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+++ presentation

Operator^ Good day, and welcome to the Telenet investor and analyst webcast, Q3 2016 results conference call. Today's conference is being recorded.

At this time, I would like to turn the conference over to Mr. Rob Goyens. Please go ahead, sir.

Rob Goyens^ Thank you, operator. Good afternoon, ladies and gentlemen, and on behalf the entire Telenet Investor Relations team, Thomas and I would like to welcome you all to our Q3 2016 earnings call.

I trust you all received our earnings release this morning, and were able to download the PowerPoint presentation from our Investor Relations website that will be used for this earnings call, and are able to join the online webcast.

Before we start, I'm obliged to advise you that certain statements in this conference call are forward-looking statements. These may include statements regarding the intent, belief, or current expectations associated with the evolution of a number of variables that may influence the future growth of our business. For more details on these factors we refer to the Safe Harbor disclaimer at the beginning of our presentation.

Let me now briefly introduce today's speakers. First up is John Porter, our CEO, who'll give an executive overview of the main achievements in the quarter. Next, our CFO, Birgit Conix, will guide you through our financial results. After the formal presentation we will open it up for Q&A. So John, the floor is yours.

John Porter^ Thanks, Rob, and good day, everyone, wherever you may be. Before we dive into the financials with Birgit, and then on to Q&A, I want to take just a moment to highlight some of the developments here at Telenet for the first nine months of 2016.

Late June, as you know, we successfully launched WIGO, our first integrated commercial offering since the acquisition of BASE. Priced between EUR100 and EUR140 per month for the consumer, or EUR150 per month for our SoHo customers, WIGO is Belgium's first all-in-one converged offering for both households and businesses, combining a 200 megabit per second broadband connection; Wi-Fi access; digital TV on all screens; unlimited fixed and mobile calling in Belgium; and a mobile data allowance between 2 and 10 gigabytes, which can be shared amongst all members of the family or small business.

We're really thrilled about the results so far, having achieved nearly 100,000 WIGO subscribers in the first 100 days, thereby already achieving our full-year ambition. Although the uptake of WIGO has been primarily strong with our existing customer base, we've also seen robust growth in the number of mobile SIMs, thanks to WIGO, and the average number of SIM cards per household, which is now around 2.4.

In the entertainment space we've delivered on our promise to bring high quality local content to our Play and Play More customers, which is our SVoD product. In May our first proprietary local series, Chaussee d'Amour, was made available on our SVoD platform. Since its launch in mid-May, the series was downloaded over 1.1 million times, making it the most popular season of a fiction series ever on Telenet SVoD services. Approximately 60% of streamers watched the complete series, with 23% binge-watching it in just one week.

International sales have been robust, and we're very encouraged about our next series, which we announced in October, De Dag. It's another major local fiction project. It'll be airing first on Telenet, and later on our commercial free-to-air broadcaster partner and investment VIER, or SBS TV.

On the operational front, net subscriber additions for our advanced fixed services of broadband Internet, enhanced video and fixed-line telephony were up by 15,000 quarter on quarter in Q3, reflecting the competitive market we are operating in. Churn nudged up as a result of the competitive environment and cable access, but remains well under control as we continue to focus on providing our customers an amazing customer experience, or ACE, as we call it here at Telenet.

As you may have seen in the release this morning, our mobile products performed well through the third quarter. We were actually able to post our best quarterly net adds result since 2013, the King and Kong days, clearly driven by our WIGO offer.

Year to date, we achieved rebased year-to-date revenue and adjusted EBITDA growth of 3% and 2% respectively, and also saw robust free cash flow performance in Q3. Birgit's going to provide more granularity on the numbers n a minute.

Lastly, just a couple of comments on our network ambitions on slide 7. As we commit ourselves to delivering the best experience for our customers on both our fixed and mobile networks, I'm glad to share with you that we've already touched nearly 300 municipalities as part of our Grote Netwerf program. Also, the upgrade of the BASE radio access network is underway, and we're targeting almost 400 modernized sites by yearend. As such, I'm confident that we'll be able to upgrade all 2,800 macro sites by the end of first quarter 2018; all within our previously communicated investment plan of our around EUR250 million.

Now let me hand it over to Birgit, to go through the financials.

Birgit Conix^ Thank you, John, and good afternoon or morning to you all. I'm pleased to see that our strong operational results have translated into a solid financial performance, both for the third quarter and for the first nine months of the year.

