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EDITED TRANSCRIPT

PROX.BR - Q3 2026 Proximus NV Earnings Call

EVENT DATE/TIME: OCTOBER 30, 2026 / 1:00PM GMT

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CORPORATE PARTICIPANTS

Nancy Goossens Proximus NV - Head of Investor Relations

Stijn Bijnens Proximus NV - Chief Executive Officer

Seckin Arikan Proximus NV - Global Chief Executive Officer

Fiona Lam Proximus NV - Chief Financial Officer

Jim Casteele Proximus NV – Chief Residential and AI

CONFERENCE CALL PARTICIPANTS

David Vagman ING Groep N.V. - Analyst

Dhruva Shah Ubs Inc - Equity Analyst

Michiel de Clercq KBC Securities - Analyst

Paul Sidney Joh Berenberg Gossler & Co KG - Analyst

Roshan Ranjit Deutsche Bank AG - Analyst

Maxime Lejeune Petercam SA - Equity Analyst

Charles de Saint Périer BNP Paribas - Analyst

PRESENTATION

Operator

Hello and welcome to the Proximus Q3 2026 results. My name is Gaia and I will be your coordinator for today's event.

(Operator instructions)

I will now hand you over to your host, Nancy Goosens, investor relations lead, to begin today's conference. Thank you.

Nancy Goossens - Proximus NV - Head of Investor Relations

Thank you, Gaia. Good afternoon, and welcome to our Q3 results webcast. We trust you have reviewed the results this morning, so we'll keep the presentation to the point, allowing more time for your questions.

Joining me for the presentation and the Q&A are our CEO, Stan Bijnens, and Fiona Lam, the new CFO since September. Welcome, Fiona, to your first Proximus results call. Also with us are Seckin Arikan, the Global CEO, and Jim Casteele, our Head of B2C and AI. So over to Stijn now for today's highlights.

Stijn Bijnens - Proximus NV - Chief Executive Officer

Thank you. Welcome from me as well to our third-quarter results. As you have seen the result publications, so as Nancy said, we'll keep it short. This slide provides the usual brief overview, but as we will cover this in a minute, let me move straight to the next one.

I'll start with a high-level overview and will leave it to Fiona to cover the financials in more detail. In the domestic segment, we delivered another resilient quarter with slight increase in services revenue. This was offset by higher OpEx, which was in part due to the consolidation of Unifiber and resulted in a lower domestic EBITDA.

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Turning to the global segment, I'm pleased with the disciplined execution of its strategic plan, which delivered direct margin growth ahead of expectations. Overall, for the Proximus Group, the third-quarter EBITDA decreased 2%. I will leave it here and move to the operational results.

We delivered another good commercial quarter for the B2C unit and this in a highly promotional market. This led for the total domestic segment, including B2B, to a growth of 18,000 mobile postpaid cards and 5,000 internet subscribers. Our convergent customer base also continued to grow steadily, adding 7,000 residential customers in the third-quarter. Meanwhile, the fixed voice and TV customer base continued their gradual erosion.

Turning to fiber, our footprint continues to expand. By the end of September, we had passed more than 2.8 million homes across Belgium that represents population coverage of over 44%. In the third-quarter, we added another 38,000 active fiber customers. This brings our total to nearly 860,000 and the network filling rate stands at 35%. Before I hand over to Seckin for Global, let me say a few words about satellite connectivity and AI agents. Both have raised concerns across the telecom sector and put pressure on Proxima's share price in particular.

Let's start with satellite. It's a great technology but helps solve problems that we don't face here in Belgium. Belgium is one of Europe's most densely populated countries. Even our rural areas are very different from the wide open spaces you find, for example, in the US, Africa, or the Nordics. And we have very good networks here. Our 5G network already covers almost the whole country. We will reach 99% indoor coverage by the end of 2027.

We also have a great and broad range of spectrum secured for the next 15 years. Our fixed network has clear advantages over Satellite too. With our fiber agreements, we're on track to cover 80% of Belgium with fiber, offering both fast upload and download speed. Satellite has physical limits on capacity, so it will always be limited in the number of households it can serve.

