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Transcription Q4 2019 results

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Presentation

Operator

Good afternoon, ladies and gentlemen, and welcome to the Proximus Final Year 2019 Results Conference Call. For your information, this conference is being recorded. At this time, I would like to turn the call over to Nancy Goossens, Director, Group Investor Relations. Madam, please go ahead.

Nancy Goossens

Thank you. So good afternoon, ladies and gentlemen, and thank you for calling in. I trust you have all received the results this morning and that you have been able to go through the numbers. We will be keeping our traditional format for this call with most of the time reserved for your questions.

Let me just quickly introduce to you the participants on our side. So we have here, with us, the CEO, Guillaume Boutin; CFO, Sandrine Dufour; as well as the CTO, Geert Standaert. From the customer divisions, we have Bart Van Den Meersche for the Enterprise segment. And for the very first time, I think, on this call, also Jim Castelee, who is taking up the role as the interim of Chief Consumer Market Officer.

So yeah, they will be taking your questions in a moment. Let me remind you that for this round, we will be focusing on the published results for 2019. So for your forward-looking questions, please bear with us until the CMD, which we scheduled end of March.

Now before turning to your questions, we will start with an introduction from Guillaume Boutin. Please go ahead.

Guillaume Boutin

Welcome to you all. First, would like to say that I'm very happy to present our Q4 and full year 2019 results. Since I've been appointed CEO, we have been working very hard redefining a winning strategy for Proximus that will be presented at our Capital Markets Day scheduled for 31st March. Therefore, today, we will only focus on the 2019 results.

As you could read, in our announcement of this morning, we managed to keep a positive customer momentum in a very competitive market. The growth in our consumer customer base for internet, television, and mobile post-paid, were supported by our appealing year-end campaign and by the ongoing success of our dual brand and segmentation strategy.

For our Proximus brand, we see a growing number of households signing up for converged offers with especially the EPIC and Minimus packs having strong traction. By end 2019, over 60% of our household customer base was convergent. At the same time, Scarlet did well in the segment of price features. Through the no-frills offer from Scarlet, we answered the needs of customers that are looking for the cheapest offer in the market, while we preserve our premium Proximus brands.

We remain very attentive in differentiating both brands with the Proximus brand typically providing a richer offer. For example, on 1st December, we have launched My e-Press for Proximus internet customers this in partnerships with two press groups.

On the Enterprise side, it remains challenging to preserve our strong position. In a tough competitive environment, we grew a mobile customer base while the pricing pressure is reflected in a lower ARPU. For ICT, however, we ended the year on a high note. This mainly came from higher revenue from ICT product deals, as well as a continued favourable revenue evolution from high-value professional services. To remain successful, we continue to reinvent ourselves. Therefore, to unlock the digital potential of our enterprise customers, we have launched Proximus Accelerators.

This is a collaborative ecosystem of Proximus subsidiaries with highly specialised digital IT experts. They help companies in the digital transformation like creating fully integrated ICT support. And thanks to the progress made on our own digital journey, we realised home cost efficiencies in our domestic operations. One example to illustrate our efficiencies, we recorded a 20% decrease in our call centres volumes.

The fourth quarter financial brought us to full year achievements in line with our 2019 guidance, with domestic revenue, excluding terminals, down by 1.2% and the slightly growing domestic EBITDA. With BICS included, the 2019 Group EBITDA was stable

compared to last year as we anticipated. The CapEx for 2019 amounted to €1,027 million. This included, amongst other things, the further developments of digital platforms, the ongoing upgrade of a transport network, investments in mobile to continue to guarantee top quality for our mobile customers and includes, of course, the ongoing deployment of a fibre network. For so-called brownfield fibre, we are today deploying in 13 Belgium cities while we continue to deploy greenfield fibre across the country.

The fourth quarter free cash flow generation was seasonally low and compared to an exceptionally high fourth quarter of 2018. Excluding cash out for acquisitions, the full year normalised free cash flow was €504 million. So fairly stable in comparison with 2018.

