



Transcription
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Presentation

Operator

Ladies and gentlemen, good afternoon, and welcome to the Proximus Q2 2020 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 of Group Investor Relations. Please go ahead.

Nancy Goossens

Thank you. Welcome all. A bit different today from the usual approach as we had quite some messages to pass this time. We will start the call with some slides presented by the CEO, Guillaume Boutin. These slides have been published this morning, but you can also follow them on the website.

We will hold a Q&A session after this introduction. So to this end, let me introduce you with the other participants. So next to Guillaume, we have Jim Castele, running the Consumer segment. We have Geert Standaert, the CTO; Dirk Lybaert, the Chief Corporate Affairs. And for this occasion two new faces, or voices rather, Katleen Vandeweyer, CFO, a.i., and Anne-Sophie Lotgering, who recently joined as the Chief of the Enterprise segment.

The team will take your questions in a moment. But before that, we start with the introduction. Please go ahead.

Guillaume Boutin

Thank you, Nancy, and welcome, ladies and gentlemen. Thank you for joining us for this conference call on the Proximus Q2 results. I take it that everyone had the chance to go over the results we issued this morning. So I'll just run through some of the highlights of the quarter.

So going to the next slide. And before getting into the financial and operational results, I want to highlight a few achievements that are key for the short and long-term success of the company. The first point is on the social climate in the company. We have re-established the dialogue with our social partners and operate in a constructive climate. This was vital to ensure the success of the voluntary leave plan that we launched at the beginning of the year.

Secondly, we, as all other companies, had to deal with the unprecedented sanitary crisis. We have put the safety of our employees and customers first and took early actions. Our networks has kept up very well in spite of the huge increase in traffic, emphasising the importance of network investments. And third, amidst the turbulence of the COVID crisis, we have announced our #inspire2022 strategy. We have been working hard on the execution, and as I will further explain in the presentation, we have been making some very concrete progress.

But before getting to that, a word on the operational results. So going to slide 3. Considering that our shops were closed until mid-May due to COVID-19 restrictions, we have achieved good commercial results in the second quarter combined with a full catch up on the nearly 7,000 delayed installations of Q1 following our decision to limit customer installation operations. Due to COVID-19, there were much less rotation of customers on the Belgian market during the second quarter, with very low churn levels due to customers low appetite to change, and because of the temporary halt on customer disconnections for all operators.

That said, we can be very pleased with the solid commercial traction since the beginning of the year, which showed the success of our think possible rebranding, our cemented and dual-brand approach with Scarlet and Proximus and of convergence focus.

Going to the next slide, covering some of our key financials and I'm on the next slide now. On the slide four. Our operations have shown sound resilience to the sanitary crisis. Yet, as you can see in the financial results, we are not fully immune. The trend change from the prior quarter is driven by COVID-19-related effects, while our normal business trends remained rather stable compared to Q1 with a continued growth in revenue from convergent customers. We have contained the negative direct margin impact of COVID-19 on the EBITDA level through a firm cost control, and we have also managed well our level of CapEx.

I'm now switching to the next slide, giving a bit more colour on the achieved cost control. And for the second quarter, the domestic expenses were down by 8.8%, bringing us over the first six months of this year to a total decrease by 6.8% or €55 million down

from last year. About half of this is to be viewed as a structural cost decrease. COVID-19 and other non-recurring cost benefits account for about €20 million. And the remainder of the cost decrease in H1 is rather timing, so we expect this part to occur in the second half of this year.

Taking a closer look at the COVID impact on our next slide, slide six now. On direct margin level, we estimate that COVID-19 has caused a negative effect for €34 million. The biggest driver of this is coming from a decrease in roaming margin due to the travel bans, and this especially to non-EU destinations. Both our consumer and business segments were significantly affected by this, while our wholesale segment was impacted by lower visitor and instant roaming. And in addition, being exposed to the worldwide travel ban also carries a relatively high COVID-19 impact.

On top of this, we carried in the second quarter the impact of the free usage given to customers during the lockdown, and there was a small impact also on the ICT business. We could contain part of the direct margin headwind by actively managing our expenses down. So including these cost benefits, the underlying group EBITDA for the first half of 2020 was negatively impacted by COVID by an estimated net amount of €20 million. As we expected, a lower CapEx offset this negative EBITDA effect resulting in a limited positive outcome for EBITDA minus CapEx for the COVID impact.

This brings me to our guidance for the year on slide seven. So based on the results we achieved so far and while remaining cautious on the remainder of the year, I think the uncertainty of the sanitary crisis also in Belgium, we are confident we will meet the high end of our full year 2020 outlook. This was it on the financial part.

Moving now to our achievements in terms of our announced strategy. So I'm on slide eight. Just as a quick reminder, the four strategic pillars of the announced #inspire2022 strategy on that slide, and over the past months, we have been progressing on our execution. And I'm very proud that the hard work has resulted in concrete steps around customer value propositions, partnerships and building gigabit networks.

