

# Fiber update

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Fiber City Brussels



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proXimus

# As part of #inspire2022, Proximus is pursuing a strategy of Network superiority



Build the best **GIGABIT NETWORK** for Belgium

Proximus mobile networks recognized as best-in-class

With a clear plan to retain leadership:

	Best experience
	Most efficient
	Future proof

Recognized internationally



Moving to claim leadership on broadband with Fiber

Resulting in Proximus owning the best convergent network



# Fiber is the most future-proof technology, necessary to build a sustainable and competitive Belgium

## Best technology



**Unlimited speed**  
(downlink and uplink)



**Lowest latency**



**Reliable**  
(no interference, no degradation,  
not distance dependent )



**More Secure**

## Supporting current & future customer needs



**New Digital ecosystem:  
Connected home**



**Next generation video &  
cloud based gaming  
(AR, VR, 8K,...)**



**Homeworking  
e-education**



**AI to help  
businesses**

## To build a sustainable and competitive Belgium

**-88%**

GHG emissions per Gigabit transmitted through Fiber compared to legacy technologies\*

**-60%**

Energy consumption compared to copper

**++**

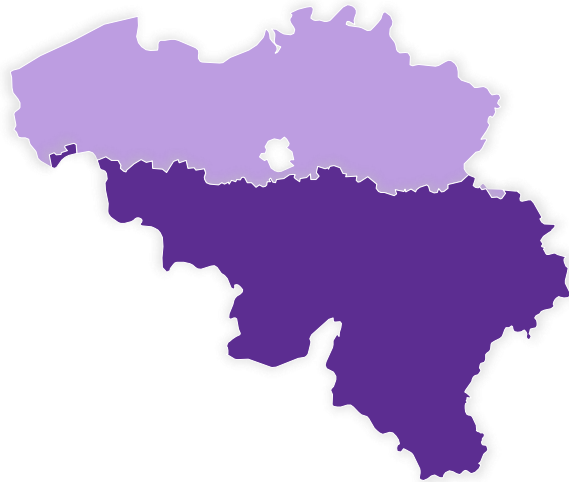
Full FTTH deployment can positively impact economic growth, incl. employment rate, digitization of social services and innovation (number of start-ups)

\*Source: FTTH Council *European experience and practical considerations*, November 2020

# Proximus confirms ambition to cover at least 70% of homes and business with fiber by 2028

## 4.2M

Homes and businesses  
passed by 2028



**First mover advantage** thanks to a rapid rollout, with a run-rate of around 10% coverage per year



**Open access and non-discriminatory** fiber network for Belgium fostering level playing field competition



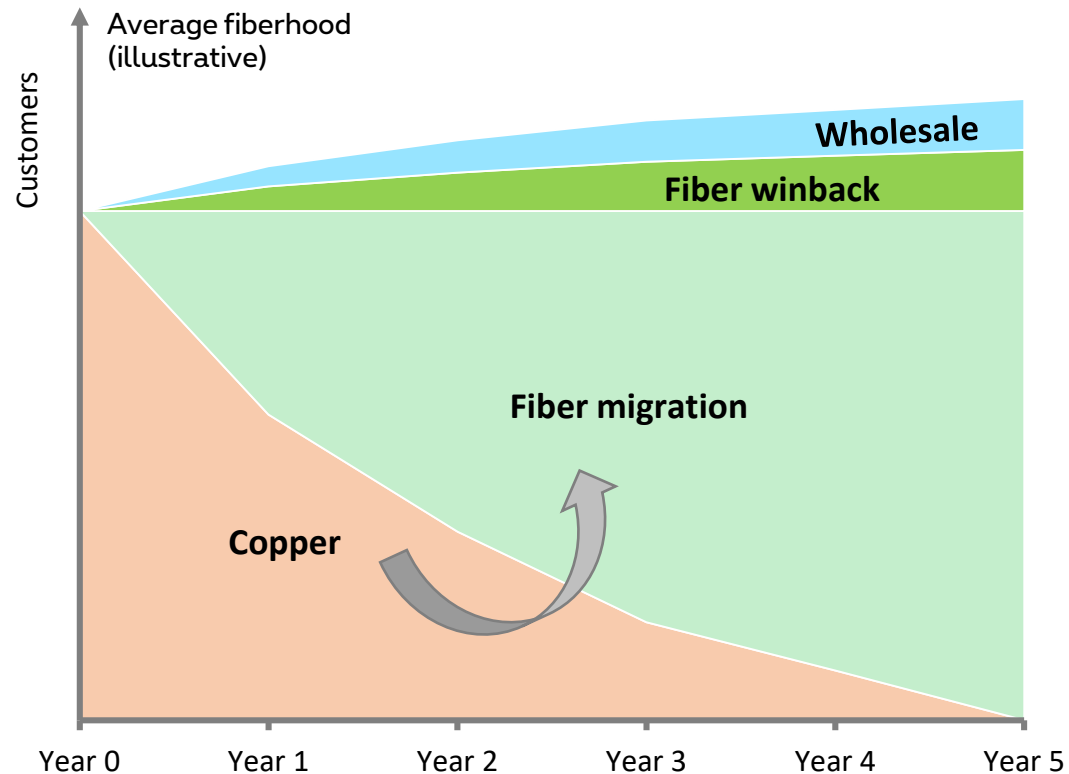
**Significant value creation** for Proximus through retail and wholesale monetization, as well as cost efficiency and copper capex avoidance



**Up to ~80% economic ownership** over the full fiber footprint while safeguarding Proximus financial soundness (no impact on current dividend policy)

# Fiber is securing long-lasting value for Proximus

Value accretive  
with IRR above WACC



Attractive return on investments both in terms  
of revenues and costs

Proximus retail market share gains,  
across residential and enterprise customers

Proximus ARPC uplift

Proximus wholesale market share opportunity

Sustainably lower OPEX with decrease of  
operational costs

Future-proof investments

Copper CAPEX avoidance

# Stand-alone deployment focused on the most dense areas



6M Premises in Belgium

Dense areas

2.2M HP  
Proximus  
own rollout

- **IRR > WACC**
- **Optimised capital re-allocation**  
(optimizing debt levels at around  
~2X S&P leverage, asset  
disposal and rebalancing capex)

# Next, Proximus has joined forces with 2 industrial partners to expand the Fiber rollout in less dense areas



6M Premises in Belgium

Dense areas

Medium dense areas

Low dense areas

2.2M HP  
Proximus  
own rollout

1.5M HP  
Proximus  
& EQT

0.5M HP  
Proximus &  
EuroFiber

Combination of Fiber optionality (e.g. subsidized) and alternative solutions.

- IRR > WACC
- Accelerating and broadening coverage in less dense areas
- Relying on open architecture to maximise monetization
- Minimising risk exposure through partners

# Experienced industrial and financial partners with solid track record of FTTH deployment in Europe



- Leading independent FTTH platform in the **Netherlands** with a focus on **rural areas** with more than 600k homes and businesses passed.
- Backed by telecoms infra investor **EQT Infrastructure**.



- Leading independent **B2B Fiber operator** the **Benelux and France** with more than 37,000km optic network over 12,000 locations.
- Backed by infrastructure investor **Antin**.



FTTH platform in Germany **targeting 6M homes and businesses by 2030**



Nordic fiber platform, rolling out FTTH since 2013.