We see satellite less as a threat and more as an opportunity, something we could offer as an add-on to our services. Turning to AI agents, I see this as an evolution and not a revolution. It's another step in how customers make their choices. Here, too, we see opportunities. AI can help us build on what makes our services different, our strong brands and our customer rewards. We're also investing in generative engine optimization, helping customers find us when they use AI to search. Telecom will keep changing and we will keep adapting. As more people use AI, good connectivity matters even more. AI needs networks that can handle large amounts of data support more uploads and stay connected all the time. As Belgium's largest fiber owner were well placed to meet those needs. And with that, I'll hand over to Seckin to talk about global.

Seckin Arikan - Proximus NV - Global Chief Executive Officer

Thank you, Stijn, and good afternoon, everybody. As we told you earlier, our transformation will take eight quarters, and we have now completed three. We are making good progress, and we are on track. This year, we focused on a set of key integration battles, and we will close all of them as planned.

Let's talk about the core business. We improved how we farm our large customers in Protect and Engage. In Connect, we reinforced our scale with new roaming wins. Our growth portfolio across omnichannel, digital identity, IoT, and cloud communication is gaining traction. In the meantime, our work continues to receive external recognition. SIM for Things won an IoT Global Award for its secure sovereign eSIM solution. We took gold at the Merit Awards for 5G and next-generation mobile communications. And BICS is a finalist at the FIERCE Network Innovation Awards.

Lastly, building the future. Heltar is now fully integrated and expands our conversational AI capabilities. We see strong customer engagements enabled by Heltar in the India market. Telesign and Bank Contact Company are partnering to prevent payment fraud. Route Mobile launched a Salesforce native messaging app on Agent Exchange and BICS joined the Scion Association.

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In short, our transformation is on track and we continue to stay focused. The core is getting stronger, our growth portfolio is gaining traction and we are building the capabilities that will make growth sustainable.

Fiona now will take you through the Q3 financials.

Fiona Lam - Proximus NV - Chief Financial Officer

Thank you, Seckin. Let me start with first domestic revenue. In the third-quarter of this year, domestic revenue increased by 0.3% year-on-year a pro forma basis, supported by growing service revenue, which is up by 0.4%. This was driven by a continuous solid growth in the residential service revenue. Offset by lower revenue from business services.

Turning first to the B2C unit, total residential revenue increased by 2.4% year-on-year, specifically happy to see that continued positive trend in customer service revenue, up by a solid 2.9% year-on-year. This was, amongst others, the result of a continual growth in the customer base for Internet growing year-on-year by 2.3% and mobile postpaid growing 3.1% year-on-year. Zooming in for a moment on the customer service revenue of the third-quarter.

As illustrated on the chart, we achieved to continue a nicely growing trend, moving up to 2.9% growth as mentioned earlier. This was driven by sustained growth in revenue from convergent customers, which increased by 4.7% compared to Q3 of last year.

Overall, the first service revenue benefited from January 2026 inflation-linked price increase. As well as a continued migration to higher average revenue per customer conversion offers and also a modest support from the renewed Belgium football broadcasting right. This was partly offset by the ongoing shift in customer brand mix. And taking this all together, the overall average revenue per customer was up by 1.7% year-on-year.

Turning now to the B2B unit. Total business revenue declined by 1.9% year-on-year. This was driven by lower business service revenue, down 2.8% year-on-year a pro forma basis, broadly in line with recent quarters. The lower B2B service revenue reflects the combination of a few adverse effects in line with historical and market trends. We undergo in the telecom space a steady pressure on legacy fixed voice as well as on legacy data offers. This was not fully offset by continued growth in Internet service.

Therefore, the total revenue of fixed data is staying rather stable. The third-quarter also saw continued pressure on mobile revenue where the business carefully balances value and volume. IT service revenue also remains soft. The decline reflected project implementation delays, partly offset by continued cybersecurity growth.

Looking forward, we see that the longer-term pipeline remains solid, so we expect the IT performance to improve. For the wholesale unit, the reported revenue declined in fully due to ongoing erosion of interconnect revenue, however, with almost no margin impact. Wholesale service was slightly up, driven by higher MVNO revenue, roaming and fiber volumes, which fully offset the revenue loss from services that Proximus delivers to Unifiber as a result of this consolidation.

