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PROX.BR - Q2 2026 Proximus NV Earnings Call

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PRESENTATION

Operator

Hello and welcome to the Proximus Q2 2026 results. My name is [Gaya] and I will be your coordinator for today's event. Please note that during the conference, the conference is being recorded (Operator Instructions)

I will now hand you over to your host Nancy Gossens, Investor Relations Lead, begin today's conference. Thank you.

Nancy Goossens - Proximus NV - Head of Investor Relations

Thank you, [Gaya] Ladies and gentlemen, welcome to our webcast covering the Q2 results. As usual, we will begin with the presentation before opening the floor for your questions. Joining me today are Stijn Bijnens, the CEO; Nicolas Gaertner, Interim CFO; Seckin Arikan, Global CEO; and Jim Casteele, the Head of B2C and AI.

So let's now turn to today's highlights. Stijn, over to you.

Stijn Bijnens - Proximus NV - Chief Executive Officer

Welcome also from my side to our second quarter '26 results presentation. I will take you through the key messages from today's release. They are summarized on this slide, but I will move directly to the next one and cover each point in more detail. Overall, our financial performance was broadly in line with our expectations. The domestic segment continued to perform well, with EBITDA increasing slightly while global progressed as anticipated. We are therefore reiterating our full year guidance across all domestic and group metrics.

For Global, we have narrowed the EBITDA guidance range, reflecting greater confidence in the margin trend. As Nicolas will cover the financials in more detail later, I will leave it here and move on to the operational results. We delivered another solid commercial quarter. For mobile postpaid, we added 25,000 cards and our internet subscriber base grew by 8,000 lines. Our convergent customer base also continued to grow steadily, adding 12,000 residential customers in the second quarter. Meanwhile, the fixed voice and TV customer bases continued their gradual erosion.

Our solid fixed internet performance continues to be supported by our expanding fiber footprint. By the end of June, we reached more than 2.75 million fiber homes across Belgium. This equals a population coverage of around 43%, and the network filling rate further progressed to 35%. And we added another 44,000 active fiber customers in the second quarter, bringing the total to 820,000.

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Over the past few months, we reached two key milestones in our fixed network strategy that will shape our fiber rollout in the coming years. Let me start with Wallonia, south of Belgium, shown in the right hand of the slide. At the end of May, we took full ownership of Unifiber, which is rolling out fiber in Wallonia's mid-dense areas. This simplifies the structure and gives us greater strategic flexibility. Negotiations on the intended network partnership with Orange in this part of Belgium has also progressed well.

Turning to the left side of the slide, this is the more recent milestone we announced last week. We're very pleased to receive BCA, the Belgian Competition Authority approval for the network collaboration agreement in Flanders with Wyre and Telenet. We understand that the process took time and thank our investors for their patience, and we also acknowledge the significant resources committed both by the BCA and the BIPT and appreciate their important role throughout this process.

Overall, the collaboration agreement benefits all stakeholders. For Proximus, it enables us a more capital efficient fiber rollout in the mid-dense areas. It also improves rollout economics and helps to accelerate copper outphasing.

In last week's announcements, the addendum included an overview of the deployment commitments and pricing. Let me now focus on the additional information shown on the slide, specifically on duct access, more precisely, the sub-duct access. This duct access applies only on the dense area where we roll out fiber in standalone. It does not apply to the fiber collaboration zones.

In principle, this duct access continues the framework previously imposed by the BIPT. The specific modalities are now confirmed in the context of the FTTH cooperation agreement. The duct access is granted under FRAND principles and only in areas where Proximus has already deployed its GPON fiber technology. It only applies to the free sub-ducts in the Proximus network, meaning ducts we do not need today and will not need in the future.

On pricing, we are pleased that tariffs are based on current cost, reflecting the investments Proximus has made in its duct network. Prices are indexed annually by 1.9%, except if actual inflation deviates materially. It is important to underline that only Proximus can carry out work on the duct infrastructure to safeguard network integrity. As a trade-off, we agreed to reduce the related one-time fees by around 50% compared with the rates presented in the market test.