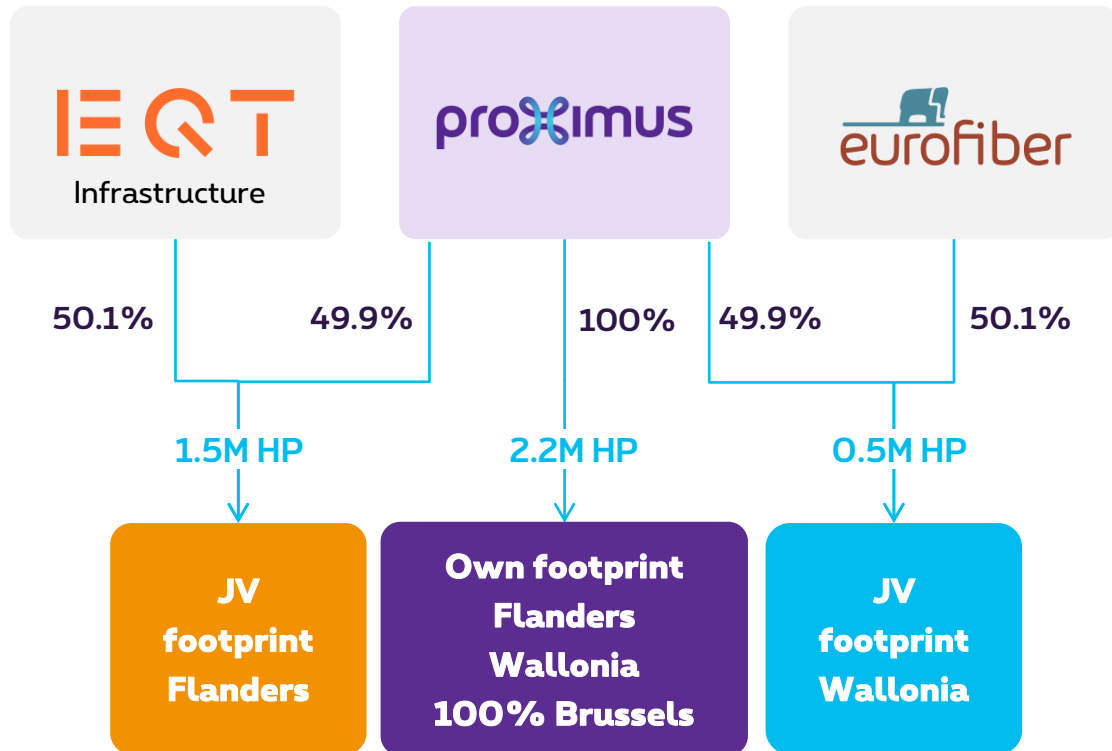
FTTH Platform in UK **targeting up to 8M homes and businesses by 2025**



FTTH Platform in Spain **targeting 2M homes and businesses by 2021**



## In the JV footprint, Proximus can proceed with financial consolidation when fully built.



- Proximus, as part of the agreements:
  - ✓ will be able to proceed **with financial consolidation** once the rollout of the network is completed **at virtually no cost**, by acquiring 2 shares in the JV from the JV partners.
  - ✓ has the **option** to acquire an additional 10% stake in the Flanders JV (after rollout completion).

# Proximus to own up to 80% of Belgium's FTTH network

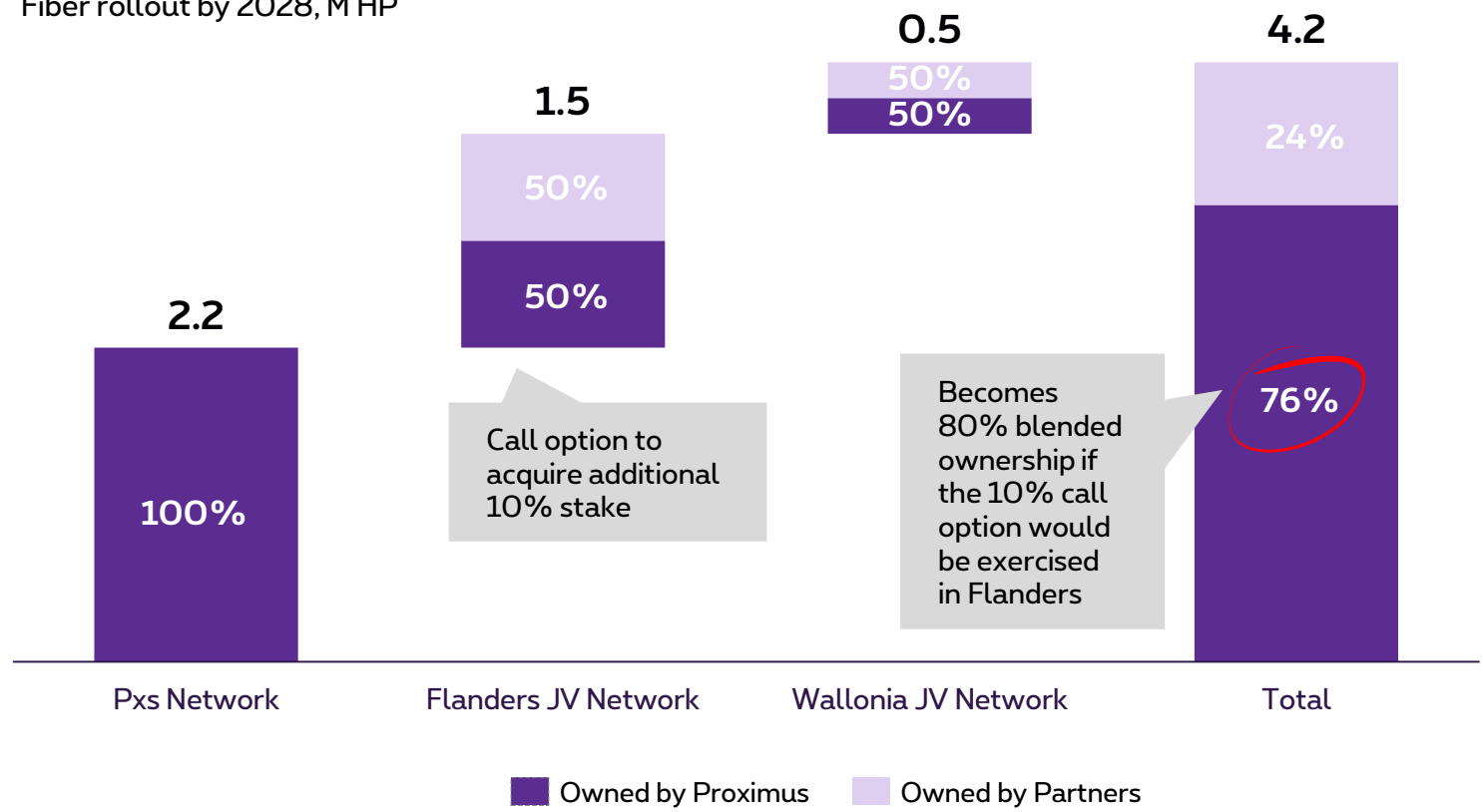
## 100% economic benefits of the active network

## While optimizing overall risk profile

### Footprint ownership

Fiber rollout by 2028, M HP

Proximus to enjoy 100% ownership of the economic benefits of the active layer, to further reinforce competitive positioning in the retail and wholesale market



