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CORPORATE PARTICIPANTS

Birgit Conix *Telenet Group Holding NV - CFO*

John C. Porter *Telenet Group Holding NV - CEO, MD and Director*

Rob Goyens

CONFERENCE CALL PARTICIPANTS

Bart Jooris *Banque Degroof SA, Research Division - Analyst*

Emmanuel Carlier *ING Groep N.V., Research Division - Equity Research Analyst*

Guy Richard Peddy *Macquarie Research - Head of Telecommunications, Media, and Technology*

James Ratzer *New Street Research LLP - Founding Partner*

Louis Citroen *Arete Research Services LLP - Analyst*

Marc Hesselink *ABN AMRO Bank N.V., Research Division - Analyst*

Matthijs Van Leijenhorst *Kepler Cheuvreux, Research Division - Analyst*

Nawar Cristini *JP Morgan Chase & Co, Research Division - Analyst*

Paul Sidney *Crédit Suisse AG, Research Division - Research Analyst*

Roshan Vijay Ranjit *Deutsche Bank AG, Research Division - Research Analyst*

Ruben Devos *KBC Securities NV, Research Division - Equity Analyst*

Sander van Oort *Kempen & Co. N.V., Research Division - Analyst*

PRESENTATION

Operator

Good day, and welcome to the Telenet H1 2017 Results Investor and Analyst Conference Call. Today's conference is being recorded.

At this time, I would like to turn the conference over to Mr. Rob Goyens. Please go ahead, sir.

Rob Goyens

Okay. Thank you, operator, and good morning, or good afternoon, ladies and gentlemen. On behalf of the Telenet Investor Relations team, I would like to welcome you all to this H1 2017 Earnings Call. I trust you all received our earnings release this morning and were able to download the PowerPoint presentation from our Investor Relations website that will be used for this earnings call, and that you're also able to join the online webcast.

Before we start, traditionally, I'm obliged to advise you that certain statements in this conference call are forward-looking statements. These may include statements regarding the intent, belief or current expectations associated with the evolution of a number of variables that may influence the future growth of our business. For more details on these factors, we refer to the safe harbor disclaimer at the beginning of our presentation.

Let me now briefly introduce today's speakers. First up, we have John Porter, our CEO, who will give an executive overview of the main achievements in the first half and also of the second quarter. Next, our CFO, Birgit Conix, will guide you through our operational and financial results. And after the formal presentation, we will gladly open it up for Q&A. So John, the floor is yours.

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

Thanks, Rob, and good day, everyone. Hope the summer reporting season is treating you well and you get a break somewhere. Before we dive into our operational and financial results, I want to briefly take a couple of minutes and reflect on some important developments here at Telenet for the first half of 2017. Certainly, from a strategic perspective, we've been ticking a lot of boxes in the first half. And essentially have laid the foundation for continued sustained profitable growth. I will walk you through some of those in a second.

Operationally, our market continues to be characterized by some tough competition, which you can see in the net subscriber additions for our advanced fixed services: broadband Internet, fixed-line telephony and enhanced video. And Birgit will explain more on that later on. Against this competitive backdrop, our WIGO quad-play offers continue to outperform, and so did our mobile business with accelerated organic net postpaid subscriber additions in Q2. On the prepaid front, we were able to register about 92% of our active prepaid subscriber base, which is a great outcome and implies a deactivation of only 53,000 SIMs in Q2.

Having achieved flat rebased revenue and a 5% rebased adjusted EBITDA growth over the first 6 months of the year, we're on track to deliver our full year 2017 outlook post the SFR integration. The same goes for our medium-term outlook, which calls for a 5% to 7% growth in our adjusted EBITDA over the 2015, '18 period. Now let’s zoom in on some of the strategic highlights for the first half.

On Slide 5. As I already mentioned, a few minutes ago, our converged all-in-one quad-play bundles WIGO, continued to perform well amidst a competitive environment with us adding nearly the same level of net new subscribers as in Q1, despite the second quarter generally being a weaker sales quarter in our business. At the end of June, we recorded just over 224,000 WIGO subscribers. At the end of June, we also made some important changes to our WIGO lineup, which have been well received in the market. With this new lineup, we're providing more value for money as we've increased the mobile data allowance that can be shared amongst all members of the household or company and far more easily.

And then on the next slide, you see that in the past 6 months we continued to invest in both our fixed and mobile infrastructures. You'll see that in our CapEx profile that Birgit will present. Our mobile network upgrade is well on track with us having already upgraded just over half of all macro sites in our network. As a reminder, this is an important catalyst to unlock the EUR 220 million of annual run rate synergies from the BASE acquisition as we migrate our MVNO customers to the acquired network. And I'm pleased to see that these migrations are running according to plan. At the same time, we've also recently completed the onboarding of the Lycamobile customers, following the full MVNO agreement which we entered into at the beginning of this year.

On the fixed side, De Grote Netwerf project reached an important milestone, which is over half of all nodes being upgraded by the end of June. By year-end, we should have 2/3 of our network updated. As such, we'll be bringing a true gigabit network to Flanders and Brussels, enabling data download speeds of at least 1 gigabit per second.

With respect to our investment strategy, we've always taken a proactive balanced approach, ensuring that our investments drive incremental returns for our shareholders. In this context, it's pretty clear that the current draft decision from the BIPT could have negative impact on the overall investment climate and the stability thereof. However, as the public consultation is still ongoing, it is currently premature to assess its impact on our future investments.

Next slide. On the content side of things, lots of excitement going on despite summer doldrums with the new Game of Thrones season having just started on Play More and setting record streaming results. We have also successfully renewed the nonexclusive football broadcasting rights for the domestic Jupiler Pro League for the next 3 seasons. We acquired, also, exclusive nationwide over-the-top rights, which you'll be hearing more about in the near future. As such, our Play Sports subscribers will continue to enjoy all domestic league matches, together with certain major international football leagues, including the U.K.'s Premier league, which is exclusively available to Telenet.

Slide 8. On June 19, we successfully closed the acquisition of SFR BeLux. We announced that transaction back in December, and we're very pleased to receive a Phase 1 approval.

Through this acquisition, we've extended our footprint into Brussels, while we also gained access to parts of Wallonia and Luxembourg. Through the acquisition of SFR BeLux, we've extended our footprint by almost 320,000 homes, of which the vast majority are in Belgium. With only 91,000 unique customer relationships, I believe this asset represents huge upside potential for us in light of our nationwide mobile coverage.

So with that, I will hand it over to Birgit, who will give you more details on our operational and financial results for the first half.

