

Proximus Group

Results presentation

Q4 2018



March 2019

Key achievements Q4

+32,000

Mobile postpaid
cards

+31,000

Tuttimus & Bizz
all-in

Stable YoY
Domestic
Direct Margin

+0.2% YoY
Domestic
EBITDA

+16,000

Fixed internet
customers

+16,000

TV customers

 bics

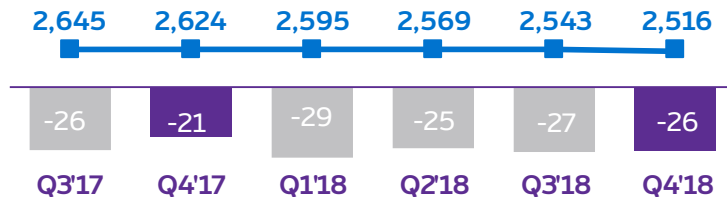
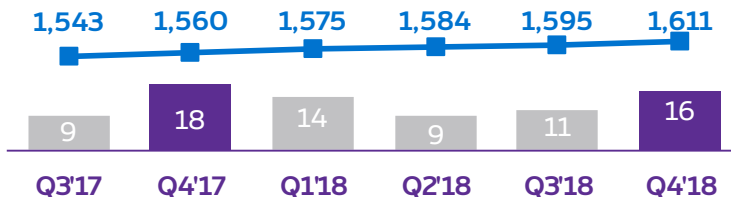
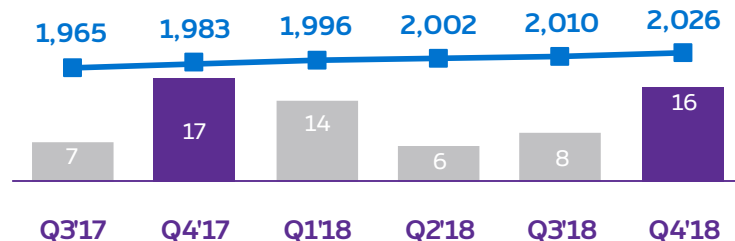
DM + 3.9% YoY
EBITDA + 8.4% YoY

€ 451m

FCF YTD'18
(€501m excl. acquisitions)

Growing Internet/TV customer base

Supported by dual brand strategy and year-end campaign



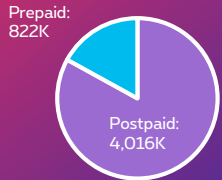
— Net adds — Park

+43K
lines YoY
+2.2%

+50K
customers YoY
+3.2%

-108K
lines YoY
-4.1%

Mobile cards:
4,838K end-Dec'18



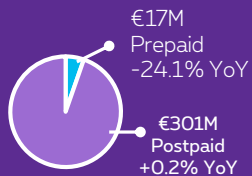
Smartphone penetration



77%

+4pp YoY

Mobile service revenue:
€ 318M in Q4'18



National Mobile Data Usage

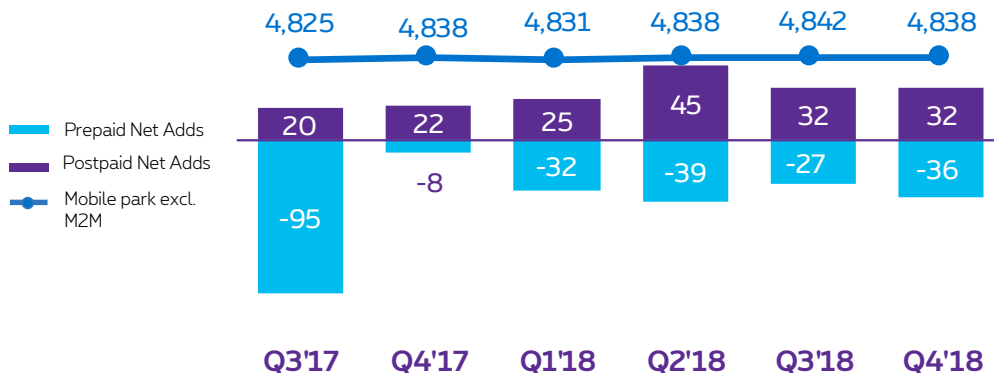
(average/user/month)

2.2GB
+56% YoY

Mobile postpaid customer gain

+32,000 Postpaid cards in competitive mobile market

Mobile Cards Park (K) (excl. M2M)

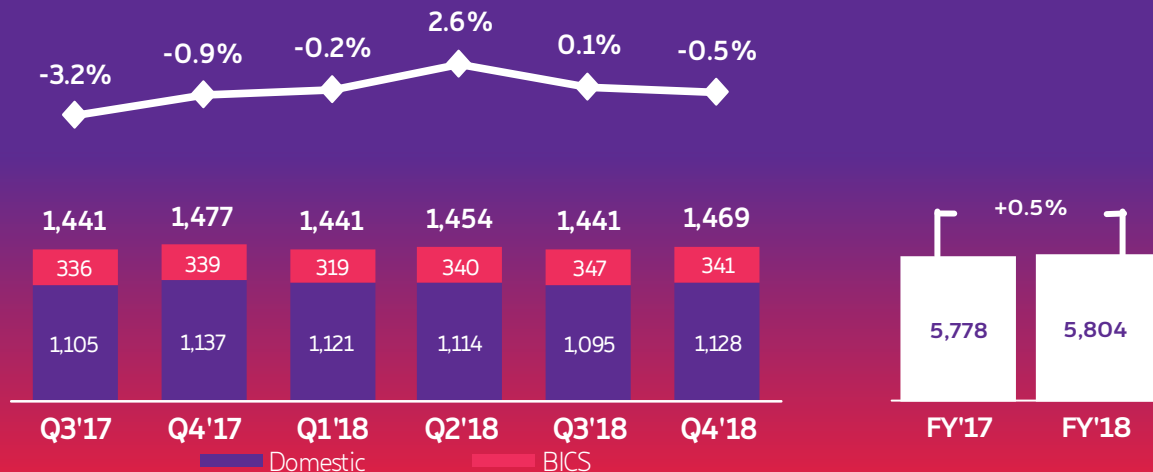


Postpaid
+134K YoY
i.e. **+3.5%**

Prepaid
-134K YoY
i.e. **-14.0%**

Q4'18 Group Revenue

(M€ & YoY %)



Domestic: -0.8% YoY to € 1,128m



Consumer: -1.0% YoY

- + Value accretive customer mix, 4P growing
- + Revenue growth for TV& Internet
- Fixed Voice revenue erosion
- Loss in Mobile Prepaid revenue
- Mobile devices sales (low margin)



Enterprise: -0.8% YoY on high comparable base

- + Growth in ICT (acquired companies)
- + Mobile Services
- Erosion Fixed Voice
- Lower mobile devices sales (low margin)



Wholesale: -0.3% YoY

- Roaming rates downwards negotiated (benefitting the Proximus Group margin)
- lower revenue from traditional wholesale services



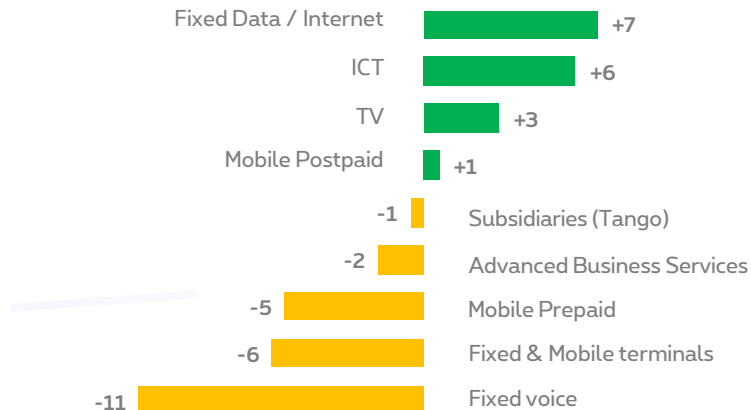
Q4'18 revenue: +0.5% YoY

- + Growing A2P* volumes, leading to non-Voice revenue growth of 18.6% (TeleSign)
- Voice revenue -6.1% YoY

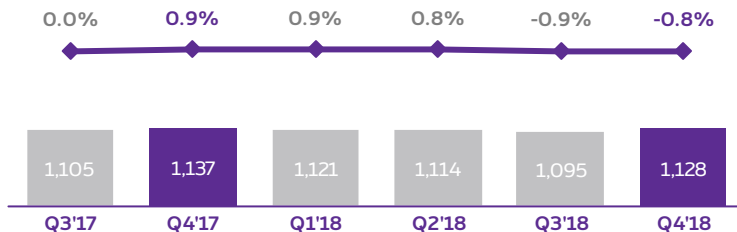
*Application to Person

Domestic revenue by product

Q4
(YoY evolution)



Q's
(M€)

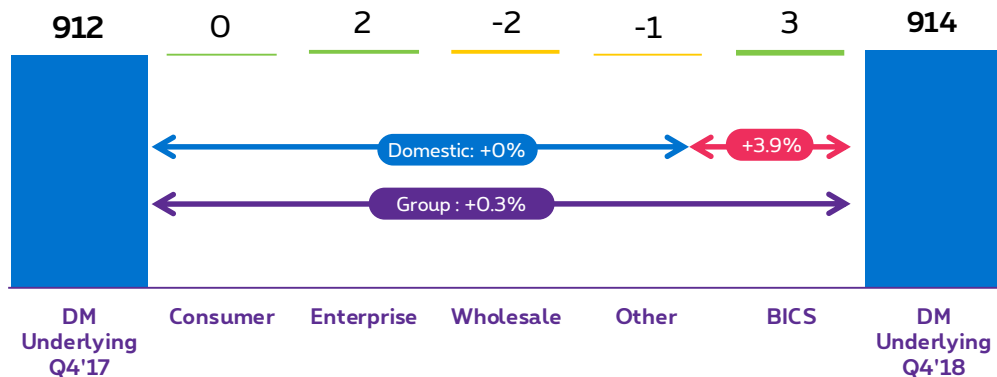


- Customer growth driving Internet, TV and Postpaid revenue increase
- ICT benefitting from acquired companies
- Lower Mobile terminals sales (low margin)