For our shareholders, the Board of Directors decided to propose to the Annual General Shareholder Meeting of 15th April, to return over the result of 2019, the stable growth dividend of €1.5 per share, of which €0.50 was already paid as interim dividend in December 2019.

As a last point, and following the agreement we concluded with the majority of the unions on a fit-for-purpose transformation plan, we are currently proceeding with a voluntary leave plan. An equivalent of 1,347 FTEs have signed up for this with a majority of them leaving by 1st March 2020. The period of uncertainty has not been easy for many of our employees and we are thankful for their continued commitment. We can now start a new chapter, working on the future of Proximus with positive energy and renewed ambition.

With this, I've covered my introduction and propose we now start with your questions.

Question & Answer Section

Operator:

Thank you, sir. Ladies and gentlemen, if you ask to a question, you may press 01 on your telephone keypad. We have one first question from Mr David Vagman from ING. Sir, please go ahead.

David Vagman

Yes. Good afternoon, everyone. Thanks for taking my question. For us, if we can come back on the free cash flow generation in Q4 and the working capital deterioration, does it have anything to do with the changing payment terms related to CapEx, for instance, prepayment to building companies related to the fibre rollout? So that's my first question. And then on the net adds momentum in mobile in both postpaid and prepaid, could you explain us a bit the dynamic that you've seen that explain your figures? So, do you see an inflow of, let's say, prepaid customers moving up to postpaid and what kind of conclusion should we hold in terms of ARPU? And then maybe, a last question on the mobile network sharing agreement. What is, in your view, the chances of this agreement to be accepted by, let's say, the regulators? And do you expect any remedies at all, so impacting the financials of the deal? Thank you.

Sandrine Dufour

Okay. Thanks for your question. I'll start with the free cash flow question in Q4. So as Guillaume said in his introduction, what happened in Q4 is really a seasonality element we had in Q4 2018, an exceptionally high free cash flow. Just looking back even further at history in '16 and '17, we had a free cash flow in Q4, which was roughly the same as the one that we have in '19. And there are no elements such as structural changes in CapEx payment behaviour as you're referring to what has been announced in other geographies.

I just want to highlight the fact that we have some payments that are fully in Q4. So, tax payment, double VAT. We have some HR costs in the quarter as well. We have the full spectrum cash out. And so the comparison isn't unfavourable with this last year, but last year was exceptional. It was also exceptional for the disposal of buildings in 2018 and we had less of them in Q4 '19. And so I look at the full year, and for the full year, we have a nice coverage of our dividend, because we are releasing a €504 million that covers our dividend.

David Vagman

Thank you.

Jim Castele

So on the mobile net adds. Our mobile net adds for Q4 are indeed rather soft versus competition. We have done a very strong Q4 in acquisition, but at the same time, Orange has boosted their data and their products mid-November. So, we have recalibrated our mobile offer on 1st January and making sure that the value is back in line with the market offering more data. So making our mobile proposition, again, more competitive and attractive and we see the first positive results of that.

With respect to your question on prepaid to post-paid, you have to bear in mind that in Q4, Scarlet stopped their prepaid offering. So that has impacted our prepaid results in Q4.

And then finally, on the mobile ARPU. Mobile ARPU in Q4 is impacted by the e-Press offer linked to a recalibration between the fixed services and mobile services.

David Vagman

Thank you.

Guillaume Boutin

On the network sharing deal, as mentioned, we are waiting for the outcome, which is foreseen for mid-March and we are, I would say, quite confident on the outcome as we have taken into account the remarks of the BIPT and we feel that the agreement reflect all of those. So we are quite confident.

David Vagman

And you mean confident that there won't be, let's say, financial impact? That's what you mean or it's understood from Orange that you have to basically bring clarification on the government side more than, let's say, stopping the sharing in some region for instance, or talking about technology that you basically have to be less ambitious.