Birgit Conix - *Telenet Group Holding NV - CFO*

Okay. So thank you, John. Turning to Slide 10, you can see that the ARPU per unique customer relationship was almost EUR 55 in the second quarter, up 3% year-over-year, and this growth was due to more multiple-play customers, more premium entertainment offers and also the effect of certain rate adjustments.

If we then move to the next slide on broadband Internet. You see that we served almost 1.7 million broadband Internet subscribers at the end of June, including 60,000 subscribers which we acquired through the SFR acquisition. In the second graph on the slide, you can see that our net adds for broadband Internet were 1,400, which represents a slowdown as compared to the first quarter. This slowdown was a result of an intense competition in the residential market and seasonal patterns in our business. This impact was partially offset by net subscriber growth in the business segment, thanks to continued traction of our FLUO and WIGO business bundled offers.

We then go to the next slide on basic Internet. At the end of June, we improved both the data upload and downstream speeds of our basic Internet standalone entry package at unchanged attractive prices. As you can see on the right-hand side, standalone entry-level broadband prices in Belgium look attractive relative to our neighboring countries, as confirmed by the BIPT study prepared in August last year.

If we take these numbers and calculate the price for megabit per second, you can actually see on the bottom chart that Belgium ranks as most attractive for the same countries compared. So consumers in Belgium enjoy high-quality, high-speed networks for a fair price. As such, we would question the needs for standalone broadband regulation, especially since we see no consumer harm.

If we then go to the next slide on fixed telephony. You can see that our net add performance in the second quarter was impacted by the tough competitive environment as well as an overall declining market trend for fixed telephony. It truly makes one wonder why BIPT would want to regulate a declining market. At the end of June, we served just over 1.3 million fixed-line telephony customers, including 48,000 acquired through the SFR acquisition.

If we then go to the mobile slide, mobile telephony. As you can see, on the middle chart, we have seen an acceleration of postpaid customer additions to just over 60,000 in the second quarter. Thanks to continued traction for our WIGO offers and successful data -- double data promotional offers at BASE.

And on the prepaid side, we managed to register around 92% of our active prepaid subscriber base, which is a great outcome. As such, we were able to register the highest number of prepaid customers in Belgium on an absolute basis. As a result of the mandatory prepaid registration, we removed just over 53,000 inactive subscribers. If we then move over to the video slide. In the second quarter, we lost just over 15,000 net video subscribers, mainly due to the competitive market environment, including the effect of regulated cable wholesale. This represented a somewhat lower net loss rates compared to the previous quarter.

If we take out enhanced video, then you can see that 2/3 of the losses are coming from the old analog TV base. On an absolute basis, we served just over 2 million video subscribers at June 30, including 82,000 subscribers added through the SFR acquisition. I just talked about enhanced video, so I will flip immediately to the premium entertainment. And there we see that Play and Play More offers continue to do well, driven in part by temporary promotions and the revamp of our platform. Play Sports recorded a decrease in the total number of customers in the second quarter as compared to the first quarter, but this is mainly due to the end of all major football championships at the end of May. So you can see that this is a seasonal effect when you compare it to the second quarter 2016.

If we then move into the financials. We generated just over EUR 1.2 billion of revenue for the first 6 months of 2017, which was up 5% year-on-year on a reported basis, and mainly reflected by the acquisition impact of BASE and SFR BeLux, partly offset by the sale of Ortel to Lycamobile and the discontinuation of certain fixed legacy products at BASE. On a rebased basis, our revenue remained stable for the first half of 2017, and our -- and for the second quarter, our revenue was EUR 622 million, also flat year-on-year on a rebased basis.

Then moving over to the cost. As you may recall from the fourth quarter 2016 earnings call, we expect 2017 to be a year of increased efficiencies where synergies from the BASE acquisition, lower integration cost versus last year and continued overall tight cost control will compensate for the revenue headwinds we face. And we are happy to inform you that we are well on track to deliver on this promise. As you can see on Slide 20, on a rebased basis, our operational cost base is down 4% compared to the first half of 2016.

Higher network and outsourced labor costs are more than offset by a 4% decrease in our direct costs, including lower cost related to mobile handset sales and subsidies and lower interconnection expenses, a EUR 6.1 million decrease in our sales and marketing expenses due to phasing and a 4% decrease in staff-related expenses.

On the next slide, you can see that these improvements in our operational cost base together with lower integration cost has resulted in a strong rebased adjusted EBITDA growth of 5% year-on-year for the first 6 months of 2017, totaling EUR 592 million. Note that last year's adjusted EBITDA included a nonrecurring EUR 6 million benefit in the second quarter linked to the settlement of our full MVNO agreement with Orange Belgium. Excluding this impact, the underlying growth in our adjusted EBITDA would have been bigger. For the second quarter, adjusted EBITDA reached EUR 303 million, also up 5% on a rebased basis, despite the tougher competition, as I just mentioned. With a margin of 48.7%, we had our best quarterly achievement since the BASE acquisition in February 2016.

Moving to the capital expenditures. They represented approximately 23% of our revenue in the first half, reaching EUR 279 million. Compared to the first half last year, our accrued capital expenditures decreased 8% on a reported basis, but this is mainly due to the fact that we capitalized additional football broadcasting rights for both the U.K. and the Belgian football championships in the first half last year. As the contract with the Pro League for the extension of the nonexclusive football broadcasting rights was only signed in July, our year-to-date capital expenditures did not yet reflect this impact. Excluding the impact of football broadcasting rights, our accrued capital expenditures grew 35% year-on-year on the back of higher network-related investments, both on the fixed and mobile front, as mentioned by John. For the first 6 months, they represented around 47% of our total CapEx spend. With respect to our investment strategy, we've always taken a proactive balanced approach, ensuring that our investments drive incremental returns for our shareholders. In this context, it's clear that the current draft decision from the BIPT has a negative impact on the overall investment climate and the stability thereof.

However, as the public consultation is still ongoing, it's currently premature to assess its impact on our future investments. For the first 6 months of 2017, we generated adjusted free cash flow of EUR 137 million compared to EUR 59 million a year earlier, when our adjusted free cash flow was impacted by EUR 42 million of nonrecurring items. Relative to last year, our adjusted free cash flow was impacted by EUR 22 million higher cash taxes and EUR 35 million higher cash capital expenditures as a result of our network modernization program. Both items were, however, more than offset by our underlying robust adjusted EBITDA growth, lower cash interest expenses, benefits from our vendor financing program and an improved working capital trend.