Our revenue for the first nine months was up 32% on a reported basis, to nearly EUR1.8 billion, including the revenue from mobile operator BASE, which we acquired on February 11 this year. Adjusted for acquisitions, our year-to-date rebased revenue growth was 3%, with solid mid-single-digit growth for our historical cable business being offset by continued pressure on our acquired mobile business.

For the third quarter, we achieved revenue of EUR621 million, up 35%, and 1% on a reported and rebased basis respectively. In line with our full-year outlook, our rebased top-line growth rate started to decelerate in Q3 as a result of adverse regulatory and competitive impact, and as the prior year period already reflected the benefit from our handset financing program.

Looking at our revenue profile in more detail on the next slide, you clearly see that all products and services have contributed to our growth. Excluding BASE's contribution, Telenet's revenue growth would have been around 5%, driven by a 4% increase in our cable subscription revenue as a result of continued multiple-play growth, more premium entertainment in our mix, and the benefit of certain selective price increases since February this year.

Our B2B business added EUR5.2 million to our revenue growth, driven by an increase in value-added services and growth in carrier services for mobile. And finally, the increase in our other revenue primarily reflects the impact from our handset financing program. Prior to the quarter 3 2015 launch, handset-related payments were accounted for under our mobile telephony revenue on a deferred basis, while on the handset financing they are recognized upfront under our other revenue.

Let's move over to our operating expenses now. Excluding BASE, our operating expenses increased 4% year on year, driven by higher staff-related expenses as a result of modest growth in our employee base and temporary backfill during the integration period. As you can see on the slide, we also incurred higher sales and marketing expenses, driven by the successful launch of our WIGO offers, as John mentioned earlier.

Our network operating expenses increased EUR4 million, excluding BASE, driven by higher maintenance costs and higher electricity costs as a result of additional local taxes. Our direct costs were only slightly up, as you can see here, excluding BASE. As a reminder, our direct costs for the first nine months of the year included a EUR6 million benefit linked to the Orange settlement we reached in Q2 this year. Excluding this non-recurring impact, they would have been higher.

Within our direct costs, higher programming costs as a result of our connected entertainment strategy were offset by lower handset subsidiary-related costs and somewhat lower MVNO-related costs, as a result of a growing proportion of 4G traffic amidst our customer base.

This brings me to our adjusted EBITDA on the next slide. As mentioned in our previous earnings call, our adjusted EBITDA for both the first nine months of 2015 and 2016 included non-recurring benefits of nearly EUR8 million and EUR6 million respectively, linked to the resolution of certain operational contingencies. On a rebased basis, our adjusted EBITDA grew 2% year on year to EUR848 million for the first nine months of the year, despite EUR3 million higher integration and transformation costs linked to the BASE acquisition.

As you can see on the left-hand chart, our cable business continued to deliver robust adjusted EBITDA growth over the period of around 5.5%, partially offset by declines at BASE due to higher commercial costs, and a non-recurring impact from the settlement of an outsourced managed services contract.

For the third quarter, our adjusted EBITDA was EUR295 million, up 3% on a rebased basis, driven by EUR2.2 million lower integration and transformation costs, our continued focus on cost excellence, and lower direct costs as a result of lower handset subsidies and somewhat lower MVNO-related costs.

Year to date, our accrued CapEx reached almost EUR418 million, equivalent to around 23% of our revenue. As flagged in the previous earnings call, our accrued CapEx for the first nine months of 2016 reflects the recognition of both the Belgian and the UK Premiere League broadcasting rights which have been capitalized under EU IFRS in the course of 2016.

Excluding this impact, our accrued CapEx reached around 19% of our revenue for the first nine months. In the quarter, we continued to invest in our fixed HFC network as part of our EUR500 million Grote Netwerf program, while we also started the modernization of the BASE radio access network at the end of August. As John mentioned earlier, we aim to upgrade around 400 sites by the end of this year, and aim to upgrade all 2,800 macro sites by the end of Q1 2018.

As mentioned before, the total estimated investment will be around EUR250 million and key as an enabler for the MVNO-related synergies as we move customers away from the Orange MVNO to our own mobile infrastructure.

Let's have a look at our free cash flow profile now. Year to date, we achieved EUR167 million of free cash flow, including a EUR9 million benefit from our vendor financing program which we implemented in Q3, and through which we were able to extend the payment terms for certain strategic suppliers to 360 days.