And now moving to slide nine. So first, with our Flex offering that we launched 1st July under the Proximus brand. It's a new range of packs that can be customised to the needs of each member of the family. We launched Flex in a view of improving our competitive positioning in the family segment and further drive conversions and especially multi-mobile in our customer base. This will benefit also the average revenue per customer.

Now turning to page 10. Earlier this year, we also announced our strategic partnership with Belfius, which has allowed us to bring innovative solutions to our customers, and this in a fully asset-light approach, but also and more importantly, benefiting from the 4,000 sales agents of Belfius to sell Proximus products. We are also happy to announce to our customers, and I'm switch slide now. A few weeks ago that we reached a five-year agreement for the distribution of the Pro League channels of Eleven Sports, covering all live Belgium football matches.

And what is more, Eleven Sports and Proximus Media House have closed a strategic partnership on the production over the next five seasons. Proximus Media House has built up a solid reputation over the past 15 years regarding the live broadcasting of football matches from Belgium football. And lastly, thanks to our extensive optical fibre network Proximus also provides the connectivity between the 15 stadiums of the Jupiler Pro League.

On slide 12, a quick word on the integration of the Proximus' Pickx app with Apple TV that we launched on 22nd June. With that, we are offering customers a seamless zero sign-on experience with Apple TV. It's a personalised content experience, which is already available on every screen. Besides more than 80 channels, also access to a range of on-demand content options. We have also levered the 100 stack experience on TV with the launch of our new decoder, we are being the first – one of the first operator in Europe to combine IPTV managed services with an Android-operated tier high platform.

Digitisation, and I'm now on the next slide. Digitisation is one of our key strategic pillars, and we have been making some progress in several domains, such as the adoption of the MyProximus application. What I wanted to highlight is the share of digital sales, which increased to 21% in the second quarter when we were at 18% at end 2019. So going in the right directions, likely helped, of course, by some side-effects from COVID, but digital adoption is here to stay.

So going to the next slide, slide 14. For the mobile network, you know that we have a mobile access network sharing agreement with Orange. The joint venture MWingz is operational since 1st April. The vendor selections that is both for the RAN with MWingz and for the Proximus mobile core network are progressing well with a strong competitive process. The selection process started already some time ago, and will, of course, make sure that all EU and governmental requirements are taken into account. Important to note that we do not expect any additional cost versus our announced six-year CapEx plan at the CMD.

Moving now to slide 15. In spite of a couple of weeks of delay because of COVID-19 restrictions, we have been progressing quite well on our rollout with our footprint end of June at 346,000 of homes and businesses passed. But we aim to go faster, broader and this at a lower cost. In our Capital Markets Day, we announced ambition to build the best gigabit network for Belgium, and this including two important elements. First one, that we say we are open for partnerships, not only for financial partnerships but for industrial partnerships.

Second element. We wanted to build an open network so that to maximise the utilisation rate so that the return of that network. I'm very proud on this major step taken in our strategy by having signed MOUs with two partners. This with intention to deploy and operate FTTH networks in Belgium, in addition to our own rollout. The main objective of the intended partnerships is to extend and accelerate the rollout of fibre in a cost-efficient way. We built an open network, ensuring access for all interested parties under non-exclusive and non-discriminatory terms.

As we will be extending the fibre footprint, we will also get the benefits of this to a larger area where we will improve our competitive position and can generate an attractive fibre ARPU. We will also actively look for new wholesale revenues. And as the last point, related to going broader, it's also an opportunity for us to accelerate the out-phasing of our copper network when and where possible. This will significantly decrease our network operating costs as we know that operating a fibre network is significantly cheaper than with copper.

We will also benefit from the industrial experience of our partners, which means we will not only go faster and broader, but it also means that we'll be rolling out fibre at a lower cost per home versus a standalone situation.

As you can see on slide 17, with an intended partnerships, we will significantly increase our targeted fibre deployment in Belgium. Our 2025 target goes up by about 30%, and by end 2028, we aim to pass 4.2 million of homes and businesses, which represents approximately 70% of the Belgian homes. As indicated on the graph, the incremental volumes are largely contributed to the partnerships. Of course, the precise scope will be confirmed in the next phase of the negotiations.

Now turning to slide 18. As we said before, we were looking for strategic industrial partnerships. So we are very pleased we have signed MOUs with two leading and experienced investors in FTTH infrastructure. In Flanders, we are entering to execute negotiations with DELTA Fibre. And for Wallonia, this is with Eurofibre. I believe this is a unique opportunity for Proximus to cooperate with two experienced international partners in order to leverage the construction capacity and to materially reduce the deployment costs. In long-term, we ambition to secure close to 70%, 80% of ownerships of the total fibre products that will be rolled out. So net-net, we'll be at the end of the construction phase, at around 70%, 80% of ownership of a fibre network that will cover 70% of the Belgian living units.