Now turning to domestic EBITDA, direct margin grew by 0.5% year-on-year in Q3. Solid B2C services revenue growth supported this, although B2B headwinds offset most of the benefit. As you can see on the chart, higher OpEx more than offset the growth in direct margin.

This includes around EUR5 million of unifiber consolidation on top of inflationary pressure and higher rental and cloudification-related OpEx. Our headcount reduction remains on track. Workforce expenses rose only slightly by 0.2% year-on-year. Lower domestic FTE almost fully offset the wage indexation of March and September 2026.

Taking together, this result in a 1.4% decline in domestic EBITDA in the third-quarter. That concludes the domestic section. Let's now turn to the Proximus Global segment. Starting with the global direct margin, we returned to growth earlier than expected. Direct margin was up 0.8% year-on-year and 4.5% compared with the previous quarter. This growth came entirely from the Communication and Data Protect

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Group, which direct margin grew by 4.4%. This is a promising sign that our investments to support the global turnaround are delivering results.

Turning to costs, this disciplined OpEx investments together with wage inflation drove a 5.8% year-on-year increase in the third-quarter OpEx. We expect spending on these initiatives to increase further in the coming quarters as the business moves into its next phase of growth, focus on customer acquisitions. All in all, this brings global EBITDA to EUR35 million for the third-quarter. Which is a good result.

Now, let's turn to the Group CapEx. Over the first nine months of the year, the Group accrued CapEx totaled to EUR835 million. This is EUR10 million more than the same period last year. The increase was mainly driven by phasing of multi-year content contract renewals, as well as the impact of consolidating unified CapEx from June onwards. At the same time, fiber investment in the dense areas as well as CapEx for the upgrade in the mobile RAN network were coming down as well.

As a result, strong organic free cash flow in Q3 2026 have lifted up year-to-date organic free cash flow to € 114 million. Which compared to € 153 million last year, you can see on the graph, the year-on-year degrees was mainly driven by lower EBITDA from global, higher interest paid and higher cash CapEx over the first nine months of the year. On a total reported basis, the free cash flow for the first nine months of the year was €54 million.

This brings me to the last final slide on outlook for the full year. We reiterate our domestic guidance expecting underlying domestic service revenue and EBITDA for 2026 to stay broadly stable on a pro forma basis. For global, the full-year EBITDA expectation is raised to €125 million to €135 million, reflecting the earlier-than-expected improvement in direct margin combined with disciplined OpEx investments to support the turnaround. With the improved EBITDA outlook for global combined with slightly lower CapEx expectation, we also lifted up our full-year outlook for organic free cash flow to around EUR 100 million.

With that, I will hand it back to the operator to open the line for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator instructions)

David Vagman, ING.

David Vagman - ING Groep N.V. - Analyst

Thanks. Good afternoon, everyone, and thanks for taking my question. The first is on the CapEx guidance cut for this year. So could you clarify how much is really efficiency gains and how much is phasing? Of the CapEx and then the second is on consumer mobile, there seems to be a sort of mini price war in the no-free unlimited segment. Can you explain in your view the justification behind it?

So is it that you anticipate to move DIGI on unlimited? Is it so or is it preventive? Or are there other reasons behind this development? And my last question is on the cooperation agreement in fiber and HFC. Can you update us on the latest development in the north and in the south? Thank you.

Stijn Bijnens - Proximus NV - Chief Executive Officer

Okay, thank you. I'll take the last one on the fiber collaboration. In the south, it's advancing very well and we're interacting with the regulators. I would guess, my best guess would be finalization by the summer 2027. In the north, of course, the competition authority approved the deal,

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so it's more in finalization also with the telecom regulator on market. So but everything is moving according to schedule and was positive around the outcome. The CapEx question, I'll refer to Fiona.

Fiona Lam - Proximus NV - Chief Financial Officer

So on the CapEx, we will be slightly below our €1.3 billion guidance. Especially, this is driven partly by efficiency and partly by timing effect. Timing effect, I mean by the cash CapEx, so we expect a little bit later to pay in the cash CapEx for this year. So you can count half is efficiency, half is cash CapEx. It's slightly below our €1.3 billion.