In addition to the one-time fees for physical interventions, a monthly rental fee applies for duct usage. The MRC is based on an allocation key linked to the number of sub-ducts used. There are typically seven sub-ducts in a duct. And for the first sub-duct, 25% of costs are allocated to the access seekers. This is increasing to 50% when more than three sub-ducts are used on the same network segment. The rental period is always at least five years with upfront payment. This summary covers the key points. More details are available in the reference offer on our website and in the BCA decision, which will be published on its website.

With the agreement in Flanders, we have significantly de-risked our medium and long-term CapEx and free cash flow trajectory. With rollout targets set and CapEx fully within our control, our investment path is now clearly defined.

Once the black box is fully analyzed and the South agreement is finalized, we can be more precise on the CapEx expectations over the next few years. I can say that we are very confident in achieving our long-term ambition of restoring organic free cash flow to EUR400 million by 2030, supported by a gradual decline in CapEx after the 2027 peak.

This concludes my introduction on the domestic business. Before turning to the financials with Nicolas, I will briefly hand over to Seckin for an update on Proximus Global.

Seckin Arikan - Proximus NV - Global Chief Executive Officer

Thank you, Stijn, and good afternoon, everyone. I would like to give you a short update on how Elevate, our global strategy, is progressing. The headline is that it is progressing well. First, the transformation we have launched is on track. Our 2026 integration commitments are moving ahead as planned. We have strengthened the team with additional experienced CPaaS leaders, and we have tightened our OpEx and CapEx discipline with a sharper focus on the areas where we want to see the growth coming years.

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Second, I am proud to say that our business continues to earn external validation. We have been ranked the number one global leader in Sponsored Roaming by Juniper Research. We are recognized as one of the leaders in the 2026 Gartner Magic Quadrant for CPaaS. At the same time, new partnerships with Google Cloud and Truecaller are finalized.

Finally, we are beginning to shape how AI can support our future growth. This is still early. The strategy is very much a work in progress, but we are taking some concrete steps. We have set up a dedicated AI-focused unit to explore where AI can add the most value across our portfolio. We also acquired, through Route Mobile, an entity called Heltar. A small but specialized player gives us useful capabilities as we develop our thinking here. If I summarize, disciplined execution today and the foundations for stronger growth tomorrow.

With that, I will hand over to Nicolas to take you through the financial results.

Nicolas Gaertner - Proximus NV - Interim Chief Financial Officer

Thank you, Seckin. So let me start with domestic revenue. In the second quarter of this year, domestic revenue increased by 1.1%, supported by higher IT hardware and terminals revenue. Services revenue was broadly stable year-on-year on a pro forma basis, with continued solid growth in residential services revenue offset by lower revenue from business services.

Turning first to the B2C unit. Total residential revenue increased by 2.2% year-on-year. This was partly supported by higher terminal revenue, but it was mainly driven by the continued positive trend in customer services revenue. In the second quarter, customer services revenue grew by 2.1% year-on-year. This was driven by sustained growth in convergent revenue, which increased by 3.9% in the quarter.

Overall, the services revenue benefited from a continued solid B2C commercial performance, including upselling to fiber and the January price indexation. These positive effects more than offset the continued shift in brand mix and lower sports revenue linked to the non-renewal of Belgian football rights over the period. As a result, ARPC remained positive, up 0.8% year-on-year.

Turning now to the B2B unit. Total business revenue increased by 1.8% year-on-year. This was driven by a EUR20 million increase in IT hardware revenue, which is more volatile by nature. Services revenue in the B2B unit was softer in the quarter. B2B services revenue declined by 3% year-on-year, mainly reflecting continued pressure on legacy services such as fixed voice and traditional data connectivity. This was not fully offset by continued growth in internet services supported by the expanded fiber footprint. IT services revenue also remained soft, although we expect some improvements later this year as the 2025 contract wins are progressively onboarded.