Then moving to the next slide. At the end of June, our net leverage ratio stood at 3.4x. Note that our net leverage ratio includes certain unrealized synergies with regards to both the BASE and the SFR acquisitions. Whereas, the amounts drawn under our revolving credit facilities to fund the SFR acquisition are excluded from the covenant calculations.

This adjusted net leverage ratio is at the lower end of the board's medium-term net leverage target range and provides us with ample financing flexibility for potential future growth related projects in line with our previously communicated Vision 2020.

Moving to the next slide, having achieved broadly flat-based revenue growth and 5% rebased adjusted EBITDA growth for the first 6 months of 2017, we remain on track to deliver on our full year 2017 outlook post the SFR BeLux acquisition, including our medium-term commitment to deliver 5% to 7% adjusted EBITDA growth over the 2015-2018 periods.

As in the first half of the year, our rebased revenue growth in the second half of 2017 will continue to be affected by certain regulatory headwinds, as we communicated in February this year. At the same time, our mobile business will continue to be impacted by lower bundle revenue, structural challenges in the prepaid segment, including the effects of the prepaid registration, lower interconnection revenue and lower revenue generated from handset sales. These headwinds will be broadly offset by a continued solid growth in both our cable subscription revenue and our B2B revenue. Having achieved 5% rebased adjusted EBITDA growth over the first 6 months of 2017, we remain on track to achieve mid-single-digit rebased growth for the full year of 2017, despite adverse roaming and competitive impacts, which will be offset by continued synergies from the BASE acquisition and very tight cost management. Relative to the first 6 months of 2017, we expect our accrued capital expenditures to represent a greater proportion of our revenue on the back of the ongoing upgrade to both our fixed and mobile infrastructure. Moreover, we will also start investing in the acquired SFR BeLux network to improve the overall customer experience, including the start of the De Grote Netwerf program in Brussels.

Finally, we delivered EUR 137 million of adjusted free cash flow in the first half, and we remain on track to achieve an adjusted free cash flow between EUR 350 million to EUR 375 million for the full year.

Thank you. With that...

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

We hand it back to the operator to -- for Q&A at this point.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We can now take our first question from Emmanuel Carlier from ING.

Emmanuel Carlier - *ING Groep N.V., Research Division - Equity Research Analyst*

Three questions. The first one is on shareholder remuneration. So your leverage is now below the low end of your target range. Could you maybe explain what is withholding Telenet from levering up and paying out excess cash to the shareholders? Secondly, on taxes, could you maybe provide your current take on the fiscal reform that was announced last week by the government? And then thirdly, on synergies, what is the current run rate of the EUR 220 million BASE synergies? And how much savings do you expect to achieve by the end of '17 and end of '18?

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

Okay. I'll kick off on the shareholder remuneration and hand it off to Birgit. Yes, you are correct. We are below our target leverage ratios. And this is obviously, a subject of conversation with our board as well. It's a finely balanced period for us, because we are in an intensive regulatory cycle on -- of course, the -- through the process of the BIPT market review. We are also in front of the tax office on a ruling on certain merger allocations. And we also are in the middle of this overall fiscal reform. That is probably not the ideal time to be moving forward on a dividend, although there is plenty of rationale to do so, purely from a financial standpoint. And I can tell you the company and the board are motivated to do so, when we have the appropriate window. So -- yes, go ahead.

Emmanuel Carlier - *ING Groep N.V., Research Division - Equity Research Analyst*

And -- sorry, and when do you expect to settle these 2 elements. So the market's review is September, I guess. And the other point, the fiscal ruling, that is also second half '17, if I remember well?

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

Yes, yes. Well, first of all, the BIPT has never met a date, so I wouldn't be holding on -- my breath for September on the -- I mean, the filings for the -- to respond to the market review are only due on the 15th of September. So we do -- I think it'll be well into the second half of the year before we -- the fog lifts on that front. And then the same for the fiscal reform as well. So -- I mean, as soon as -- once -- like, once again, after we -- if we don't -- if we feel that we can move ahead on a special dividend and not hurt the company deleteriously in the context of these governmental and regulatory reviews, I am very confident that we will do so. Ideally, we have clarity by the end of the year, and we can move forward in early 2018.

Birgit Conix - *Telenet Group Holding NV - CFO*

Okay. So I will answer the tax question, Emmanuel. So the decrease of the statutory tax rate from, let's say, roughly 34% to 29% in 2018 and 25% as of 2020 is of course very welcome. It's a long awaited tax reform, because it will bring us more on par also with the neighboring countries. And so based on a first reading of the text and taking into account that currently no draft legislation is available, there's certainly some positive aspects, so the gradual reduction of the tax rate, but there's also some countermeasures mentioned that could negatively impact Telenet's [growth]. But based on the current information available, we expect to have a net positive influence there on the effective tax rate the coming years, so -- and that is what we would investigate based on the legislative process upcoming, we will further analyze. And also to mention that the cash tax's impact hereof will be expected as of 2020 then, given the 2 years delay. So that's on the tax. And then on the synergies. You asked where we are versus the run rate of EUR 220 million by 2020. The annual run rate, we are, let's say, roughly at 10% of this run rate in 2017. As you know, the MVNO synergies are a big part of this run rate, and so that's where we are. Basically, the savings are in network-related, already some MVNO cost from the customers that we already migrated and then store optimization is another point here. And then where we see a lot of synergy currently is in labor primarily, so that is for 2017.

Emmanuel Carlier - *ING Groep N.V., Research Division - Equity Research Analyst*

And where do you expect to get by the end of '18? Just to see how much additional EBITDA growth you could have after '18.

Birgit Conix - *Telenet Group Holding NV - CFO*

Okay. So in '18, let's say, this is a rough number. You could think of 30%, another 30% of that EUR 220 million run rate, that will be -- ballpark it.

Operator

And we can now take our next question from Nawar Cristini from JPMorgan.

Nawar Cristini - *JP Morgan Chase & Co, Research Division - Analyst*

I have a few questions on the regulatory update that BIPT has published. Firstly, I wanted to ask about your take about -- on the tax, and where do you see the wholesale prices moving? And secondly, I wanted to ask if regulatory wholesale price were to improve materially, would you consider using VOO's network to expand in the South? And I guess, same question on the fiber side, if the regulator were to stick with its proposal to regulate fiber, would you be considering using Proximus network in the South of the country?

