward to putting in place.

Joshua Mills, Analyst

All right, thank you very much.

Operator

(Operator Instructions) Our next question comes from Simon Coles of Barclays. When you're ready, please go ahead.

Simon Coles, Analyst

Hi guys, thanks for taking the questions. Just one following-up on the CapEx, really and so you said most of it was for 5G, can we assume that this is sort of the peak 5G investment here, how should we think about that 5G CapEx maybe over the next couple of years? And then on the sort of opportunistic fiber or in CapEx, if you are able to -- presuming you are going to find this deal with Fluvius is that CapEx that we could be expecting to move to that venture in the future, if that is something that happens? And then could you just comment a little bit on the sort of the underlying, CapEx trends that you otherwise. So I think that's the CP sort of hand is going up, is that something that's just structural that is going to stay with us for the coming years?

And then secondly, we saw obviously OBEL won the bid for VOO before Christmas and they've given some synergies. And so, and I'm just wondering can you provide any update on what your plans are for may be going off the broadband customers in the south of Belgium or is that something you want to wait until we get sort of regulatory decision on that deal? Thank you.

Erik Van den Enden, Chief Financial Officer

Yes, I'll take these questions. So maybe starting with the second one, I think as you hint yourself Simon is definitely too early to talk about that in the sense that there is indeed an important regulatory process that we rollout over the next year. It's quite obvious that if you look at the landscape there used to be three fixed players in the volume markets with VOO Orange and Proximus. It's obvious what is happening through this combination. So we don't think that is a viable solution. And so, we expect kind of regulatory process to unfold. Depending on that I mean, we will make up our strategy. But so far, there is nothing decided I think it's just too early to talk about that.

Secondly, on the CapEx work, I guess quite a couple of questions there. I think one of the questions was around these ducting whether this is something that ultimately also makes sense and under the Fluvius. Of course, it does make sense, no doubt about, I mean if we do sign the deal with Fluvius and we can elaborate a bit on that, but we are very confident that that will happen before we do our Q1 announcement, so basically during spring. Of course these investments will be very useful and kind of part of the plan, but at the same time as I explain, I mean they also just makes sense from the standalone perspective.

These are investments that which has to do anyway over the next couple of years as you would further upgrade our networks to DOCSIS 4.0. So it is just an opportunity that is accelerated simply because both utility companies, but also our competitors open up the streets. And again if we don't go now we cannot go for the next five years. So it is, as I mentioned an investment that makes sense from all the angles that you look at with or without a deal with Fluvius.

Then I think secondly, your question was about 5G. So definitely 5G I mean we are rolling out at a faster pace than last year, you could argue that last year, the investment in 5G, we're still very modest in the sense that we did a couple of folks, we started to rollout some 5G sites between in the most dense area. We have a plan for the next couple of years, it's not a one-year effort.

But having said that, of course, 2021 is a year where we will be at run rate investments so definitely already sizable investments that will evolve over time where we will build a network over a couple of years.

John Porter, Chief Executive Officer

I think we can say specifically that we're targeting 97% population coverage by 2025. So it's it relatively balanced between now in 2024.

Erik Van den Enden, Chief Financial Officer

So we think that 2022 until 2024 are going to be years where we really build the network. So those are going to be the most intense years in terms of CapEx. By 2025, we expect to kind of essentially have most of it and then we are through that cycle.

Simon Coles, Analyst

Okay, that's great, thank you very much.

Operator

Right, we'll move on to our next question from Roshan Ranjit of Deutsche Bank. When you're ready, please proceed.

Roshan Ranjit, Analyst

Great, thanks for the questions, afternoon, everyone. Just following up on, sorry on the two previous questions regarding - I guess CapEx ultimately. And you talked about the Fluvius deal hopefully Erik when you said, signed by the spring. And in Q1, Q2 is this still the intention to deconsolidate CapEx because clearly your guidance for FY '22 incorporates the CapEx hike being consolidated a free cash flow numbers?

But when should we think about the stage at which you could deconsolidate that is that something more into FY '23. So - we shouldn't expect a further CapEx hike in 2023 because if we think about the rollout with your competitors as you said, last year it was opportunistic. You need to be front footed that has only ramped up for 2022 and I imagine that will also ramp up for 2023. So if you were trying to keep pace with that. How should we think about that deconsolidation of the CapEx on that front, please?