Our year-to-date free cash flow performance was impacted by higher cash capital expenditures and higher taxes paid, as well as higher cash interest expenses and an unfavorable working capital trend in Q1 at BASE, offset by solid growth in our net operating cash flow.

For the third quarter, we generated free cash flow of EUR107 million, which was almost as robust as our Q2 performance. Free cash flow growth in the quarter was driven by solid adjusted EBITDA, as I mentioned before, an improved trend in our working capital, and the implementation of our vendor financing program, as just outlined.

Before we zoom in on our outlook, let's spend a few minutes on our net leverage ratio. At the end of September, our net leverage was 3.4 times. Note that this number includes certain unrealized synergies with regards to the BASE acquisition and for our 2015 amended senior credit facility.

As for our debt maturity profile, you will have seen earlier this morning that we're currently tapping both the euro and US dollar loan markets. We intend to issue a EUR500 million eight-year euro term loan, and a $750 million eight-year US dollar term loan, both maturing January 2025. The net proceeds of these issuances will be used to repay existing loan facilities, thereby increasing our overall tenor at attractive market conditions.

And finally, our outlook for 2016, which we have reiterated this morning. Having achieved a rebased year-to-date revenue and adjusted EBITDA growth of 3% and 2% respectively, I believe we are well on track to deliver on our financial guidance for the year. As mentioned earlier, we expect our rebased growth rates, both for revenue and adjusted EBITDA, to decelerate in the second half, while the fourth quarter is generally intense in terms of sales and marketing spend, commercial costs and also higher integration cost.

With the joint organization having been implemented just before the summer, and with the recent start of our mobile network upgrade program, we are well placed to achieve EUR220 million of annual run rate synergies by 2020; hence, allowing us to target a healthy adjusted EBITDA CAGR of between 5% and 7% over the three year period.

With that, let me hand back to the operator for Q&A.

+++ q-and-a

Operator^ (Operator Instructions). Michael Bishop, Goldman Sachs.

Michael Bishop^ Could I just ask two questions? Firstly, I guess a fairly obvious question on the guidance is, whilst it's a fairly loose definition for stable OCF, you're tracking ahead of that. So I was just wondering, outside of Q4 being historically more competitive, are there any other one-off factors that you have in guidance. Perhaps around Mobistar's success on cable wholesale, or anything else around the wider market, that would impact to such a degree that you wouldn't be guidance?

And secondly, the new Proximus tariffs and also Orange Belgium, I guess reshuffling of their mobile portfolio, it would be interesting to get your thoughts on whether you're seeing that have any impact in the market, and what your thoughts are, going forward. Thanks very much.

Birgit Conix^ Okay, so firstly, on the guidance, so as you rightly say, for the fourth quarter is typically lower. If you look at the 2015 numbers, also the fourth is significantly lower than the third quarter. Now what we have in the fourth quarter is additional marketing campaigns, due to indeed, as you say also, competition launched two new products, both of them, so Tuttimus and also the Orange [new lineup].

But we also have higher integration costs in Q4, as opposed to Q3, and this is just also due to phasing. And then we also have our, what we call, [radar] rollout, or RAN rollout, acceleration in the fourth quarter, so also incurring higher maintenance costs. But flat indeed is -- it's a wider range of flat, so it's on the positive side of flat, let's say.

John Porter^ Wider range of stable.

Birgit Conix^ Yes indeed, wide range of stable.

John Porter^ Yes, I think, Michael, I'd further say that we'll continue to evaluate. We'll have October results in 10 days, and we're not necessarily wedded to our release timetable to provide additional information, if that's required, on guidance.

And on the competition, I'm sure you've seen Mobistar's -- sorry, Orange's numbers from the third quarter. I think 17,500 fixed line customers through the access regime by the end of the third quarter, which was an almost 8,000 increase from the previous quarter. That's national numbers. I think they're in best position to talk about their ambitions there.

But as far as we're concerned, churn is very much in line with expectation. We're not anticipating a big acceleration in Q4. We think we're well positioned on the competitive front, with both Orange and Proximus. Additionally, Orange did reduce one of their tariffs of one of their most popular products from EUR39 to EUR33. I think the issue there is Orange has a lot of tariffs.