Guillaume Boutin

Well, we share that – as I say, it was part of the remarks of the BIPT. And as I said, all the agreements reflect all the remarks that have been raised by the BIPT, so we are confident.

David Vagman

Thank you.

Operator

Thank you, sir. Next question is from Mr Roshan Ranjit from Deutsche Bank. Sir, please go ahead.

Roshan Ranjit

Hi. Afternoon. Thanks for the questions. Two for me please. Firstly, just on CapEx. I think back when you announced your fibre plan in 2016, you've guided to fibre CapEx being around 30% of your overall envelope in 2019. Can you give us an update here and where basically we ended up please? And secondly, talk about a tough trend in Enterprise. Is that purely down to usual pricing down from customers or are you seeing more competition from your peers, because we have seen them continually, make small B2B acquisitions? So is that having an impact on your customer base? Thank you.

Sandrine Dufour

So I'll take your first question on CapEx. In 2019, the percentage of our CapEx dedicated to fibre is not yet at 30%. However, it's growing versus the previous year. And I propose that we give a full picture on the trends when we discuss with you at our Capital Markets Day at the end of March.

Roshan Ranjit

So if I were to say, is it – are we talking about a few percentage points below, are we talking 20%? Are you able to give a bit of detail on that?

Sandrine Dufour

It's above 20%.

Roshan Ranjit

Okay. Thank you.

Bart Van Den Meersche

And then on your question on Enterprise, so it's not a secret that we have a strong position in Enterprise and therefore that we get competition and pressure from competition as well from peers sometimes from other new players. But it is mainly, how would I say, noticeable in mobile, where the ARPU is somewhat under pressure due to competitive pressure.

Roshan Ranjit

Okay, that's great. Thank you.

Operator

Thank you, sir. Next question is from Mr Emmanuel Carlier from Kempen. Sir, please go ahead.

Emmanuel Carlier

Yes. Hi. Good afternoon. Three questions. One is on e-Press. So how much did e-Press contribute in 2019 on sales and EBITDA. I don't think it's a lot. But could you also give maybe a bit of a view on 2020 because in the French market, I remember that this was a huge build-in, which then got reversed. So I would like to know the impact and if you believe something similar could happen. Then secondly is on the transformation plan. So you have announced the cash outs but not the OpEx savings yet. Is there way to give a bit of a range of how much that will result in OpEx savings in the coming years? And then the last question is on mobile service revenue trends, which weakened. I think you highlighted that its partly driven by e-Press. Just want to check if other elements have played a role as well. And if I remember well, I think Orange Belgium lowered two, three weeks ago and not really lowered, but they increased the data allowance. So we don't have an additional negative impact on the mobile service revenue trends in 2020? Thank you.

Jim Castele

So on e-Press. As you know, we launched e-Press on 1st December 2019. So that means that indeed the impact is limited in Q4, yet it already influences a little bit the year-over-year trends. As said, it contributed positively to domestic revenues, especially on fixed. But due to accounting allocation rules, it will have a negative impact on mobile services. But overall, obviously, it's a positive revenue contributor.

Looking forward to 2020, you can expect to have an uplift of a few euros per household, but you have to take into account that not all households have access to the e-Press offer. So this will not be visible as such as it will be averaged with households that don't have access to e-Press. And then maybe on the third question, which is I think linked to the first on the mobile service revenue, it is indeed e-Press that has the impact on mobile service revenue. So there are no other elements impacting.

Sandrine Dufour

If I may, just complement on the first question, because you made a comparison with the French situation, I would like to emphasise that in Belgium, we've done this in all transparency with the tax administration. So it's compliant with the existing Belgium tax law. So I just want to draw the attention on that for the security of the revenue impact.