And secondly, just moving to the operational side, strong broadband KPIs this quarter you mentioned last quarter, you expect that of the tailwinds that we've seen through 2021 and I guess to last point of 2022, to wash out to 2022. Has anything changed so we could think about that no stronger growing broadband market to continue maybe and see some continued strong KPIs into H1? Thank you.

Erik Van den Enden, Chief Financial Officer

Roshan on your first question on the consolidation, I think as we have said in previous conversations in previous earnings calls, the ultimate goal is for sure to deconsolidate, but that will probably go in these steps. So I think the transaction with Fluvius is the first transaction. What we are doing there is bringing together assets at both sites. I mean we bring our customers and we bring two-thirds of the network as we all know and discussed so many times Fluvius of these agreement on one-third of the network.

So if you bring that together, you can see, I guess you can have an idea of how the economic balance plays out. But as I mentioned there is, I mean, we are targeting further transactions after the Fluvius transaction which indeed ultimately we plan to result in a deconsolidated fee income. So that's the plan that will play out over time.

John Porter, Chief Executive Officer

Yes on the operational KPIs. We have the momentum of market expansion - in our analog switch off in 2021 and we were able to deliver very good results in part due to those two events. But we also have a lot confidence and our feeling very good about our ONE and our click offers which are very competitive in fact, the consumer advisor in the market have said is the best offer in the market for a data first mobile broadband combination.

As you can see from the FMC result in Q4 also a very - starting to gather some really good momentum in that market so there is some puts and takes. I will say, we're pretty much through the COVID era of category expansion of fixed Internet. But we still feel good about, about the growth that we can expect in broadband and in postpaid mobiles which should also be a good year.

So puts and takes like I said - but right now our experiences is there is quite low flux in the market where there's not a lot of movement churn is very low. And on the back of that, we would expect to have a reasonable result.

Roshan Ranjit, Analyst

Great, that's very helpful. If I would just make this follow-up quickly sorry Erik, you mentioned this - I guess multistage process would figure. So if we think about a, I think you said legally point in documents by the spring. Well, how long should we think about kind of regulatory approval to get all of that side and where you could then move on to the next stage of looking to deconsolidate?

Erik Van den Enden, Chief Financial Officer

Yes, that's the process that we are looking into Simon.

Roshan Ranjit, Analyst

Roshan?

Erik Van den Enden, Chief Financial Officer

Roshan, keep up there. Sorry for that. It's not necessarily given that you have to go through regulatory process. So, but having said that, of course, we are creating a company here that means that also on the operational side, we will have to bring people together, set up an organization, make sure there are ERP system. So even -- if not, necessarily, it is going to be a regulatory process, of course, for us to really get going, that will also have its throughput time. But we are ambitious on it. I mean the negotiations have taken a long time. We've taken a huge turn in momentum once we signed the MBO. We are working very expeditedly and very constructively with Fluvius, and both parties have the very strong desire to get this going as soon as we can. So we will not risk before the ventures there.

Roshan Ranjit, Analyst

Okay. That's great. Thank you.

Operator

We'll move to our next question. We have Emmanuel Carlier of Kempen. When you're ready, please go ahead.

Emmanuel Carlier, Analyst

Yes. Hi. Good afternoon, all. Two questions. The first one is on the free cash flow guidance. So you guide that it will be stable despite EUR100 million higher CapEx, which you disclose may be the different elements arriving to that stable free cash flow. You mentioned working capital, but maybe some other elements also play the role.

The second question is on CapEx as well. I was just wondering if you -- is it correct to state that if you exclude fiber investments, that the accrued CapEx should drop substantially in 2023, because the boost of investments, I think they are probably something like EUR8 million and that is probably -- yes, quite a big bucket that will disappear as of 2023. Thank you.

Erik Van den Enden, Chief Financial Officer

Emmanuel, which investments you were referring to?

Emmanuel Carlier, Analyst

The WiFi boosters.

Erik Van den Enden, Chief Financial Officer

The boosters, okay.

Emmanuel Carlier, Analyst

Yes.

John Porter, Chief Executive Officer

Let me maybe first take the free cash flow question. So I mean, indeed we have -- I mean there's a deterioration in the operational free cash flow, which -- through working capital initiatives, we expect free cash flow to be flat. So the first answer is, we see that mitigation really through working capital. If you think about taxes and interest, those lines are relatively stable. So there is indeed, to your point, a big improvement in working capital.