On the next slide now, the substantial upscaling of our fibre project with these partnerships will generate long-term value accretion for the reasons I mentioned before. We expect the net effect on our cumulative free cash flow over the next five years to be neutral. As the indicative graph shows, we will have benefits on operating free cash flow, including lower rollout CapEx, which will be compensating the anticipated equity injections in the joint ventures. So no change to our five – for the next five-year cumulative free cash flow and hence there will be no impact on our net debt level.

So I'm very excited about these partnerships as I see a lot of benefits. They will help Proximus to lead the multi-gigabit infrastructures and bring Belgium to the forefront of digitalisation in Europe.

This concluded the presentation. And now we are open for your questions.

Question & Answer Session

Operator

Ladies and gentlemen, if you have a question, please press 01 on your telephone keypad. We have a first question from Nicolas Cote-Colisson from HSBC. Please go ahead.

Nicolas Cote-Colisson

Hi everyone. I've got one question and potentially a follow-up one, please. So I mean back to fibre, you currently enjoy a nice return on invested capital. So I wonder how the fibre plans you announced play out in the long run, beyond the five years? Obviously, the joint ventures allows you to deconsolidate and lower the CapEx bill. But also will force you to share the value with partners in the longer run. So I guess the question is, how do you assess the long-term value of the deal, please? And also do you deconsolidate – do you plan to deconsolidate the joint ventures and secure control back on the later stage?

Guillaume Boutin

Sorry, I have to open my mic. So as I said a few minutes ago, we want to roll out a fibre network that will cover 70% of the country, and we have secured 80% of ownership – reaching 70% and 80% of ownership of that network. So in terms of long-term value creation, we will benefit from most of the roll out effort that will be done in the next ten years. It means – as you said, it means that on the first phase of the roll out, we will not control or consolidate the joint ventures because they will be controlled by the partners. But at the end of the construction phase, we have secured that we will be able to take back the control at no cost.

Thirdly, in terms of the impact compared to our announcement of the six-year plan during the Capital Markets Day, as I said, there will be no impact at the net debt level for Proximus, despite the fact that we will be rolling out faster the network and that we're going to have a broader footprint because we're going to have almost 850k more plugs in 2025 that we have in mind to when we had the Capital Market Day announcement.

But again, I'm repeating myself, there will be no impact for Proximus on the net debt level. So if you take the combination of those three elements, I think we are, to the contrary, maximising or even improving the level of return that will be generated by the fibre rollout. So that's exactly the objective of that deal, faster, broader, lower cost, also synergies in between what will be done in terms of JVs and what will be done by Proximus. I think there is a lot of synergies and it's not in the numbers, but we think with Geert that we can benefit from expertise sharing and the speed of effect of some expertise in terms of controlling the cost to roll out a fibre network.

Nicolas Cote-Colisson

Okay. That makes sense. And just one additional question. Taking back control at the end of the first phase, does it mean in five years' time or is it at a later stage?

Guillaume Boutin

To be precise, when we're going to announce the final agreement. But you have to have in mind that it will be probably after the construction phase, but also it could occur sooner than that, but to be confirmed when we have the final agreement signed.

Nicolas Cote-Colisson

Okay. And if I may, my follow-up is very short. But how does this change? Or how do this change the opportunity for co-investment outside these footprints?

Guillaume Boutin

It's not for me to answer that question. I think you have to ask the other stakeholder of the Belgium ecosystem. But as we said, our network is going to be an open network. And we are open to welcome any other operator that would like to access that network. And it could be existing cable players or Orange, for example.

Nicolas Cote-Colisson

Okay. Thank you very much.

Operator

Thank you. Next question from Paul Sidney from Credit Suisse. Please go ahead.

Paul Sidney

Yes. Thank you very much, and good afternoon. Just a couple of questions for me, again, sticking on fibre. Firstly, just on the JV fibre build. Can you just confirm that this will be subject to the same regulations, same access terms, same prices as Proximus' own fibre build. I think from the slides, it seems it is, but maybe if you could just give us a clarification on that. And then just

secondly, regarding regulation. What can we expect to see in the upcoming fibre review by the BIPT later this year in terms of the actual rates, in terms of the structure? Will we see speed tiering introduced like we've got on cable wholesale? And also just any indication on timing, more specifically? Thank you.

Guillaume Boutin

So first, as a general comment. What we are doing with those deals, we are investing more, rolling out fibre more rapidly. And also developing a passive layer that will be accessible for all partners. It means that in terms of – I don't want to talk for BIPT, but this is not – a thing that might be not well perceived by the regulator. So of course, in the next month, we will have to enter into discussions with IBPT, so the regulators. But also the competitive authority in order to make sure that those deals are fully approved by whole body that needs to approve these kind of deals. But again, it's more investments. It's open networks. So I don't think – or I do not expect that the regulator would see that not in a positive way.