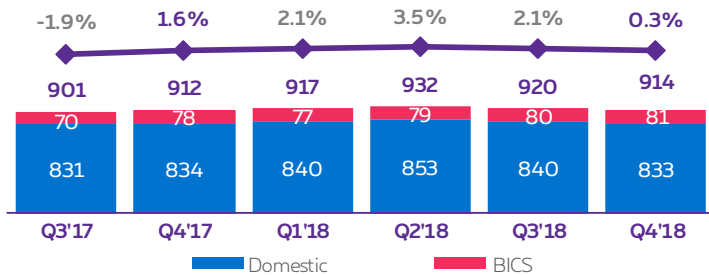
Group direct margin +0.3%

Stable Domestic margin, BICS up 3.9%

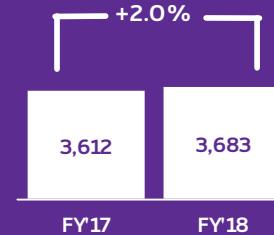
Q4
(M€)



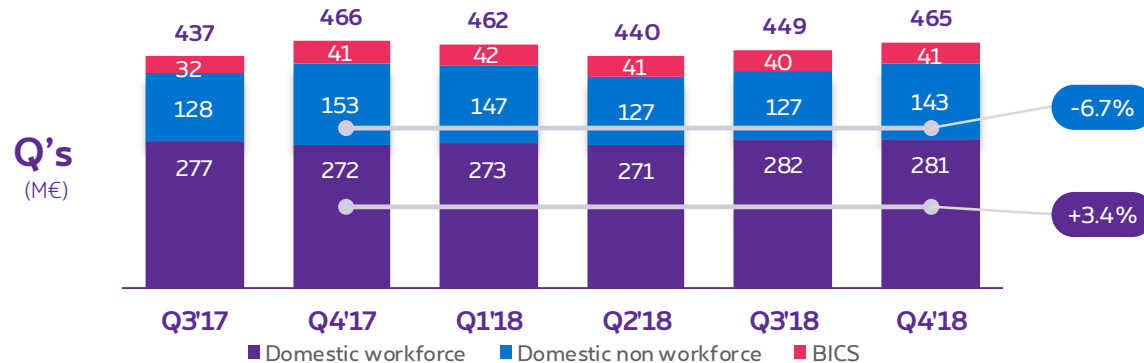
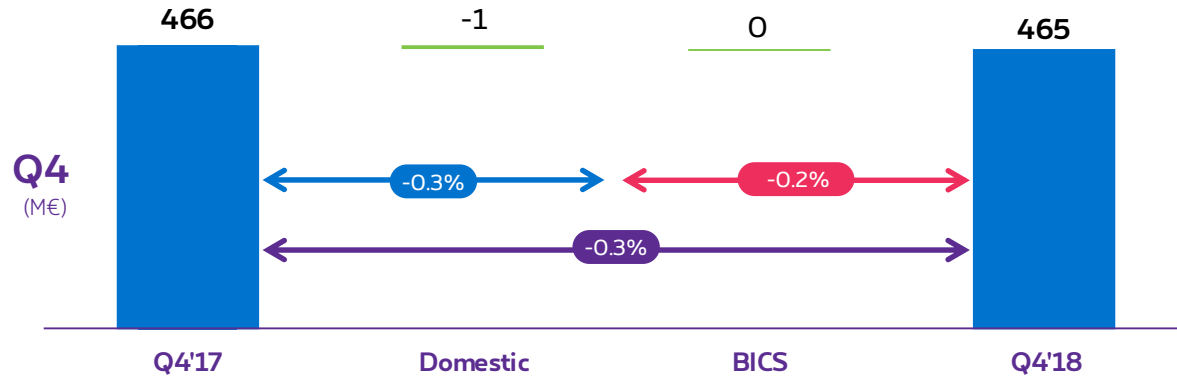
Q's
(M€)



- Domestic stable
 - + Consumer +0.1%
 - + Enterprise +0.8%
 - Wholesale -4.8%
- BICS direct margin up 3.9% through combination with TeleSign
 - + Growing A2P volumes
 - + Direct cost synergies



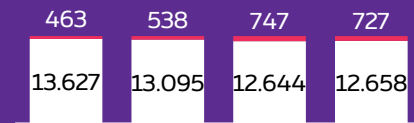
Group expenses



- Domestic expenses -0.3%
 - Inflation based indexation in Oct'18
 - Business critical and ICT acquisition increasing FTE's by 258 YoY
 - Compensation mechanism halt from the Belgian state for statutory retirees
- BICS expenses stable YoY, acquisition of TeleSign lapsing in November

FTE's

14.090 13.633 13.391 13.385

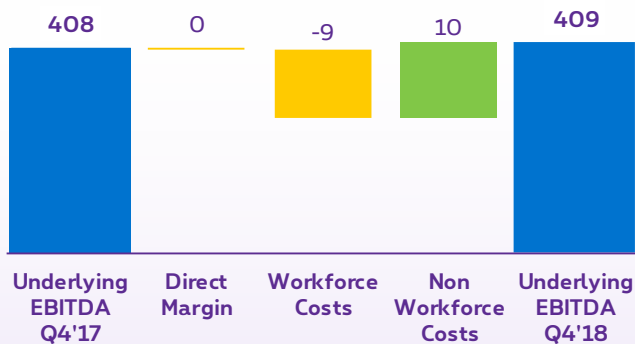


YE'15 YE'16 YE'17 YE'18
■ Domestic ■ BICS

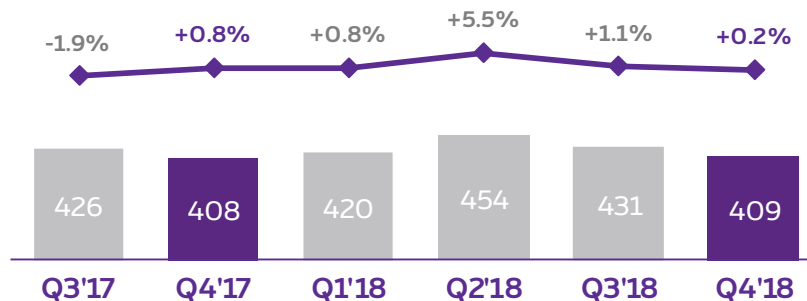
Domestic EBITDA

+0.2% YoY for Q4, with higher workforce expenses offset by lower non workforce expenses

Q4
(M€)



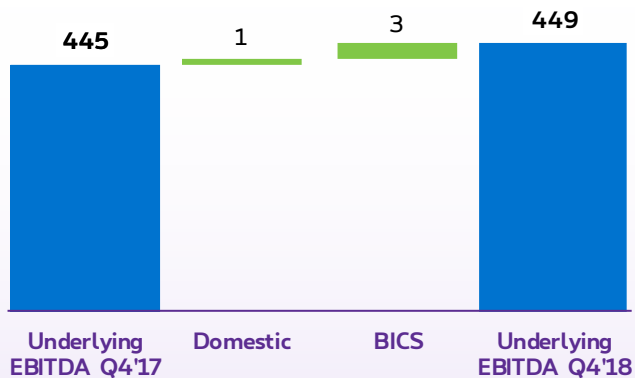
Q's
(M€)



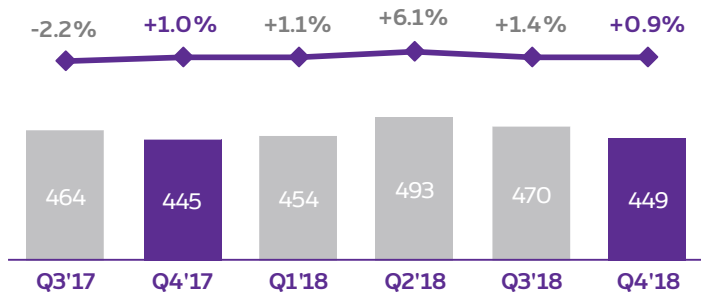
Group EBITDA + 0.9%

Both Domestic operations and BICS showing progress from prior year

Q4
(M€)