And that has actually three elements. I think the first element to start with is that if you look at our working capital for the past year, so for 2021, there were some seasonal effects and kind of changes for instance in the payment schedule of taxes, that led to the fact that we have negative seasonal impacts in 2021. In other words, if you would normalize our working capital, it would have been better into 2021.

Now the negative effects that we had in 2021, they will positively impact our working capital in 2022. And also, those are not necessarily one-off impacts, like as I mentioned, the change in VAT prepayments is something going forward, it will be there anyway. That's the first element. You have some negatives in 2021 that will positively impact 2022.

The second point is that, as our CapEx spend is going up in 2022 and these payment terms are typically longer than OpEx expense, there is a bit of a natural hedge that you have in terms of the free cash flow impact, in the sense that you accrue and you account for the CapEx in the year, but some of these payments will only occur into 2023.

So that is a natural pattern that of course you also have every year. So both for 2021, there was the CapEx that we spent in Q4. Most of it will only be paid actually, I guess now. But that you also have this year and since the CapEx is going up, you have some relief going from there. And the third element is that we have been working over the past years quite strongly on -- through an organic improvements in our working capital. And this is something that we will continue. And to give you a bit of a flavor of that, for instance, inventories is something that we have reduced quite substantially over the last couple of years. We will continue to work on that.

We're basically going to pull all of the levers, so inventories is one. Receivables, we have a high percentage of our customers on direct debit. As we go more digital, that is something that we want to further improve. And also on the payable side, there are continued initiatives to drive payment terms to look for the right solutions there to manage that.

So it's really a combination of all of three, but I want to mention that of course the first elements, which I mentioned, the seasonality that is going to reverse, and also the potential working capital improvements, those should be lasting improvements. It is really only the booster of the increase in CapEx, that is kind of a somewhat a relief into 2022.

Emmanuel Carlier, Analyst

Thank you. And then the second question on the CapEx.

John Porter, Chief Executive Officer

Yes, I think, for 2023, obviously, it's a bit early, since we are just discussing 2022. But when we look at 2023, excluding the fiber, we do see some moving parts. So on the one hand, we do see lower in-home connectivity related CapEx. Let's not forget that we are very close to 60% of people that have to-date WiFi boosted in the home. It's still going to be an integral part of our spend in 2022. The same also for the entertainment platform by the way.

We're also in the last years of our development of our IT stack. So this will also tail off heading into 2023. But then of course, the big delta is going to be on the 5G. So as Erik mentioned and also previously, 5G is really a multi-year program, where obviously in 2022 we will be ramping up. We have a plan in mind. But this will be a plan that actually gets us up to 2025. So therefore, there will be more spend on 5G in 2023 versus 2022 as well. So I think on that side is probably not realistic to assume that CapEx, excluding fiber will actually drop materially in 2023.

Emmanuel Carlier, Analyst

Okay. That's clear. Thank you.

Operator

Moving on to our next question. We have Nicolas Cote Colisson of HSBC. When you're ready, please proceed.

Nicolas Cote Colisson, Analyst

Thank you. Hi, everyone. Two short questions. The first one is on prices. I wonder how much of the price rise is embedded in your 1% growth guidance. And actually, if you can give us more details about what is holding up growth, given you are certainly expecting to grow your customer base?

And my second question is that we're only a few days away from the deadline to register for the auction. Are you still confident that no one else but the three operators will show? Thank you.

John Porter, Chief Executive Officer

Sure, I'll take the questions. On prices, I think history is the best guide to future performance. We can say that we have taken increases in line with the consumer price index over the last three years. With other, there have been some minor adjustments and there have been some exclusions to that, but that's generally the direction that we've taken. We did fix our plan back in October, before the exceptional inflationary environment we find ourselves in. So of course, we will be considering what we will do in that regard.

Our cycle is usually we determine these things in the spring and implement for early, early summer. So that's the time which will have a much clearer idea of that. But you can assume that based on the fact that we set our plan -- last time we addressed our plan was back in October, November, that maybe we do need to reassess it based on the current situation.

In regards to the fourth operator, the Idea [ph], I think I personally have been skeptical of that eventuality in the consumer market since the Idea was first mooted 3 or 4 years ago. Nothing has happened in the meantime to make me change my mind. In fact quite exceptionally, you're seeing most of the markets go forward, and most of the players that have acted in disruptive fashion in the consumer market are quite distracted by trying to rescue their capital exposure in markets in which they've gone into disrupt.