Regarding your question on our fit-for-purpose plan. So indeed, we've announced the cash impact. We thought that on the OpEx saving benefits, it would make more sense to bring everything together to give you the full picture, including the strategy forward. So we will share this with you in March. But just in terms of gross saving, I think, what you can do is, use a proxy of around €65,000 per FTE and get a sense of the gross savings.

Now what we are not saying there yet because we're still working on it. It's all very fresh data. It's how much resources we'll have to reinvest in a new hiring and in terms of also resources to make sure that we ensure the continuity of the business. Remember, we had also the early leave plan at the beginning of the year. We had another – the last wave of departure with 375 people leaving the company on 1st January. We'll have most of the 1,347 FTEs leaving very soon. So we need as well to spend resources to ensure the continuity and it's better that we give you a full view on the total benefits in a month.

Emmanuel Carlier

And the new people that you need to hire, are these different profiles or is that similar kind of cost per FTE?

Sandrine Dufour

Yeah. We will comment further on this. But remember what we had said that this transformation plan has to do with really making sure that we have the right profiles for the future of the company. And so indeed, we'll have to strengthen our position in domains, which where we need some different skills as well. But we'll comment further on that later, because part of this will be done as well through upskilling and reskilling internally. So it's a full combination of how we move the internal resources and complement that with external resources for the future.

Emmanuel Carlier

Yeah. And then on the e-Press, how many households will get impacted by that?

Sandrine Dufour

Well, less than the total households potential –

Emmanuel Carlier

It's only for the Tuttimus customers if I remember well.

Sandrine Dufour

So my colleague said that we can say the number, it's 1.2 million.

Emmanuel Carlier

Okay. Thank you.

Operator

Thank you, sir. Next question is from Mr Nicolas Cote-Colisson from HSBC. Sir, please go ahead.

Nicolas Cote-Colisson

Thank you. Hi. Two questions. First, a follow-up on a previous question on EBU. Can you tell us if there was more pressure in the small medium-sized companies segment or if it was more with the larger accounts? And also expand why it is happening now in Q4 and not before, given your competitors were already pretty active in B2B beforehand. And the second question is on networks and speed. Your competitors have increased connection speeds lately. And I wonder, what was your view on this? Does this speed differential trigger some churn in your broadband base? Or maybe the other way to ask the question, what's the main drivers for churn? Is that speed pricing or any other factors? Thank you.

Bart Van Den Meersche

On your first question, well, honestly, the competitive pressure is not mainly on small and medium enterprise or a large. I mean, we see them, we see them in both. Now it's not new in Q4. So, we've – I think already for more than – I would say, for several years, our competitors are saying they are targeting the enterprise market, but I think we have been able to sustain pretty well. The only difference in Q4 is that there is an ARPU impact, which is partially competitive, but also partially a number of one-offs, which make the ARPU decline in Q4, I would say exceptionally high compared to previous quarters.

Nicolas Cote-Colisson

And do you mind if I ask you what are the kind of one-offs? Is that big contract for renegotiations or –

Bart Van Den Meersche

Sorry?

Nicolas Cote-Colisson

What are the one-offs in Q4, then is it because of a big contract being renegotiated or –

Sandrine Dufour

There are two types of one-offs, Nicolas. One are some indeed contracts pricing renegotiations, which impact was retro-active and second has to do with the correction related to out of bundle.

Nicolas Cote-Colisson

Okay.

Jim Castele

So on the second question linked to connection speeds, It's a nice marketing claim but on average a family today and even in the near future, will not immediately require those speeds of one gigabit. Speed is definitely for the moment, not on top of the customer minds. So, as long as we can provide what they need, we will definitely be able to continue. And it only becomes an issue when you have challenges with, what we call, the hygienic -x speed. So the very low speeds become an issue.