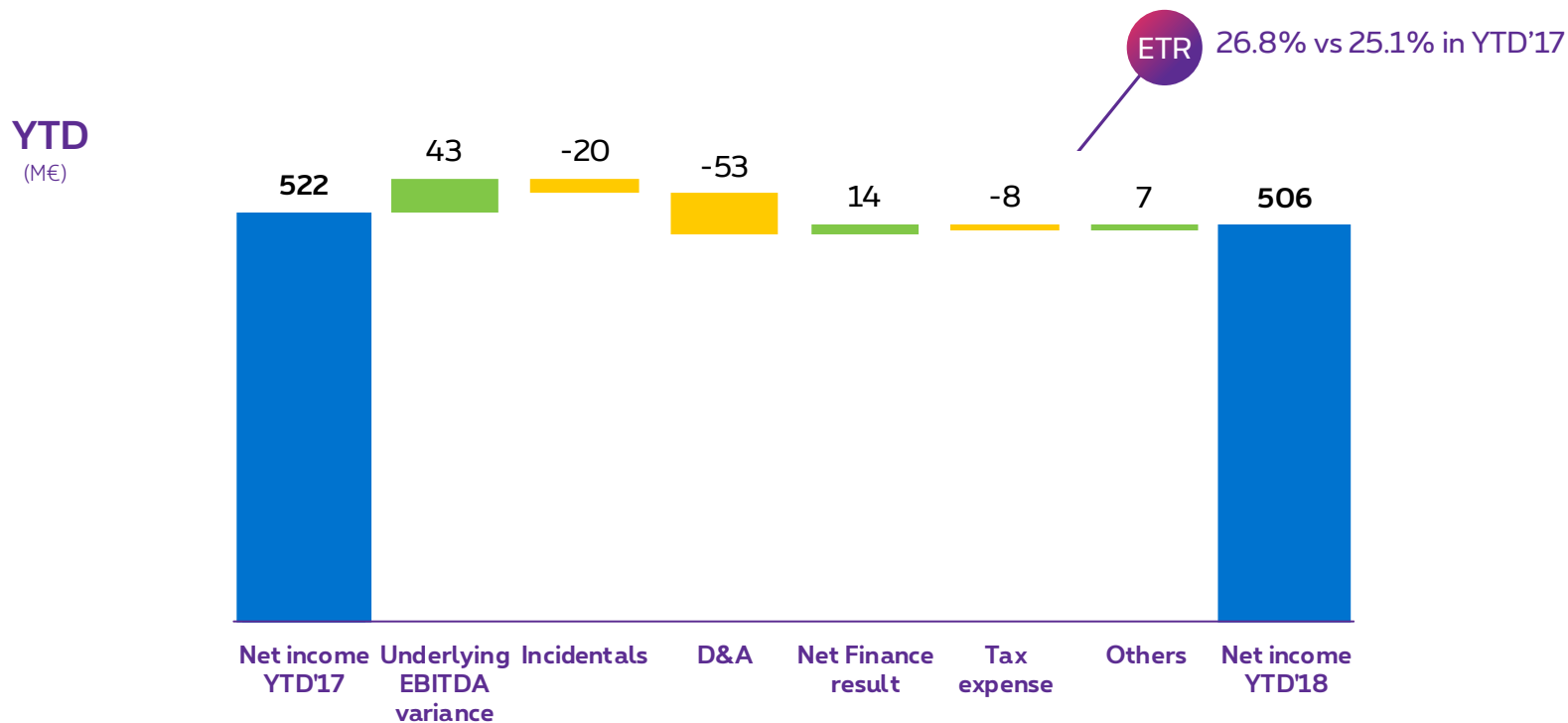


Q's
(M€)



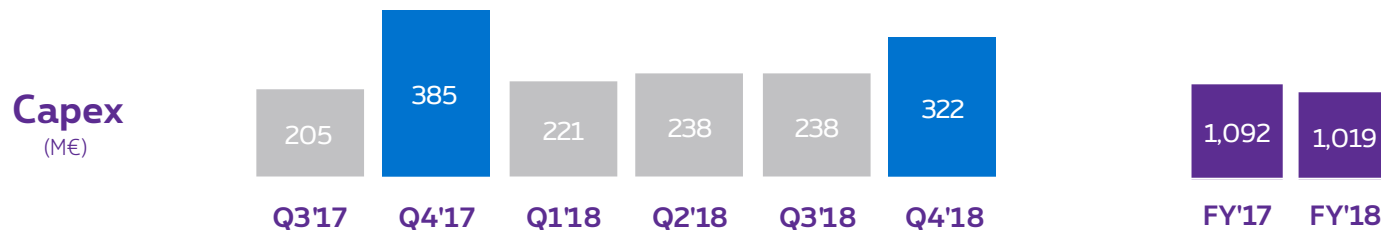
Net Income (Group share)

€ 117m Net Income in Q4 leading to a total of € 506m YTD'18



€ 1,019 M capex FY'18

Proximus invests extensively in enhancing its networks and improving the overall customer experience.



2017 includes Jupiler League (Q2) and Champions League (Q4) football broadcasting rights

High-quality Mobile network

4G pop coverage

- outdoor 99.9%
- indoor 99.5%

+ Mobile sites to support traffic increase

+ 4.5G deployment

TITAN Project

Proactively strengthening our transport network

Backbone of all voice, data & TV traffic



Data capacity
x10

Copper upgrade

95% FttC, 88% vectoring

>50% 100 Mbps

Av. VDSL speed - Mbps
Proximus customers

72

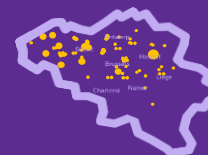
76

Q4'17

Q4'18

Fiber build

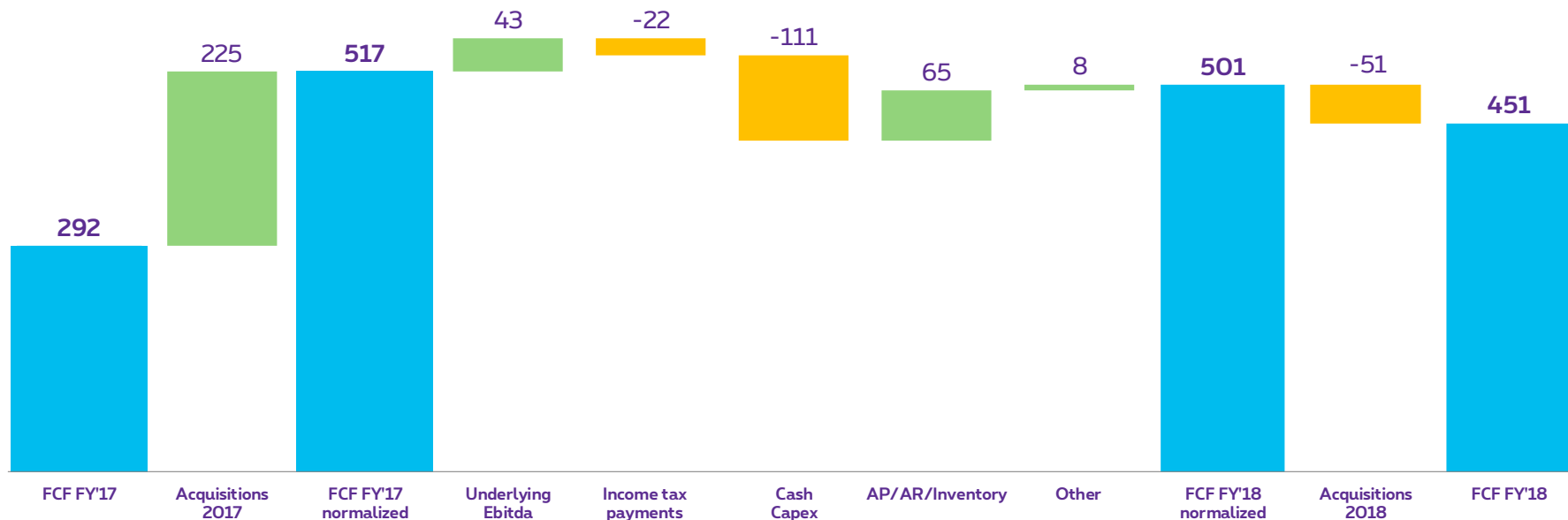
FttH & FttB



Renewed & simplified IT systems

a.o. new Mass Market IT chain encompassing sales to ordering to billing

€451M FY'18, or € 501M excluding acquired ICT subsidiaries

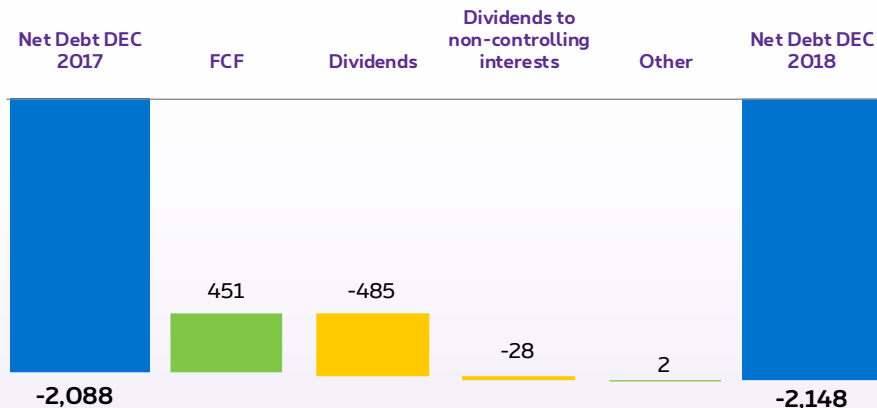


Normalized 2017 excludes acquisition of TeleSign (including cost of transaction-related hedging instrument), Unbrace and Davinsi Labs
 Normalized 2018 excludes acquisition of Codit, Umbrio, ION-IP and Mediamobile (acquired by Be-Mobile)

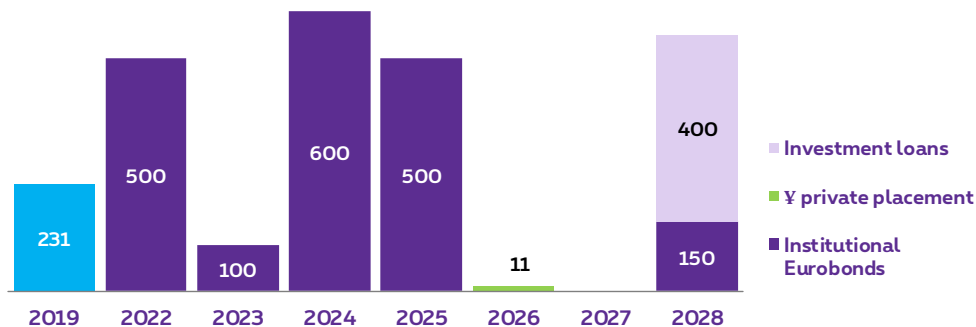
Sound financial position

Proximus optimized its long term debt

Net Debt
(YTD, M€)



Debt Maturity Schedule
(M€)



5.6 Yrs

Average debt duration

1.78%

Weighted average coupon

Credit ratings: Standard & Poor's A, Moody's A1, both stable outlook

Liquidity end Q4'18:

- €349m investments, cash & cash equivalents (incl. derivatives)
- EMTN Program €3,500m (€1,850m outstanding)
- Committed credit line (bilaterals/club/syndicate): €700m
- CP Program €1,000M (€231m outstanding)

Guidance 2019

Guidance metrics	Actuals FY 2018	Guidance FY 2019
Domestic underlying revenue	€4,460m	Nearly stable
Group underlying EBITDA	€1,865m	Stable
CAPEX	€1,019m	Stable

Stable gross dividend
per share of
€1.50
expected over result
2019

In line with the
announced 3-year
commitment on
16 December 2016.