Jim Casteele - Proximus NV - Interim Chief Financial Officer

Hi, David. I'll take a question on consumer mobile. So if you look indeed, hey! recently launched their unlimited plan at EUR24, we already had with Mobile Vikings an unlimited plan at EUR25 as entry unlimited plan because we have speed tiering on our mobile plans to drive further value up.

I think it's probably a mix, I would look at it as a mix of elements. On the one hand, what we have seen, is that these unlimited plans actually drive ARPC up, so it's actually a value-based move. But of course, at the same time, it also helps to prepare for potential new digi moves on unlimited plans because you have lowered already price points in the market, but what we see today is that it's actually driving value rather than being a price war.

David Vagman - ING Groep N.V. - Analyst

Thanks very much, all three. Maybe a very quick follow-up on the CapEx efficiency gains. Should we think that there could be more in '27 or it's more in the range of the CMD 2026?

Stijn Bijnens - Proximus NV - Chief Executive Officer

Well, the range of the CMD, including the Unifiber acquisition, but we're always looking for efficiencies across the board.

Operator

Dhruva Shah, UBS.

Dhruva Shah - Ubs Inc - Equity Analyst

Hi, thanks very much for taking the questions. I have a few, please. If you start off with domestic and just continuing in terms of the residential competition, Digi are now offering their mobile plans in 655 BPOST stores across the country. So do you think this will lead to a step change in their net add trajectory or do you think this really is a non-event?

And maybe just on the mobile side and on the fixed side with Digi. Are you seeing anything significantly changing in terms of their rollout? They've obviously committed effectively to being in the Belgian market through additional financing. So just curious as to, yes, any changes on the fiber side of things.

Second question really is on the global side of things. Can you maybe just double click on what's driving the stabilization in revenues? Is it more that the legacy declines are slowing or is there higher growth in the growth areas or is it a combination of both? You also mentioned that you're three quarters through of the eight-quarter transformation, but direct margins are already growing. So would you say things are going quicker than expected?

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And do you still expect EBITDA for 2027, global EBITDA for 2027 to grow?

The final question really is just on free cash flow. So my understanding is 2027 will be the peak CapEx year. But if I rewind back to the CMD and if I recall correctly, then there was a free cash flow chart which suggested that we will see moderate free cash flow growth in each year all the way through towards the targeted €400 million per annum. So is that still the case despite peak CapEx in '27, should we and could we expect. Free cash flow to still grow. Thank you very much.

Jim Casteele - Proximus NV – Chief Residential

So on the question on DIGI an BPost, so the way I look at it is that we have a great retail network ourselves, we have our own Proximus shops, we also have an extensive non-exclusive retail partner network. So we're really that we have a very strong retail environment ourselves, so we're not really worried that we would be under pressure from a channel perspective.

This deal has been signed a couple of months ago. And if you look at our quarterly net adds, I think we're continuing to deliver robust. And that's in a very competitive environment. So I think our strategy is working. We're continuing on focusing on our own strengths. And as I mentioned, we're very happy with our strong retail channels ourselves.

Stijn Bijnens - Proximus NV - Chief Executive Officer

Concerning additional fundings for fiber rollout, well, we have a fully financed business plan. In the capital markets day, we show that we have a good bond program with good maturities. The first bond maturity is in '28, so we will probably raise some bond before that. And from a free cash flow perspective, in that indeed we said previously that organic free cash flow for '27 would be above 100 million. And that's still the case. So we also confirm our dividend policy for next year and the year after. Global, I'll hand it over to Seckin.

Seckin Arikan - Proximus NV - Global Chief Executive Officer

Thank you, Dhruva, for the question. There is not a silver bullet, to be honest with you, when it comes to the stabilization of our business. It's lots of hard work and disciplined execution of our Elevate strategy. We are working very closely with our largest customers to make sure that we maximize that business.

Our legacy declining portfolio, P2P voice and P2P messaging, we are securing that we farm those businesses and reduce the decline as much as we can and we see a good traction in our growth products like IoT, omnichannel, digital identity.

The things are, let me say it like this, where we want them to be at this stage in these eight quarters of the journey. We are around less we finalize the three quarters, a little bit less than 50%. We are happy where we are.

Dhruva Shah - Ubs Inc - Equity Analyst

Thank you all very much.