We've been pursuing this smart simplicity approach for over three years now, four years, and we think that the smart simplicity simplified pricing portfolio for our standalone mobile products is very powerful. And we haven't seen a big impact in churn on the Telenet customer base; more so on the former base, now Telenet Holdings, standalone mobile base.

I think Orange's offer is compelling, but share shifting in -- and this is quite a mature telecoms market connectivity market, and share shifting is not a major component of what's happening in this market. So we'll see how we go.

On the Proximus side, from a competition standpoint, of course, imitation is the sincerest form of flattery. Their launching of a 4P product we think was, of course, very much anticipated by us. I think it's a reasonable proposition for their existing customers to give customers that are in 4P added value. Once again, I'm not going to through in detail what the merits of what they're offering, but suffice to say, we don't see it as comprehensive an end to end, all in proposition as WIGO.

But it's a strong offer for their customer, but all in, apples to apples, there is no potential pricing advantage or other disruptive component to Proximus' all in Tuttimus offer, vis a vis WIGO. Okay?

Michael Bishop^ Yes. That's great, thanks.

Operator^ Nawar Cristini, JPMorgan.

Nawar Cristini^ I have two questions, please. Firstly, a follow-up on the fixed churn that has picked up in the quarter. You mentioned that there is an increase of competition there, so should we understand by that it's Orange Belgium that we should think about here, or are you seeing also impact from Proximus?

And secondly, I wanted to ask about the taxes; in particular, the Belgian Government is working in a project to decrease the corporate tax from 34% to 20%. So it would be helpful to have your thoughts about the prospect of that reform. Thank you very much.

John Porter^ Okay, fixed churn is -- obviously, we're coming off a very low base, so the increase of fixed churn, we don't really see it as overly material. On the mobile side, it is driven mostly by the pricing initiatives taken by Orange. But on the fixed side, you know the numbers. It's 7,500 net adds in the Q3 for Orange, so for their fixed access business; that's the way I read their result.

So if you can imagine that might be distributed, to some extent, over the southern part of the country as well, and the fact that -- from a net standpoint, of course, it's a cost plus regime, sorry, it's a [retail minus] regime and we are not impacted as dramatically as if we lost a customer completely. You can see that that level of churn is not material to our financial result in Q3.

And do you want to answer the taxes question?

Birgit Conix^ Yes. So notwithstanding the fact that the reform of both those containers out of positive elements, we are of the opinion that some important elements are still meeting with everything is in development, as you well know. So for instance, tax unity, that is currently not included and, for instance, grandfathering of previous rulings, etc., that would be something that we would hope that also would be considered. But it's a bit early to already give further comments on the implementation of a future tax reform.

Nawar Cristini^ Okay. Thank you very much.

Operator^ Vikram Karnany, UBS.

Vikram Karnany^ I have three questions, please. Firstly, on WIGO, reaching your initial targets, how should we think about the momentum, going forward? Any color you can provide in terms of inflows you're getting from competitors, as you mentioned in your presentation?

Secondly, in terms of leverage, how should we think the evolution of leverage, including the new BASE synergies that you have now taken to account, in terms of medium term, the ramp up of growth, in terms of EBITDA happening in the next couple of years, are you creating room for shareholder remuneration probably to resume from next year?

And finally, can you give us an update in terms of BASE network migration, if you have made any progress in terms of migrating the MVNO customers yet, at this stage? Thanks.

John Porter^ Yes, I'll take those on. In terms of momentum on WIGO, we're still running at very similar levels to what we were in our first 100 days. So just slightly under 1,000 connects a day onto WIGO. What's changing is, of course, the mix of migrations, cross-sells, and new acquisitions in our favor. Obviously, we reached out to some of the customers.

There is about 170,000, 160,000 customers that can save money with WIGO and, of course, we reached out to them first, to build some momentum in the product launch. And that's a good thing; that's what continuing our momentum. Our cross-sell where customers are coming from 1P or 2P into WIGO, or 3P into WIGO, is increasing in the mix because we're working our way -- essentially, the customers that could benefit the most move the fastest and that's a finite number of customers.

So the cross-sells improving, the new acquisitions improving because we're getting better at it but it's still a reasonably low number, mid-single digits, of the total WIGO connects, our new acquisitions. So the momentum, the absolute number, is continuing. The mix is improving, particularly on cross-sell versus migrations and so the accretiveness, if that's a word, of the overall initiative of WIGO is improving.