2019 expectations

Nearly stable Domestic revenue in competitive market.

Stable Group EBITDA:

- Sustained positive EBITDA performance of Domestic operations
- Unfavorable EBITDA effect on BICS following renewal MTN commercial agreement*.

Regulatory measures to reduce the Domestic margin by € 20 m.

Capex to be stable to the 2018 level.

*Subject to MTN Board ratification

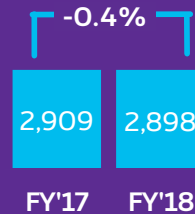
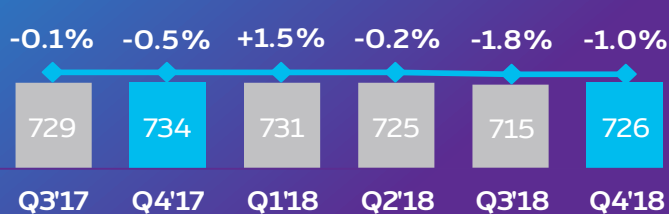
2019 and comparable base of 2018 are both under IFRS15.
The underlying numbers exclude the incidental impacts and include lease depreciation and interest as from 2019, neutralizing the IFRS16 impact.
Acquisitions of Rights of Use in application of IFRS16 will not be part of CAPEX.



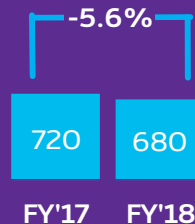
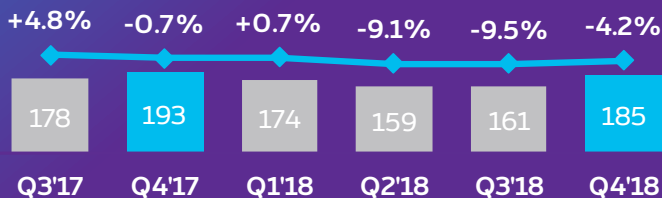
Consumer results

Consumer

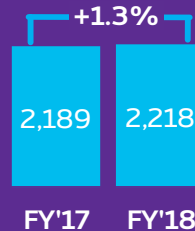
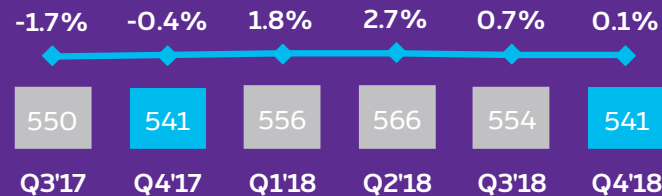
Revenue (M€, YoY)



Cost of Sales (M€, YoY)



Direct Margin (M€, YoY)



Q4'18 Revenue growth in Fixed Services partly compensating for the Prepaid loss and for decreased low margin revenue in mobile terminal sales and inbound.

Customer-driven direct margin growth in Q4 offset by :

- continued prepaid erosion
- successful end-of-year campaign
- impact of the new legislation on collection fees.

74.5% DM on revenue, +0.8pp YoY

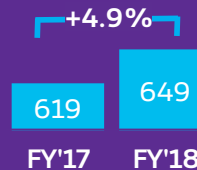
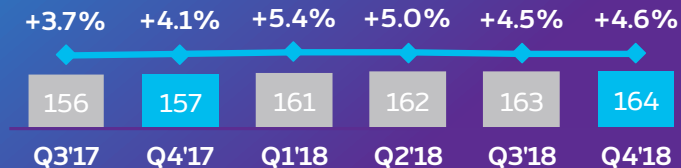
Revenue



Q4'18 Consumer revenue down 1.0%. Growth in Internet and TV revenue partly compensating for the Fixed voice erosion, lower Prepaid & Terminal sales revenue.

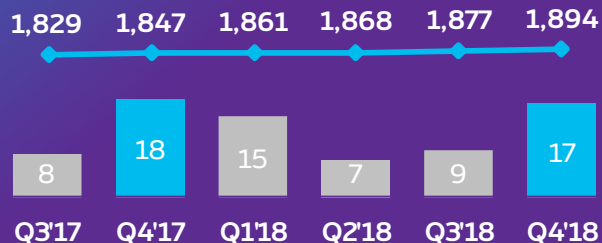
Fixed data (internet)

Fixed data revenue (M€) & YoY



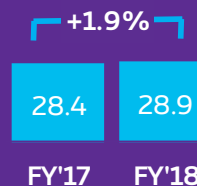
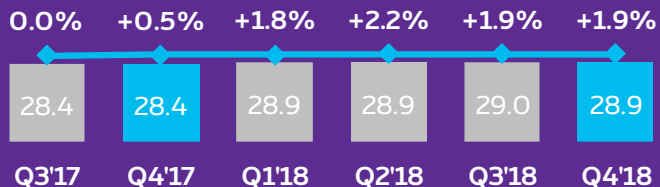
Increasing Internet customer base for both the Proximus and Scarlet brands.

Broadband growth & EOP (000)



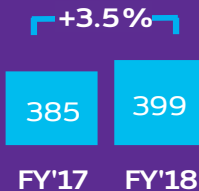
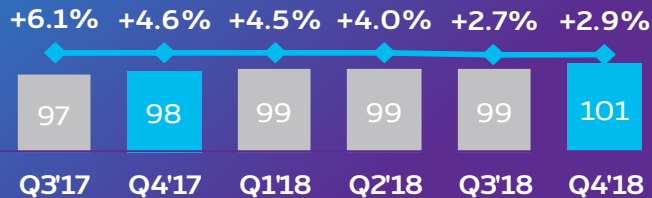
+47,000
Internet customers
Park +2.5% YoY

Broadband ARPU (€) & YoY variance



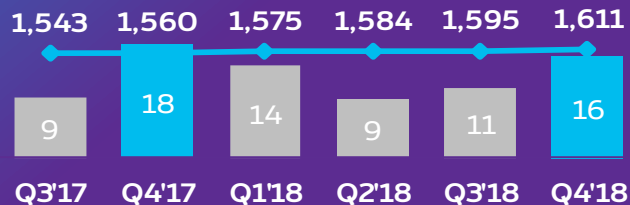
ARPU increase reflecting price changes of 1 Jan '18.

TV revenue (M€)
& YoY variance



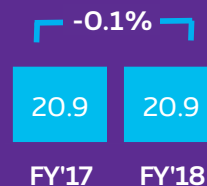
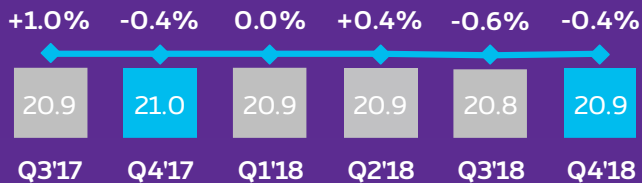
Growing base, supported by year-end campaign of Proximus brand and continued success of Scarlet.

Unique TV -
customers
(000)



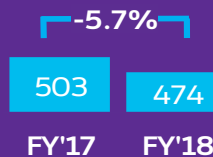
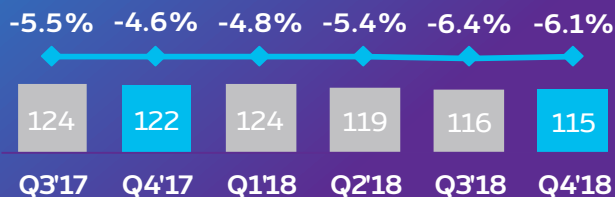
+50,000
TV households
+3.2% YoY

Fixed TV ARPU (€) &
YoY variance

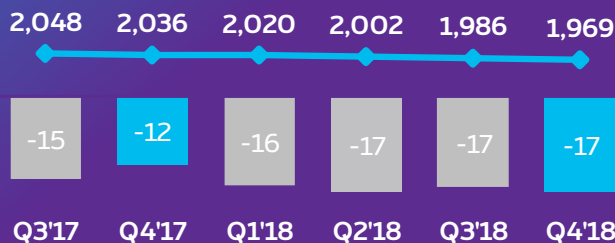


Fixed voice

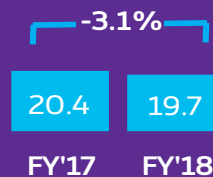
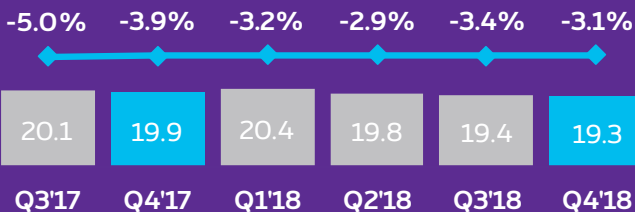
Fixed voice revenue (M€) & YoY variance



Voice line loss/gain & EOP (000)



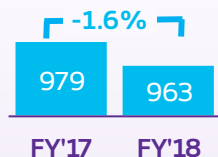
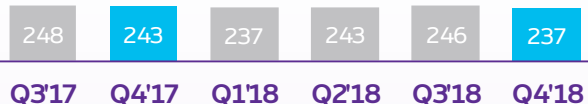
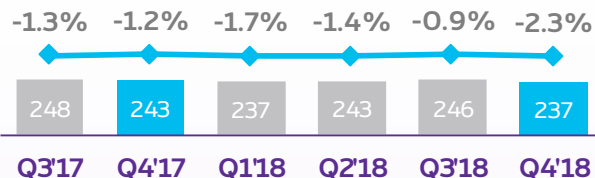
Fixed voice ARPU (€) & YoY variance



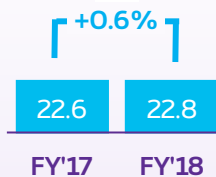
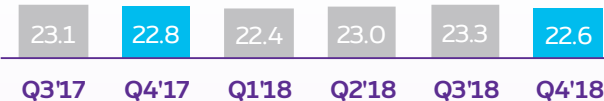
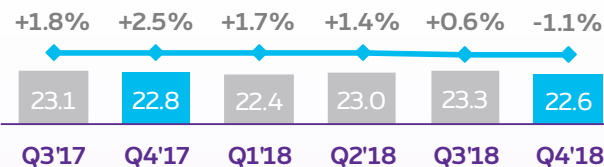
YoY revenue decline driven by continued line erosion and lower traffic, partially offset by Jan'18 price changes for 1-P Fixed Voice.