# Four pillars of a value accretive fiber rollout



**Broader  
Rollout**



**Faster  
Rollout**



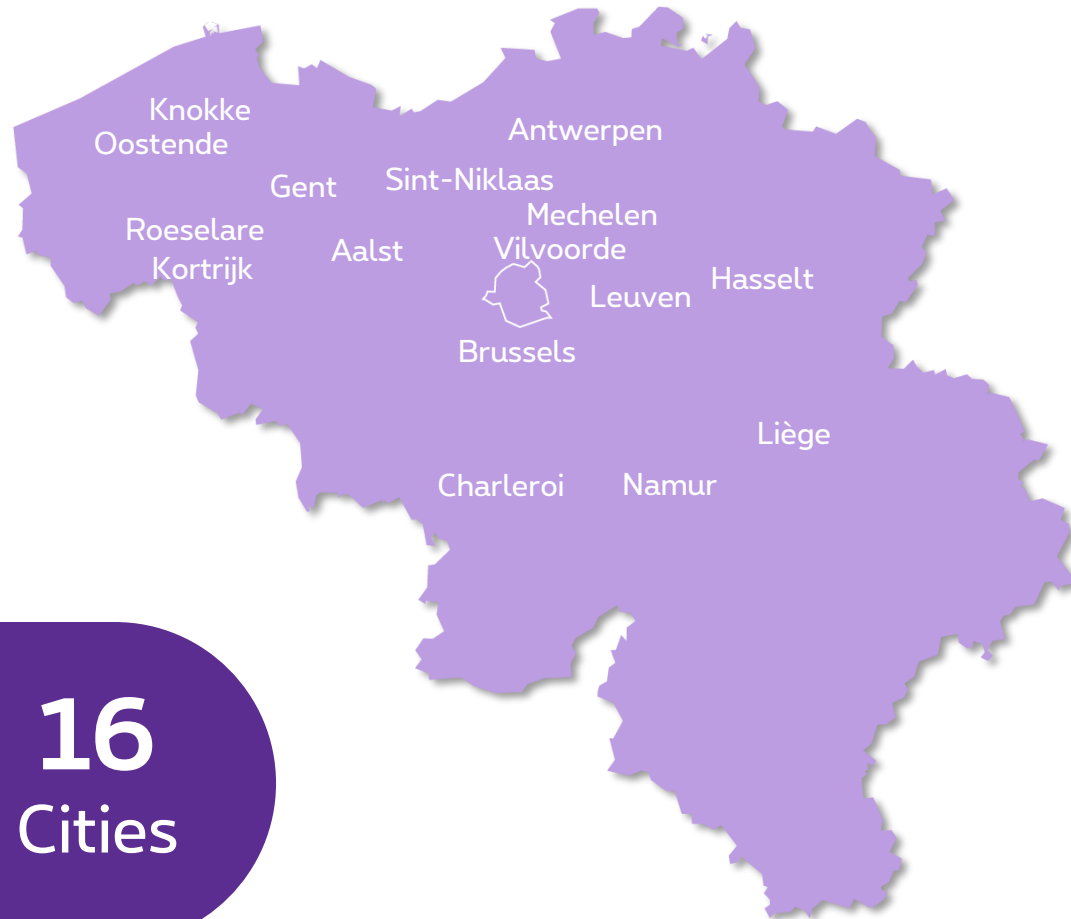
**Cost  
Efficiency**



**Open**

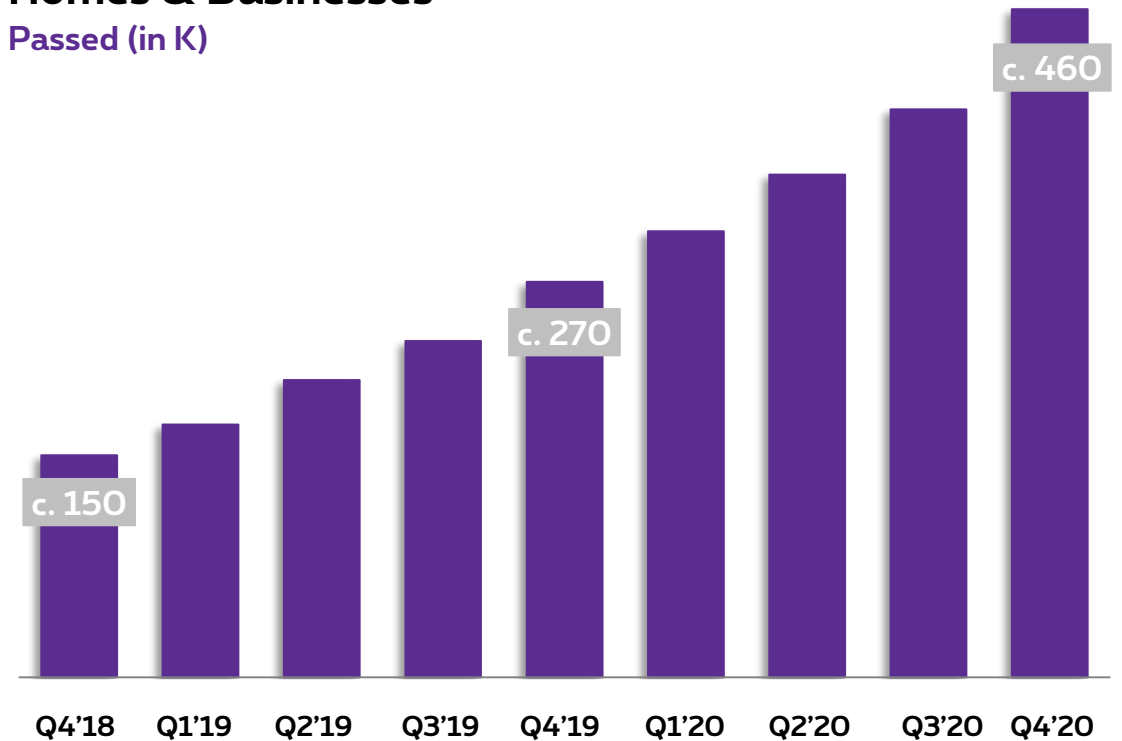


# In 2020, Proximus reached its fiber rollout objectives despite unforeseen and difficult circumstances



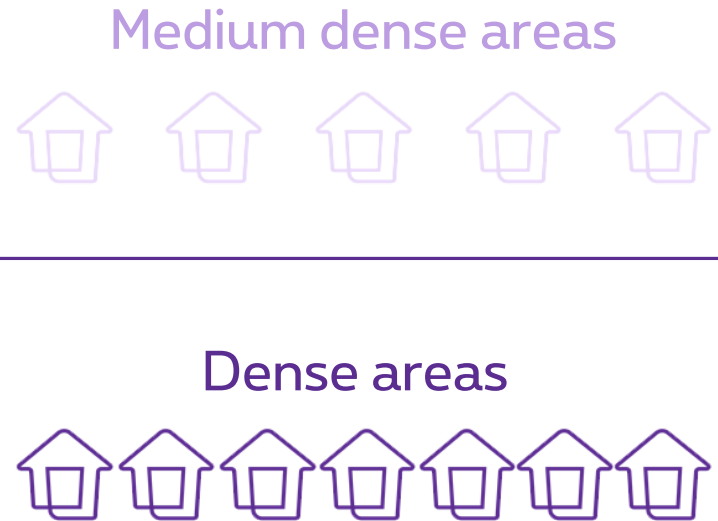
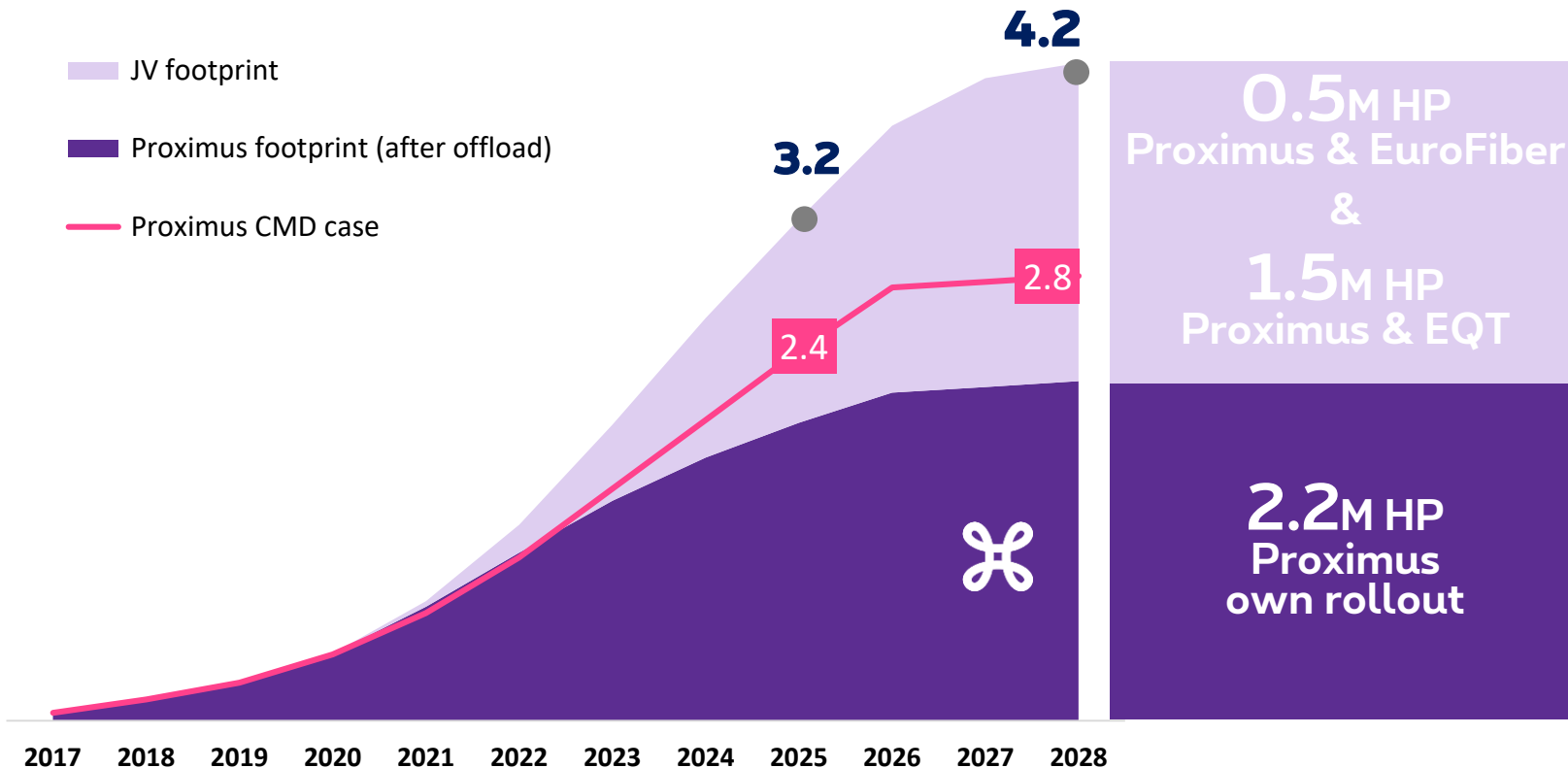
**16**  
Cities