And as you know, we have a very good copper network. So our customers are today getting more than what they are currently consuming. Don't forget also that cable has had a speed advantage over the past years, and nevertheless, we have been able approximately to increase our market share even in the north of the country. So it's overall the consumer experience that counts. So it's about in-house and Wi-Fi experience. It's about the network topology. It's about providing low latency, for example, on gamers and it's to make sure that you invest in the convergent experience like we have done with our Pickx TV experience, the cloud gaming that we have launched with Shadow and the e-Press solution that we have launched recently.

Nicolas Cote-Colisson

Okay. Thank you very much.

Operator

Thank you, sir. Next question is from Mr Michael Bishop from Goldman Sachs. Sir, please go ahead.

Michael Bishop

Yes. Thank you very much. Just a couple of questions please. Firstly, I was just trying to recap. Your cash CapEx seems to have been running at about €1.1 billion versus the accrued CapEx at around €1 billion for the last two years. So I was just wondering if you could just run through why we've got that difference and whether that will continue going forward? And secondly, also it'd be interesting given the focus on, I guess, headcount cost what you think the impact is on indexation for this year in absolutely millions, if possible? And then thirdly, do you have any comments about like Orange Belgium this morning around the potential acquisition of VOO? Thanks.

Sandrine Dufour

All right. So the difference between the cash CapEx and the accrued CapEx has to do with the elements that we've always highlighted. So, as you know, when we guide on our CapEx, it's excluding the spectrum CapEx, which is spread over, so that's one element. And our guidance on CapEx as well exclude the football CapEx. So, the Jupiler league and the Champions League, which are spread over the years. So to that extend, the bulk of the structural difference. Now beyond that, you have some working cap element that can play here or there depending on the, I would say, the seasonality or how spread the accrued CapEx are over the year, but the structural elements are these two aspects. So on headcount cost indexation, it started in April, as of April, and it's a €4 million per quarter, just to give you a sense.

Guillaume Boutin

Just one comment on the news that we read as you know this morning in the press, indeed, Orange Belgium is challenging on court the procedure. It's difficult for me to comment. It's too soon to comment. But in any case, we were not expecting that the finalisation of the deal before the summertime period. So we'll see how it goes, but nothing more to say at this stage.

Sandrine Dufour

I just want to compliment my previous answers. So the answer I made on the €4 million is just on the index, the Belgium index. But as you know, we also have some baremic increase of our salary, which are automatic and also the merit increase. So if I combine the pure index with baremic and merited, it's a higher number.

Michael Bishop

Okay. Thanks. Really helpful.

Operator

Thank you, sir. Next question is from Mr Ruben Devos from KBC Securities. Sir, please go ahead.

Ruben Devos

Yes. Good afternoon. I've got three. One is related to the temporary 5G user rights. The BIPT proposed to award those given the potential delay until 2021 for the spectrum auctions to take place. So I was curious whether you could share your thoughts on this proposal and whether that would make you rethink in some way, 5G related investments. Then secondly, just on the uptake of fixed mobile conversion bundles, I understand we've grown penetration to 60% held by EPIC and Minimus packs amongst else. Yeah. Could you add more colour on the success of those bundles? What has been catching on or which specific features have been successful within the subscriber base? And then lastly, yes, with respect to BICS and then specifically, the impact of progressive insourcing of MTN. I understand that there's been a timing shift leading to a more limited impact in 2019 that suggests the insourcing could be a drag on this year's forecast. So just wondering whether it would be possible to quantify the impact you expect to see in 2020 from that. Thank you.

Guillaume Boutin

So first, on the temporary licenses proposed by the BIPT. So as Proximus, I think we welcome this initiative. The attribution of those licenses is a step forward that should allow us to continue our mobile network development strategy. And we said that in the past, Proximus has always expressed its willingness to launch 5G as soon as possible in Belgium and we certainly intend to apply in order to serve our customers with 5G technology and use cases. And of course, we are looking forward to the draft decision and consultation by the BIPT.