So not really thinking that Belgium would be a great place to lay out a couple of EUR100 million to just even create an option value for yourself. That's pretty much the price of entry given the requirements to build out 20% of the network, before you can even go after any kind of roaming or anything like that.

So consumer fourth operator, still very skeptical about that, and I haven't seen anything from -- in the government or from vendors or anything to make us believe that that's where it's headed.

And on the -- the way the auction has been set, it gives an opportunity for an industrial enterprise sort of bespoke solutions, because you can slice up the spectrum down to smaller amounts. So clearly, the auction has been retooled to accommodate an enterprise new entrant. But that's crapshoot anyway, so we're not overly worried about that in terms of its impact on our return on capital.

Nicolas Cote Colisson, Analyst

Thanks. If I may just add one follow-up on my first question in prices. Do you have kind of a proportion of your revenue that would benefit from the price increases or indexation, ballpark? Thank you.

John Porter, Chief Executive Officer

Well, yes, what proportion would benefit from are you saying?

Erik Van den Enden, Chief Financial Officer

So Nicolas, I would generally -- if you look at, for example, 2021 and our pricing strategy there, we basically introduce price increases on all of our bundles, and also on some of mobile products. So in our revenue disclosure, it's probably fair to take for sure the cable subscription revenue as a line item composed of video, broadband, and fixed-line telephony that would see indexation, and also a substantial part of our mobile revenue as well. So vast majority essentially of the subscription business, and then we just exclude the other revenue and bespoke B2B out of that indexation a few.

Nicolas Cote Colisson, Analyst

Got it. Very clear. Thank you.

Operator

So we move on to our next question from Ruben Devos of KBC Securities. When you're ready, please proceed.

Ruben Devos, Analyst

Yes, good afternoon. Actually two questions on a bit of a different part of your business. The first one relates to the other revenues, these are virtually flat in 2021. After a difficult 2020, your revenues were down 11%. My understanding includes various moving parts in our wholesale business, handsets, advertising. Curious if you could give an update on some of these activities and whether -- yes. Considering the flatter performance last year, you're factoring in somewhat of a late rebound, let's say to back to pre-COVID levels in your outlook for this year? That's my first question.

And then the second one is around media basically. There has been some news flow last year around this. We've had acquisition of Caviar, continued investments in Streamz. And there were also articles suggesting Telenet was interested in acquiring the commercial broadcaster in Wallonia. So, yes, I understand entertainment and content is an important pillar of your strategy. But I was wondering, whether you could give a bit of a refresh as regards to ambitions in the media sector? Thank you.

John Porter, Chief Executive Officer

Erik will do the other revenues and I'll take on the media one, first off. I think we invest in media for two reasons. One is, we think we're the right owner of certain assets to really be able to accelerate value creation. I think the production sector is a very good example of that. Without being too specific, I can tell you that production assets that we own and the new one in Caviar, we had an extremely performing year. We don't consolidate all of that. So there is no visibility. But we're very happy with where that business is. But it also -- the businesses gave us more control of our own destiny and build more value back into our core entertainment offering.

Entertainment for us is a sustainable differentiator in the market. My position is if you're blemish and you care about television at all, then Telenet is clearly a far superior offering in the market and we want to sustain that position.

Still 88%, I think of one new additions are taking a television product from us. So the deterioration in television as our part of our CDP, that you've seen in some -- particularly in some Anglo-Saxon markets, we're not seeing those yet. Also with our investment in Streamz, having that production capability sitting behind it and also in our broadcast asset is really puts us in a really great shape to maintain that local champion position that we have both across paid D2C and broadcast.

So that business overall is I think, Erik alluded to, is growing. There is a good rebound in advertising revenue in SBS and in our digital offerings of PlayGo et cetera. And we expect that to continue into this year and beyond. So there is synergy between the assets, there is growth and value creation in the assets individually. But also there is sort of residual halo effect of not being telco, we're being more of a sort of full service provider and bringing the brand equity that we enjoy through the broadcast entity through Streamz and through being the champion of not just Flemish but international TV as well in D2C space.

