Company Name: Telenet
Company Ticker: TNET BB
Date: 2023-04-27
Event Description: Q1 2023 Earnings Call

Market Cap: 2361.036540126785
Current PX: 21.059999465942383
YTD Change($): 5.28
YTD Change(%): 33.46

Bloomberg Estimates - EPS
Current Quarter: 0.8250000000000001
Current Year: 2.967
Bloomberg Estimates - Sales
Current Quarter: 703.2
Current Year: 2829.417

Q1 2023 Earnings Call

Company Participants

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

Other Participants

- David Vagman, Analyst
- Nicolas Cote Collison, analyst
- Yemi Falana, Analyst
- Roshan Ranjit

Presentation

Operator

Hello and welcome to the Telenet First Quarter 2023 Earnings Conference Call. My name is Jess and I'll be your coordinator for today's event. For the duration of the call, your lines will be on listen-only. However, there will be the opportunity to ask questions. (Operator Instructions) I will now hand over to your host, John Porter, Chief Executive Officer; Erik Van den Enden, Chief Financial Officer; and Rob Goyens, VP Treasury and Investor Relations to begin today's call.

Thank you.

Rob Goyens, Vice-President Treasury & Investor Relations

Thanks operator and welcome everyone to our First Quarter Earnings Webcast and Conference Call.

As always, all earnings materials, including this presentation, can be found in the Results section of our Investor website. And, after this call, we will also provide the replay and a transcript for those that may have missed this call.

Before we start, 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.

Also note that next to reported growth rates, we will also be providing rebased growth rates as our first quarter financial accounts include a full-quarter contribution from the acquired Caviar and Eltrona businesses and this was not yet consolidated into our accounts in the first quarter of last year. For more information, thereon, we refer to Section 6.2 of the release and to the toolkit on our Investor Relations website.

Let me now quickly introduce today's speakers. As always, we will start with our CEO, John Porter, he will provide some insights on the quarter and next, our CFO, Erik Van Den Enden will walk you through the operational and financial highlights.

And afterwards, we will open it up for Q&A and invite you to limit yourself to two questions each. As I'm sure you've seen Liberty Global towards indirect wholly-owned subsidiary Liberty Global Belgium Holding has now formally launched its voluntary and conditional public takeover bid for Telenet and has deposited to file for this purpose, including a draft prospectus with the FSMA in accordance with Article 5 of the Royal Decree of April 27, 2017 on public takeover bids. The FSMA as announced this on April 13, pursuant to Article 7 of the same Royal Decree. The Board of Directors of Telenet will examine the draft prospectus and present it's detailed opinion in the response memorandum.

The timing of the launch of the offer is subject to FSMA approval of the prospectus, and also the response memorandum. Once approved, the prospectus independent experts report and a response memorandum will be made available to Telenet's shareholders in accordance with further announcements. Until this time understandably, Q&A on this topic will be limited.

With that, let me now hand over to John for the presentation. John, the floor is yours.

John Porter, Chief Executive Officer

Thanks, Rob and good afternoon or morning to all of you. I appreciate you all taking the time to join this call today.

On the operational side, we continue to expand our FMC customer base. We added almost 11,000 net new FMC customers in the quarter to just over 834,000. On an organic basis, our broadband customer base modestly contracted by 1800 RGUs. This reflected an intensively competitive environment as well as lower net subscriber growth for our TADAAM products as we now exclude so-called paused customers from our RGU base as detailed in our release. We added just over 13,000 net organic mobile postpaid customers, the clear acceleration versus the average run rate of last year was driven by continued FMC growth and a strong performance at our BASE brand. And finally both our video and fixed-line telephony RGU base continued to contract mainly driven by macro trends and shifting consumer preferences.

In the first quarter, we continued to execute against our strategy as presented in September last year during our Capital Markets Day. This comes amongst others with an increased capital intensity following higher investments in 5G and Fiber-to-the-Home. Since the launch of our 5G network in December 2021, we have gradually upgraded our mobile network and are currently on track to achieve our coverage targets. Right now, more than 850 mobile sites provide 5G coverage and almost 260 municipalities have one or more active 5G antennas in their area. Also, our fiber investments are progressing well. For now, these are mainly focused on targeted trend sharing opportunities but expected to materially ramp-up once the NetCo transaction with Fluvius has been approved by the European Commission expected this summer.