**Homes & Businesses**  
Passed (in K)



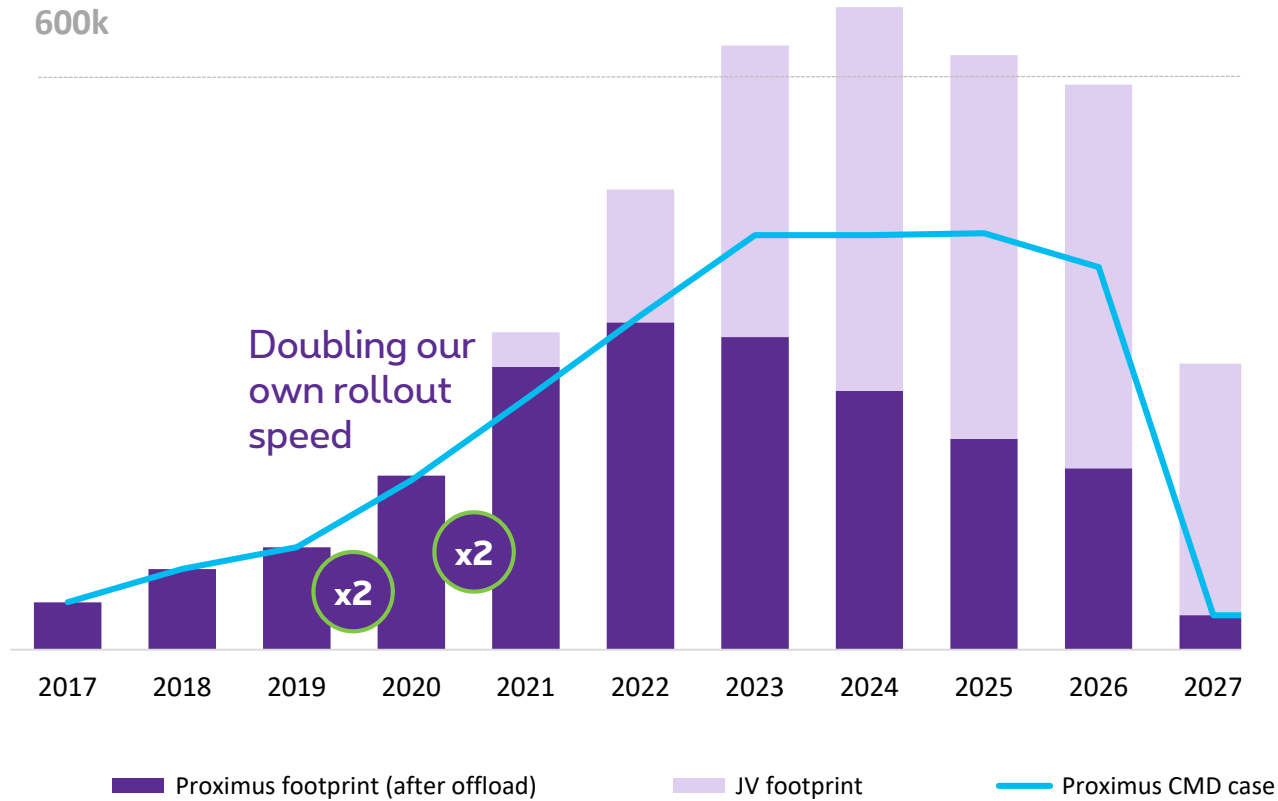
# With partners, Proximus increases the fiber footprint from 2.8M to 4.2M HP by 2028 reaching 70% Belgium premises

Total Home & Business Passed (HP) in M



# Proximus will deploy at tremendous speed seizing the first mover advantage

## Annual Homes & Business Passed



Scaling up to  
**>600k HP/Yr**

**~10%**  
 Coverage/Yr

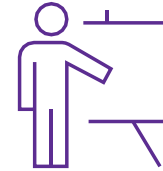
# We have secured the capacity on the market to deliver 1M Home passed in the coming 3 years (Proximus own rollout)



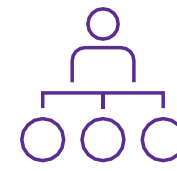
In Q4 2020, we have been running **1,000+ FTE's construction capacity** from the market



Construction partners **committed to deliver 3x equivalent FTE construction capacity by end of 2021**, leveraging domestic and foreign resources



Engaged with all **regional employment agencies to train and certify** available workforce on the Belgian market



**Internal Proximus** team is prepared to **deliver the 300k HP run rate** for design, coordination and quality control works

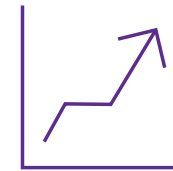
# We have setup strong deployment process parallelisation and automation to scale up



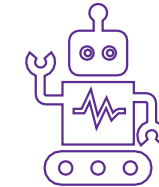
In 2020, we run **80 parallel fiber building streams** in **16 cities**



We did set-up **strong partnership** and received **agreements from 30+ cities** to massively deploy fiber



In 2021, we will run **150+ parallel fiber building streams** and growing over time