Dirk Lybaert

So on your second question, so we were informed by the BIPT that the draft regulation on fibre is now expected in August-September timeframe. And so previously, it was announced for June, but it's postponed until August-September. And we should have a final decision by the end of the year. For the moment, we have no indication that the existing commercial wholesale prices we have for the fibres are not – would not be considered as fair pricing. On the contrary, we have the impression that the BIPT looks at these prices as fair prices, which means that also the principle of tiering would be accepted.

Paul Sidney

And just to clarify, is that the €23 and €28 price points you're talking about?

Dirk Lybaert

Yes, indeed, that's €23, €28 price points, yes.

Paul Sidney

That's great. Thank you very much.

Operator

Thank you. Next question from Polo Tang from UBS. Please go ahead.

Polo Tang

Hi. Afternoon everybody. Just have two questions. The first one is really just on your guidance. Could you say more confident on your guidance of EBITDA minus CapEx of €780 million to €800 million. But is this confidence driven by the expectation that CapEx will be notably lower year-on-year? And could you clarify your expectations for the trajectory of EBITDA because you've obviously highlighted increased COVID-19 headwinds for EBITDA in H2? So should we expect to see a step down in EBITDA in H2 after stable performance in H1? And my second question is really just around Huawei. So just given new restrictions coming into effect that limits Huawei exposure in your radio access network to 35% by 2025. How much of an impact will it have in terms of your CapEx envelope? Thanks.

Katleen Vandeweyer

Katleen speaking here. So indeed, I think that our CapEx for our half one was very low, and this was impacted by COVID because we had about €20 million lower CapEx in Q2 and over Q2'20, some further lower CapEx due to COVID with a delay in roadworks and the delay in customer connections. So looking forward for half two, we think that some of the delay that we've seen in half one will be caught up. And then on top of it, we see separately that half two CapEx is about €100 million higher than in the first half of the year.

As to the EBITDA, looking forward for the second half, we are expecting that there will be a further COVID impact. And so it is, of course, very hard and very difficult in these uncertain times to give a guidance on what the COVID impact might be. But we think mainly that we will have further impact from roaming and especially to non-EU countries, which will continue going forward. And then on top of it, we think as well that the OpEx reductions, which were very strong in half one, they will continue but they will be less important in the second half than they were in the first half.

Geert Standaert

With respect to your question on Huawei, it's as such that we are about to close the process of selecting a supplier for the renewal of our mobile access network and our core. But it is as such that there is no financial downside to be expected as it could be for other players because, in fact, the process, we planned it for a long time in advance has been well prepared. The timing of the vendor selection falls well with renewal cycles, but also where we can take into account recommendations, for example, on the European toolbox. So what we can say is that whatever the outcome is, there is no additional cost to be expected versus the plan from this RAN and core renewal.

Polo Tang

Okay. Thanks.

Operator

Thank you. Next question from Ulrich Rathe from Jeffries. Please go ahead.

Ulrich Rathe

Yeah. Thank you. A couple of questions. The first one would be, in simple terms if you were to have a choice only between, let's say, that fibre deals benefit, I mean, do you have a choice to sort of say that the benefit is only one of two. And the two choices are, it's how much capital you commit versus what skills you bring in. Which one of these two is the predominant reason for doing these deals?

The second question is, when you talk about costs and synergies from rolling out fibre with partners, I mean you could argue that rolling out networks is a core competence of a telecom. So what do the partners bring to the table that Proximus doesn't quite know how to do as an incumbent telecom operator? I'm not entirely clear about that.

And my third question is, I'm still not entirely sure what you mean by take back control at low cost. I mean, presumably, you would have to reimburse the partner for the capital they injected. So what exactly is this take back control at no cost element of that?

And the last one, if I may, is more operational. The broadband intake you mentioned had this catch-up from the backlog in Q1. But even underlying, it was very strong intake, I think about 10,000 consumer. Could you comment on what the underlying strength of the intake is because you had very strong gross adds or is it simply because you had low churn and the gross adds were simply falling through to net adds more strongly this quarter? Thank you.

Guillaume Boutin

So on your first question, why doing partnerships and why not rolling out ourselves? What we do is that we do both. I think we do roll out fibre in the more dense areas. And this is on a GPON technology where it's really important to use that in terms of cost efficiencies, and we will ourselves roll out fibre in the most dense areas.

When it comes to more rural areas, then passive makes sense because the utilisation rate of the network, the cost to roll out, the topology is also different because we're going to use a point-to-point topology for those partnerships because that makes sense also in terms of efficiency in terms of a roll out. And this expertise is expertise of our partners. We are more expertise in the point to multi-point architecture, and they're going to bring us expertise on the point-to-point architecture. But Geert will comment on that.

So when you do the math, it makes a lot of sense to extend your coverage in fibre, using partnerships when you are talking about less dense areas. But again, at the end of the day, we'll be able to secure between 70% and 80% of the ownership of that fibre network for a coverage of 70% of Belgium homes. It means that it is going to be our key activity to be a network operator for the next 100 years because we're going to own 80% of that fibre network that will be there to stay because we are building up network for the next 100 years.