Operator

Michiel de Clercq, KBC Securities.

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Michiel de Clercq - KBC Securities - Analyst

Yes, hi, and thanks for taking my questions. The first one would be on the domestic EBITDA development in the third-quarter. You mentioned that there is a bit of an impact from the unifiber consolidation. Just curious, is this a bit of a one-off impact, like implementation? Impact or is this more structural?

Just to get a bit of a degree on what kind of impact we should expect from this in the fourth-quarter as well and maybe rolling over into 2027. And also a bit on the inflation in rent and cloud inflation.

I assume this is something that we will see continue in the fourth-quarter. So that would be my first question. The second question would be just on the consumer ARPC or ARPU was up quite a bit in the third-quarter. Can you give a bit the drivers here on the strong revenue per customer? Thank you.

Stijn Bijnens - Proximus NV - Chief Executive Officer

Yeah, I'll take the Unifiber one. So of course, Unifiber will continue to have OpEx, but the €5 million in Q3 is rather exceptionally high. Due to some timing elements. So for kind of the second-half of '26, so the last six months of this year, the OpEx impact is approximately EUR6 million to EUR7 million. So it's rather exceptionally high. Of course, in the future, it will be offset by also income with the increasing filling rate. And intended onboarding of Orange on the Unifiber network that should become a positive result in the future.

Jim Casteele - Proximus NV – Chief Residential

So on the question on the consumer revenue per customer, so we indeed have a year-over-year increase on ARPC, which is driven by a combination, of course, of the pricing power that we still have on the Proximus brand with price increases that we. In January '26. We continue also to see movement of customers to convergence where the ARPC is higher than on customers that only have one product and also fiber monetization continues to help drive ARPC up.

Of course, there are some elements that put pressure on the ARPC. We talked about the A/B brand mix, but also the continued decline of fixed voice and television puts pressure. But all in all, with the positive upsides that we drive, we continue to see an increasing ARPC and consumer in detail.

Stijn Bijnens - Proximus NV - Chief Executive Officer

And coming back on the more general question on cost side, the inflation, of course, the Belgian situation is an automatic indexation of salaries. That's why we have a very disciplined OpEx program to help that to work out through our plan.

Operator

Paul Sidney, Berenberg.

Paul Sidney - Joh Berenberg Gossler & Co KG - Analyst

Yes. Good afternoon, everyone, and thank you very much for taking the questions. And just two for me, please. Firstly. You've executed extremely well over the past 12 months on CapEx and OpEx, areas that are in your control, Proximus' control. But the domestic top-line growth remains a little bit muted. I was just wondering, what can Proximus do, if anything, to reinvigorate service revenue growth looking forward? Or is it just a question of it's a difficult four-player market? And then it could be quite challenging looking forward.

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And then secondly, the capital markets day back in February that the global business does not belong with Proximus' traditional Belgian operations. Any further thoughts on strategic options for the Global business? Has even the turnaround in the quarter and the raised guidance changed the view internally on the business? And are there potential additional options, a spin-off or a sale? Just to get your thoughts there would be really helpful. Thank you.

Jim Casteele - Proximus NV – Chief Residential

Hi, Paul. So Jim here, I'm going to answer the first question on how can we drive service revenue growth. So if you look at the consumer, we've been growing service revenue between 2% and 3%.

Of course, this is driven to a large extent on, I would call, more the traditional telco business by pushing customers to convergence, taking more and more products from us, focused on Internet and mobile because we know there is pressure on fixed voice and TV. I think next to that, of course, there is also a lot of other opportunities. We drive a lot of additional value.

By exploiting the assets that the technologies bring. If you look at fiber, we're really doing well in driving fiber ARPU up, where in the past on our copper network, we were not able to do speed tiering. We do the same on mobile with 5G speed tiering. So I think we're being creative in finding new revenue growth within the existing business. On top of that, if we have a lot of customer relationships, we also, of course, try to maximize the value of those relationships. I'm thinking about Wi-Fi boosters.

But also more and more things on network security, helping customers to cope with phishing and all the elements on cybersecurity, which is not only a B2B space, but is also relevant in the B2C domain and then going forward, we also see opportunities related to AI. I think some of them are already known today. Some will probably become more concrete as we move on.