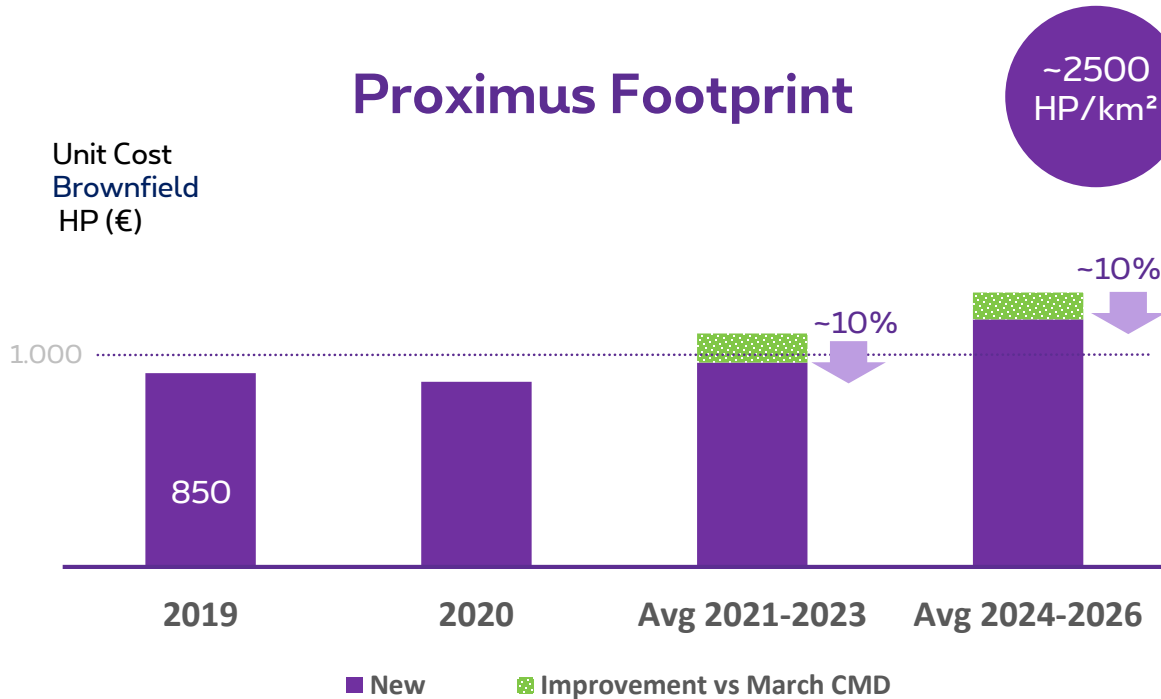


**GPS based as-built documentation** and home-grown industry leading **remote quality production certification**



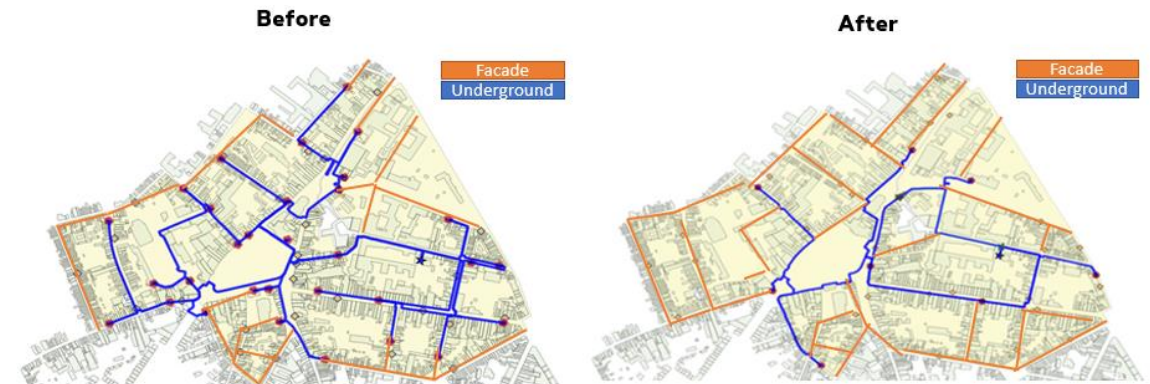
# Proximus is materially decreasing rollout costs thanks to process and design optimization for dense areas

## Proximus Footprint



- Focus on **highest density** areas (~2500 HP/km<sup>2</sup>)
- **Continuous unit cost improvements** through network design optimisations, process improvements, use of new materials and procurement negotiations

## Example: Savings on deployment cost by adapting design and optimising facade rollout



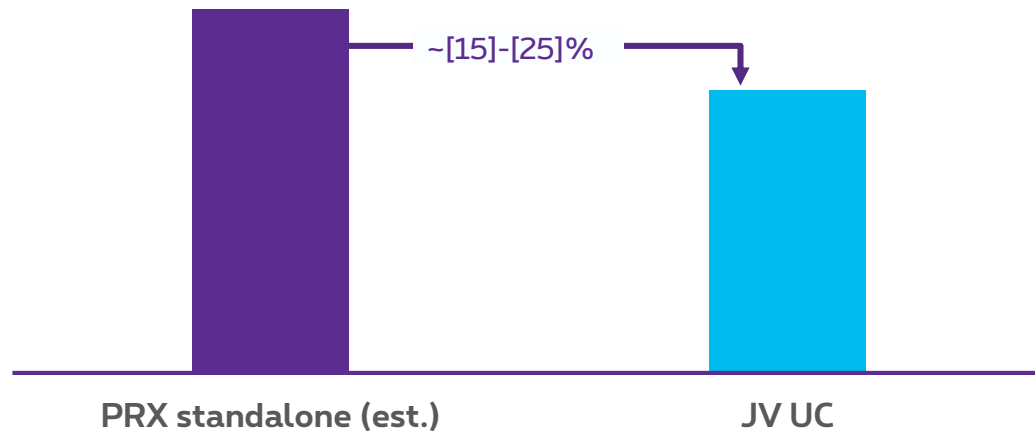
Less trenching (~35%) and more facade deployment for same fiber coverage

# Proximus is leveraging Partners experiences for less dense area's

## JV Footprint

~800  
HP/km<sup>2</sup>

Unit Cost  
HP (€)



## Rationale

- P2P is more adapted to lower density areas due to their intrinsic characteristics:
  - Less continuity of homes and more upfront gardens hindering the roll-out on facade
  - More standardized pavement making underground rollout less expensive
- Both JVs will deploy passive P2P infrastructures
- Proven expertise of Partners abroad in less dense area's
- Simply reusing the Partner FTTH Platforms capabilities avoiding development and learning curve

# With enlarged Fiber footprint, Proximus accelerates copper phase out savings.

60,300 km



## Copper Switch off

Deactivate one third of our legacy network infrastructure.

>55%



## Lower cost to operate

Savings on maintenance and repair, less trouble rate, more remote solving.

Full phase out  
Strategy from Day 1



## Simplifying our Operating Model

Stopping sales on Copper as soon as Fiber is available, ultimately phasing out copper at latest 5Y after Fiber Deployment.

# Creating an open, non-discriminatory network, delivering the best technology for everyone



FTTH platform delivers **seamless digital experience**



Network innovations are available for all customers from the start



FTTH platform is **fully open** offering fiber access under non-exclusive and non-discriminatory terms

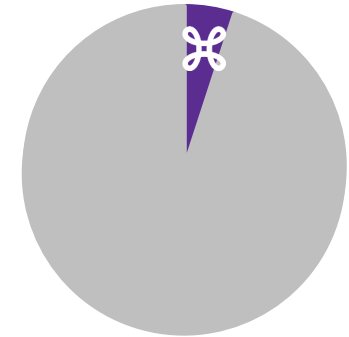


Fair, predictable & attractive wholesale rates in line with market standards (and BIPT draft decision)

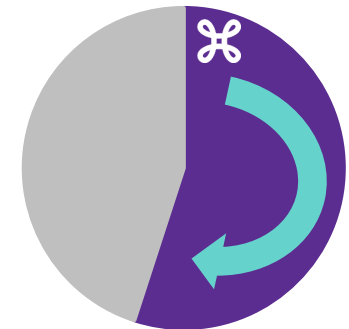
28

Fiber wholesale customers today<sup>1</sup>

Belgian Wholesale Fixed Broadband Market



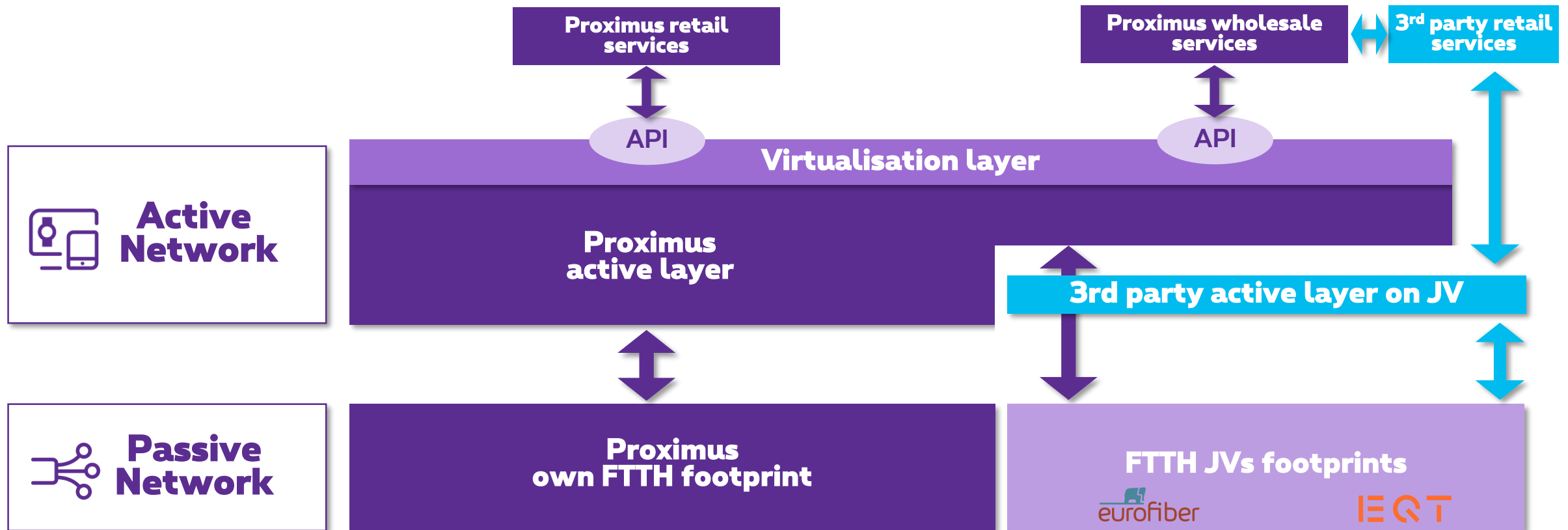
Significant growth opportunity thanks to network superiority



<sup>1</sup>Cfr Publicly known partners [here](#).