So that's really important. And frankly, it was also different from what you can see in other countries. As an incumbent, we have secured to cover 70% of Belgium securing in between 70% and 80% of the ownership of that network. When I say no cost in terms of we're taking back the control, it means that there will be no control premium to pay. So the fact that we will be coming a controlling partner will be achieved at no cost. And then that's what I meant by at no cost.

Geert Standaert

Maybe I can add a number of elements why choosing as well for partnerships. As Guillaume said, is that we – our roll out that we're doing was doing that in high dense area. And how else we are going to go broader, it means that we will have to move to less dense areas. If you take a partner, for example, like DELTA Fibre, he's just coming from the opposite direction. He came from the very rural and he's now moving towards the dense. As you know, deploying a technology, also a certain topology, etc., it comes with learnings. And what we want to do now by bringing our competence together is to avoid that learning phase and immediately go towards the most efficient way of rollout. DELTA Fibre has been doing this for years. There is EQT behind. EQT is also behind Deutsche Glasfaser. They have demonstrated that throughout the years, they have become the most efficient partners to roll out fibres in lesser dense areas. So that's why we've chosen for that. That is one reason.

The second reason is also about capacity. Of course, when we are going to boost our capacity, we're boosting our own production capacity, but also we will boost the capacity through the two JVs. So these parties will come as well with their construction partners. And we can, in fact, one plus one becomes three. In fact, that is the thing we want to achieve. All parties are very committed to make this work. And yeah, we strongly believe that now – between now and end of the year, we have, of course, to turn that now in – we have to put that in music, bring that into a definitive agreement. We've started interactions with the BIPT. By the way, we're going to do that further. So we have everything in place to get this JVs up and running by first quarter of next year.

Jim Castele

And so on the last question – so this is Jim speaking – on the broadband intake. So as we announced during our Q1 results, we had an impact on our net adds of about 7,000 linked to the delay in installation. So indeed, we have been able to catch up on that in our Q2 numbers. So next to that, as you know, there's also a lower churn level linked to less commercial activity, but also due to the request of the regulator to halt the collection process for bad payers during COVID times, and this process has now stopped end of June. Now this argument on commercial activity and collection process, of course, is true for all operators. So all in all, we are convinced that our commercial results of this quarter are at least as good as the second quarter of last year.

Ulrich Rathe

Thank you very much. Thank you.

Operator

Thank you. Next question from Nayab Amjad from Citigroup. Please go ahead.

Nayab Amjad

Hi. Good afternoon. Thank you for taking my questions. So I just have a follow-up on the previous question. So obviously, Telenet is in exclusive talks with Fluvius, which was of interest during the past. In the event that there's a breakdown of talks between Telenet and Fluvius, would you still be interested in Fluvius in addition to the announcements you've made today?

And then secondly, on consolidation in the Belgian market. VOO's acquisition by Providence has been blocked. What are your expectations going forward and what impact do you expect from Proximus?

And thirdly, on the network sharing deal between Orange Belgium and Proximus, Telenet complaint to the competition authority. Is there any update on that, or what outcome are you expecting, if there is any?

Guillaume Boutin

On the first question, on the Telenet- Fluvius discussions. Obviously, I don't want to comment on that. We have to see where it goes in between Telenet and Fluvius. What I can say though, that we are building, again, an open network as from day one. So at some point, Telenet would like to join that network, they will be more than welcome to join the network. And you know that at some point, coax technology has to be fibreised. So we see if and when, but again, we are building a network very rapidly. That network will be open. So let's see how the discussion between Telenet and Fluvius goes, but I don't want to comment more because those discussions are currently happening, and we have no information whatsoever on the outcome of those discussions.

On VOO, there is indeed a new process that will be started as from September. So after the summer break. Difficult to do some projections on that one. What is for sure is that the outcome of this process is been delayed and the more delay there is, the more opportunities for Proximus, for sure, because it's not good for a company to be under this kind of process. But let's not – what we do internally that we are preparing for all alternatives and possibilities. And that's what we have to do to concentrate on what we

do on our brands, on our strategy, on our segmentation strategy on the conversion strategy. I think the Flex launch of this month shows good traction, and it's a way also to protect us accelerating conversions on any new activities from competition. So we are really focusing on our strategy, our execution, and we'll see how it goes for VOO.

Dirk Lybaert

And then on your third question regarding the procedure before the Belgian Competition Authority, the procedure initiated by Telenet on our sharing deal with Orange. You know there were two parts. You have the suspension procedure which they lost. So we are allowed to go forward. And the procedure on the merits there, we received questions. We answered to the questions, and this procedure is ongoing. So that will still take some time before we have a final decision.

Nayab Amjad

Okay. Thank you.

Operator

Thank you. Next question from Ruben Devos from KBC Securities. Please go ahead.