Turning now to wholesale. The total revenue trend remains impacted by the ongoing erosion of interconnect revenue, however, with no margin impact. More importantly, the wholesale services revenue was up plus 1.2%, driven by MVNO revenue and growing fiber wholesale volumes. This was partly offset by the consolidation effect of services that Proximus delivers to Unifiber.

Despite broadly stable domestic services revenue, we grew direct margin slightly in Q2, which more than offset the increase in OpEx. As a result, domestic EBITDA increased slightly, up 0.3% in the second quarter. The increase in OpEx was driven by higher non-workforce expenses, partly reflecting a lower comparison base following the one-off real estate tax provision reversal highlighted in our first quarter results. It also reflected general inflationary effects and transformation-related costs. Workforce expenses, however, decreased by 1.4% year-over-year, benefiting from lower headcounts as part of our cost efficiency program.

This concludes the domestic section. Let's now turn to the Proximus Global segment. For the second quarter of 2026, global posted EBITDA of EUR29 million. This reflected a stabilizing trajectory in global direct margin since the third quarter of last year as the business starts to cycle the structural CPaaS/SMS downturn. At the same time, global OpEx increased year-over-year, reflecting inflationary effects and initial targeted growth investments to support the turnaround. Over the coming quarters, we expect the direct margin trend to continue improving while OpEx will increasingly reflect these growth investments.

Turning now to group CapEx. In the first half of the year, accrued CapEx amounted to EUR 585 million, up 8% year-over-year. The increase was mainly driven by timing of multi-year content contract renewals, as well as the initial impact of consolidating Unifiber CapEx from June.

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Unifiber CapEx will continue to affect the remainder of the year, alongside the usual back-end loaded investing profile. Overall, we remain on track to meet our full-year guidance of around EUR1.3 billion.

Looking at free cash flow for the first half of the year, we land at minus EUR82 million, including the cash out related to the Unifiber acquisition. On an organic basis, the free cash flow was minus EUR25 million, which compares to minus EUR5 million last year. As you can see on the graph, the year-over-year decrease was mainly driven by lower EBITDA from global, the interest we start to pay on the bond of April last year, partly offset by lower cash CapEx over the first six months of the year.

That brings me to our final slide, where we confirm our guidance across all domestic and group metrics and narrow the full year 2026 guidance range for global EBITDA to EUR110 million to EUR120 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 NV - Analyst

Thank you. Hi. Good afternoon, everyone, and thanks for taking my question. So the first is on the cooperation agreement and the duct access. Thanks for the technical detail already. So could you explain us technically in what way it can help, for instance, Digi or other, let's say Orange Belgium, to accelerate their rollouts and cut costs? For instance, how many ducts are there in percentage of the population, the number of households, and how many of these ducts are really accessible? If I understand only the sub-duct Proximus doesn't need are really accessible, if I understood that correctly. So it is basically technically and economically a game changer or not for external parties?

And then second question. Now that the cooperation agreement has been approved, could you give us a rough guidance on the wholesale costs you expect in Flanders over time, the progression, and ultimately how much they should represent?

And third or final question. On football rights, how much of a tailwind was it EBITDA-wise in H1? What should we expect in H2 and basically next year? Are we talking very roughly tens of millions or is it less? Is it more? Thank you.

Stijn Bijnens - Proximus NV - Chief Executive Officer

Thank you, David. So duct access. It's up to the duct access seeker to make their economic analysis whether they want to trench themselves or use our duct pricing. So it's based on the cost to do it. It's current cost pricing. So it's a trade-off that the access seeker has to make. It's pretty similar to the synergies agreement that if we start to trench, everybody can cooperate and then we split the cost. Whether it's a game changer or not, we will see. We will not know whether our competitors, what their appetite will be to use our offering. At least our offering is now clear, and we have regulatory certainty about the framework. So that's a good step forward.

So in terms of the physical duct access seeker can ask. There is a procedure to ask whether we have an available duct at a specific location. That's also described in the process. So the duct access seeker needs to ask us, and then we provide information whether we have spare ducts available. The wholesale cost, it's also published. So it's in line with also the market test. It's public information. Regarding the football rights, I'll give it to Jim. Yeah.