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

Yes. On the, I guess, the last sort of questions, which are sort of linked together. We have not ruled anything out when it comes to accessibility of the southern half of the country. I mean, our first option in terms of access or in terms of cooperation would be to commercially -- to find a commercial solution at the retail layer of the network in the South, whether it be VOO's network or someone else's network. But we're certainly not averse to taking advantage. If we're to be shutout commercially or from an M&A standpoint, we're not adverse to considering taking advantage of the access regime in the South. So that's something that we certainly are keeping our eye on and will continue to consider. I think on the wholesale access of the cable, which is I think -- it's the first part of your question. We are pleased with the fact that the BIPT is not recommending nor moving towards a cost-plus regime, which would be, given the scale of what we're doing, overly complex and not appropriate to a network that is not fully depreciated, but quite to the contrary is adding a cost base substantially day-by-day by -- through our rebuild. So we don't see a lot of significant movement there. Although, this sort of fair pricing mechanism details have yet to be determined. We're not expecting sort of a disruptive change in the current relationship between wholesale access seekers and what we received in the -- for the network. Does that answer your questions?

Nawar Cristini - *JP Morgan Chase & Co, Research Division - Analyst*

Yes, that's perfect.

Operator

(Operator Instructions) We can now take our next question from Paul Sidney from Crédit Suisse.

Paul Sidney - *Crédit Suisse AG, Research Division - Research Analyst*

I have 3 also. Firstly, with the SFR BeLux acquisition closing, do you think there's a pretty sizable opportunity to boost mobile net adds over the coming quarters in the Brussels region, given that, I think SFR BeLux only had around 4,000 mobile customers within their base? And then secondly, Belgium mobile revenues year-on-year improved in terms of the growth in Q2 versus Q1. I was just wondering, what are your thoughts on what's driving this? Is it all being driven by the ARPU uplift when customers move from prepaid to postpaid because of the legislation change or is it driven by data usage or is it something else? And just lastly, the BASE doubles your data offers, I see you've extended those to the end of August from I think the end of June previously. Given the strong momentum that these offers have, do you think there's an argument for you pushing harder and even potentially looking to introduce some limited offers to really start pushing home the momentum on those offers?

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

Okay, Paul. Listen, on SFR BeLux, we have very -- we have some overlap -- we have overlap with BASE, in fact, significant overlap. So there is an opportunity there, but it is more an opportunity to move to a 4P or bundling architecture, which should have a very, very positive effect on churn, which ultimately should have a positive effect on net adds. The -- where I see a bigger opportunity is with the penetration of the fixed business. We have 90,000 unique customer relationships on 320,000 homes passed. If we were even to get half way to the market share enjoyed by Telenet, we would increase the revenues on that footprint substantially. Now it's not going to happen overnight, but I think there is plenty of upside potential. The customers under the SFR, Coditel footprint have not been well looked after. They have a substantially higher churn rate than we do at Telenet. And there has been a capital deprivation in terms of network improvements and overall network performance. So we're going to address that. We are already addressing it as a matter of fact. And we think a much more stable network, a much more innovative product lineup and a focus on what we already know is a very successful model for Belgium FMC will result in a real top line synergies. I think if there's ever -- was ever an acquisition that had potential to deliver top line synergies, it was -- it's SFR BeLux. So that's your first question. I just answered the one on double data and maybe I'll give the revenue question back over to Birgit, ARPU revenue question. The double data, of course, we're not going to give too many forward-looking insights into what our commercial strategy is. But yes, your observation is correct. It has been successful. We are -- we see what happens in other markets with interest. But I think this market is very well structured around tiered data allowances. So we're not looking to blow that apart anytime soon. I think it's a -- we're begging it to push day-by-day and week-by-week, but I think the structure of this market is not necessarily lend itself towards big unlimited offers.

Birgit Conix - *Telenet Group Holding NV - CFO*

So on the revenue side, on mobile, yes, we do see a small increase. This is primarily due to more postpaid net adds and that is due to WIGO, because in our WIGO product we keep on adding SIMs, and that is -- so that is a -- it's a volume gain. On Apple, we are down because of the out-of-bundle SMS, I mean the usual, like we also saw during the previous quarters. And we also have an uptick in business mobile products, that is also a positive and I think that's risen. And also -- and Apple is also down, obviously, because of the regulatory impacts on interconnected, that's another one apart from out-of-bundle. So yes, that's it.

Paul Sidney - *Crédit Suisse AG, Research Division - Research Analyst*

May be can I just follow-up, because what we see across the whole Belgium market is that actually the year-on-year growth improved in Q2 versus Q1. So it seems like the Belgium market -- mobile market is really performing well. I was just wondering, what your thought was driving that whole market better? Is it may be...

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

Well, I think a couple of things. One is, in the first half anyway, you had prepaid registration, so there was some prepaid to postpaid migration. Postpaid ARPU is 400% of prepaid ARPU, so -- on average, so that's clearly an opportunity. I also think it's one of the strongest FMC markets probably that you look at as well. So I mean, I don't know I think Proximus was talking about high 600,000 Orpi customer base. And obviously, we have -- of which a certain percentage of those are Tuttimus and certain percentage of ours are WIGO as well. So I mean, it's a strong FMC base, it's got a, because of that, relatively lower churn and I don't think -- I think because we've had some headroom to increase value through increased data offers and handset offers and these kind of things, we've been able to sort of hold the line a little bit better than some other markets on the revenue. But that being said, second half is going to be a little bit uglier because you've got more headwinds from the regulation. So the full brunt of Roam like at Home and the certain adjustments in the mobile termination rate and other things will kick - will bite a little harder in the second half, which will be -- which are headwinds for the mobile revenue profile.

Operator

And we can now take our next question from Ruben Devos from KBC Securities.

Ruben Devos - *KBC Securities NV, Research Division - Equity Analyst*

To come back on taxes, could you specify, which compensatory measures would be possibly at risk for the next year? And then typically, Telenet pays cash taxes for the fiscal year 2 years back, if I'm not mistaken. So you had about EUR 40 million in taxes in 2016, EUR 100 million in 2015. So is it safe to assume that you'll have a substantial cash tax benefit year-on-year, let's say, when we look towards 2018? And second question, so you're press release indicates that you already have the macro sites have been upgraded and that the migration of MVNO customers is well underway. Would it be possible to quantify that? I believe the percentage was 11% in Q1 related to that EUR 250 million upgrade plan estimated to be completed by mid-next year. So given the rollout of another, let's say, 1,000 new mobile sites across the whole of Belgium and the MVNO contract with Lyca, is there a possibility that you could call on a partial extension of your MVNO contract in 2019?