Ruben Devos

Yes. Good afternoon. I've had two questions actually, both on the Enterprise division. Firstly, in the outlook, you touched upon accelerated digitisation, driving demand for cloud and security. But you also expect delays and even cancellations for ICT projects. Would it be possible to give some flavour on the development? How customers think about taking ICT services from Proximus at this stage? And more longer term, I guess, could you share your views on the accelerated digitalisation and what that would mean for the Enterprise business?

Secondly, I understood that after another review, you've increased the bad debt provision this quarter. Could you maybe talk a bit about the development, how you're managing such risk? And if possible, could you maybe quantify the revenue exposure to the SME sector? Thank you.

Anne-Sophie Lotgering

So hello, this is Anne-Sophie Lotgering. So I'm the Chief Enterprise Market Officer for Proximus since 13th July. So I would try to answer your first question on the enterprise outlook. So I think it's fair to say that the COVID-19 crisis has had different impacts on the Enterprise business. Of course, a great impact on our telco business with the impact of the roaming activity and also on some ICT projects being delayed or cancelled.

However, we are continuing on ensuring that we stay relevant with our business customers who are looking more and more as a consequence of COVID-19 of accelerating their own digital transformation. They are looking at a provider such as Proximus to enable them to ensure having the right network for their customers an end-to-end secured providing on this network, the collaboration tools that their employees need to have in order to work from home. And we are ensuring that we are leveraging our very solid and loyal customer base to be able to answer those requirements and moving more into this convergent proper space.

So very difficult to predict in terms of outlook. However, indeed, enterprises are accelerating digitalisation and providers such as Proximus is very well geared towards ensuring that those services are made available to them through converged products, solutions and services.

Guillaume Boutin

Okay. Next question?

Operator

Next question from –

Ruben Devos

Yeah. I'm sorry. I had one on the bad debt provision.

Katleen Vandeweyer

Yes, indeed. I'm sorry. So as to this question, we only see very limited delay in payments from our customers right now. And so indeed, we increased our bad debt provision, but the amount is really very, very small as such. And so the revenue exposure for the SME sectors, we do not disclose our exposures to the SME sectors. But what I do can say looking forward is that the main exposure that we see for half two coming from COVID is on roaming. And for roaming, especially in non-EU, we've had the Q2 impact. And what we're expecting is that going forward, we will see similar trends in Q3 and Q4 as we've had in Q2.

Ruben Devos

All right. Understood. And then just I have one additional question, if I may. Just regarding BICS. A few weeks ago, you confirmed talks that you consider reducing your interest to 49%. Yeah, would it be possible to talk a bit about the rationale for partial divestment, and how that would sort of fit in with the Group strategy?

Guillaume Boutin

So I will not comment furthermore on the ongoing process. I think, as we said, we confirm that there is a process ongoing to simplify the shareholdership structure of BICS. And that's the main element that is rising this move because at Proximus, we want – we believe that there is a great development path for BICS, but that the complexity of today's shareholder structure is not helping to develop that strategy. So that's the reason why we want to adapt that shareholdership structure, so that BICS can really develop in Europe, in the US in all the activities that they are currently doing. And we do believe, and I'm convinced of that, that there is a great path for growth for Proximus. But for that, we need further investments, further agility in terms of probably some also M&A activities, development activities, reinvestment activities. And today, shareholdership structure do not allow us to fully support those growth path. So that's the reason why we have launched that process with also our co-shareholders of today.

Ruben Devos

All right. Understood. Thank you very much.

Operator

Thank you. Next question from Simon Coles from Barclays. Please go ahead.

Simon Coles

Hi. Thanks for taking the questions. Just on fibre again. If we hypothetically assume that Telenet did roll out a fibre network. And as part of your plans in Flanders, you will be rolling out fibre by yourself in some areas. Are you still happy to overbuild or they've talked about having an open network? So would you be open for wholesaling that network and therefore, potentially saving on CapEx?

And then on the equity injections, maybe it's too early, but I'm just wondering, can you give any colour on how they might change? So if you're more successful in winning market share and the penetration increases, you could argue that the value of the network is higher. So could that mean that the equity injections actually increase if you're more successful? I'm just wondering if there's any risk on that front. Thank you.

Geert Standaert

Maybe on your first question. So we have announced today a very ambitious plan, including what we will be doing in Flanders, where we aim for getting a significant coverage. So the question is a bit more towards Telenet. What are their plans? And are they eventually willing to overbuild us? I would say, I would turn that around. As said by Guillaume, we deliver a fully open network. This means that we are open for any interaction, any conversation. So as well with Telenet, we already announced that in the past publicly that what we are doing on fibre that Telenet can be happy customers on this network.

Guillaume Boutin

On the equity injection, there is no risk linked to the success of this fibre network, it will be only linked to the speed of rollout and the cost of the rollout for the joint venture.

Simon Coles

Okay. Thank you very much.

Operator

Thank you. Next question from Michael Bishop from Goldman Sachs. Please go ahead.