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Jim Casteele - Proximus NV - Head of B2C and AI

So David, thank you for the question. So the tailwind we had on football rights was about roughly, I would say, 0.5% of our ARPC. So you can expect that coming back as of August. Now, of course, at the same time, this is a relatively limited impact on ARPC, and so keep in mind that of course, promotional activities, brand mix changes, impact on fixed voice decline, TV decline, et cetera, will continue to impact our revenues as well. So I would say directionally, we expect a similar growth year-over-year, as we have seen in S1. That's a bit the target I would think about.

David Vagman - ING Groep NV - Analyst

Thank you, Jim. The question was more about the EBITDA impact in the sense that you didn't have to pay for football right in H1, if I'm correct. A bit as in H2 last year.

Jim Casteele - Proximus NV - Head of B2C and AI

So Proximus football is in cash and not in EBITDA. So you need to look more at the cash part of it, and that, of course, will have a positive impact. The fact that we didn't have football in S1 was a positive on cash. The deal that we renegotiated should allow us to neutralize the cost with the price that we pay. So I think we have a good deal. I think cash-wise, it will probably be a more neutral element. But on EBITDA, you will see an upside because football content is below EBITDA.

David Vagman - ING Groep NV - Analyst

Okay. Thank you very much. And a very quick follow-up. So on the ducts which are accessible, we have no -- you don't have a view of how many relative, what is the percentage of the ducts that you do not use and are accessible? It's on a duct-by-duct basis?

Stijn Bijnens - Proximus NV - Chief Executive Officer

No, we don't provide that information, no. It's on a case-by-case basis.

David Vagman - ING Groep NV - Analyst

Okay. Thank you.

Operator

Dhruva Shah, UBS.

Dhruva Shah - Ubs Inc - Equity Analyst

Hi. Many thanks for taking the questions. I have three. Maybe just starting off with the fiber wholesale costs, but also income, and maybe asking it in a different way. If I look at the relative market shares of Proximus and Telenet within Flanders, and then the relative proportion of fiber that's being rolled out in the mid-urban areas, is it fair to assume that actually, wholesale costs and income will be broadly neutral in Flanders? So that's question one.

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Question two is on global, and the global trajectory, especially the top line, has improved meaningfully as you lapped the revenue headwinds from last year. You've given us some color on what to expect in terms of direct margins, but also some higher OpEx, and the guidance has been narrowed. How should we think about the top line going forward? Can you just remind us of some of the moving parts, the relative size of the legacy declining business, but also the offsetting growth areas?

And then finally, at the CMD, it was clear that you cut the dividend to ensure it was covered by organic free cash flow. Now, post the Unifiber consolidation, the dividend for this year is again uncovered. So is there a risk of a further cut or are you just very confident on free cash flow growth and that already by '27, free cash flow will be above, I think a EUR0.4 dividend implies EUR130 million next year, and therefore the dividend is going to be covered very, very soon. Thank you very much.

Stijn Bijnens - Proximus NV - Chief Executive Officer

Thank you for the questions. I'll take one and three and then hand over to global. So your first question, in terms of wholesale cost in the two direction. Yes, it's fair that the cost versus income will be around neutral. That's a very good assumption. Regarding the dividend, I would say, on the contrary, I don't see any risks. We are very confident with our guidance for free cash flow for this year. And also with the agreements in place, we gain much more visibility on our CapEx, which we fully control, and hence our free cash flow plan. So there's no risk on our dividend trajectory. So I'll hand over to Seckin.

Seckin Arikan - Proximus NV - Global Chief Executive Officer

Thank you, Stijn. When it comes to revenue is not the metric that drives our business. And we don't incentivize our employees on the revenue. And the main reason is that it's quite a big trading part of our business. It fluctuates quite much. All of us in Proximus Global are driven by DM, EBITDA, and cash generation. But just to give you a little bit insights, we see that the CPaaS SMS, our team is farming that business very well. So we have managed to reduce the decline in that area. Also in the P2P voice, while it is in decline, we are able to farm those businesses better. For the future guidance, we will stick to the EBITDA guidance that we are providing.