We also continue to invest in an improved customer experience whether through the accelerated rollout of our latest set-top box and video platform or through the deployment of our so-called WiFi pods. WiFi is key to the customer experience, and therefore we aim to provide them with the very best technology thereby unburdening our customers to the best of our ability.

We have therefore developed a single ecosystem in which all components are aligned to each other. As a result, it's very easy to install and manage the in-home connectivity setup by the Telenet app. On March 21, Liberty Global announced its intention to launch a voluntary and conditional cash offer for all of the Telenet shares that it does not already own or that are not held by Telenet. Liberty Global has been Telenet's controlling shareholder since 2007 and currently owns 59.2% of Telenet's outstanding issued share capital. An additional 3.1% is held by Telenet as treasury shares following share repurchases in previous years.

On April 13, 2023 the FSMA announced that it had received a formal notification of the intention to launch the offer from Liberty Global Belgium Holding. The offer is an offering cash at a price of EUR22 per share. Corrected for any dividend payment by Telenet prior to the closing of the transaction. This refers in particular to the proposed EUR1 gross dividend as approved yesterday by the AGM. This price represents a premium of 59% compared to closing price of Telenet on March 15. And a premium of 52% compared to the volume weighted average trading price of Telenet over one month before such date. And as you can read on the bottom of the slide, the offer is subject to a 95% acceptance threshold and a MAC Threshold. Being a decline of at least 17.5% in the price of the BEL-20 index and or both Proximus and Orange Belgium as market peers to Telenet.

In accordance with its obligations under Belgian law, the Board of Directors with the support of its financial and legal advisors has reviewed the offer and assessed in terms and conditions thereof. Telenet's Board of Directors expressed its unanimous support and recommendation of the offer. Awaiting filing of prospectus and the valuation report amongst others. The prospectus has in the meantime been filed on April 13, together with the valuation report by Lazard. And both documents are being reviewed by the Telenet Board of Directors and the FSMA. The Board of Directors will provide its formal opinion on the offer in a response memorandum which it will issue in accordance with the applicable legal framework. And with that, I'll hand it over to Erik for the update on our quarterly operational and financial performance.

Erik Van den Enden, Chief Financial Officer

Thanks, John and good morning or good afternoon to all of you and welcome to our earnings call. First looking at our operational performance, I won't dwell too long on this operational KPIs since John already discussed our organic performance in the first quarter earlier in the presentation. As far as the fixed customer relationship ARPU is concerned, we recorded a modest uptick of 1% compared to the first quarter of last year. The benefit from last year's price increase more than offset the continued decline in both video and fixed-line telephony revenue.

Compared to the preceding quarter, the ARPU per customer relationship modestly contracted as a result of the Eltrona acquisition. As you've seen from today's numbers, Eltrona has a materially lower multi-play customer base and consequently generates a much lower ARPU per customer relationship as compared to Telenet's. Given the consolidation of Eltrona in our operational and financial numbers as of January of this year, we're now splitting out both the RGU base and the organic net adds between Belgium and Luxembourg. As you can see on Slide 10.

Let's now zoom in on our top line performance. In the first quarter we posted revenues of EUR703 million, our revenue was up 9% year-on-year on a reported basis, driven by the consolidation of both Eltrona and Caviar which were not yet included in our Q1 2022 results. Excluding these inorganic additions, our rebased top line growth was almost 3%. This was driven by higher advertising and production revenue, a 7% increase in business service revenue and higher subscription revenue.

Moving on to the cost side as already mentioned in previous earnings calls, our cost base continues to be affected by the impact of higher energy costs and overall inflation, for instance our staff related expenses. Our cost in Q1 also included EUR1.5 million of so-called costs to capture to prepare for the NetCo go-live. On a rebased basis, our operating expenses were up 8% year-on-year. This was mainly driven by higher staff related expenses as a result of the 11% mandatory wage indexation at the beginning of this year. In addition, we also incurred higher programing costs and higher energy spend, which were up just over EUR3 million in the quarter.