So we expect that will continue at this pace for a couple more weeks at least, but then we move into a more entertainment sort of phase of our advertising and promotion. We're moving into a Play More and Play Sports promotion, so expect that number to come off a little bit, but it has very good momentum of its own so shouldn't come off that much.

In terms of operating leverage, that's getting a lot of focus from us right now. As we have always said that our objective with BASE was to integrate first and optimize later, that's worked out very well for us so far. Been a very smooth integration; the companies are working as one extremely well. The move was transparent to an improvement for the customer experience. And these are the important, really important, things to get right in an integration.

We're now moving into more of an [optimization] phase. As you know, we guided to 5% to 7% growth over this three-year period through end 2018, so we stay strong, stable growth in 2016. It's quite clear that we need to -- and with still some headwinds in the mobile business on the revenue side, particularly through loss of roaming revenues and the prepaid business which will come under pressure because of the registration regime.

To offset those revenue losses, we obviously have to be successful in all other parts of our business, but we also have to drive the operating leverage over the next couple of years. And that's something that is already well underway and it's really just a matter of the timing of when these improvements kick in. Some of our good result in Q3 may be a result of some of those improvements kicking in even ahead of time.

The third question was the BASE network -- migration, yes, sorry. Yes, well, we've moved over 10,000 customers. We have a, I call it a triage unit, because basically, as new customers come on, or as we upgrade groups of macro sites, we take a look at who might be the most logical first customers to move and, because we can track through the geolocation and user data, how they're using the mobile network. So if they're a voice-heavy customer, post upgrade they're going to get migrated first. If they do [not] have a extreme mobility profile, they are likely to get moved first.

So we have kind of a beta going on right now where we've moved, like I said, over 10,000 customers. I think we had four phone calls and I think only one person asked to be moved back. So we're pretty optimistic that we'll be able to get this migration pattern going pretty heavily in 2017, which has always been our goal. We never really looked for any substantial MVNO to MNO synergies in 2016.

Birgit Conix^ And then there was, Vikram, you also had a question on the leverage target so --

John Porter^ That was operating leverage, I think.

Vikram Karnany^ It was actually the Group leverage.

Birgit Conix^ So our leverage is currently at 3.4 times at the end of the third quarter 2016. This includes the add-back of certain unrealized synergies, so with regards to this acquisition. We believe this is a solid number and actually the same level as prior to the BASE acquisition. We are then further, 2017 will still be characterized by high investments in mobile and fixed and so the discussion, which is a Board discussion, is probably more likely to be in 2018, I would think, John?

John Porter^ I think that's right.

Vikram Karnany^ Okay, that's very helpful. Thank you.

Operator^ Emmanuel Carlier, ING.

Emmanuel Carlier^ Three questions; two on taxes. So the first one is on the new Group structure; could you disclose the kind of savings you expect from that, if any?

And then the other question on taxes is on the plans from the government to lower the rate towards 23%. They are discussing a lot about removing quite a lot of deductible costs, so depreciations, interest costs, etc., so net-net, how do you look at it? Will it still be positive or not? And if so, how much, if you can guide already?

Third question is on phasing on the CapEx and also on the OpEx side. I'm sorry, I guess on CapEx it should peak in 2017 and then come down quite substantially. For OpEx, I guess it's also mainly a 2018 and 2019 story. So, yes, if you could provide a bit more color. Thank you.

Birgit Conix^ Yes, so on the tax, we adjusted our Group structure in August of 2015, so Telenet Group, so former BASE now owns Telenet and just what it does is it allows us to hold a debt at an operational level where it actually belongs. That is what that is. But other than that, we cannot be more specific about that at this point in time, so that is still to be seen.

And then on the general tax reform, etc., that is information I believe for later on. It's a bit early to speculate on that, etc., so I would prefer to park that for some later calls when we actually exactly know what the tax reform would mean.

John Porter^ Any [implementation] of deductible costs would have a massive disruptive impact on industrial Belgium, so I think it's a lot bigger than us and it's also something that's going to be hotly debated. And in case you've watched some of the pace of legislative reform in Belgium, you will realize that that is going to be a very lengthy process.

Emmanuel Carlier^ And are you depreciating on an accelerated basis actually, because that was one of the points they are discussing these days?

Birgit Conix^ No.