Erik Van den Enden, Chief Financial Officer

And little bit to that point, so some of the media activity gets consolidated in our accounts, like De Vijver Media business for example with Woestijnvis and SBS. Some of that activity like Caviar and Streamz does not get consolidated, because we don't have a controlling stake in the entities. The idea we have also is -- as John already alluded to it, we will be hosting a Capital Markets Day in June. So there I think is the right time also to give some more color on our media strategy, but also provide a bit more color on these businesses. Even though those numbers may not be fully consolidated and reflecting that they're not consolidated accounts. It does give you -- it should give you then a good picture of the total weight of media in our business, which has continued to grow quite nicely, as John just mentioned.

John Porter, Chief Executive Officer

I will say we spent about two minutes, thinking about RTL, in the South of the country, in the context of potentially being involved with VOO, but that was never really on our radar screen.

Erik Van den Enden, Chief Financial Officer

Ruben, on the other revenue, so if you look at 2021, you have two offsetting trends because of course the revenue comprises quite a bit of category. So in one hand, we had a very nice top line increase and revenue increase in DVM, and there was both -- because as you know DVM is the combination of first time business there, so both performed well. So SBS recovered from the implosion of advertising revenue, but also grew nicely to top line. So that's positive. But that's in the overall, other revenue bucket was offset by a continued decline on interconnect revenue. So interconnect revenue, it's something that has been declining for many years. We saw an acceleration as part of the COVID crisis into 2021 and that just continues.

Now as we know, interconnect revenue for the interconnect business is margin neutral. So that decline of the top line does not manifest itself in EBITDA. Actually, on EBITDA it's slightly flat, but of course on the topline, there that is fitting.

Third element with that, is that also the roaming revenues. Although they are a bit better than 2020, so there was an increase in roaming revenues. Of course, still remain compressed to the levels that we have seen before the pandemic.

So again, if you take all three in the mix, as you noted very correctly, that that's about flattish. For 2022, we expect individual trends to continue. So John already said, we continue to grow our -- or we expect to grow our media business. But on the flip side also, interconnect is expected to continue to decline. So those are the kinds of trends that will persist.

Ruben Devos, Analyst

All right. Thank you very much.

Operator

At this time our next question comes from David Vagman of ING. When you're ready, please proceed.

David Vagman, Analyst

Yes, Good afternoon, everyone. Most of my question has been answered. But just a quick follow-up on the working capital. To which extension of the working capital inflows of 2022 should be -- should reserves are not in the coming years. I think, Erik, you provided past of the year reserve, but if could add some color on that.

And then secondly, also follow-up on the pricing. Let's say -- I understand that in the past, it was basically close to CPI to inflation, though inflation is clearly has accelerated. So one, could you -- would you feel like you would have to put yourself lower than inflation or close? So what is your thinking? Thank you.

Erik Van den Enden, Chief Financial Officer

Yes. So David, maybe I'll take the pricing question first. I mean pricing is something -- so we take a lot of circumstances into account and which we believe from time to time. So I mean, this is of course, we are in a fluid situation, this is very clear. I think you see the economical parameters, including inflation, but also parameters evolving quite rapidly. I think central banks to large extent, total inflation was going to be temporary. It's clear that now it's become to start a little bit more structural.

So when and if we take pricing decisions, then we evaluate it quite regularly. We will take these macro-economical circumstances into account. Of course, we'll also look at our own business, where we've already talked about the wage inflation of 3.7% or 3.6%. Clearly, there's pressure on electricity, but we'll bring it together with the commercial reality of the business where we stand and then we'll take decisions. But that's too early to comment right now.

And the second question I think was more on the working capital side, still, where I think the question was, to what extent working capital is sustainable and will evolve into the future? I think two things. First of all, we had these one-off effects into 2021. To be honest, working capital, if there is one thing that is really complex and where they play a lot of elements, it is probably deadline. So I wouldn't exclude that going forward on a year-to-year basis. We are going to see this kind of one-off sort of things that move from one year to the other. But I think on the long run, what we really try to do and what we have been doing is structurally improve what we call core working capital. Core working capital being the combination of receivables, payables and inventories, and there we have structural programs in place. So that, we will continue to pursue.

David Vagman, Analyst

Is it possible to give any quantification of any figures that we might have in 2023 for instance? Or it's too early?