Mobile service revenue

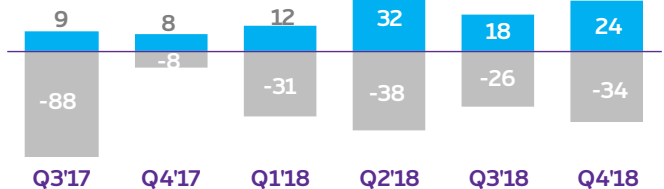
Mobile service revenue (M€) & YoY variance



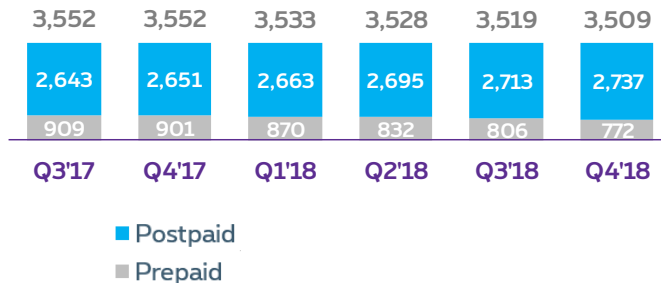
Blended net mobile ARPU (€) & YoY variance



Mobile Net Adds (000's)



Mobile Park (000's)

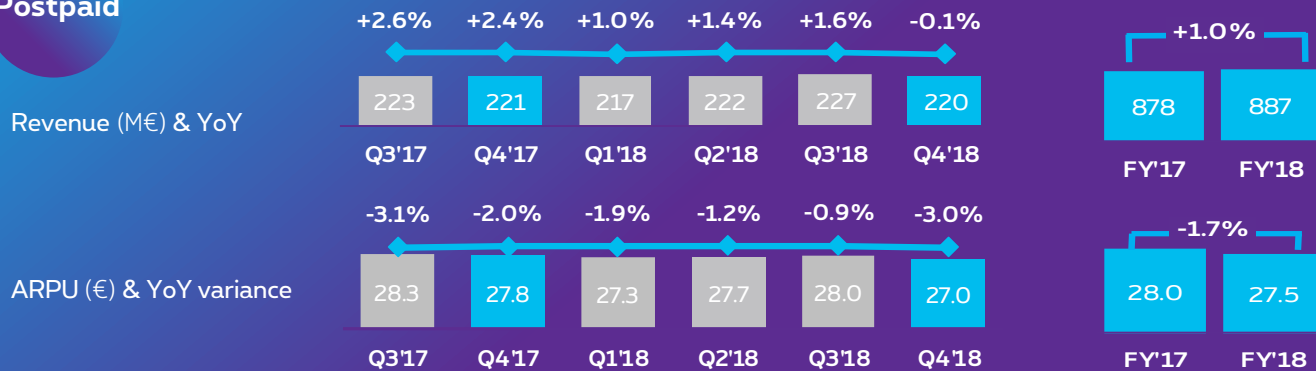


+86,000
+3.3% YoY

Mobile Postpaid cards in 2018 on the Proximus and Scarlet brands

Postpaid and prepaid

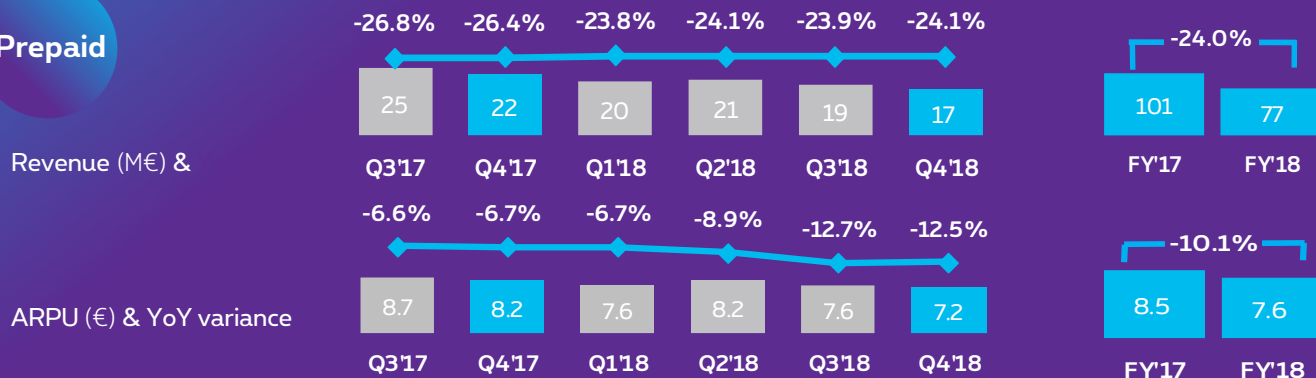
Postpaid



Good traction of EPIC offer for millennials and revamped offer in Nov'18, offering unlimited Voice or Data.

Higher subscription revenue offset by lower revenue from inbound and out-of-bundle, impacting ARPU.

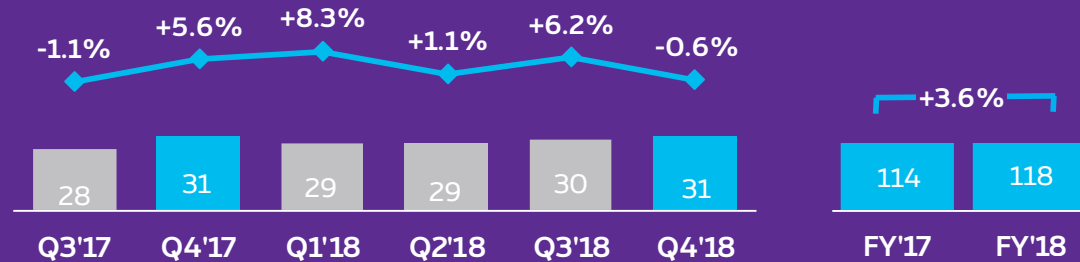
Prepaid



Active Prepaid migration to similar higher-value "Full-Control" mobile offers

Tango Luxembourg

Tango revenue (M€) & YoY variance



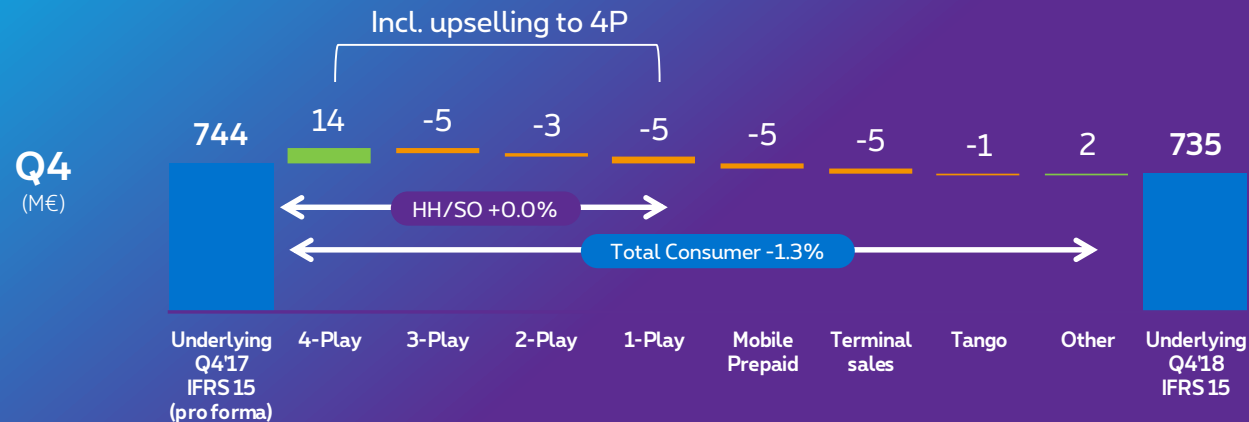
- Revenue fairly stable in competitive market.
- Steady growth in mobile revenue and successful execution of convergence strategy with FttH driving increase in internet revenue.