Rob Goyens^ No, it's mainly on a straight line. They are for most of the network related investments so that follows, actually, a fairly linear pattern in there that we do for most of our network investments, whether it's cable network, also now with mobile, so it's a straight line depreciation.

Birgit Conix^ Yes, and then on the CapEx saving, we will have still some very large amount in 2017, but also still in 2018. CapEx is a long-term story, our story as you know, Emmanuel. In 2018, we have a major upside in terms of synergies and then as of 2019, you will see that our CapEx will go down significantly.

John Porter^ But also, because we've guided at 5% to 7%, obviously we're not -- you can do the math, we're going to start to see some synergies flow through and some operating improvements in 2017 as well. So it's not just completely in 2018/2019, it's a progression from here.

Emmanuel Carlier^ Okay. Thank you.

Operator^ Ruben Devos, KBC Securities.

Ruben Devos^ Two questions from me, small ones. First one, your CapEx guidance, you basically said that you expect CapEx to amount to 23% of sales, excluding broadcasting rights, for the full year. If you take that into account, it seems we should see a significant ramp up in Q4. Am I right in saying that, if we assume 2% revenue growth, CapEx should amount to EUR220 million to EUR230 million in Q4? If yes, how comfortable are you with the free cash flow guidance? What are the building blocks that would offset the much higher network investment in Q4?

Second question, in determining your net leverage ratio, the press release includes unrealized synergies of almost EUR108 million as part of Telenet's adjusted EBITDA. Could you give some comments on how you've derived this figure and what assumptions have been taken? Thank you.

Birgit Conix^ On the last question, I hand it over to Rob.

Rob Goyens^ On the leverage, Ruben, as part of our 2015 amended senior credit facility, we actually have the possibility to add back unrealized synergies with regards to acquisitions. When we discussed actually internally, I think, first of all, we still feel very comfortable with the EUR220 million annual run rate synergy number we put forward by 2020 which, as you know, is largely driven by OpEx-related synergies coming from the MVNO-related savings.

This being said, when we look at the drivers of that synergy number, and because a little bit is actually MVNO-related, we decided actually to take a bit of a haircut on those synergies, just from a covenant perspective, because even though you have the right to add back those unrealized synergies, you don't want to overstretch. That's why we took a safety cushion there, just to add back around 50% of the unrealized synergies. That's what we do with regards to the overall leverage calculation.

On your question with regards to CapEx, it's true that we spent around 19% of sales in the first nine months. If you exclude the Belgium and the UK Premier League soccer rights, in order to get to our 23% CapEx to sales for the full year, again excluding the recognition of the football broadcasting rights, our CapEx in Q4 should actually go up quite steeply compared to the previous quarters. It should actually be in excess of EUR200 million, or around 30% to 35% of sales.

Now in Q4 typically, yes, there are some seasonal effects playing. Typically, you have the impact of seasonality that is playing on our EBITDA, as Birgit mentioned earlier, with regards to higher commercial cost and also marketing expenses. And typically in CapEx, it tends to be a quarter where also a lot of CapEx is being recognized.

Of course, if the CapEx is accrued, it does not necessarily mean that they will be paid because it depends on the payment term of the suppliers. And we are working very hard to extend the payment terms of our suppliers. We actually have an average of around 45 days at this point, but we actually stretch it, and we actually are going to move increasingly to a situation of 90 days on new vendors. We also implemented variation in the financing program, which actually allows us to extend our payment term to 360 days.

On the cash flow profile, we do think that, even though our EBITDA growth will come in a bit lower in Q4, the CapEx will come in higher. Because of these levels, we still have a lot of room to achieve on our free cash flow guidance for the year.

Ruben Devos^ Okay. Thank you, Rob.

Operator^ Paul Sidney, Credit Suisse.

Paul Sidney^ Just a couple of very quick questions on WIGO, please. Is it possible to give us an indication of the mix of WIGO customers across the three products, perhaps maybe SIMs per WIGO customer or average ARPU per WIGO customer?

Then perhaps a little follow-on from that; your gross Telenet postpaid adds of 65,000, is it possible to give us an indication of how many of those adds were directly related to WIGO packages, please? Thank you.

John Porter^ I'm not going to give a breakdown of the mix of acquisition, cross-sell and migration because we see that as competitively sensitive. But I can tell you that our average across the SIMs per household is increasing from just under 2 to 2.4. You can, once again, figure the math on that.