# Proximus deploys seamless retail and wholesale multigigabits FTTH solutions

Transparent service management and digital experience throughout the entire fibre footprint (Proximus + JV's)



# Network superiority translates into commercial benefits.

Fiber City Ostend



# Increasing need for reliable, fast, low-latency connectivity increase the value of Fiber for both consumer & enterprise

## Entertainment



pickx

SHADOW Cloud gaming/VR

GET IT ON Google Play

Download on the App Store

Multi cloud Adoption for enterprises

High **quality** & low **latency** requirements

## Ecosystems



e-Education

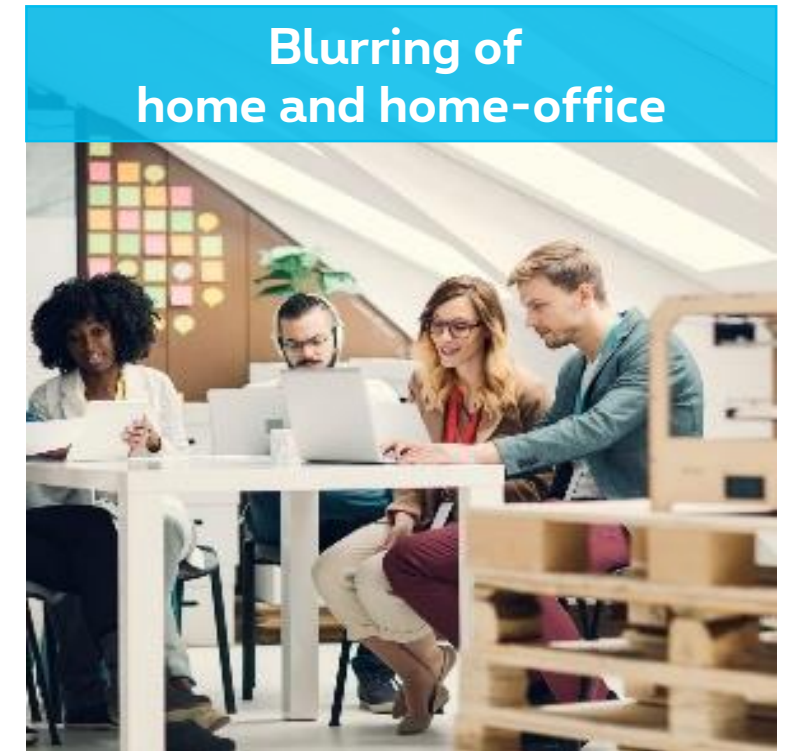
e-Health

Connected objects

banx Digital bank

New **ecosystems** & more simultaneous **services**

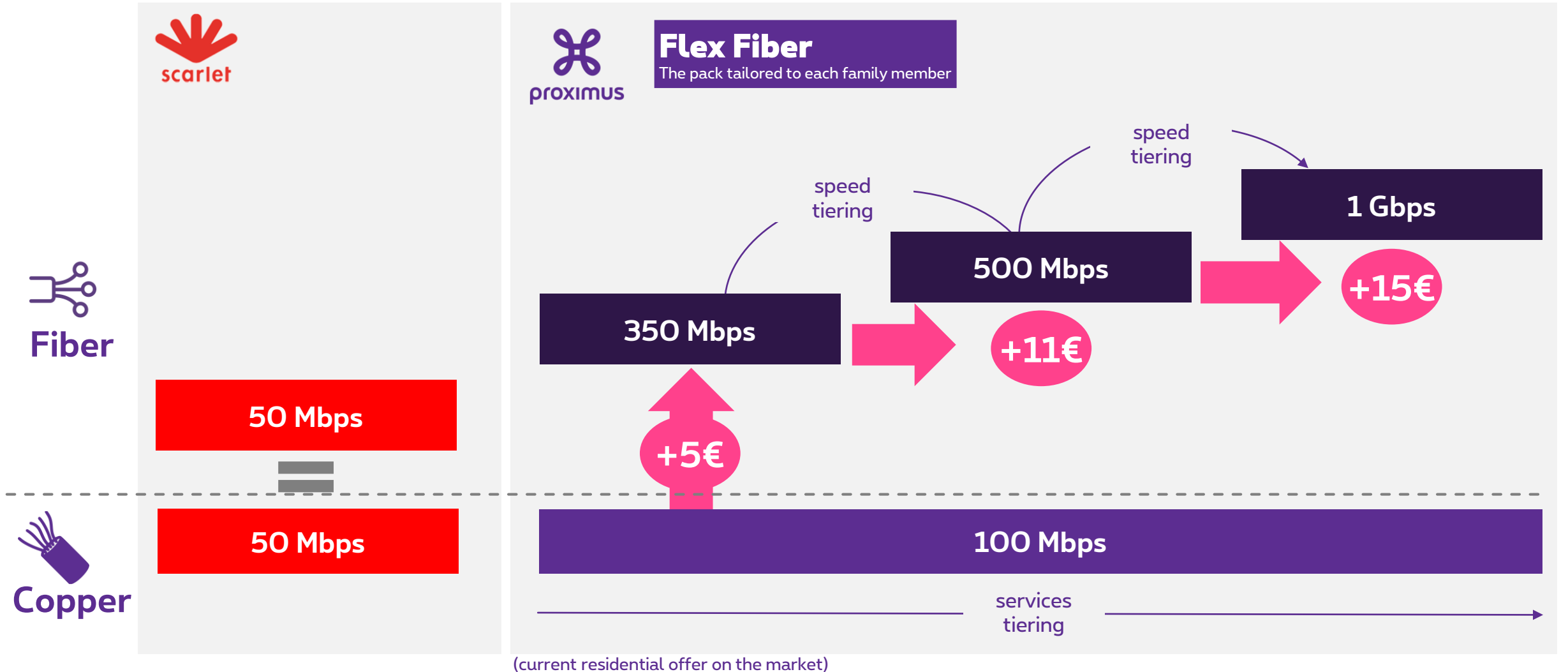
## Home Office



Blurring of home and home-office

Rise of **homeworking** & new needs in **home office**  
Next normal **with reinvented offices**