Dhruva Shah - Ubs Inc - Equity Analyst

Very helpful. Thank you very much. Maybe just one quick follow-up then. In terms of being driven by DM, EBITDA, we have good color on those, but in terms of cash generation, could you perhaps share what the cash generation at Global was in '25 or in H1 '26 from memory? I think it was around EUR94 million in 2024.

Nicolas Gaertner - Proximus NV - Interim Chief Financial Officer

Sure, I'll take that one. Your memory is absolutely correct for 2024. Indeed, it was in the region of EUR90 million. If you look at what we expect from this year, the majority of what we're going to be generating, which is according to our guidance, the approximately EUR50 million will continue to be coming from our Global business. So just a little bit lower than we saw last year, but still very much a cash generative business unit.

Dhruva Shah - Ubs Inc - Equity Analyst

That's perfect. Thank you very much.

Operator

(Operator Instructions)

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Paul Sidney, Berenberg.

Paul Sidney - Joh Berenberg Gossler & Co KG - Equity Analyst

Yeah. Thank you very much for taking the questions. I am going to go for three as well if you will allow me. So firstly, on the Telenet Flanders Gigabit collaboration. It just seems very, very complicated. We have got rates set for MRC, HFC, there is indexation, there are caps. If we just take a step back, could you just set it out in simple terms in terms of what it means? Will these rates allow Proximus to make an acceptable return over time?

And then second question. Stijn, I remember you stated at the CMD back in February that the Global business does not necessarily belong with Proximus' domestic Belgian business. I was just wondering, are there any further thoughts on your strategic options for Global in order to create value for Proximus shareholders and create value for the Global business as well?

And just lastly, big picture. There was obviously a very cynical spectrum auction back in 2022 creating the new entrant. But are we now seeing a real structural change in terms of the way the Belgian regulator and government looks at the telecom industry following the positive moves on these collaboration fiber gigabit agreements? It does feel as though there has been a bit of a change. It would be great to get your thoughts. Thank you.

Stijn Bijnens - Proximus NV - Chief Executive Officer

Okay. The first question, indeed, these fiber deals are complicated. That is why it also took so long, both with the regulator and with the other party. Of course, we feel confident that we can stay in business. So for Proximus, we are transitioning from 100 years copper to 100 years fiber gigabit access. In that transition, we found a solution, which is a mix of technologies, mainly fiber, but the HFC and also flexibility in using fixed wireless access. So with that mix, we do think we can stay very competitive in the market.

Your second question about strategic options. Yes. So I basically also asked my Board to give me two years to get Global back on track. I think it is way too early to monetize the asset. At the moment, I feel confident that Seckin and his team can deliver on the expectations of the Elevate strategy. And then at a moment in time, we will have to make a decision at Board level on what to do and how to do it, and how to structure a potential value crystallization. So of course, we think about it, but there's nothing new compared to our thoughts at the Capital Market Day. We're very focused on execution.

Impact on Digi. We don't see a structural change at the moment. So we have four players in Belgium. Of course, if you look at what's happening in other countries, even the bigger countries realize that it's better to go to three, and we're just a small country. So -- but I don't think anything has changed. And we, of course, will be fighting in the market against our competitors. Thank you.

Paul Sidney - Joh Berenberg Gossler & Co KG - Equity Analyst

Yeah, that's really interesting, Saying, that you say that. Do you think that the Belgian government would allow four to three? It's obviously quite a hypothetical question, but again, do you think the mood music has changed and we want to go down the investment route rather than just this obsession about cheap prices for consumers and competition (inaudible)

Stijn Bijnens - Proximus NV - Chief Executive Officer

Yeah. Well, I cannot talk for the government. It would be smart for them to do it. And that's my personal opinion. But again, we're market leaders, so it's not up to us to change the market. But definitely, I do think medium-term, there needs to be market repair to cover all investments.