At the same time, we hope that the spectrum auction for the licenses can be organised as soon as possible. As you know, we see the auction process as the only way to a wide spectrum is the needed quantity. And for long-term duration, which will allow to prefer the required perspective for operators to continue to invest in mobile networks and innovation. And it's important that the auction process, grants spectrum to players with clear intention to invest and we want to avoid fragmentation of a scarce resource like the radio spectrum.

In terms of timing, now for the auction, it's very difficult to say when it will happen hopefully by the end of this year, but most probably beginning of next year.

Jim Castele

So on the question on the convergence bundles, we had a growth of 11,000 convergent households in Q4, of which 8,000 are linked to Minimus and EPIC.

Daniel Kurgan

Good afternoon. This is Daniel. On your BICS question, indeed, we signed this contract with MTN early 2019 and the implementation has been slow. It's quite complex and it took more time than expected. But indeed, it will definitely – it's underway and it will definitely impact 2020, which we have forecasted. But we are not giving any specific guidance on that item.

Operator

Okay. Thank you, sir. Next question is from Mr Ulrich Rathe from Jefferies. Sir, please go ahead.

Ulrich Rathe

One is whether – your perspective on the announcement from BIPT yesterday on the mobile spectrum. On the [inaudible] spectrum sort of reissue, it sounds a bit like it's a fairly limited amount, but still the existing MNOs wouldn't be able to bid. So what's your perspective on that? And the second question is would you – there was sort of fairly detailed discussion so far over that e-Press bundling. Would you be willing to talk about the expectations, what this does net-net to the revenues and the EBITDA? What's the sort of rough effect would be in sort of percentage terms? And that will be very helpful. Thank you.

Guillaume Boutin

On the 4G spectrum that has been announced yesterday. So we took note indeed that the BIPT has launched, call for candidates for one of the blocks of 50 megahertz in the 2.6 gigahertz band, mainly used today in dense cities. And that Proximus cannot participate because of the royal decree foresees a cap of 20 megahertz and we currently hold already two times 20 megahertz in these bands. And thus we are maximising our holdings according to the cap fixed in 2011.

That said, even if – as you mentioned, it's not enough to have a full rollout of 5G for – 4G for the country, because we need more bandwidth than the one that they got. We are surprised by this sudden decision and I have some questions about the initiatives, almost a decade after the first auctioning without any study or consultation. And there is also a concern for us, which is that apparently, the BIPT would grant this license for 15 years, so till 2035, while the other part of that band is licensed until 2026, which creates a little bit of desynchronization. So that's been a surprise, but let's see how it goes.

Sandrine Dufour

On your second question on e-Press, I think you can easily do the math and we gave the targeted households, 1.2 million. We said it's a couple of euro of revenue. So it's very limited in Q4, because it was just launched in December on top line. And as for EBITDA, we give a good chunk of that to the publisher. So I think I have described the type of math you can do to get a sense on the month and on 12 months.

Ulrich Rathe

Thank you.

Operator

Thank you, sir. Next question is from Madam Nayab Amjad from Citi. Madam, please go ahead.

Nayab Amjad

Thank you for taking my question. I have two questions please. What is the outlook for competition in the market, especially, if BIPT cuts cable wholesale rates further? And Orange Belgium has gained good traction in its dual play offers. Has Proximus seen a churn of the result of this? And my second question is if the government wanted to reduce the stake, are there any limitations or an approval from parliament needed to reduce the stake? Thank you.

Jim Castele

So on the question linked to a competition, competition will no doubt remain elevated in Belgium. This said, it's not an irrational market. As you said, competitors have launched skinny offers in the past year. So far we have been successful in continuing to grow our customer base. This thanks to our dual brand and our segmentation strategy with Scarlet for price seekers, EPIC for millennials, Tuttimus and Minimus for families and Bizz All-In for our small enterprises.

As you know, our strategy is to increase convergence and by doing so, increasing stickiness of the base. As we already explained before, our mobile net adds have indeed been rather soft. But on the broadband side, we are one of the two growing in the market. And on TV, TV we are the only one growing in Q4.