Michael Bishop

Yes. Thank you. Good afternoon. I also got two questions on fibre, given it's a very interesting situation. So the first question is, if you think about your own penetration, which is much higher in the south on broadband, it would strike me from a big picture perspective that your returns on fibre should be higher in the south versus the north, all other things being equal. So therefore, I was wondering why you're not proposing slightly different approaches to fibre in the north than the south. It feels like both of these JVs are going to be set up in a very similar structure. But the returns and effectively the returns that you're potentially giving away, I guess, in the south, could be more than the returns given away to a minority partner in the north?

And then the second point, which is a little bit of a follow-up on the previous question is, am I right in thinking the accounting is basically you deconsolidate? And then as you have these equity injections, once you get to 50% ownership, you then reconsolidate. And therefore, because you've done the equity injections gradually, that's why you're saying there's no big one-off reconsolidation amounts or equity injection in five years' time?

And then just a clarification. When you say that 70% to 80% of the ownership of full fibre footprint will with Proximus, is that effectively your own fibre, and then 50% or 51% of the new fibre JVs to get to a blended 70-80%, or are you referring to explicitly 70-80% of the fibre JVs with the financial partners? Thanks very much.

Guillaume Boutin

I'll start with your third question. Yeah, indeed, that the blended average of ownership for us after the construction phase. So in between 70% and 80% would be the blended average of ownership of Proximus in our fibre network. That's correct. On your first question, on the return comparison between the north and the south, I don't want to further comment on this one at this stage of the discussions. But the strategy for Proximus is to generate a return that will be as high in the north than in the south. So we make sure that this will be happening in the discussions. And on the equity injections, I would let Katleen answer your question.

Katleen Vandeweyer

So in the first phase of the roll out, we will be a minority shareholder of those JVs. And since we do not exercise any control over those JVs in the first phase, indeed, accounting-wise, these JVs will be deconsolidated. At a certain point in time, we will gain control. And as of that moment, those JVs will be consolidated.

Michael Bishop

Okay. So that's not a change in the –

Katleen Vandeweyer

And this control will be done without any control premium.

Michael Bishop

Okay. So is that a change in effectively the voting rights or something rather than the change in the equity stake?

Katleen Vandeweyer

So in the beginning, there will be an equity stake, but since we will be the minority shareholder, accounting-wise, the balance sheet of these JVs will not be consolidated on our balance sheet.

Michael Bishop

Okay. Thanks. Sorry, just to clarify, so the change in control will then you effectively consolidate that because you increased your financial investment, or is that because your governance has changed and therefore, you're absorbing control?

Katleen Vandeweyer

It is because the governance will change, and we will exercise more control at that point in time. But this increase in control will come without any additional equity injection.

Michael Bishop

Thank you. That's all very clear.

Operator

Thank you. Next question from David Vagman from ING. Please go ahead.

David Vagman

Yes. Thanks for taking my question. Good afternoon, everyone. First, to clarify on fibre. So that the entire network is passive open and non-discriminatory and not just the footprint of your partnerships? And I think if you already tried to answer that question but on the financials of buying back control. If you could just come back on that, let's say, compared to the book value, which has been – on the investment, which has been made by the partners, what would be the financial dynamic here? That's my first question.

And then secondly, on the mobile pricing strategy that you have and especially referring to the Flex offer. It seems to me that you've become the most attractive and the most aggressive multi-play offer that you make by far in the market right now when we include multiple SIMs with client for paying just €9 extra for getting five gigs. Could you explain as to commercial strategy behind it? I think it's quite a change. And do you – is it because you want to go after families and, let's say, give it more to family clients or just to go after, in general, mobile clients in general?

And then to conclude, what should we expect in terms of ARPU trends for mobile in the coming months or quarters and also net adds? Thank you.

Geert Standaert

Okay. Maybe with respect to your first question, maybe a bit more colour on that. So first of all, there is the footprint that Proximus is building themselves, which is in high dense area. The topology that we're building there is a point to multipoint technology topology. And so this network is open at the active layers. Now what we will bring on the market, and we're busy doing that, and we will be front-running in Europe on this, is that we will apply a slicing technology on top of that point to multipoint topology, which will give a kind of a virtual P2P product as well.

So we will be able not only to give products at an active layer at different speeds, but we will also be capable of offering a kind of P2P product, but it will be through a slicing concept on that active layer. What we will be building with the JVs, that will be open at passive layers. So there, you can get access at passive layers. But we, as Proximus response, we will build on top of those passive infrastructures as well our active layers.

So there if there is a certain service provider that says I only want to connect at one place and get, nevertheless, full access to the whole fibre footprint, he can have that through that active layer. If there is a party that says, 'No, I'm as well interested in a kind of P2P offering,' he can do that through the JVs really at passive level. He can do that with us where we've built in point to multipoint through a technology, a slicing technology, which is called FANS, Fixed Access Network Slicing technology, that we will be implementing.

Katleen Vandeweyer

As to your second question of the dynamics between buying back control and how does it compare to book value, it is too early to comment on this.