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

First of all, no, there's no requirement for partial extension there. We reiterate that we are really well and truly on course. So no problems there. The two -- the macro sites will all be upgraded by the middle of next year. The new build sites and the fiber backhaul capital initiative will go on through 2020. I mean, it's an ongoing thing. So densification, particularly in the South will continue through 2019 and 2020. We haven't -- we're not for sort of commercial reasons, we're not going to be breaking down the migration rate. Suffice it to say, we're very confident that we can migrate very quickly for 2 reasons, if we so chose to, and we are well poised to do so for a couple of reasons. One is, on the drive tests that we do, we are confident that behind the upgrade, which is 50% complete, that we are achieving key performance indicators that are at par or superior to our competition. So that includes voice, reliability, that includes data throughput speeds, that includes indoor coverage, that includes deep indoor coverage. So we're very confident that we're in a great position and that the experience of cutting over is very passive for consumers. All that has to happen is at one point that their phone goes off and they turn it back on again or they run out of power and they power back up again, they are switched. And that's all there is to it. So we're not going to give a breakdown of those numbers. But another thing that gives us confidence is that we recently migrated 100% of the Lycamobile base in essentially a 2- to 3-week period. So I can't tell you what the Lycamobile customer base is, but I will tell you Lycamobile is the largest MVNO in Europe by a long shot. So it's not insubstantial and we've had essentially 0 operational issues associated with that migration. So that's why we have confidence that we're on track. We, in fact, could go faster. And yes, that's about all I'd like to say about it.

Birgit Conix - *Telenet Group Holding NV - CFO*

So then the tax side, so that -- as I said, there are also some negatives that we need to offset and to give some examples like potentially a cap on, for instance, NOLs or a cap on interest deductibility. But all in all, it will have a net positive impact, that is for sure. So the tax reform in combination with the group restructuring that has been taking place since August '16 will have a favorable impact on our effective tax rate going forward. So that is without seeing. And then on your question on the height of the cash tax. So '18 taxes or it's not cash tax, but yes, '18 would be, let's say, lower than '17, but probably a bit higher than '16 if I -- that's how I can formulate it.

Operator

And we can now take our next question from Roshan Ranjit from Deutsche Bank.

Roshan Vijay Ranjit - *Deutsche Bank AG, Research Division - Research Analyst*

I've got two operational questions. Clearly, we're seeing some pricing pressure at the lower end of the market. And in your release, you do state that you're seeing favorable tier mix from WIGO. Is it possible to get a sense of the mix within the different WIGO tiers' tariffs? Whether that's customers migrating from maybe Whop and Whoppa or new customers joining the Telenet brand? And secondly, just to think about the SFR BeLux modeling going forward. I think you previously mentioned that the margins are high at that asset given a lot of the cost activity are shared with the headquarters previously in France. If I want to think about, when we migrate it into the Telenet operations, would it be fair to assume that some of these costs are already incurred by Telenet at the group level, which then can mean that the margins can remain fairly high at SFR BeLux?

Rob Goyens

Okay, Roshan, Rob here. So let me perhaps take the second question on SFR and the overall impact. So in our release this morning, we did quantify the impact just of the 2-week contribution in June. Where you saw that the overall contribution to revenue was EUR 1.9 million and on EBITDA, it's EUR 1.1 million. With regards to the [past] profitability, of course, we as a company cannot be held responsible for the way Altice has been reporting some of these margins, because, of course, we need to translate and transport everything as to our own accounting standards, which is a work that is currently still ongoing. But therefore, it's fair to assume that the headline margins that you were used to when looking at the former Altice reporting is not going to be the way move -- to move forward. And nevertheless, of course, when we presented also the acquisition to the market, we also made it very clear that there is also an upside in this story, which John already alluded to earlier in the call, which is clearly to increase the number of unique customer relationships versus the Homespots that we have, which is a ratio which is less than a 1/3, so that gives a tremendous upside. And then also in Brussels, it's now having a fixed footprint of 2/3, combining it with our nationwide mobile brand and also B2B, we do see additional revenue synergies from that business.

And then I think your other question was on pricing more generally with regards to WIGO. And essentially, in WIGO it's a combination of the high-end triple-play, and so -- and the people actually obtain on WIGO, they obtain on the high-end triple-play, so on the Whoppa product. And basically, than they select a number of SIMs that they want to have, so that mix in broadband and LTE is driven by the fact that people have moved up to the higher spec in the broadband Internet.

Roshan Vijay Ranjit - *Deutsche Bank AG, Research Division - Research Analyst*

And -- I'm sorry, just on the WIGO point, is it possible to get a understanding of at what price points you're seeing more customers coming in? I think we're just approaching a year of WIGO now. So are we seeing more at EUR 100, EUR 120, EUR 140, where is it skewed?

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

Well, that's something that we're not going to give a breakdown on, but I will say that, obviously it's going to be -- we have a phenomenon of people coming in on the EUR 105 or the EUR 120 and then moving up, because people -- they -- people aren't really fully familiar with how much data they require. So as I mentioned, we just expanded the specs, but it's -- the only insight I will pass you on is that the top tier is not the most heavily embraced tier, but that's kind of the way pricing works. You have the premium part of it and then you have the more everyman part of it. But we have a lot of different price points in the business, including just something like a Whop plus a King, which is also even less than the bottom end WIGO. So there are a lot of different configurations. We want to have the whole spectrum of pricing covered. We do have a single broadband standalone offer at EUR 27.85. So we think we've got it covered on both ends pretty well.

Operator

We can now take our next question from Matthijs Van Leijenhorst from Kepler Cheuvreux.

Matthijs Van Leijenhorst - *Kepler Cheuvreux, Research Division - Analyst*

The first question on just to get back on the shareholder distribution. If I understood correctly, it's largely dependent on the outcome of the -- or the final outcome of the market review. But what is your view on consolidation, because I had the impression that it was also dependent on whether we could see M&A in Belgium. So in that respect, is the deal with VOO, is that entirely off the table? That's my first question. And the second one is just a more general one. Why do you still have this dual brand strategy with -- a dual brand strategy with BASE and Telenet? That's the second question?

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

Okay. On the shareholder remuneration, we've -- I've been here almost 5 years, and I feel like I've been "waiting for Godot" -- waiting for -- indefinitely for this VOO thing to happen. So I'm really -- not really -- I can say that the prospect of M&A with VOO is -- has 0 impact on whether we -- the timing of any shareholder remuneration. I also feel that we are -- the southern part of Belgium, the regional govern of Bologna, the governance of Nethys and ultimately VOO, is in a substantial state of flux. That flux will take some months to settle down. A complete reassessment of the asset will take even more time. So rest assured that whole situation is having no impact. And even if the opportunity to acquire VOO did present itself, we feel like in this -- in an M&A situation that we would reassess our leverage targets and/or find other ways to finance that transaction. So we can rule out M&A as a reason to or not to approve a dividend, exceptional dividend. On the dual brand strategy, once again, that's pretty commercially in confidence what our plans are in that regard. But the -- I will say that the BASE brand is outperforming our expectations. It's robust. We are adding customers outside of our footprint. We are a net gainer of postpaid customers and revenue. And mostly the reason we're not a net gainer under our own footprint is that we're cannibalizing BASE customers to WIGO. So we still have some work to do on that front, and we'll keep you posted on what our plans are in that regard. Does that answer your questions?