# We generate extra value thanks to speed tiering in our Fiber Flex offers





# Successful G2M execution resulting in higher Fiber take rates

## Residential

**Digital marketing**  
Audience-based approach

**Out-of-home**  
Regional – city marketing

**Radio – TV**  
Targeting-enabled ecosystem


## Enterprise

**Digital marketing**  
Event-based approach

**Multi channel sales approach**  
Regional – city marketing

**Embedded in smart network concept**

**Strong commercial momentum at rollout**



**12-month network take rate:**  
**29%\***  
thanks to winbacks

**+**

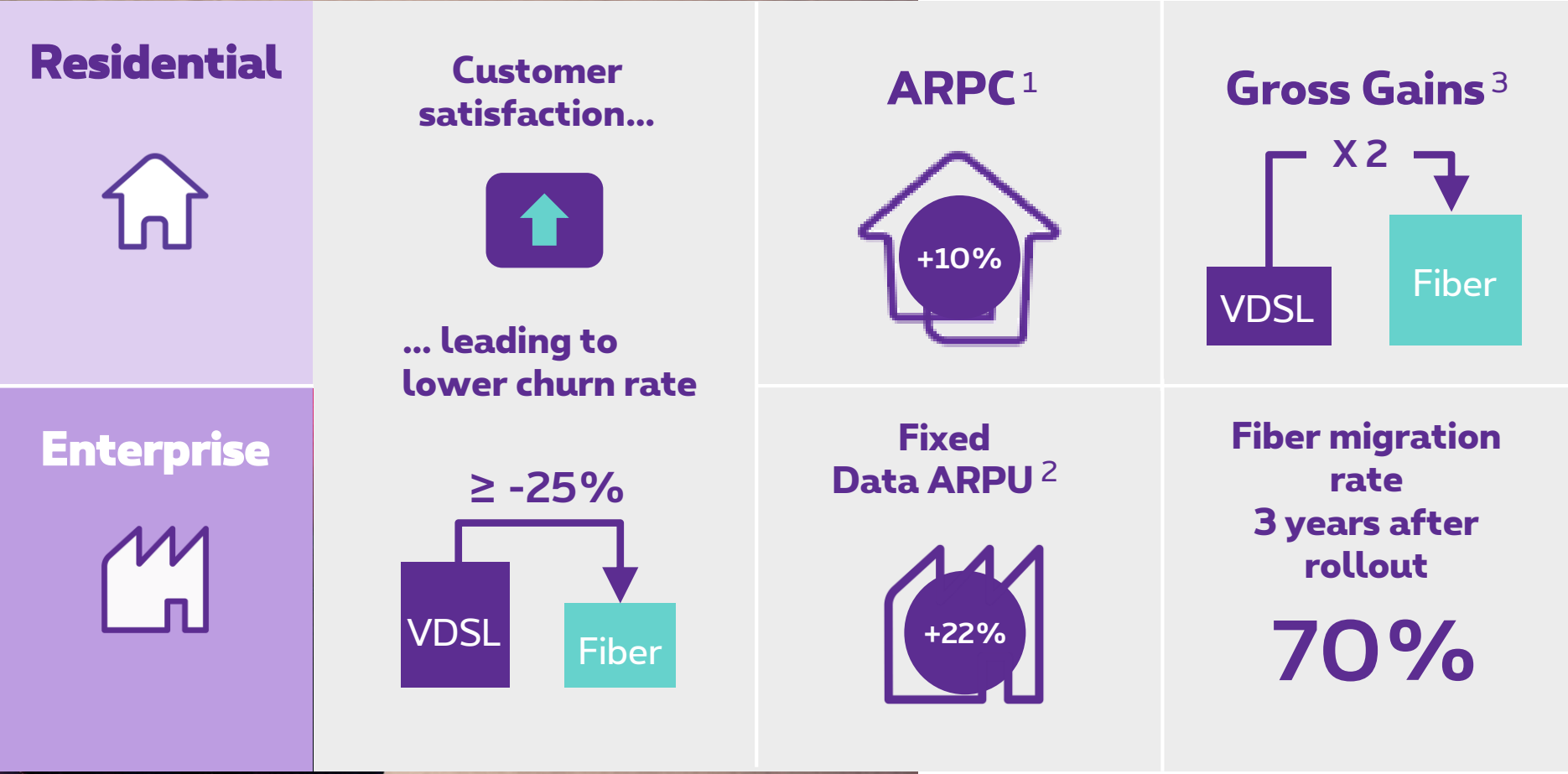
**Sustained operational momentum**



**75-80%**  
**Proximus' retail customers onto FTTH\*\***  
and additional winbacks

\* Consumer, 2020 cohorts  
\*\* Ambition, 3 Year after rollout

# Our approach is leading to some promising commercial benefits on the current Fiber footprint



<sup>1</sup>Avg. revenue per customer for FTTH brownfield, representative sample current footprint.  
<sup>2</sup>Avg. Fixed Data revenue per mono-site customer including Fixed Internet & Data connectivity.  
<sup>3</sup>Gross Gain: comparison GG Fiber/Fiber footprint versus GG Copper/Copper footprint.

# Substantial value creation for Proximus while keeping a sound financial position and attractive dividend return

1

Fiber creating substantial value with positive NPV and  $IRR > WACC$

2

Efficient CAPEX allocation

3

Clear Fiber funding for both Proximus and Fiber JVs

4

Sustaining attractive Dividend policy

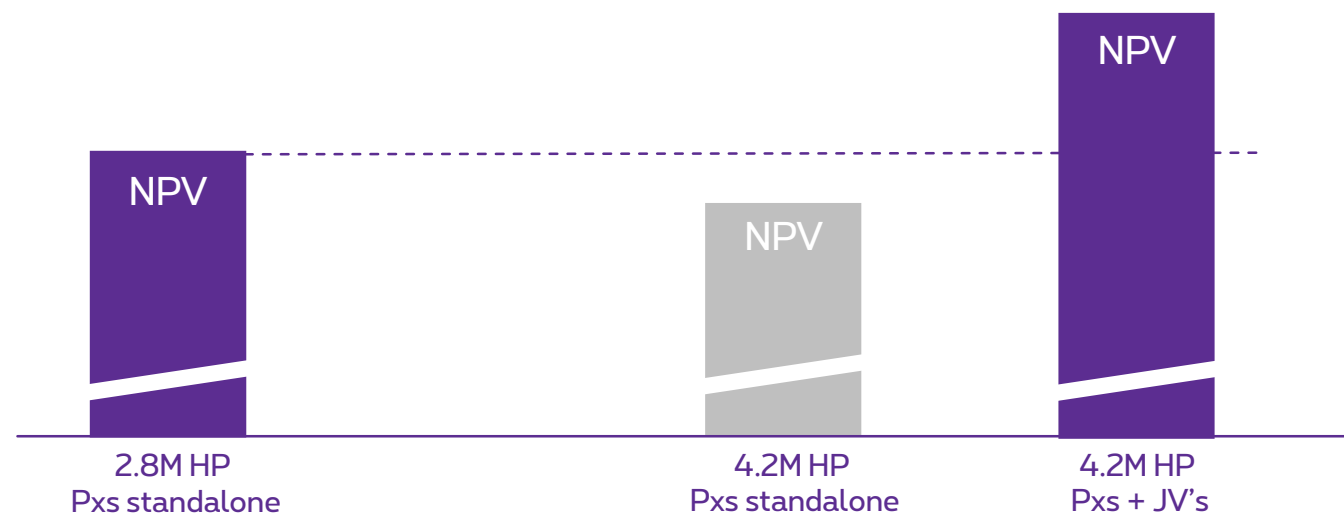
# Our overall Fiber plan drives attractive returns, creating long-term asset value

- > **+€7** ARPU blended
- > **≥ 25%** Churn reduction
- > **++** Wholesale opportunity
- > **>55%** Lower cost to operate/customer
- > **Max 5 Years** Phasing out copper in fiber areas

**IRR > WACC**

## Improved Proximus Fiber NPV

(Indicative graph)



- Retention customer base
- ARPC uplift from Fiber
- Winback to fair market share
- Copper-related savings

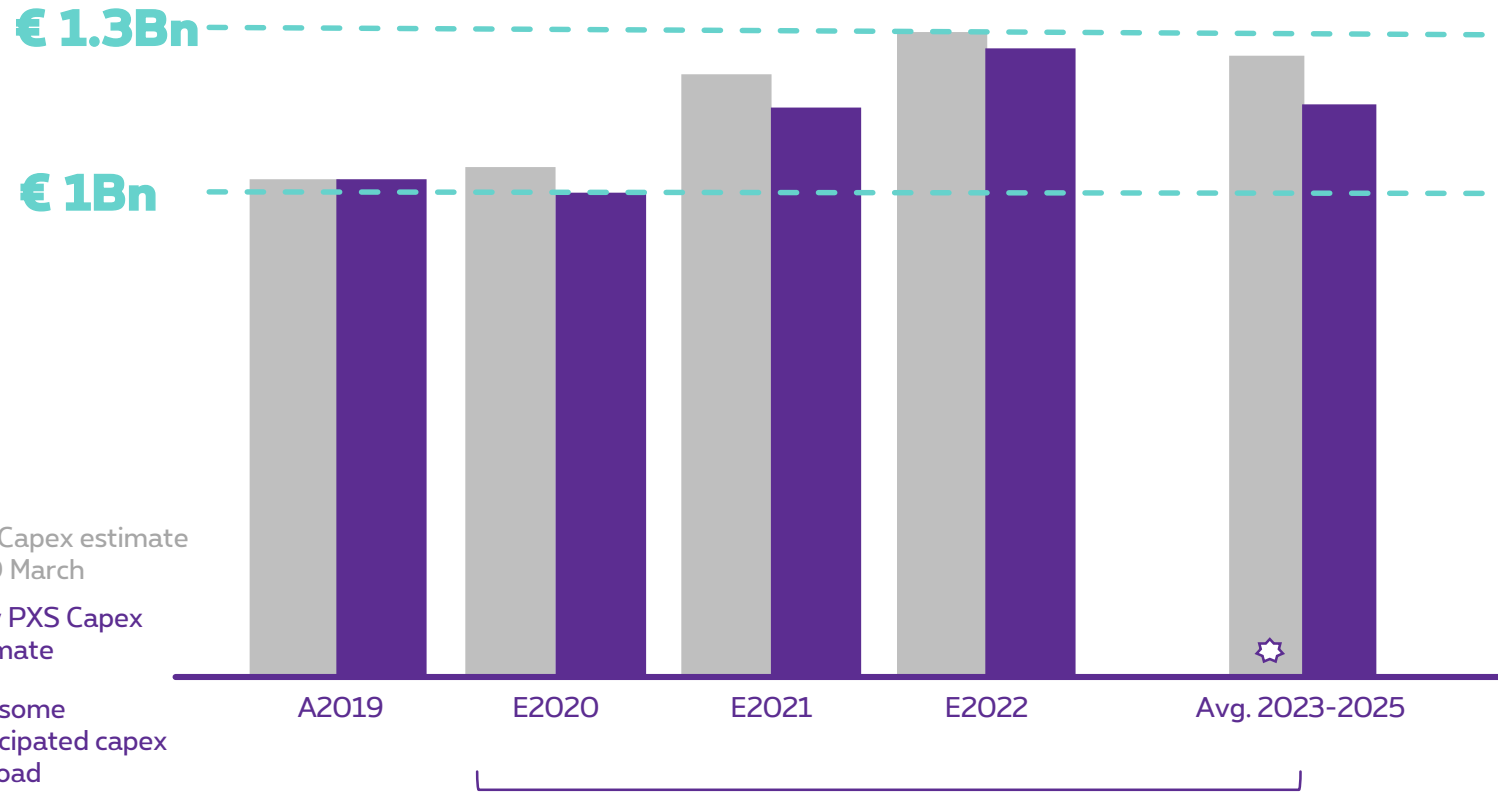
New Fiber plan brings:

- Lower **unit cost** via industrial collaboration
- High volumes on **first mover** advantage, maximising monetization
- Incremental **wholesale** value, relying on open architecture and larger footprint

# With the Fiber JVs, Proximus' CAPEX reduces, while benefiting from increased Fiber footprint

## Total Group CAPEX

accrued, excl. spectrum and football rights



**€ c.500M**  
**lower capex**  
Cumulative 2020-2025

-  FttH offload to JVs and lower Proximus Unit Cost
-  New vendor RAN/Core

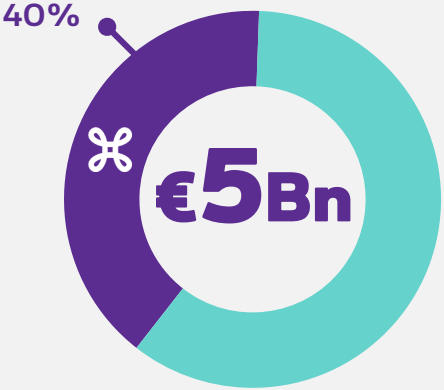
cumulated additional capex savings

# Clear Fiber rollout funding plan

## Proximus' own Fiber rollout CAPEX and Equity injections

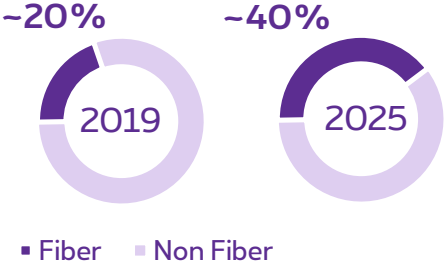
## JV Fiber funded by own debt issuance and equity injections

Investment needed to pass 4.2M premises 2017-2028



\* Homes Passed, brownfield and greenfield, excl.termination capex

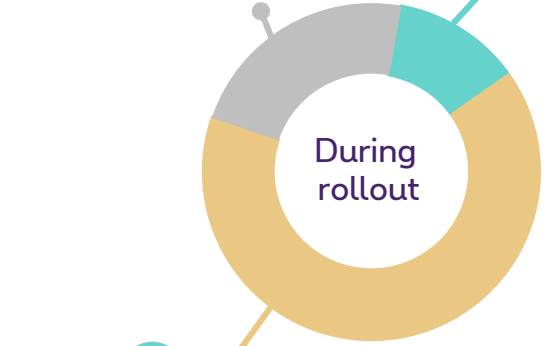
### 1 Rebalance capex envelope



- ### 2 € 1.3 Bn from:
- Optimized Debt level (to around 2X S&P leverage)
  - Assets disposals

20%-30% Equity injections coming from parents

1 10-15% Ebitda generation at JV level



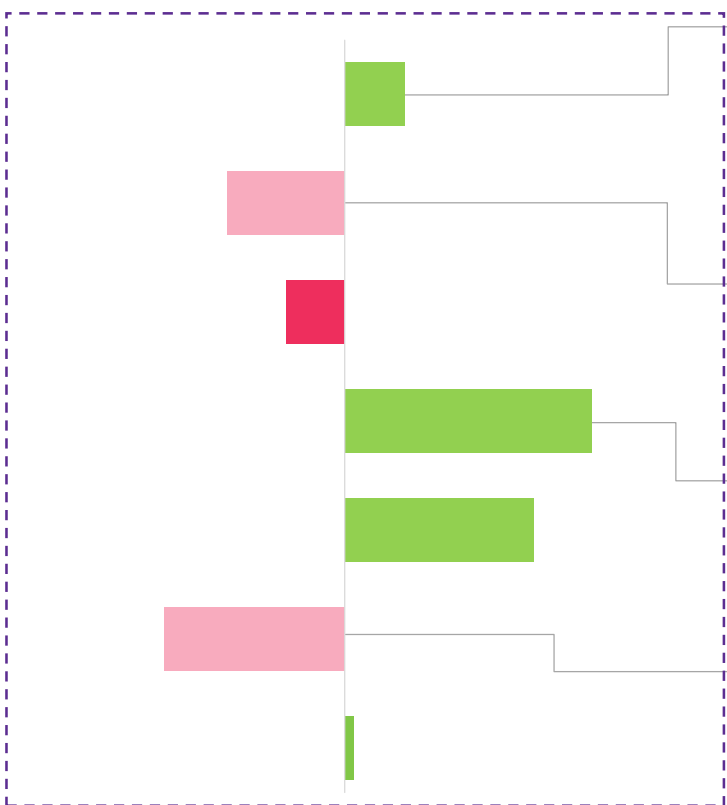
60-70% JV Debt (non-recourse). Access to large quantum of Infrastructure debt financing at attractive terms

# Financial mechanics of Fiber JV's on Proximus FCF generation

Delta versus standalone Fiber rollout plan.

## Cumulative FCF impact (2021E-2025E)

- 1 Revenue
- 2 Opex/COGS
- EBITDA
- 3 Capex
- OpFCF
- 4 JVs Equity injection/dividend
- FCF



- 1
  - Retail revenue
  - Proximus Wholesale revenue leveraging nation wide active layer
- 2
  - Fiber rental cost
  - Opex savings thanks to faster copper migration
- 3
  - Fiber HP offload and lower own unit cost
- 4
  - Equity injection requirements to cover the JVs funding gap during the rollout phase

## Trend changes Post rollout

Consolidated in PROX Group

- More significant Wholesale revenue potential
  - Incremental saving from copper outphasing
  - Strong positive impact on EBITDA
  - Capex offload ends post-rollout
- Significant FCF generation**

**Once consolidated, JV's will positively contribute to Proximus EBITDA. Dividends will be paid to minority interests.**

# A boosted Fiber plan while sustaining an attractive dividend policy

- Boosted Fiber plan with JVs preserving the short-term FCF generation.
- Proximus' estimated cumulative FCF over 2021-2025 remains stable to its prior plan (CMD, March'20).
- On track to return to dividend coverage medium-term.









No impact on Proximus' 3-year dividend policy

€**1.2**/share  
2020-2022





## Closing remarks

-   We are building THE Fiber network of Belgium, reaching 4.2M homes by 2028, at least 70% Fiber footprint.
-   We are creating an open and non-discriminatory network for all operators, upgrading the broadband services delivered to residential and professional customers.
-   We are investing efficiently in the infrastructure of the future, leveraging the best operational and financial levers available.
-   Fiber drives increasingly attractive returns, creating long-term value for Proximus and for Belgium.

# Q&A

## Conference call

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Code	37616326#

# Cautionary statement

This communication may include some forward-looking statements, without limitation, regarding Proximus' financial or operational results, certain strategic plans or objectives, macro-economic trends, regulation, future market conditions and other risk factors. These forward-looking statements rely on a number of assumptions concerning future events and are subject to uncertainties and other factors, many of which are outside Proximus' control. Therefore, the actual future results may differ materially from those expressed in or implied by the statements. Readers are cautioned not to put undue reliance on forward-looking statements, which speak only of the date of this communication. Except as required by applicable law, Proximus disclaims any intention or obligation to update and revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The information contained herein should be considered in conjunction with all the public information regarding the Proximus Group available, including, if any, other documents released by the company that may contain more detailed information.

N.B. The transactions with Eurofiber and EQT are subject to the approval of the competition authorities.