Our Adjusted EBITDA for the quarter reached EUR320 million. This is a 3% year-on-year decline on both reported and rebased basis. The lower adjusted EBITDA performance in the quarter was driven by the aforementioned increase in our operating expenses.

In line with our full-year outlook, we anticipate negative growth in our Adjusted EBITDA in the first half of the year, which we expect to reverse in the second half as a result of the price adjustments of June 2023 and continued tight cost control. In the first quarter our Adjusted EBITDA margin amounted to 45.5% compared to nearly 51% in the first quarter of last year. On a rebased basis, our adjusted EBITDA margin contracted by 270 basis points.

Turning to the next slide, as you will remember following the sale of our mobile infrastructure business to DigitalBridge in June of last year, we have started to include Adjusted EBITDA after lease costs also called Adjusted EBITDAaL as a key financial metric which includes depreciation expenses and interest expenses on leases. Looking at the performance of EBITDAaL within the quarter, we note that inflationary pressures and higher energy costs drove a 4% decrease in that metric and we achieved EUR282 million within the first quarter of 2023. On a rebased basis, our adjusted

EBITDAaL decreased 6%. Indeed, the first three months of this year included a full quarter of tower lease-related expenses, whereas in the first quarter of 2022 we didn't incur any of these cost yet.

Moving over to investments now we recorded accrued capital expenditures of EUR189 million for the first quarter, excluding the recognition of certain football broadcasting rights and certain lease related capital additions impacts, consistent with our full year guidance, our accrued capital expenditure were EUR176 million. This represents approximately 1/4 of revenue. Compared to last year, our capital intensity increased following higher investments in 5G and Fiber-to-the-Home as John already mentioned earlier.

Turning to slide number 16, the increased capital intensity on the one hand, and the lower adjusted EBITDA on the other hand drove over 24% decline in our adjusted EBITDA less property and equipment additions to reach EUR144 million in the first quarter. Finally, looking at adjusted free cash flow, we generated a negative adjusted free cash flow of minus EUR35 million within the quarter. This results from a couple of factors. Firstly, 39% higher cash capital expenditures as a result of our increased capital intensity. Secondly, almost EUR18 million lower contribution from our vendor financing program compared to last year, reflecting seasonal patterns in our outgoing payments and thirdly the aforementioned 3% decrease in adjusted EBITDA. Finally, we also incurred higher cash taxes, compared to last year.

Looking at the debt maturity profile, we continue to enjoy robust debt and liquidity profile characterized by no debt maturities until March 2028 and a weighted average maturity of 5.3 years. Substantially, all of our floating rate and USD-denominated debt is hedged, resulting in attractive weighted average cost of debt of around 3.1%. We continue to have full access to EUR555 million of untapped liquidity under our revolving credit facilities. We ended the quarter with just over EUR1 billion of cash and cash equivalents. As mentioned earlier, we will gradually start deploying our cash balance to fund NetCo's Fiber-to-the-Home build out. Resulting in fully funded investment plan without any dependencies on financial markets. Meanwhile, we continue to invest the vast majority of our cash throughout a range of money market funds with highly rated European and US financial institutions. This investment approach has resulted to generate positive returns, which benefits our adjusted free cash flow.

Following the tower disposal and the move to Adjusted EBITDA, we have changed the way we are calculating our net total leverage. Net total leverage is now calculated using net debt excluding leases divided by the last two quarters' annualized and adjusted EBITDAaL. On this metric, our net total leverage at the end of March reached 35.6x versus 3.4x at the end of December of last year as a result of lower Consolidated Annualized Adjusted EBITDAaL. Under the previous net total debt definition using net debt including leases divided by the last two quarters' annualized Adjusted EBITDA, our net total leverage was 4.0x at the end of the quarter.