Guillaume Boutin

And on that, all those needs, once they are signed, we'll have a specific dedicated session to explain all the implications for you, for Proximus and that I think that as Geert mentioned, we might need a few months to close those deals. And then beginning of next year, we'll make sure that you have all the detailed information on the mechanics of the deals once they are signed. It's a little bit too premature today to unveil all the nitty-gritty of this agreement because they still have to be confirmed and signed and approved by regulatory bodies.

David Vagman

And they're still open to new partners, as I understand it. So it could be Orange Belgium or Telenet. Is that correct?

Guillaume Boutin

Yes.

David Vagman

Okay.

Jim Castele

And then on the question related to the mobile pricing strategy. So I'm happy to hear that you think Flex is a very attractive offer for our customers. But I can assure you that this Flex offer is market conform with respect to pricing in our multi-mobile environment. And so one of the ambitions of Flex, of course, was to consolidate all mobiles within the household so that we can grow and continue to grow like we have been doing over the last quarters or average revenue per customer. So that's what Flex is answering to and families have always been the core of the Proximus commercial strategy. So with Flex, we are sure that we answer to that target. We also wanted to simplify our portfolio because we used to have three different ranges towards families, depending on the type of products that the customer wants. And we see that in the market today. This has become too complicated. So we wanted to simplify this further by coming with a full new range, which is the Flex range.

And then on the question linked to ARPU trends for mobile. As you know, the mobile ARPU is actually impacted by a lot of elements that are not really linked to mobile performance as such, because mobile is now more and more part of our convergent packs. And so there are accounting rules that play with respect to e-Press with respect to the other products that are within our Flex offers. And for the coming quarter, we do expect, due to COVID, that we will continue to see some roaming impact as well.

David Vagman

Thanks. And to come back quickly on the market conform offer in Flex. I'm not completely sure that, for instance, of €9 extra, let's say, SIM that you paid the same at competition. I don't think it's much higher, if you want to add multiple SIM in a family.

Jim Castele

So to answer that question, if you look at Telenet WIGO offer today, you have offers with two SIMs, with five SIMs, where the price doesn't increase if you go from a third to a fourth SIM. So if you do the calculations on the way we have built the offer where you add €9 for every incremental SIM, you will see that we stay market conform with Telenet with respect to that pricing strategy.

David Vagman

Okay. Thank you.

Operator

Thank you. Next question from Bart Jooris from the Degroof Petercam. Please go ahead.

Bart Jooris

Yes. Good afternoon. Thank you for taking my questions. Also two questions from my side. First of all, in your outlook, you stated that you will be deprioritising less strategic CapEx. Could you elaborate on that? Which kind of CapEx are we looking at? And do we deprioritise, does that mean it will be gone up in years to come? And this is just a delay in CapEx, or is it just becoming more efficient and that it will fundamentally not being seen again?

And then second, do you see any threat to your content offering from the Flemish Netflix that is supposed to be launched somewhere in September?

Katleen Vandeweyer

Okay. So on the deprioritisation of CapEx for the second half, it will indeed become of non-strategic CapEx. And what we consider, for example, and especially in the light of the acceleration of fibre is copper out phasing and some other less strategic CapEx investments.

Guillaume Boutin

But it is also fully in line with what we have announced during the Capital Markets Day. As we said that day, we said that we're going to make a lot of effort in all non-5G, non-fibre CapEx to give room for those investments. And we have already guided that all CapEx that are not fibre, not 5G, not digitalisation of our operations are going to be under very, very intense scrutiny so that to see they are essential for the growth of the company or not. And the fact that all other CapEx, both fibre, 5G and IT transformation are going to be increasing in the coming years. It's a fact. It's also a commitment I did to you when I've announced the #inspire2022 strategy.

Jim Castele

And then on the question linked to Flemish Netflix, as you know, with – is my mic on? Yea, it's on. Okay. Sorry. So as you know, with Pickx, we want to bring all relevant local and international content to our customers in the most simple and attractive way. I think the deal we have signed this quarter with Eleven Sports shows that ambition. And then, of course, we see the Flemish Netflix not as a threat but as an opportunity to further build the reach of our local content to our audiences. So I see it more as an opportunity than as a threat.

Bart Jooris

Okay. Thank you very much.

Guillaume Boutin

Okay. Just to complement with what Jim said. You also saw in the presentation that we now have two stacks, the Apple stack for TV and the Android stack for TV ready for all our customers. It means that in a world when over-the-top video-on-demand content are going to be more and more pushed on the market, we will be ready to accept them, welcome them on our platforms, being the Proximus Android TV platform or the Apple TV platform.

Bart Jooris

Okay. Thank you very much.

Operator

Thank you. We don't have any more question for the moment. So I'll get back to you for the conclusion.

Nancy Goossens

Okay. Thank you. So that concludes the call time then. Thank you for your participation. And , should you have follow-up questions, you can address those to the Investor Relations team. Thank you, and have a nice weekend.

Operator

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