As a rule of thumb, our King and Kong sales representing a little bit over one-third of our daily sales of SIMs and the remaining just under two-thirds is going into WIGO. That's about all the granularity I'm comfortable to give you at this point.

Paul Sidney^ Okay. Thank you. Can I just have quick follow-up as well, just a point of clarification? Did you previously say that you targeted 160,000 to 170,000 existing Telenet customers that were already on quad play that could save money? Sorry, did I hear that right?

John Porter^ Yes.

Paul Sidney^ Okay, that's great. Thanks.

Operator^ Marc Hesselink, ABN AMRO.

Marc Hesselink^ Firstly, on the site upgrades, you're investing quite heavily and doing that quite quick so that you can do the transfer of the clients. But you also have the contract with Orange Belgium, and I believe there is some kind of minimum payments that you have to make. Does that imply that those minimum payments cap your savings and that you will still see the biggest of your savings post the 2018 period?

And the second question is on the business segment; I can remember from previous calls you said you see some synergies in the business segment from the integration with BASE. Right now there is still good growth in the business, but it's not really accelerating. Is that something that's more for next year to come?

And finally, could you give your view on the possibility of M&A files in the Belgian market, both Brussels and Wallonia? Thank you.

Birgit Conix^ I will do the first one on the revenue commitment towards Orange; we disclose the number? No, we just do not disclose the number, sorry. But this is in full accordance with our plan, actually, and it's not linearly spread over the 2016/2018 period. So there is still--

John Porter^ In other words, the faster we go, then the sooner we -- those payments can take place at any time over the three year period.

Birgit Conix^ Yes, correct.

John Porter^ So if we go faster, then, potentially less in the back-end. In terms of the business segment acceleration, I think where we're looking at historical numbers, and I'm looking forward, and I could tell you a lot of the building blocks are in place for this acceleration. And we're quite confident that the addition of an owned and operated mobile network, in terms of the suite of products that we offer our customers, is going to pay off significant dividends.

So a fixed mobile convergent offer, such as WIGO in SoHo and [S end of SME] is already delivering very strong results. Down the road, obviously we've pointed out that the rest of the SME market where we have virtually just about 10% market share, our prospects are much improved by having an end-to-end solution. At the same time that we're working on integrating mobile and fixed in our business segment, we're also pursuing some very interesting value-added service propositions, and by value-added services, of course I mean security, hosting, Cloud, software as a service, etc.

So it's coming together, and it's coming together against a bigger base of customers and a bigger base of potential. So going forward, still pretty confident you're going to see some acceleration there.

And M&A, I think, suffice it to say, there's nothing that we are focused on at this point. I think you know there was a process being run on Numericable/SFR Belgium, and I'll say that we were involved with that process but, as far as we're concerned, that's dead now. And of course, VU is VU and they continue to do what they do, so it's not an area of focus for us and probably won't be for the foreseeable future.

Marc Hesselink^ Okay. Thank you.

Operator^ Stefaan Genoe, Degroof Petercam.

Stefaan Genoe^ Could you update us on the, I would say, non-business volume-related OpEx that you incurred, or will incur this year, and you relate it to the merger process? And how should we see the delta on this in 2017?

And I think you indicated that most of those synergies from the merger should come, and about 70% should fall into 2018; do you also have a percentage indication for 2017? I think the 70% was for 2018.

And then lastly, could you already give an indication on the usage profile of the additional SIM cards from the WIGO customers? Thank you.

Birgit Conix^ I can talk about the integration costs, and afterwards I will hand over to Rob. We said earlier, the integration costs in 2015 were around EUR10 million, so I can now already say that, for 2016, it will be around the same number; a bit higher, but not much. That is in line with what we've said during the Capital Markets Day. Year to date, we have spent EUR8 million on integration costs and, as I said earlier, for the fourth quarter we expect some more integration costs, so that is also what you will see. So in line there.

And this is not taking into account any kind of network integration costs; this is just integration costs of putting both companies together and making this work operationally.

John Porter^ But you consider, for a large part of 2016, we've been running these companies in parallel. We haven't pushed the button on some of the G&A synergies that will ultimately be derived, and so you could expect the integration costs to go down and the synergy benefits to go up from here.