Having completed the first three months of the year and looking ahead to the next three quarters, we remain on track to deliver on our financial objectives as presented in the middle of February. This includes rebased top line growth between 1% and 2% and a broadly stable Adjusted EBITDAaL compared to last year. As mentioned in the beginning of the year growth in our rebased Adjusted EBITDAaL will be skewed towards the second part of the year given the timing of the rate adjustments that we plan. This is consistent with this phasing that we saw in 2022.

On the investment side, we continue to target a CapEx to sales ratio of around 26% as we continue to see higher spending on amongst others our 5G, rollouts targeted fiber deployments and trench sharing opportunities and preparatory investments in IT and product development to prepare for the launch in Wallonia in the beginning of 2020. Finally, we continue to target an adjusted free cash flow of around EUR250 million. With that, our dividend of EUR1 per share or EUR180.6 million in aggregates remains well covered.

Turning to the dividend topic yesterday at the Annual General Shareholders' Meeting a proposed gross dividend of EUR1 per share was approved. This is equivalent to an aggregate amount of almost EUR109 million, the dividend will be paid on May 5 with the Telenet shares trading ex-dividend as of the opening of the Brussels Stock Exchange on May 3. The record date will be May 4. Reference is made to Liberty Global's conditional and voluntary cash offer for the remaining shares not held by Liberty Global or Telenet. As a dividend payment will occur prior to the settlement date of Liberty Global's offer, the gross dividend amount of EUR1 will be deducted from the EUR22 offer price. This brings us at the end of the management presentation. Let me now hand back to the operator to moderate the Q&A session.

Questions And Answers

Operator

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

David Vagman, Analyst

Yes, good afternoon everyone and thanks for taking my questions. So, I've got two. First on the NetCo, what is the legal path ahead, so you've mentioned, the European Commission as the Belgian Competition Authority also has something to say or the Belgium court, so any legal roadblocks to standing in your way here and also if you could provide update us, let's say on the timeline, a bit more precisely, that's my first question. Then the second on the more the commercial side the broadband dynamic has turned slightly negative, let's say, despite the one bundle, what should we expect going forward in any part of the market, let's say the high-end or low-end where you suffering more. So is this related to fiber or more on the low-end, do you see more aggressiveness from competition and could you -- or could you use maybe the base, could you give a more prominent whole marketing wise to basis maybe as a B-brand to fight back. Thank you.

John Porter, Chief Executive Officer

Sure, David. It's John, On the NetCo, we are -- the only condition precedent remaining is the approval of the European Commission, we remain quite confident that the from a competitive standpoint that we're increasing competition in the market through both wholesale and retail level, so we're pretty confident on a approval, which will put us in a position to launch the company on July 1. I will just point out that Telenet itself has been had various fiber initiatives going for a couple of years now, including proof of concept, including trench sharing, including vendor relationships, labor relationships, particularly through our joint ownership of Unity, which is a large contract for us and that we own 30% of the solutions is 30. And that the bulk of the leadership and staffing of of the company comes from Telenet, so it's not like we'll be going from a standing start in July. There is a tremendous amount of activity, there is hundreds and hundreds of kilometers of shared trench already in place that just needs to be brought the final two meters to the home. So we're in very good shape to start up and we expect the joint venture to come together on the back of regulatory approval sometime in June. On the broadband prospects, I think there is a -- we have a very good understanding of the issues we faced in Q1. I have to say, it's the law of small numbers, but we had a very challenging quarter from a customer access standpoint, we had a bit of a perfect storm of big IT transformations in -- but first of all complete Oracle transformation to cloud based Fusion platform, which generally went pretty well except unfortunately in the area of supply chain and product fulfillment and we had to work through some problems there that caused a lot of congestion in the retail space. We have a 100 retailers out there and it was a very difficult period for about eight or nine weeks in Q1, which meant that the typical levels of transactions -- sales transactions we do in retail were down. Also, our call centers were impacted both by the ERP migration, but also our CRM transformation with SAP migration that happened at the same time. The good news is 94% of the total customer base -- residential customer base has been migrated during this period to the new CRM platform, which is fully integrated omnichannel digital first data rich platform, which we think is going to be a huge benefit to us going forward. The bad news is that with any IT transformation of that scale, you're going to generate bond calls and problems that just need to be worked through sort of one-off problems and to be worked through our customers' accounts. So we had a very congested call channel as well. Because of that also we saw sales down our voice channel. So the punch line is that sales were off mainly due to these operational impediments and the good news is that churn remained pretty flat on a quarter -- quarter-by-quarter basis. So what does it look like going forward. It doesn't look like any substantial deviation in terms of where the customers are coming from and how we would be losing them, we still have extremely low churn. We still see our fiber mitigation strategies working and paying off as you know, 100% of our network is 1 gig. So we're still competing very well in that space. And just towards the end of the quarter or the beginning of the second quarter, we launched our WiFi 360 proposition, which is the smart integrated WiFi mesh distribution in the home and we're very optimistic that that's going to even lock in our customers even more to our broadband solution. We kept our basic broadband price out of the test trials [ph]. And so we don't expect a lot of volatility at the low end right now, and as you know our FMC bundles are quite low churning as well. It's really an acquisition issue that we faced. And we think in Q2, we will be back to business as usual on the acquisition side. Erik, you want to?