But I think there's a lot of opportunities still out there to continue to grow also in a market that gets more and more saturated. So that's a bit the way that we try to continue to drive service revenue in the domestic market on consumers.

Stijn Bijnens - Proximus NV - Chief Executive Officer

The second question on global referring to the capital markets, they were still on the same trajectory. So as I've said, and also in discussion with my board, I asked two years to get global back to growth and make it a better business. And then around '28, we will have the discussion with the board in terms of value crystallization. Of course, we create optionality in the business by also going back to the business unit structure, so on the one hand, connect the big part and on the other hand, the protect and engage part and I'm pleased with the progress, but nothing has changed compared to the statement at the Capital Markets Day.

Paul Sidney - Joh Berenberg Gossler & Co KG - Analyst

Thank you very much. Is it possible to just have a quick follow-up? I appreciate the comments on the consumer side, but is it business, the enterprise, the potential problem and anything we can do there to improve the service?

Stijn Bijnens - Proximus NV - Chief Executive Officer

Yes, you can do definitely to improve. So we've presented the growth strategy. We strongly still believe it's based on the one hand, we do have the declining traditional telco business like fixed voice and traditional higher ARPUs that needs to get offset by growth areas, mainly in the adjacent IT side like cybersecurity, cloud, sovereign cloud.

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I also explained at the Capital Markets Day that turning B2B back to growth, we have a two-year transformation program, it will be hard work. We have some delays in the IT side of the business due to some project delivery issues, but we're taking action to mitigate this and. We still strongly believe we can get that back to quote.

Paul Sidney - Joh Berenberg Gossler & Co KG - Analyst

Very clear. Thank you for your comments.

Operator

Roshan Ranjit, Deutsche Bank.

Roshan Ranjit - Deutsche Bank AG - Analyst

Great. Afternoon, everyone. I've got two questions, please. And thank you for the slides on satellite and AI agents. And my first question is, are you having to be much more proactive in your kind of, as you said, active backbook management in defending from these agents? Yes. Are you seeing more incoming queries from your customers trying to kind of exploit the gaps between your three brands? What are you doing or what to do to kind of mitigate that, please?

And the second question, Stijn, I think you just mentioned B2B. And whilst you highlighted the kind of structural headwinds you are seeing there, are you seeing more competition from your domestic peers as well? Because I think they. Identified B2B as an area where they are perhaps under index versus you guys and are they pushing harder and are you having tender harder for new contracts or contracts being renewed?

Jim Casteele - Proximus NV - Chief Residential

So, Roshan, I'm going to take the first question. So on AI agents. We're approaching this from multiple angles. I think the most important angle is making sure that we have as many as possible products with our customers. So convergence, pushing Internet and mobile is a key cornerstone of the strategy. The good news is this has been a cornerstone of our strategy for several years, so we're quite advanced in doing that.

Next to that for me also extremely important that we have strong brands and they're the NPS. Of the Proximus brand, but also Scarlett Mobile Vikings supports or believe that we're also there doing the right things. We continue to strengthen the emotional engagement that we have with our customers so that as a telco brand, but also a relevant brand for our consumers, typically thinking about the revamp that we did in September on our loyalty program where we now have every Wednesday a rendezvous moment through Proximus for You Wednesday.

And then probably also important is that we also try to understand how we do marketing with the agents. So we're investing quite a lot on what is in the industry called the GEO, trying to understand how an agent comes to a decision and then how can you as a company and with your brands understand how to influence that decision in the direction that you want, so just like we do with the traditional marketing. So I would say it's a multiple. Answer, but we're working on all actions on that.

Stijn Bijnens - Proximus NV - Chief Executive Officer

The other question on B2B, whether structurally something is changing? No, it's a competitive market. Of course, at the TELCO side, we have to digest the decline in fixed voice. And of course, with every mobile renewal RFP, there are price discussions, but we're able to win most of the renewals.

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And at the IT side, it's a competitive market, but nothing has changed. It's more execution and with the transformation program to capture more of that market is the ambition. But the telco pressure, it's in our plan that we presented.