X-Play view

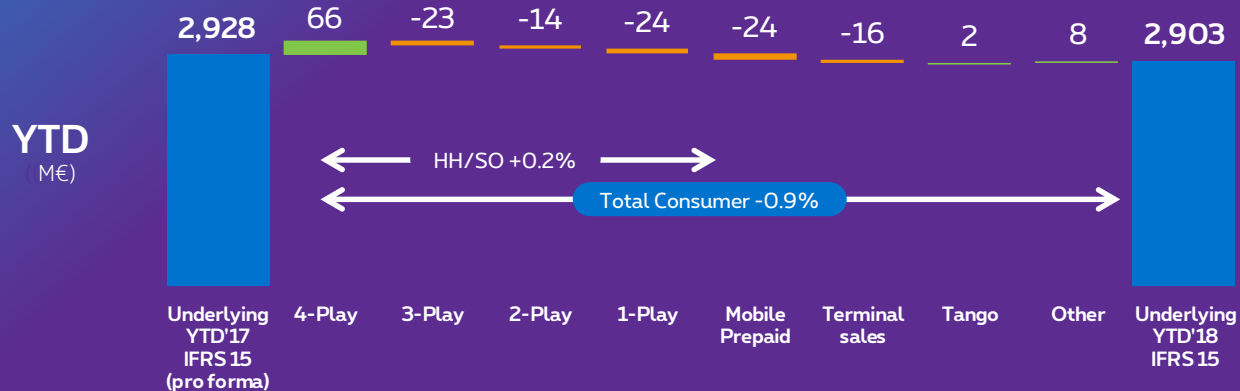
(under IFRS 15)



Stable revenue from HH/SO



Proximus' strategy to focus on multi-play offers resulting in continued uptiering to 4-Play, revenue up 6.1% YoY in Q4'18



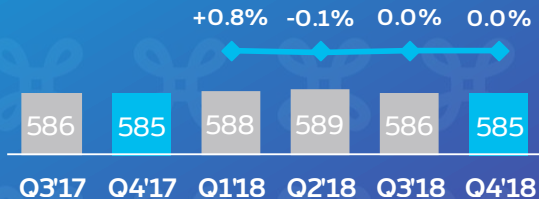
Lower Mobile devices revenue with no effect on margin

Lower Prepaid revenue on eroding base in a declining market and migration to similar postpaid price plans

Continued revenue shift to 4-Play

X-Play

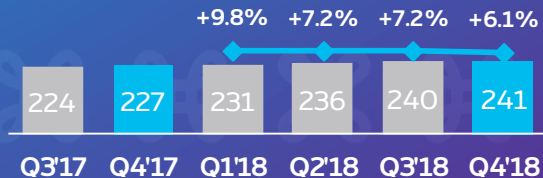
revenue (M€) & YoY variance



4-Play revenue up 6.1% YoY, representing 33% of Total Consumer revenue

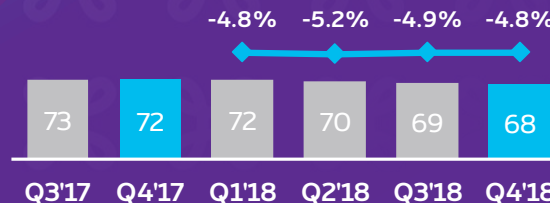
4-Play

revenue (M€) & YoY variance



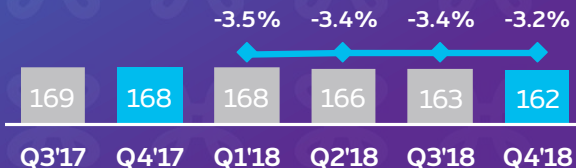
2-Play

revenue (M€) & YoY variance



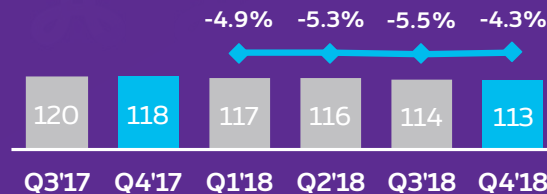
3-Play

revenue (M€) & YoY variance



1-Play

revenue (M€) & YoY variance



Increasing number of customers on 4-Play

Improving Customer Mix, average RGU per HH/SO up 2.5% to 2.77
+ 48,000 4-Play HH/SO YoY (+7.0%)

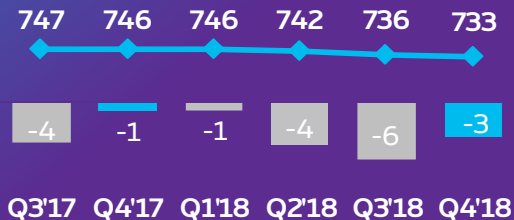
4-Play growth & EOP(000)



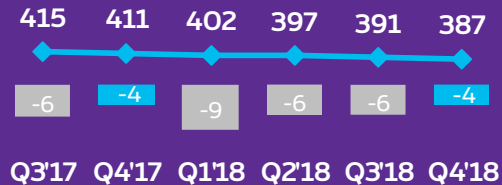
25%
of HH/SO
on 4P

4.89
4P RGU

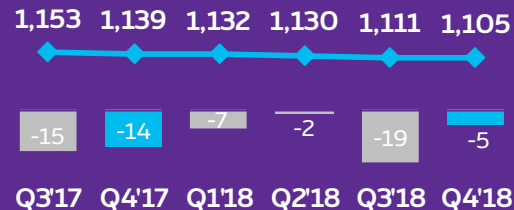
3-Play growth & EOP(000)



2-Play growth & EOP(000)



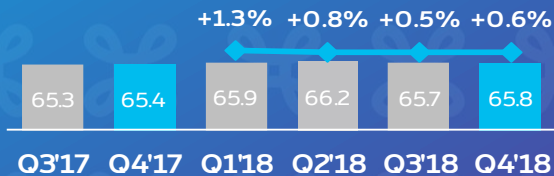
1-Play growth & EOP(000)



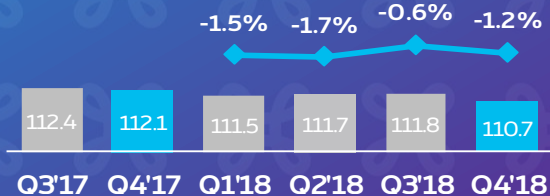
Overall ARPH up 0.6% YoY

Progress to € 65.8, on improved customer mix

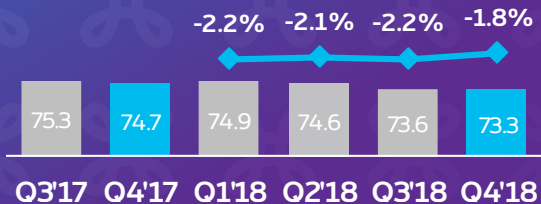
X-Play ARPH (€) & YoY Variance



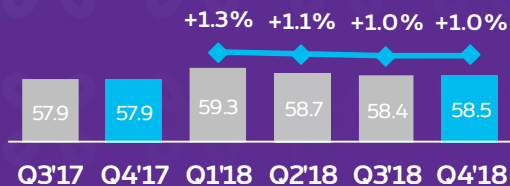
4-Play ARPH (€) & YoY Variance



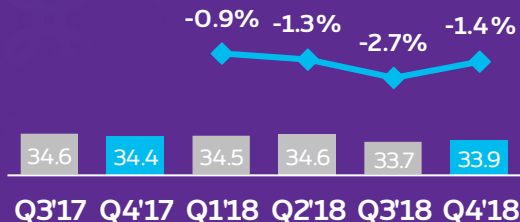
3-Play ARPH (€) & YoY Variance



2-Play ARPH (€) & YoY Variance



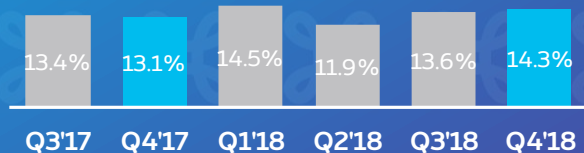
1-Play ARPH (€) & YoY Variance



Annualized full churn rates

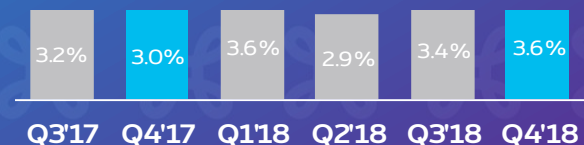
X-Play

Annualized full churn rate



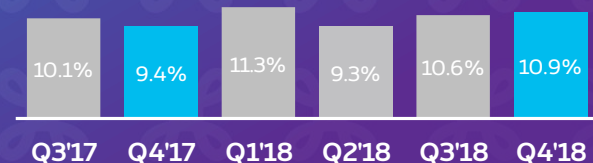
4-Play

Annualized full churn rate



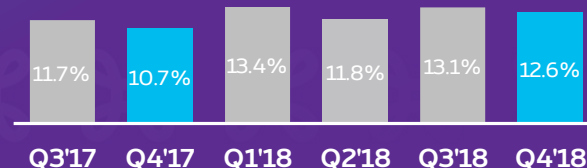
3-Play

Annualized full churn rate



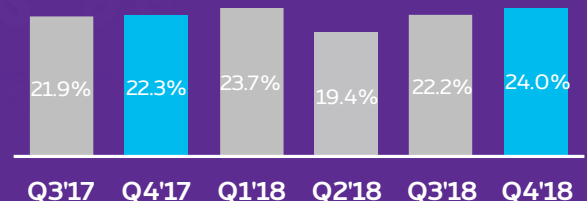
2-Play

Annualized full churn rate



1-Play

Annualized full churn rate



Convergent HH/SO maintained very low full churn rates, in spite of competitive intensity

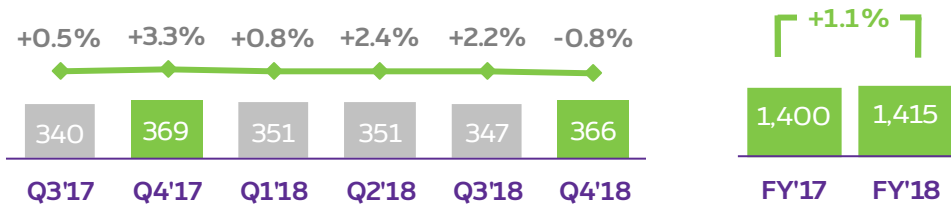
Enterprise results



Enterprise

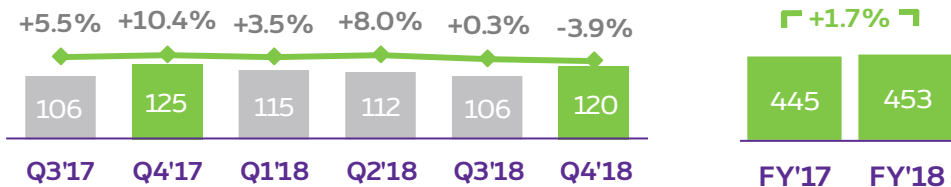
Revenue

(M€, YoY)