Erik Van den Enden, Chief Financial Officer

No, I think it's very accurate. The only thing I would say since David was asking about the rest of the year. Of course, in Q2 we see -- we will see our usual seasonality in the sense that we have announced, our 6% rate increase. As in prior years we see very modest reaction to it. So we have not seen big reactions, neither in the general press also neither amongst our customers. So everything seems to point towards a mild uptick in churn. But that's seasonal and typical uptick in churn that you always see when you do a price increase is probably something that will come through in Q2, but which we also completely expect to reverse in Q3 and Q4. So that's just one additional seasonality.

David Vagman, Analyst

Very helpful. Thanks.

Operator

Your next question comes from the line of Nicolas Cote Collison from HSBC. Please go ahead.

Nicolas Cote Collison, analyst

Hello. Thank you, two questions please. First one, can we have an update on your thinking about the long-term control of the NetCo because you have 67% to start with and Fluvius will hold the rest. So I wonder what you and your strategic and financial partners thinking and also can you sales down to see. I'm assuming the deal is going ahead. And the second one is, did you hear anything from DG [ph]. Did you see any planning work taking place, or have you been approached on the wholesale product you have on the fixed broadband side? Thank you.

John Porter, Chief Executive Officer

We're not the second, we are the first. We are doing business here as if DG is doing their need to do to launch a service here in late this year or 2024. So we're very much in a mindset to prepare for some additional competition in the market. Have we seen a lot of that ourselves, the answer is not really, we haven't seen any substantial transactions. We haven't heard of anything vendor relationships or even a tower deal. Although we assume that they will be working on that. So we can't really comment beyond that, I would expect that I mean we're giving them the benefit of the doubt assume they're going to go as hard as they can. That being said, it's a pretty big ask and they're not going to reveal their strategy publicly nor are we going to guess, although that strategy might be publicly, although we have some some ideas on that. So in terms of the long-term control of the NetCo our position has changed. I think we feel pretty strongly that we need to get the NetCo up from an operating standpoint, up and running and executing and building network at pace and obviously we have all the financial means to continue to meet our objectives from a total contract in kilometers of fiber standpoint until we get to 80% of of the footprint. In Flanders and Brussels, we also of course are going to be going into the South as an access seekers going into a national platform. But I think longer term, of course, we think that there could be an opportunity for a financial investor in the NetCo when and how we would execute that we're still pretty up in the air. Obviously, it depends on a little bit on how the Liberty transaction proceeds because sure they will have some views as well. But assuming, let's assume there in the absence of the transaction, I think we would certainly be thinking about the the equity in the NetCo from sort of 2024 on so it would certainly be the potential for us to run a process to attract additional investment into NetCo.