Matthijs Van Leijenhorst - *Kepler Cheuvreux, Research Division - Analyst*

Yes, yes, it does.

Operator

We can now take our next question from Marc Hesselink from ABN.

Marc Hesselink - *ABN AMRO Bank N.V., Research Division - Analyst*

I got 2 questions. First one is on your comments on network investments in the light of the regulation, that it might be that you could decide to cut down on those investments. Can you explain a bit more what you mean with that? Would that mean not investing in some regions? Would it be cutting down in general on investments? A bit more detail there, please. And the second one is on the vendor financing. If I'm correct, in the press release you're saying that it's added some EUR 45 million of cash in the first half of the year. I think it will also be at stake when you start to payout on those vendor's financing. What do you expect additional cash inflow in the second half of the year because of the vendor financing?

Birgit Conix - *Telenet Group Holding NV - CFO*

I'll take the first question on the vendor financing. So in the first half, we did EUR 74 million of vendor financing. So if you take the full upside for the first half of EUR 78 million in free cash flow, that would lead to actually kind of stable cash flow for the first half, if you back the vendor financing out, which is actually a really good result given the increased CapEx investments that we have in the first half due to the investments in the mobile and fixed network. But we will continue to be transparent on the vendor financing. As you know, and as we've said in previous calls, we see it as an alternative source of funding and as long as we are transparent to you about this, I mean, this is how you...

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

I think our view is that for the foreseeable future that we will be as, as you say, as the funding rolls over that we'll be able to replace the vendor financing relationships we have with new vendor financing relationships. We still have a lot of capacity and there are always new opportunities coming down the pike in the form of new set-top boxes or modems or these kind of things, where we have high confidence that we'll be able to replace the vendor financing and not have some sort of structural reversal of the vendor financing in the near future.

Birgit Conix - *Telenet Group Holding NV - CFO*

Yes, got it. And you also see a spike of growth there in 2017, because we -- that's where we have the ramp up, afterwards that will be more in balance.

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

And then on the network investment, we haven't said definitively how any ratchet up in regulation would impact our -- would impact our network investment. We are in a consultation period, based on the BIPT's market analysis. We think there is -- we think the -- if the recommendations of market analysis were implemented, it would have a dilatory effect on network investment and innovation. We think it's a mistake. And of course, we very strongly oppose to the idea that ourselves and Proximus are operating in separate markets somehow. So there's a lot of work to be done there. There's a lot of work to -- on the political front, on the regulatory front, on the econometric front, working. Clearly, there are plenty of people at the European level, who don't agree with the position that the BIPT has articulated. So there's a lot way forward. It would be premature of us to be making any very specific threats, but suffice it to say that it works very strongly against network investment and it's not a particularly encouraging signal to our shareholders and our bank partners, who finance this business, to see a regulation moving around at the rate that is being suggested by the BIPT.

Operator

And we can now take our next question from James Ratzer from New Street Research.

James Ratzer - *New Street Research LLP - Founding Partner*

Two questions please. First one is just regarding, going back to this issue about the overall competitive environment in particular in the cable business. I mean, you reference it quite a lot in your presentation as being a driver for some of the slowing KPI trends, in particular in broadband and fixed telephony. So I was wondering if you just can kind of comment generally how you're seeing Q3 and kind of Q4 map out, do you think that competitive environment is actually getting tougher into the second half of the year? Or are you actually see an easing of that pressure? And then the second question, please, is just regarding your EBITDA guidance for 2017. I mean, again, adjusting for the EUR 6 million one-off in Q2 last year, it looks like you've done EBITDA growth in the second quarter underlying really near of 7.5%. Where you should also presumably see some of the synergy benefits from the MVNO savings really kick in from the fourth quarter of this year. So given that doesn't look mid-single-digit guidance for this year as the EBITDA look a little bit low, couldn't it be mid to high single digit?

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

Well, I'll make a comment on the competitive environment. I mean, a lot -- the -- I think the competitive environment is to some extent structural because you have Orange coming in and sort of hitting their stride in terms of their offering. I don't see that getting particularly worse or particularly better. I would say, it's going to be more steady as she goes on that front, that's what we're anticipating anyway. Where there has been another ramp up is in more sort of offer-driven and strategies from all of Orange, Proximus and Scarlett, where there are tactics being used, just more heavy discounting tactics, more for net -- for new ads, more direct sales, more -- much more heavily high-cost transactional sales strategies used in Telenet's footprint than we've ever seen in the past. I don't think that's necessarily sustainable, but the momentum is not necessarily in our favor to improve that situation in the second half of the year. We always knew that Orange was going to be successful to some degree and it could have been -- if they weren't, I'm sure we'd have a -- be having a much tougher discussion about regulation than we're already having. So I mean, I think it is what it is when it comes to that situation. And as far as offers by other suppliers in the market, it's a balancing act. We think that our -- that we can win on the basis of customer experience, our brands, our historical relationships with consumers under our footprint. And the fact that we still have the fastest network. We still have the most reliable network. We still have far and away, the best video programming lineup. And we have one of the highest penetrations of premium entertainment for a European cable company. We have a B2B business that's growing double-digit. So we have a lot of growth pillars. It's just that we are -- we have the highest penetration in the triple-play market, so we kind of have the most to lose. And I don't see that changing in the next 6 months, but there are plenty of things that we can do to offset the pressure in that core triple-play consumer business. And Birgit, do you want to answer the guidance question?

Birgit Conix - *Telenet Group Holding NV - CFO*

Yes. So yes, indeed, your observation was right. But first of all, let me explain again like mid-single digits is not exactly 5%, it can be plus 4% to plus 6%, would also be mid-single-digit, that is one. And second -- so it's not exactly precise that we guide. But in the second half, we have more regulation. And so that when the roaming will kick in, I mean, it already kicked in but it's not substantial in the first half. So we see the majority of the impact in the second half and to be more precise, 6.5-month. So that is something -- and so also the out-of-bundle decline that we see, we said there's more data specs in our products as well. So taking these factors into consideration, we believe it is fair to say that we should keep our guidance as it currently stands, that is a lot of unknown. So if we look at roaming for instance, we also see a 5x more roaming than before the summer, for instance, than the month of May, so that also is to be taken into account.