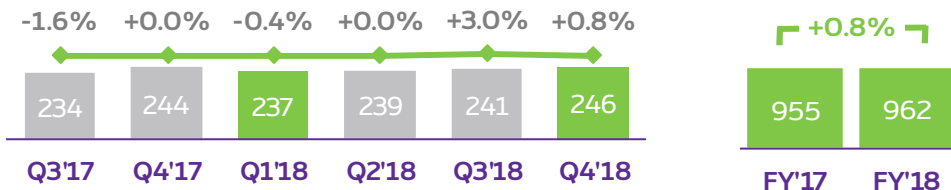
Cost of Sales

(M€, YoY)



Direct Margin

(M€, YoY)



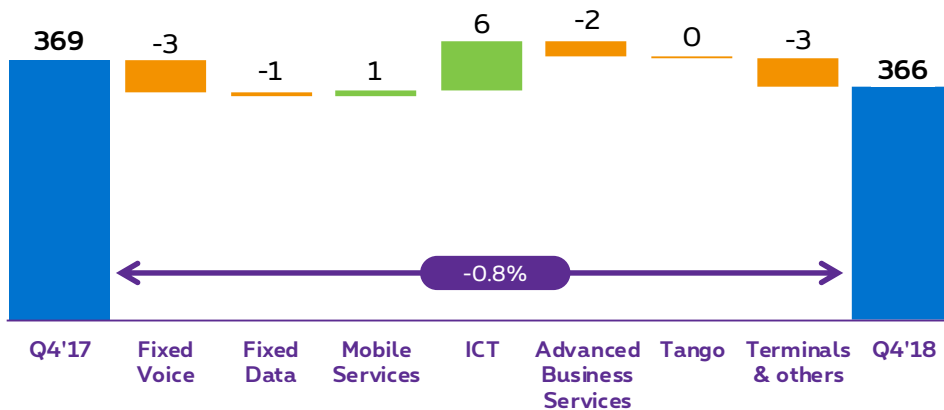
Ongoing change in revenue mix from high-margin connectivity services to labour-intensive ICT services.

Direct margin up 0.8% YoY. ICT, Mobile Services and Advanced Business Services contribution more than offsetting impact fixed voice erosion.

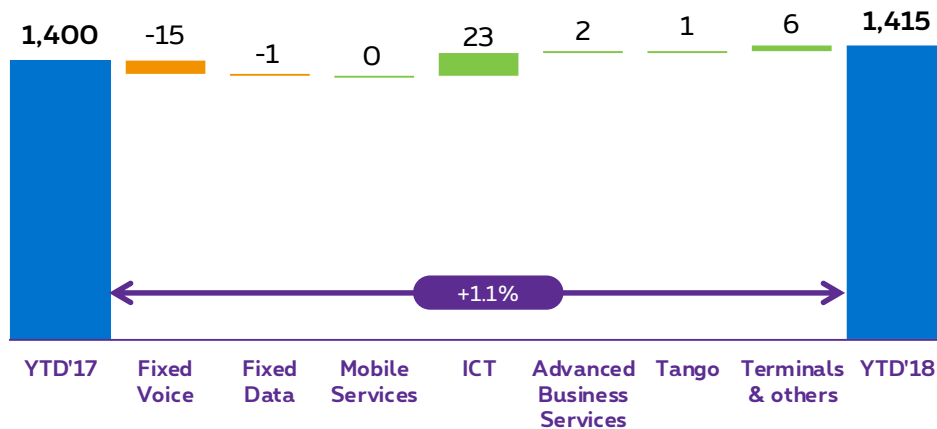
67.2% DM on revenue, +1.1pp YoY

Revenue

Q4
(M€)



YTD
(M€)



Q4'18

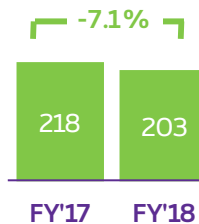
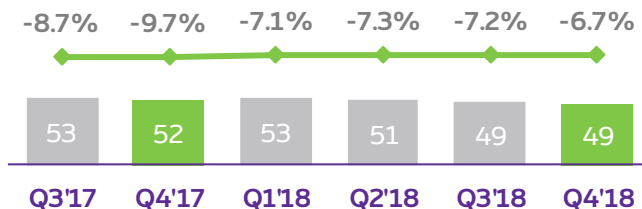
Enterprise revenue

-0.8% YoY

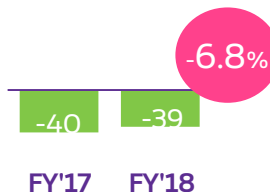
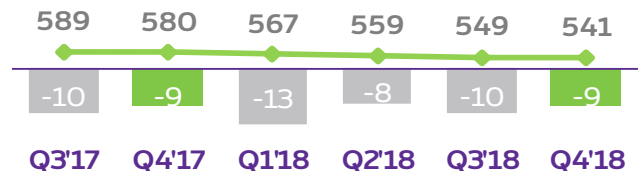
- + Solid mobile customer growth drives +0.9% Mobile Service revenue
- + ICT benefiting from the contribution of acquired companies
- Pressure on legacy Fixed Voice
- Lower Advanced Business Services on high comparable Q4 base
- In Q4'18 less mobile devices sales, at low direct margin

Fixed Voice

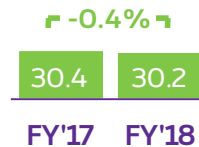
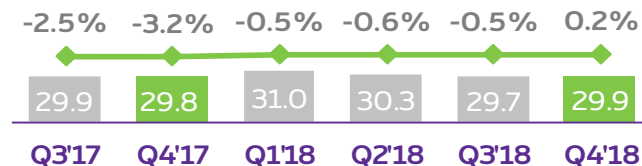
Fixed voice revenue (M€) & YoY variance



Voice line loss/gain & EOP (000)



Fixed voice ARPU (EUR) & YoY variance

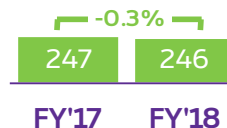
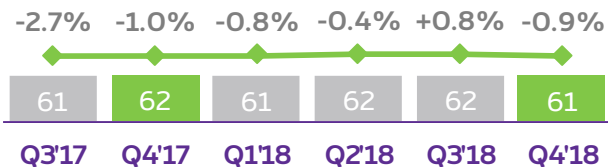


Ongoing rationalization by customers on Fixed line connections, lower usage, technology migrations to VoIP and competitive pressure.

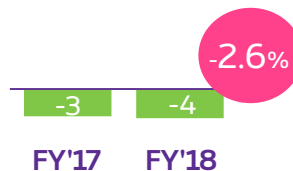
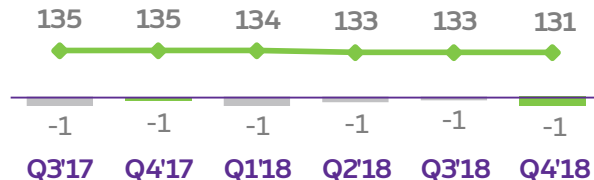
Fairly stable Fixed Voice ARPU with less traffic per line & higher penetration of unlimited call options compensated by Jan'18 price indexations.

Fixed Data

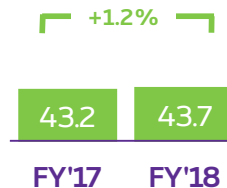
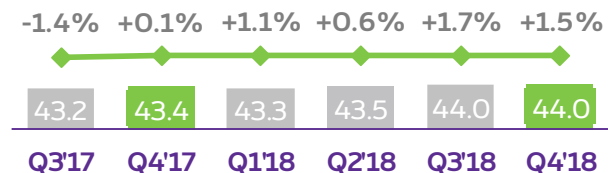
Fixed data revenue (M€)
& YoY variance



Broadband growth & EOP
(000)



Broadband ARPU (EUR)
& YoY variance



Flattish Data Connectivity revenue (largest part in this product category)

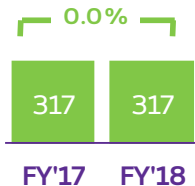
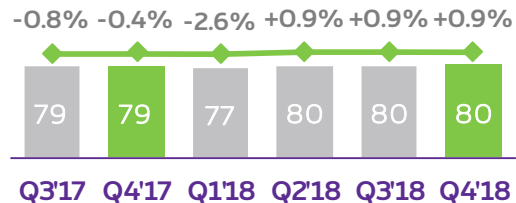
Continued customer migration to Proximus' VPN flagship 'Explore', benefitting from the P2P fiber roll-out.

Legacy products outphased and migrated in the context of simplification programs, new solutions at more attractive pricing.

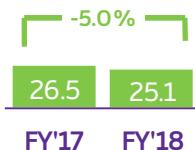
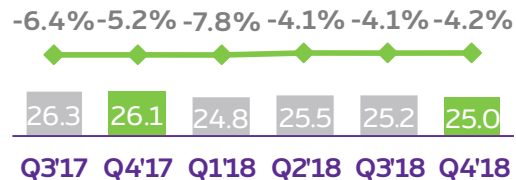
Broadband ARPU benefitted from price indexation effects and growing share of high-end internet in the park.

Mobile Services

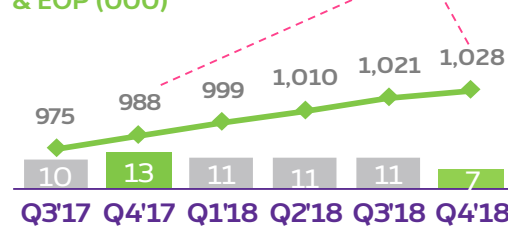
Mobile service revenue (M€) & YoY variance



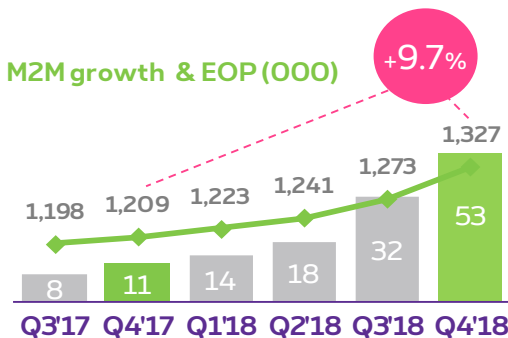
Postpaid ARPU (€) & YoY variance



Postpaid excl. M2M growth & EOP (000)



M2M growth & EOP (000)



+0.9%

Mobile service revenue

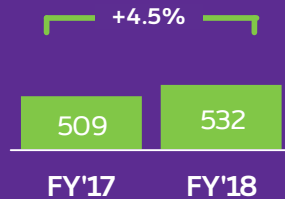
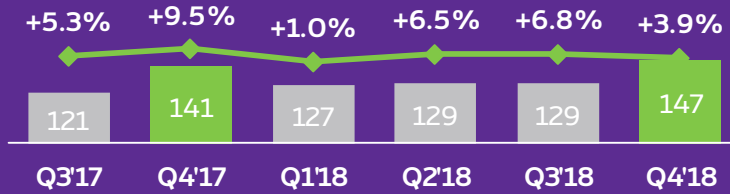
Growing customer base still compensating for increased competitive price pressure and customers moving to advantageous price bundles.