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Of course, Proximus is in good shape because our peak investment year is 2027, so we're fully financed and have a strong balance sheet to get through the fiber CapEx cycle. But also looking forward to 6G and what AI will need in terms of infrastructure to stay competitive as a country. I do agree that politicians should look more at favoring investments in innovation.

Paul Sidney - Joh Berenberg Gossler & Co KG - Equity Analyst

Really appreciate your comments. Thank you very much.

Operator

(Operator Instructions)

There are no -- we have a follow-up question coming from Dhruva Shah from UBS. Your line is now open. Please go ahead.

Dhruva Shah - Ubs Inc - Equity Analyst

Hey, thanks again. I thought in the absence of any other questions, I may just try sneaking two very nerdy numbers questions, if that's okay. The first is just with regards to the duct access, obviously you mentioned that there's upfront payments for these five-year contracts. So do you expect that to potentially lead to a meaningful working capital tailwind? And if so, when do you expect that to potentially be realized?

And then the second is, if I look at the PPE, looks like PPE on the balance sheet has gone up by around EUR600 million post the Unifiber consolidation. So if we're assuming roughly 15 years' depreciation rate, should we expect D&A to step up by around EUR40 million per annum? Is that a reasonable assumption? Thanks very much, and apologies for the nerdy questions.

Stijn Bijnens - Proximus NV - Chief Executive Officer

Well, the first one is not nerdy. The second one I'll give them to my CFO. Duct access, yeah, of course, it's also a wholesale business. So if duct access is extremely successful, then our wholesale business will grow. On the other hand, of course, duct access will give tailwind to competitors to potentially roll out an overbuilt network in the dense areas faster than us. So it's two sides of the coin.

So to be honest, currently, we don't have a clue on whether our competitors will use our duct access or not. I think it's a fair deal. And we will due course report on how successful this new business of a wholesale department will be.

Nicolas Gaertner - Proximus NV - Interim Chief Financial Officer

With regards to your second question, I suppose you're referring to the CapEx uplift post the Unifiber acquisition. Indeed, now that we've consolidated Unifiber, you can think about directionally increase in our depreciation over the next 20 years. We typically depreciate fiber investments over 20 years. So you can think about that. In that regard, I think we shared a bit more details a couple of months ago around the expected CapEx from Unifiber in the coming years. I think we shared about EUR500 million over 5 years. So you can think about a 20-year depreciation period for that, if that helps.

Dhruva Shah - Ubs Inc - Equity Analyst

Super. Thank you very much.

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Operator

We have another follow-up question coming from David Vagman from ING. Your line is now open. Please go ahead.

David Vagman - ING Groep NV - Analyst

Yes. Thank you. A very quick follow-up on Wallonia. Any update on the timing of a potential operation agreement, a bit similar to Flanders or not? Any key differences that could come?

Stijn Bijnens - Proximus NV - Chief Executive Officer

Yeah. That's an important question. So now that the regulatory teams are kind of done in Flanders, some people will shift their workload to the South deal. So we already submitted the key documents to the BCA. So now the BCA will start to work on it. Start the market test at a moment in time. But it will take some time. But I think a good estimate for getting it done would be end of Q1 '27.

Do we see a lot of issues? No, I don't think so. So the negotiations with Orange go very well. Of course, a lot of the remedies are already negotiated out with the authorities in the North, so we don't see any big roadblocks in front of us.

David Vagman - ING Groep NV - Analyst

And we should expect, if I understand you correctly, kind of similar remedies?

Stijn Bijnens - Proximus NV - Chief Executive Officer

Yes.

David Vagman - ING Groep NV - Analyst

Okay. Perfect. Thank you very much.

Operator

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

Nancy Goossens - Proximus NV - Head of Investor Relations

That leaves me just thanking you all for joining us and for your questions. Should there be any follow-up questions, as usual, you can reach out to the IR team. Thank you very much and have a nice weekend. Bye.

Operator

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

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