James Ratzer - *New Street Research LLP - Founding Partner*

Can I please ask just, I mean a number of your peers in the industry have been willing to quantify what they expect for the roaming drag. I mean, are you able to help give us some steer on precisely what you think that impact will be in the second half?

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

We're willing to guide on overall regulatory headwinds, which is around EUR 50 million.

James Ratzer - *New Street Research LLP - Founding Partner*

And that's for the second half or for the full year?

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

For the full year.

Operator

And we can now take our next question from Emmanuel Carlier from ING.

Emmanuel Carlier - *ING Groep N.V., Research Division - Equity Research Analyst*

Yes. On the regulatory headwinds, has that been changed then because I think in the beginning of the year, you guided for EUR 20 million to EUR 25 million? And then another question is on the improved lineup, which was announced, I think, end of June. Could you comment a little bit on the impact you have seen from that? And then final question on Lycamobile. I thought these customers would only migrate by the end of Q4, could you maybe give what date they have all been migrated because that could be quite important one on an EBITDA level, I guess?

Rob Goyens

Well, may be, Emmanuel, with sort of -- with your last question on the Lycamobile customer migrations, actually in the slide deck, I think really in the beginning of the slide -- of slide deck, on Slide 4, we do say that there are continued customer migrations from the Telenet MVNO to the own-BASE network, as John already mentioned before. But also that we have successfully completed the onboarding of the Lycamobile customers at the end of July. So that onboarding has been done and is fully finalized at the end of July. So not at the end of June, but at the end of July.

Emmanuel Carlier - *ING Groep N.V., Research Division - Equity Research Analyst*

And are you still losing a lot of customers on Lycamobile, because I think Orange Belgium kind of hinted that it's going down quite a lot?

Rob Goyens

It's traditionally a more volatile business, because it's essentially prepaid driven, but it's too early for us to say, but of course, we will monitor that.

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

I think, also you had a sort of onetime effect from the prepaid registration as well, which wasn't quite as well executed by Lyca, because they are an offshore company, with a very loosey-goosey retail presence. So it was a little bit more challenging for them to work through the registration process. But yes, we're comfortable with where we are with Lyca and we're comfortable with the outlook and it figures into our outlook, and we're not changing our outlook. So we're pretty happy with it. In terms of the improved lineup, I will say that it is meeting or exceeding our expectations today, but it's pretty early days. But there are some good signs that it's effective. I think you can take comfort in the fact that Telenet's mobile postpaid for better or for worse is a lot better than our competition. And it's sort of a phenomenon that, if you're the highest penetrated, you got the most to lose. And we have the most gain in mobile, and we have the most to lose in fixed-line quite frankly, because we have 2/3 of the market. So that's the -- that's part of the issue, it's just a structural thing and -- whether you're the challenger or the defender.

Birgit Conix - *Telenet Group Holding NV - CFO*

So again on the regulation it's what we said before, it was EUR 50 million, let's say, 2 percentage points on revenue for the full year.

Operator

And we can now take our next question from Guy Peddy with Macquarie.

Guy Richard Peddy - *Macquarie Research - Head of Telecommunications, Media, and Technology*

Two very quick questions. You show your net debt to EBITDA are adjusted for synergies. Can you tell us what the number is without implied synergy assumptions? And secondly, as you develop your mobile network and you think about 5G, you're going to be doing -- putting more and more fiber in the ground. In what scenarios would you consider starting to sort of dig up your coax and replace it with fiber, because I know that is a theme for other international cable operators. And I just wondered if that was something that you were thinking about, especially as you have to get greater symmetry in your network connectivity?

Rob Goyens

Guy, so let me maybe get back to you on the first question on the leverage ratio. So try to give you may be a bit of a background. So as a result of some of the recent refinancings, we have been changing some of our documentation in the (inaudible). And basically, that allows us to have some additional flexibility when it comes to the net leverage ratio and the way it's calculated. So typically, as for acquisitions, we can take into account the unrealized synergies that we disclose as part of an acquisition, but have not yet been realized. And of course, as we move forward and the synergies get realized, then, of course, we make sure that they move away from one bucket and then actually going into consolidated annualized EBITDA on the more structural basis. So if you look at the reporting that we do because, we do send out a compliance notification on a quarterly basis. Of the total, around EUR 109 million relates to the unrealized synergies and that's the combination of both SFR BeLux and the BASE acquisition.

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

And on the network question, just to sort of additional reminder on the background. I mean, we are already a very densely fibered network. We have fiber nodes down to about every 300 customers, for every sort of 450 homes passed, and we're increasing that all the time. We have, what I would say, one of the few carrier grade HFC networks in that we are supporting MLEs and SMEs off of our HFC network as well. By the end of next year, we will have -- 100% of our network will be 1 gig of capacity. The design of that network is going to provide upstream capacity ultimately up to 200 megabits per second. So we are building fiber in greenfield exclusively, both in our B2B, our business park project, but also in B2C areas. We actually acquired a fiber sort of SELIC down in Wallonia. So we're pushing fiber heavily, but we believe also very strongly in our HFC network and that we can do a lot of things there without having to do anything dramatic like digging up our existing network and putting new network down. We also have a view on 5G, in that it's going to be very evolutionary and not revolutionary. So we'll see where that all goes as well. Does that answer your question?

Guy Richard Peddy - *Macquarie Research - Head of Telecommunications, Media, and Technology*

Yes, that's helpful.

Operator

We can now take our next question from Bart Jooris from Degroof Petercam.

Bart Jooris - *Banque Degroof SA, Research Division - Analyst*

Most of my questions has been answered. So if you allow me just one -- to go into one detail regarding something which you previously said. You stated that in your drive tests you acquired at least the same quality as your competitors on the mobile network. Is that drive test over the whole of your footprint already? Or is it only where you have done the investments?

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

Well, we do drive test over our whole footprint. And for the most part, where we haven't done the upgrades, we are at parity on voice and voice quality. We are slightly behind. We are at parity on data throughput, and we're slightly behind on indoor coverage and more behind on deep indoor coverage. So...

Bart Jooris - *Banque Degroof SA, Research Division - Analyst*

When would you be expect to be at par completely?

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

Absolutely. That's our objective.

Bart Jooris - *Banque Degroof SA, Research Division - Analyst*

When would you expect that?