Nicolas Cote Collison, analyst

Okay. Yeah. Thank you. Thanks for that. If I may just have a follow-up on a slightly different matter. Just based on your new wholesale agreement with Orange Belgium that we know about the details, but do you think they have the ability to change the marketing go-to-market strategy in your footprint or I (inaudible) give you content very much about the details. How do you hedge against the risks of a more aggressive oriented home task?

John Porter, Chief Executive Officer

Well, you're right. I can't tell you, but you know the original -- the HFC is a regulated regime that's built on a cost-plus basis as long as any fixed access seeker is has a at cost marginal cost base to themselves to deliver products and services, we're perfectly happy to compete with them and by sort of breaking out the NetCo and Telenet itself being a customer of the NetCo, I think we're pretty good -- we would have a pretty good feeling our sense that we will be competing on a level playing field with any other access seekers. But one thing obviously that would be, would be less than desirable is some access seeker got access to our NetcCo or somebody else's NetCo at some sort of deeply discounted discounted regime, which would allow them to marginally price below us. So as it exists today and we are in control of the NetCo and you can assume that so that the overall architecture of the regime is cost plus.

Nicolas Cote Collison, analyst

So if I understand well. So you're talking about making sure the count price marginally safe [ph] so it means that there is no concept of volume discounts or anything like that?

John Porter, Chief Executive Officer

Well, volume -- if there was then probably wouldn't be too concerned about. Yeah, well, we access seekers. But I can neither confirm nor deny that there are volume discounts.

Nicolas Cote Collison, analyst

Okay, thank you. I'll stop there.

Operator

Your next question comes from the line of Jamie Falanga from Goldman Sachs. Please go ahead.

Yemi Falana, Analyst

Afternoon, everyone and thanks for taking my questions. I appreciate your comments on commercial momentum up to now, but it would be great to understand some of the moving parts behind the B2B, the strength that we're seeing on the B2B side, I think you posted 7% growth in the quarter. That's question one. Question two would be just on vendor financing, it feels like that's been a headwind in the first quarter in those guided improvement in cash flow as we go through the year. So could you maybe talk about how vendor financing feeds into that both this year and over the medium term. And then thirdly, and finally when we think about the new leverage definition, which I think you laid out on slide 11, it kind of takes you towards the bottom end of your leverage comfort range of around 3.5x to 4.5x. Could we see you move towards the top end of that comfort range. I would note some of the rating agencies have outlined their comfort with you being at a higher level of leverage whilst maintaining this rating. So it does seem like you could re-lever the business going forward? So, any color there would be appreciated. Thank you.

John Porter, Chief Executive Officer

Yeah, I'll talk about B2B one over and then hand it over to Erik for the other two questions. We're really encouraged by the performance of our particularly large but also medium enterprise initiatives around Telenet enterprise business, we have announced in the last six weeks or so, our two very substantial large enterprise and long-term contracts. First one is with Bellnet [ph], which is the association of all the ministries and federal ex-chiefs, their interconnection and telecommunication services and then we've also announced recently SchoolNet, which is predominantly fiber connections to well over 1,000 schools in Flanders. And these two transactions are valued at over EUR100 billion over the next three to five years and we are competing much more favorably in the large enterprise space than we ever have in the past. So the enterprise business, particularly in large and medium, where we have not competed and are coming off of mid-teens to 20% market share with Proximus happening the predominant market share across the -- across our footprint, but also the whole country was kind of like for us to be able to compete very well in that space. So I think that's definitely a growth pillar that we're looking at for the next 3three years or so. And then, Erik?