Erik Van den Enden, Chief Financial Officer

No, that is little bit too early, because I mean needless to say that the CapEx element is of course an important driver to it. So I mean, even -- to be honest, timing of CapEx within the year, even if you're spending the same amount of money, if you spend it in Q2, obviously the impact on working capital is completely different than if you spend in Q4. So even timing are things that are very difficult to forecast. So we won't be able to do that.

David Vagman, Analyst

Thank you. Thank you, Erik.

Erik Van den Enden, Chief Financial Officer

Welcome.

Operator

And at this time to check in with our presenters, would you like to continue or shall I hand over to conclude the event?

Erik Van den Enden, Chief Financial Officer

I think we can probably still take one of the questions and then we can wrap it up for today, if that's fine.

Operator

Excellent. Our next question comes from Yemi Falana of Goldman Sachs. When you're ready, please proceed.

Yemi Falana, Analyst

Good afternoon, everyone. A few questions from me. Firstly, on pricing. Could you provide some color on the mechanism of price rises? The customers have the opportunity to churn when a price rise is announced, or are these rises embedded in contract terms?

And secondly, apologies to come back to CapEx. But it seems like you flagged a number of upward cost pressures from 5G to fiber and deducting CapEx. Could you perhaps elaborate on areas of the capital envelope beginning to fall away, both into next year and longer term? Thank you.

John Porter, Chief Executive Officer

Look, on the price rise, we don't have customer contracts. And that's proven to be a very good strategy for us over the years. The full customer churn in this market is well into the -- for us, well into the mid-single digits, which is extraordinarily low. I think the company has a fantastic legacy of very strong customer engagement and really proven our metal and our loyalty through the overall quality of the service experience and the innovation around the product categories.

So we by -- in the past few years, like I said history is a good guide. When we have stuck reasonably to the Consumer Price Index, we've experienced, although a tick down in net promoter score, we have not really experienced much churn, despite the fact that we don't have customer contracts. What we do have is a lot of data and a real willingness to right-size customers, or to have innovative ways for customers who are feeling price pressure, to adjust their service levels to reflect what they want to do. And we have just over EUR30 broadband service and we have a EUR15 mobile service. So if you need to get your overall bill down to EUR40 level, EUR40, EUR45, you can do it.

That being said, obviously, what our ARPU is, pushing EUR60 a month. So people are opting in for higher levels of service and more service, so. We do try to cover a lot of ground with our product solutions, where we are very performant at the higher end of the market due to the quality of service that we provide. But we are providing more and more features and options for single-pay, stand-alone broadband, standalone mobile, which are also substantial features, standalone TV, which are substantial features of our offerings, so. It's quite a complex environment that we try to optimize when we do take rate, and I think we've done a pretty good job.

Erik, do you want to?

Erik Van den Enden, Chief Financial Officer

Yes. I think on the CapEx point, Yemi. So I think Emmanuel had a similar question earlier during the call. And so when we look at 2023, we will be seeing some moving parts. On the one hand, there will be a decrease in CPE-related CapEx, especially from in-home connectivity, but also our entertainment platform spend. Then IT, as we mentioned that, we are in the final year, this year of our IT modernization project after three years, so that one is going to trend down as well.

Of course, there will be 5G as an offsetting factor. 2022 is just the first year of a multi-year program of 5G, which is expected to be completed by 2025. So that will be an offsetting element. And then of course, fiber, this is really the area where we will continue to develop discussions with Fluvius. And as we discussed, it's certainly hasn't really changed on our site, which is, first of all, getting to an agreement with Fluvius on this fiber network of the future for Flanders. Secondly, also to open the partnership for additional investors, so that we actually have the optionality to further of deconsolidate this NetCo vehicle, once we have gone through the separation from the ServCo, as could be as you know. It's all fully integrated, but the idea is really to separate it out into a Netco vehicle and to have it off balance sheet autonomous structure.

Yemi Falana, Analyst

Thanks very much.

Operator

We'll move on to our final question from James Ratzer of New Street Research. When you're ready, please proceed.

James Ratzer, Analyst

Yes. Thank you very much. I have two questions, please. So first one is on your tower market review. I don't think we've had any questions on that yet. So it'd be interesting to get an update on your thoughts there, because I think in the past you'd hinted that a sale of towers might be linked to a corresponding transaction on the other side, which I think a lot of us have taken as the VOO acquisition, given that that's now not going ahead with yourselves. Does that change your thinking on the towers? And -- I mean if it isn't, and you're still willing to go ahead with the sale, how should we think about how you would use those proceeds? Because it'll clearly take your leverage likely down towards or below the bottom end of your range. And so could we expect an incremental return of cash to shareholders?