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

Oh, when. No, after we complete the -- when we complete the upgrade and in some areas, the densification, we are at par over there.

Now deep indoor, it's -- and in indoor it's arguable about the -- how significant that is as an impact, because you have one of the densest fiber -- I'm sorry, fiber, not -- fixed broadband networks in any country here, between us and Proximus there is almost 2.5 million Wi-Fi connections. So you could argue that 95% of our customers are roaming in on to their Wi-Fi network, we're in the home. So unless they want to make a voice call with their mobile phone deep in their house, they're probably not going to be impacted from a customer experience standpoint. So like I said, our objective is to complete this upgrade by the middle of 2018 across the entire country. So therefore, I think customer experience will be commoditized at that point and then it will be hard for any operator to argue that they have a superior experience to offer.

Operator

And we can now take our next question from Louis Citroen with Arete Research.

Louis Citroen - *Arete Research Services LLP - Analyst*

I had three. The first one is on the repricing and the new mobile lineups you have. With the Kong offer at EUR 25, should we expect any repricing impact on your mobile base? And if so, what will be the impact on mobile ARPU? And then there are quite a few moving parts on -- in the other section of revenues. I was interested in what were the MVNO revenues during this quarter and the first half of the year, just to understand what drove the other growth number? And then one final question on tax. You mentioned, I think in the past and also a little bit on this call, that the BASE integration would mean some gross losses would be unlocked which would have a very positive impact on the cash tax profile. I was wondering, if you could quantify that a little bit?

Birgit Conix - *Telenet Group Holding NV - CFO*

Okay. When I was referring to restructuring, it is more the fact that, that is brought at the right level in the company or in our structure of companies, because there is no tax consolidation in Belgium as you know. Well, currently not. I don't know a proposal would change that potentially, but currently that is not the case. So that is basically what the group restructuring would mean and you would see the impact in the cash taxes in 2018, as I alluded to before. Then on your question on the wholesale revenue, we do not disclose any wholesale details, so we're also bound to Chinese also, so there is no disclosure on that one. And then there was another question, Rob, which one was that?

Rob Goyens

It's on the repricing.

Birgit Conix - *Telenet Group Holding NV - CFO*

Oh, the repricing, yes. Sorry.

Rob Goyens

So here actually, we would -- we wouldn't expect to have much of an impact. Given the fact that the majority of our historical customer base is on the King plan. But also I would say that we would expect new customer growth to more than compensate for any of the back booking risk that we would be incurring, including potential upsell from -- like from the King Supersize auction that we had before at EUR 20 to Kong it's an upside of EUR 5. So it has a bit of a give-and-take on both sides of the equation. And especially, if you look at the line before, it's fair to say that after some of the repricings we have seen from our competitors, the Kong plan was actually outpriced and was not looking attractive on all of the spec metrics.

Operator

And we can now take our last question from Sander van Oort from Kempen.

Sander van Oort - *Kempen & Co. N.V., Research Division - Analyst*

Two actually. First of all, on the business performance. I think, first half showed a decent 7% sales growth. I was wondering are you already putting a lot of marketing effort in this segment. I think from the Capital Markets Day we learned there's quite a bit of upside left in the business segment, and with the ability to both offer fixed and mobile services. So just wondering, where are we when it comes to approaching new business clients today? And secondly a question on the mobile network upgrades. Of course, we're all looking to upgrade to 5G somewhere in the beginning of 2020. So I was wondering can you maybe give a bit of a rough guesstimate of what kind of CapEx is associated with the potential upgrades from your network from 4G to 5G.

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

Okay. Now on the B2B business. I can say that in terms of the benefits of the merger, and being able to come to customers -- potential customers, particularly in the SME space with an end-to-end solution, including fixed and mobile, has been a very strong driver of growth. We have -- we are targeting a 10%-ish CAGR on our B2B business over the next few years. And they are a lot of things that need to come together to make that happen, including we need certain improvements to our CRM platform. We need to continue to grow our sales organization to a much more consultative integrator-type of sales organization, which we're in the process of doing. I mean, historically, B2B was, "Hey, we've got some high-speed data coming by your office or your small business, do you want some?" And then we're now in a space where we are ticking most of the boxes of our major competitor, Proximus in this space, and are able to provide much more end-to-end solutions, not just in the SoHo market, which where we're at parity with Proximus, but in the SME market, where we have an enormous amount of upside as well.

Birgit Conix - *Telenet Group Holding NV - CFO*

I can talk about the B2B revenue. In the first half, was up 7% or EUR 4 million, so due to WIGO and also the other business offers.

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

Yes. So yes, so that's something where we'll definitely have our foot on the gas. And we'll be looking for other ways to -- other catalysts to extend that growth even further. On the mobile network upgrades, I mean, I think it's premature for us to say that we have a great handle on what it's going to take whatever 5G is constructed, if our competitors know what they're going to spend and they're way ahead of us, because we're halfway through a build to what's colloquially known as 4.5G or LTE Pro or LTE Plus. And we will be fully compliant and the very important aspect of that is that is carrier aggregation, which is something that really supercharges your data throughput capabilities. So we're pretty happy with where we are, with our existing network. We've tested -- field-tested speeds up to 600 megabits per second in our 4.5G build. So we have a lot of capability there. What the costs are going to be associated with 5G and whether there's going to be a return on those costs, it's too early to tell. We have allocated a certain amount of funds for spectrum that will be associated with 5G. And we have a very strategic relationship with our vendor ZTE and Ericsson on moving to 5G at the appropriate time. But to say that, we know what the capital costs are going to be, we just don't know yet.

Birgit Conix - *Telenet Group Holding NV - CFO*

Yes, and then to conclude on your question on CapEx. So we expect -- so 24% CapEx revenue ratio in '17. As we said also during previous conversations, 2018 will still be a very high CapEx investment year as we continue to invest primarily also in the mobile network. And then our -- in -- and target is that by '19, we could come down slightly below 20% already. And this, of course, the numbers that I'm quoting now are without SFR integration and CapEx and SFR CapEx and also without spectrum, as John alluded to just now.

Operator

And we will now hand the call back to our host for any additional or closing remarks.

Rob Goyens

Okay. Thank you, operator, and thanks, everyone on the call. I guess, this concludes today's conference call. We hope you'll all enjoy some summer downtime after the quarterly earnings cycle. And we look forward to catching up for summer during one of our future roadshows and conferences. Thank you, and goodbye.

Operator

This concludes today's call. Thank you for your participation, ladies and gentlemen. You may now disconnect.

John C. Porter - *Telenet Group Holding NV - CEO, MD and Director*

Thank you, operator.