Roshan Ranjit - Deutsche Bank AG - Analyst

That's helpful. Thank you. And if I may just follow-up, Jim, on your answer, are you seeing any kind of adjustment within your three brands, i.e. Some downspinning? I know clearly Convergence was introduced into the Mobile Vikings brand as well, but are you seeing any shifting within your customer base?

Jim Casteele - Proximus NV - Chief Residential

So what you see is indeed in the Belgian market over the last, I would say, probably a year and a half, with the intensified competition, you have more customers taking the choice of a new brand.

And so there in acquisition, we see that there is more appetite for the challenger brands. So the good news is that we have at Proximus Group, we have two very strong challenger brands that can take their part in that play.

We don't see an acceleration of that trend. So it's something that we've been seeing for several quarters, and you actually see it back in the Net Adds and the movement of ARPCs. So I think it shows that it's well under control. And we're also monitoring, of course, to what extent agents start to interact.

With our brands and therefore now also that is very much under control, but we continue to monitor the market and our customer behaviors like we always do and we will adapt as we move forward, but until now I would say it's all going to plan and we control quite well the movements between the brands by also making sure that our premium brand Proximus is really considered as a premium brand, so investments that we do in trust. Being positioning Proximity as a trusted brand, but also as a brand with the best fiber network in Belgium are all elements that help to support the value volume strategy that we execute.

Roshan Ranjit - Deutsche Bank AG - Analyst

Great. That's super helpful. Thank you.

Operator

Maxime Lejeune, De Groof Petercam.

Maxime Lejeune - Petercam SA - Equity Analyst

Hi, thanks for taking my question. I have three of them. The first one is on the delayed IT projects. Any idea of how long will the delay be and when will we be able to see the impact of it in revenue? The second one is on the global direct margin that improved. Do you see it as structural or was it also helped by one-offs? And the third one is the lower. Cash this year only explained by lower -- yeah, is it only the impact in FCF guidance or are there also other reasons for the higher FCF guidance and if so, could you measure them? Thank you.

Stijn Bijnens - Proximus NV - Chief Executive Officer

Hi, Maxime. I'll take the first one on IT projects. Yeah, it's some delays in delivery. Our best guess is those are some larger projects is that revenue recognition kicks in Q1 next year.

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Seckin Arikan - Proximus NV - Global Chief Executive Officer

A short answer is that no, we don't have any “one-off” improvements in our numbers.

Fiona Lam - Proximus NV - Chief Financial Officer

I suppose your question is related to the drivers for our increase of free cash flow guidance. As I already mentioned, the increase is coming from a part is the global better result that we also increase and a part is related to the lower slightly lower CapEx, especially also driven by cash efficiency and the cash timing of that.

Maxime Lejeune - Petercam SA - Equity Analyst

Thank you. Perfect.

Operator

(Operator instructions)

Charles de Saint-Perrier, BNP Paribas.

Charles de Saint Périer - BNP Paribas - Analyst

Yes. Hello. Hi. Thanks for taking the question. I had two. The first one is on your customer service convergence. You've just posted a 4.7 year-on-year growth for the past last year. And I was just wondering how, you've mentioned in your AI agent slide, convergence is one of the best defense. And now that we have convergence going on and pushing it as part of your strategy, could we believe that this setting could have an even larger acceleration and could we model out an even higher year-on-year growth for the next quarters coming forward? And my second question was, I was just wondering as part also of your service revenue growth, how much was each brand the main drivers of this growth and which brand basically drives the most growth in this quarter? Thanks.

Jim Casteele - Proximus NV - Chief Residential

So Charles, thank you for the question. So on the first one on convergence, of course, we continue to push convergence as much as we can. But of course, it's also market dynamics and customer behavior. So it's not something that we fully control ourselves, but you can continue to expect to see a growing convergance customer base because like was said already before as well, all my three brands are offering all Internet and mobile, so we're doing cross-selling as much as we can.

On the question on which brand drives the most growth, I'm sure you understand from a competitive point of view that on this, I'm going to not really answer that question. I'm sure you understand that.

Operator

There are no further questions, so I hand back to your host to conclude today's conference.

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Nancy Goossens - Proximus NV - Head of Investor Relations

Thank you. Thank you all for joining us today and for your questions. As usual, should you have any follow-up questions, you can contact the IR team. Bye.

Operator

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

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