Average national data usage +32% YoY to over 1.7GB/user

+53,000 M2M cards in Q4, of 1/2 related to activation of Road User Charging cards.

Successful strategy of expanding portfolio well beyond pure connectivity services.
 Revenue up 3.9% on a high comparable base.

ICT revenue (M€) & YoY



Strengthened ICT portfolio, including acquisition of small-sized, highly specialized companies:

2018



- **Codit**, Belgium-headquartered market leader in business application integration, API Management and Cloud services, acquired 11 July 2018



- **Umbrio**, a Dutch enterprise specialized in IT operations & Business Analytics systems, based on big data platforms, acquired on 31 May 2018.



- **ION-IP**, a Dutch company specialized in Managed Security services, acquired on 27 March 2018

2017



- **Unbrace**, an application development company acquired on 1 October 2017



- **Davinsi Labs**, a cybersecurity company was acquired on 4 May 2017



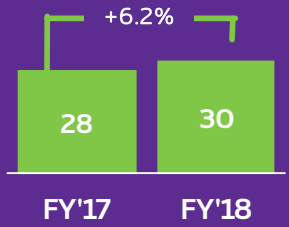
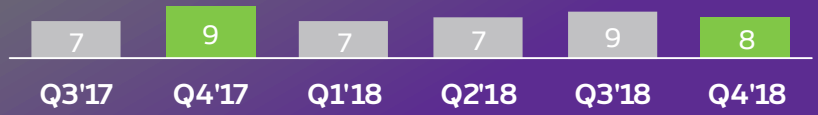
BEMOBILE

Advanced Business Services

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Revenue from Smart Mobility and convergent business solutions, down from a high comparable base.

Advanced Business Services (M€)



Server Bizz Call Connect

Convergent Solutions

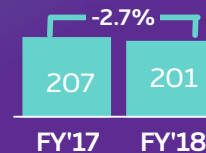
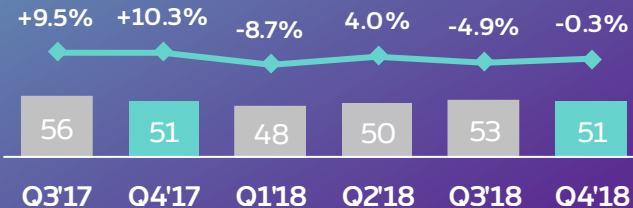
Wholesale

Stable Q4 revenue with higher traffic-driven roaming revenue offset by less traditional wholesale revenue.

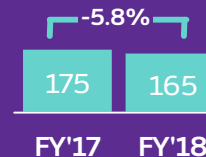
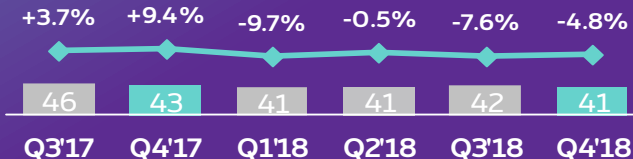
Direct margin affected by lowered WS roaming rates, benefitting Consumer and Enterprise margin.



Revenue (M€) & YoY



Direct margin (M€) & YoY

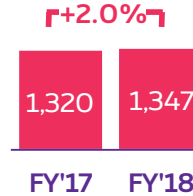
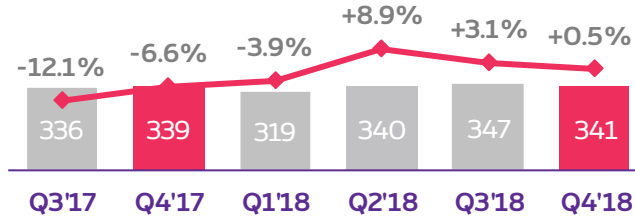




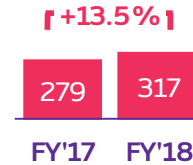
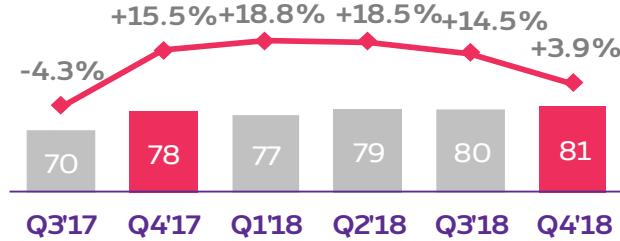
BICS results

BICS segment result

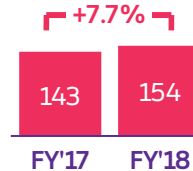
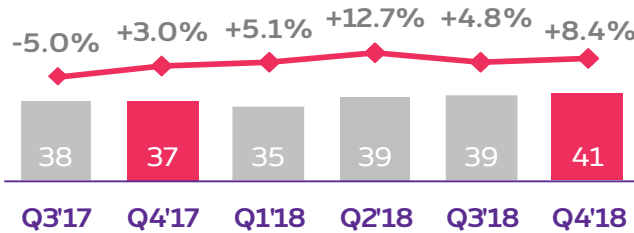
Revenue (M€) & YoY variance



Direct Margin (M€)



Segment result (M€) & YoY variance



TeleSign, consolidation annualized since 1 November 2018.

Direct margin benefitting from consolidation of TeleSign, including direct cost synergies.

Strong growth in SMS A2P volumes driving higher non-Voice margin.

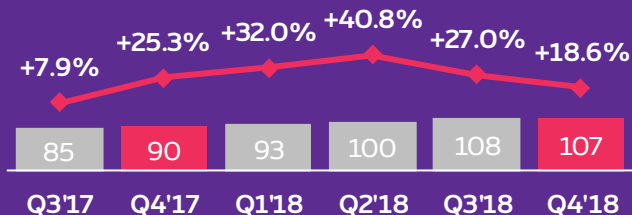
11.9%

Q4'18 Segment margin +0.9pp YoY

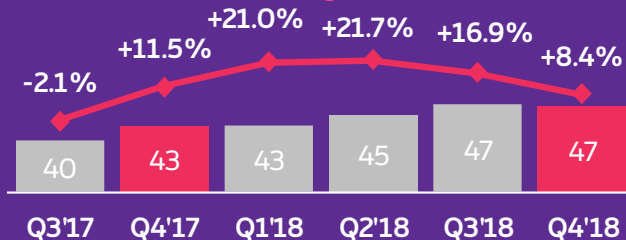
Non-Voice

Firm growth on SMS A2P volumes, benefitting from BICS –TeleSign combination.

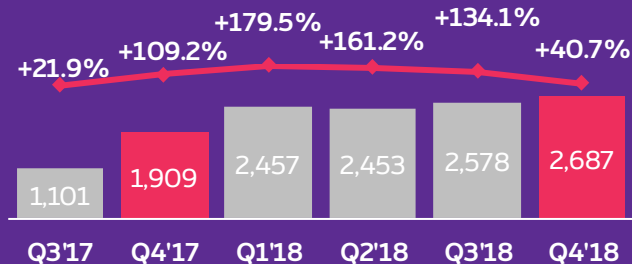
BICS - Non Voice Revenue (M€)



BICS - Non Voice Direct Margin (M€)



BICS - Non Voice Volumes (in mio messages)



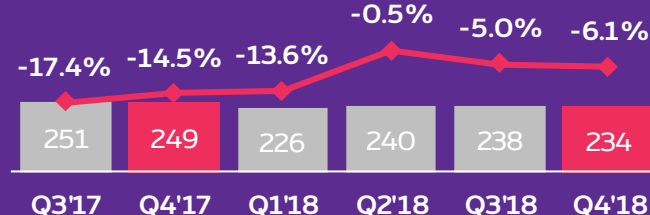
Voice



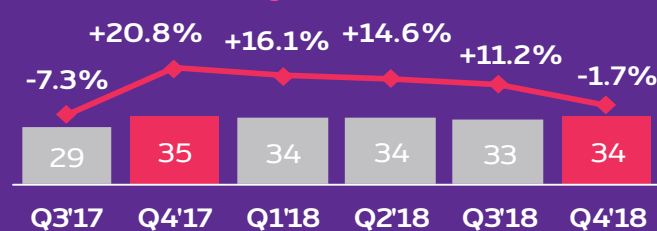
DM decline limited to 1.7%, TeleSign support lapsing since November.

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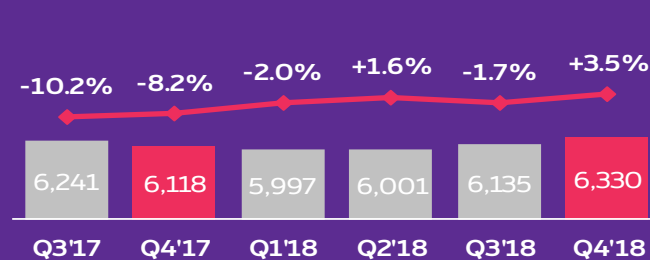
BICS - Voice Revenue (M€)



BICS - Voice Direct Margin (M€)



BICS - Voice Volumes (in mio minutes)



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