And then secondly, just love to get an update on how you're seeing the B2B market at the moment. If we exclude some of the accounting adjustments you flagged to revenues, that has been roughly flat year-on-year. I mean, are you seeing signs that spending could recover in 2022, or do you think that markets remained structurally quite competitive and tough? Thank you.

Erik Van den Enden, Chief Financial Officer

James, maybe first on the towers, so we are conducting a strategic review. So what we said in the past is that VOO would be good use of proceeds, but we've also always said that is part of our broader strategic agenda. I mean we have already at length discussed also the venture that would bring to do with Fluvius. And again, we took VOO, the Fluvius transaction VOO all in the mix. So for sure the towers was not directly linked to the VOO transaction, which means that it has merits on its own.

So in terms of strategic review, we are quite advanced in that. We're happy to see that there is clearly a lot of interest and the market is still very, very strong and that there is a lot of interest for these towers. So we really expect the exercise to be completed by the end of Q1, hopefully with a good outcome.

John Porter, Chief Executive Officer

Yes. And on the B2B markets, we are a challenger in the B2B market. So we're not as vulnerable to value deterioration in some of the more -- the incumbents, sort of, or those with incumbent like market shares are experiencing, particularly in the large enterprise market, where every time a deal comes up, the large enterprises are leveraging both technology and competition to push their cost down.

We are very strong in SOHO market, which performs essentially like the residential market. Prices can increase, new services can increase and overall value in SOHO market continues to increase.

In the SME and the LE market, we're sitting at sort of 20% to 25% market share. We still have a lot of upside and we're confident that through the expansion of our ICT capabilities into managed services, better cloud and managed security propositions, that we can continue to be a leader in the transformation that's going on in the SME and the LE market.

Like I said, the incumbents are defending traditional wide area network technologies and these kinds of PABX services and these kinds of things which are under pressure from digital technology transformation. And as a challenger, we're trying to make that happen. So it's a plus for challenger, it's a negative for incumbent. And I think we're on the right end of that equation, and so looking forward. With some investment and -- we have a leadership change in our B2B business as well. Looking for some real upside there.

James Ratzer, Analyst

Thank you. Quick just for Erik. (Technical Difficulty) we hope the process would conclude successfully on the towers. Does that mean that's per se on an outright sale? And if so, how should we think about use of proceeds from that? Thank you.

Erik Van den Enden, Chief Financial Officer

Yes. There could definitely be one of the outcomes. So I mean that is one of the options that we are definitely investigating. And again, we see strong demand. So there could well be. On the use of proceed, James, I think that is -- I mean, there's a couple of very balls in the year. I mean, we have as we already mentioned, right, there is the tower review, there is of course also the transaction with Fluvius et cetera. So there's many different things.

I think it's a little too early to comment on the use of proceeds. It will definitely see -- I mean, those proceeds will be used to fit our strategic agenda. That means that you know they may go into an investment in the business, but of course, we're also very committed to our shareholder remuneration program, with the dividend and with tactical share buybacks. So we have not yet made up our mind, but it could be combination of all of these elements, or more specifically, that is really still to be determined. Again, let's first see that the review is successful and materialize in that transaction and then we will further investigate this.

John Porter, Chief Executive Officer

And I think also, James, as the Board already discussed previously, there is a good strategic framework in terms of leverage, which we have been executing fairly consistently. And to Erik's point, there will be many moving parts on the leverage framework going forward. And this is something that of course the Board will consider. Not just where the leverage will sit, as a result of these transactions, but also what the outlook will be and will base. Actually, any decision incremental beyond the current shareholder remuneration strategy, will actually be based on that particular analysis.

James Ratzer, Analyst

Okay. Thank you, guys.

Operator

So, with this, we conclude our Q&A session and I return to Rob for any concluding remarks.

Rob Goyens, Investor Relations

Okay. Thank you, operator and thanks everyone for joining today's call. As of next week, we will enter into certain series of --- yet another round of virtual investor calls, which you can find more details on our investor website. So to the extent that you want to participate, feel free to give either me or Bart a call, and happy to accommodate any request and hope to see you there. Thank you. Bye, bye.

Operator

Thank you for joining todays event. You may now disconnect your lines. Hosts, please stay connected.