Dirk Lybaert

On the second question related to the stake, reducing stake, there was a temporary law that allowed the government to do that without passing by parliament, but that law ended last year. So if they want now do it, reduce the stake, they have indeed to pass by parliament.

Nayab Amjad

Thank you.

Operator

Thank you, madam. Next question is from Mr David Wright from Bank of America. Sir, please go ahead.

David Wright

Yes. Thank you very much for taking my question. Very brief. Just reading some press reports about Citymesh as a potential interested party in new spectrum. Do you guys come across them much in the B2B space? Do you find that mobile solutions are growing those kind of fixed substitution solutions are growing and starting to take share? Or is that kind of operator starting to put pressure on enterprise mobile prices anyway? Any information that would be useful. Thank you.

Guillaume Boutin

Just one quick answer, then I will let Bart complement. But it's not that a surprise that Citymesh is applying for the spectrum, because today Citymesh has already some local spectrum in the 3.6 gigahertz bands. So it's logical that, especially in the first phase

of 5G and the non-standard phase of 5G, they are looking for supporting spectrum in the 4G band. As for the 5G spectrum, currently held by Citymesh, it should be noted that there is – there are local licensees that do not allow for nationwide deployments and the license which we pay in 2025 and only covers 40 megahertz of spectrum. I will comment – I let that Bart comment on the more competition part.

Bart Van Den Meersche

So and the fact or the question do we come across them, initially Citymesh was, I mean focusing on Wi-Fi as you probably know. And then because almost by a coincidence they got spectrum on 5G, they started to work on this. We have only come across them in the harbour of Zeebrugge. And then they have also some tests going on in the Brussels Airport. But it's not a surprise to us.

I mean it's not a surprise in the sense that we know that there are a number of players that are looking into the 5G MPN (mobile private network) network, or would I say markets. And it confirms only that there is a 5G opportunity, which will be sizable in the B2B markets. And so we know, let's say, that they are targeting on this market together with some others. The only surprise is now this 4G license. But while this is an open market, we believe that Proximus is anyhow in better place to help B2B customers in their MPN projects and we are really focusing on that, because we have a high market share in mobile, because we have a better mix of spectrum, because we offer a hybrid and seamless combination of private and public solutions. And above all, as a digital service provider, we can leverage our unique combination of owning the spectrum, having deep mobile network knowledge while also bringing security cloud and application integrations to the table. So we make sure that we can differentiate on a series of elements that is going to be important in this context.

Operator

Thank you, sir. We have one last question from Mr Matthijs Van Leijenhorst from Kepler Cheuvreux. Sir, please go ahead.

Matthijs Van Leijenhorst

Yes. Good afternoon. It's regarding the dividends. I am aware that you will have this at the Capital market day. During previous calls, you made it pretty clear that in case, your free cash flow generation was not enough to cover the dividend, you will be – you would use the balance sheet, or you will gear up in order to pay the dividends. Is this still the policy?

Sandrine Dufour

We have not announced the new policy on dividend. And as we said, we will come back on this at the end of March. But I can confirm what we said in the past that this was putting the context of a potential acceleration of our fibre deployments and in that case we said that as we have a very strong balance sheet with a very low level of debt and net debt to EBITDA, we thought we had room to re-leverage the balance sheets and use this as a way to fund deployments and which in that case would mean that our free cash flow might not cover the full dividend. That's what we said and I confirm what we said. Now, we will discuss all of that with you at the end of March.

Matthijs Van Leijenhorst

Okay. Thank you.

Operator

We have no other question. Back to you for the conclusion.

Nancy Goossens

Okay. Thank you. As there are no more questions, we can end this call. So thank you for your participation. And I hope to see many of you at the Capital Markets Day at the end of March. Thank you. Bye.

Operator

Ladies and gentlemen, this concludes the conference call. Thank you all for your participation. You may now disconnect.