Erik Van den Enden, Chief Financial Officer

Okay. The two other questions, so first on vendor financing. The data that we see within the quarter is really due to seasonality. So of course it's an operational platform, which means that we approach payables on the platform as they come with seasonality of the business. So our overall strategy's that we like to finish financing pillar as one source of financing business but we've also for the last couple of years kept that amount pretty stable. And it's important we always have a backup for the vendor financing, obviously it's been stable for us. But it seems -- it's a short-term instruments. So, as you will recall, we have a fully unused revolving credit facility, which could if for some reason the world would come to an end, and it would fall way, we could mitigate that. So long story short, we like the levels has been stable for some time, some volatility in Q1. But I think for the remainder of years, so expect to keep it flat. Then the second question on leverage, I think we stopped already a couple of times about it, but we have changed the definition on the back of the tower transaction. With the move from EBITDA to EBITDAaL, we've also adjusted our leverage metrics. We continue to show the two metrics. And as you can see from the presentation, of course the corridor from 3.5x to 4.5x was based on the old metric and also there we kept our leverage stable for a long time at the middle of the range at 4.0x. So today, there is still the case. And while the EBITDAaL leverage definition is indeed 3.4x thereabout and the old definition is still at 4.0x and in an environment where interest rates continue to rise, we think that is still a good level to be so we do not have immediate plans to further increase leverage as we go through cycle.

Yemi Falana, Analyst

Thank you. Very helpful and maybe just one follow-up on the B2B side, is it fair to say that it was you won those B2B contracts from a competitor or were those new contracts on the B2B side? Thanks.

John Porter, Chief Executive Officer

No, that's long-held contracts from Proximus so I mean, I think they had to build it contract for 15 years before. I mean we really when we investment in Nextel, so in ICT is really starting to pay off, because now we're competing with virtually 95% of the RFPs in the market so whereas before the Nextel investment there was elements of these large integrated solutions for managed service contracts that we could not compete. But now we're competing for competing for them head to head through Proximus and Orange Business and winning quite more than our fair share.

Yemi Falana, Analyst

Very helpful. Thanks guys.

Operator

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

Roshan Ranjit

Good afternoon, everyone. Thanks for the question. Just a very quick one from me, please. And this in regard just the impact of the Eltrona acquisition on the numbers going forward now as you highlighted this quarter we noted some of the dilution in your in the ARPU. Again, I appreciate it's a smaller segment of your customer base, but how should we think about it going forward. I mean do you expect kind of those customers to maybe step up over time. I'm not sure if you keep that brand or if you market it kind of more of the core Telenet products to them, can they bridge the gap and move their ARPU towards the core Telenet level or should we expect some element of dilution for the next few quarters going forward? Thank you.

Erik Van den Enden, Chief Financial Officer

So what we see today with Eltrona is that the customer base is still very much skewed towards the television, so historically people have typically joined Eltrona for TV and added fixed telephony and broadband to it. So I think we are seeing two dynamics with Eltrona. On the one hand the kind of penetration of TV is decreasing as it is in all markets, but all the other hand, I think there's a lot of untapped potential on cross sell towards broadband and overtime also towards mobile telephony. Thinking of the potentially need to source or sell more services to our customer base and therefore improve the ARPU is definitely there. It will probably take a bit of time in the sense that it's kind of a turnaround that we have to do. Also, there are some investments to be made in CRM systems, but it's something that over time we do see quite a bit of potential

Roshan Ranjit

Great, thanks. I'm sorry. And just on the investment side, I mean again I can't imagine be too material by that I mean that doesn't change your trajectory of your CapEx for the next couple of years? No, not so?

Erik Van den Enden, Chief Financial Officer

No, it's not of that sort of order of magnitude. It's not something that will be the trajectory there. No, it's not of that sort of order of magnitude. It's not something that will be in the trajectory there.

Roshan Ranjit

Perfect, thank you. Thanks.

Operator

There are no further questions in the queue. So, I will now hand the call back to Rob Goyens for some concluding remarks.

Rob Goyens, Vice-President Treasury & Investor Relations

Thank you, operator. I guess it does indeed conclude today's conference call. As always Buzz and I will be standby in case there would be any further follow-ups. And I'm pretty sure we will base soon again with the prospectus and the valuation report from the independent expert and the response memorandum by the Board of Directors Telenet has been approved by the FSMA and will be published. As mentioned in the introduction, these documents will be made available to a dedicated website, you can find the link to this website from our Investor Relations website. In the meantime, to free to register already for future updates via email. And with that, I would like to thank you for your attendance and wish you all the best for the rest of the day bye by.

Operator

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