I don't think we can give you exact guidance on what percentage of those will be in 2017 and what percentage will be -- if we said 70% in 2018 that's -- the majority of which, of course, is coming from the MVNO. And as we pointed out before, the payments to Mobistar don't reduce in a linear fashion, they can repeat. The reduction will be at the pace at which we are able to migrate the customers, over time, although there is a minimum commitment to Orange on that.

In terms of the usage profile, it's too early to tell you if there's any substantial deviation from what we've been used to. Where we are right now is that the average customer, the average SIM, in aggregate it's about 900 megabits per customer per month. And seeing very good offloading, about 350, I think, meg in being offloaded outside the home for our [EEP] customers and inside the home, of course, it's a huge amount of data being offloaded. So we have a lot of leverage to pull to ensure that usage is moderate or even ultimately reduced by these initiatives.

Stefaan Genoe^ Okay. Thank you.

Operator^ Saroop Purewal, Redburn Partners.

Saroop Purewal^ I just have one question and it's on your mobile net adds. You had a very strong number at 65,000; I just wondered if you could share some information on your number porting stats. I just want to understand how this could have potentially triggered a churn event at some of your competitors, specifically Proximus, and how that may have changed during the course of when you launched WIGO, so pre and post WIGO?

John Porter^ Well, we're not going to tell you porting information because I don't think that's public information, and it's not something even a lot of people here at Telenet actually don't get access to that information as well, so I can't really tell you it.

What I can tell you is that, do not make the assumption that all of these SIMs come from our competitors. We are increasing the market because of the way we market it. [That's a risk]. And under our three tiers you have the two SIMs per household, five SIMs per household and 10 SIMs per household. So people are adding SIMs to old phones that are sitting around and giving them out to other people in the family; they're adding SIMs to other devices and things like that. So don't make the assumption that 100% of these are coming from our competitors, although I'm sure when you see Mobistar's results and you'll see Proximus' results tomorrow, I think, you'll be able to come to your own conclusion.

Saroop Purewal^ Okay, great. Thanks very much.

Operator^ Roshan Ranjit, Deutsche Bank.

Roshan Ranjit^ Just a very quick question from me. In the recent weeks have you, in addition to Orange Belgium, have you see any interest or increased level of interest in access to your cable network from any other players in the market? Thank you.

John Porter^ No, we haven't, absolutely not. Not a surprise because, as we've said all along, this business is not for the fainthearted. We've got to write a pretty big -- not big enough, but considering it cost us EUR10 million to implement them and they gave us EUR600,000, but still it keeps the [dilatants] at home. So no, we haven't seen any additional interest whatsoever.

Roshan Ranjit^ Okay, great. Thank you.

Operator^ Siyi He, Berenberg.

Siyi He^ I just want to follow up on Saroop's question earlier on. I was wondering if you can give a comment on how many of the WIGO net additions that you have is actually the mobile customers and how many is for the SIMs that are actually used on other devices?

And if you can just follow on from that question, what do you think would be the reasonable SIM per household, going forward, and what your target would be? Thank you very much.

John Porter^ Well, I'm not sure that -- well, first of all, I don't have that number at my fingertips but it's obviously the vast majority of them are getting put into smartphones. But I'm not sure that we really care that much where they're being put because this is a data centric relationship with the customer. So whether they're putting it in a device that's capable of making mobile phone calls or not is not so material for us.

And second part of your question?

Rob Goyens^ Was on the WIGO net adds and the number of SIMs per home. I think John alluded to that already in the call, so that currently we have around 2.4 SIMs per household; actually of course mobile has grown very strongly in Q3. And just prior to the launch of WIGO, order of magnitude it was 1.5, so you clearly see that there is still a lot of momentum in the overall numbers.

And as we mentioned, we're still a bit early day with regards to WIGO, just having launched it at the end of June. And to be honest there, we were also a bit overwhelmed with the success because the number of customers we have realized at the end of Q3 was more or less the number we had been putting forward to reach by yearend.

So we are actually also delivering ahead of our own schedule here as well, which shows you that there is a market for those type of genuine quad play products that we are putting into the market. So that looks pretty promising.

Siyi He^ Thank you very much.

Operator^ Guy Peddy, Macquarie.

Guy Peddy^ Just two very quick questions, and one for clarity. When you mentioned a moment ago about the amount of traffic you're offloading outside the home on to WiFi for your mobile customers, was that in addition to the megabit number you gave per SIM? I just wanted to make sure it wasn't an allocation of that.

And secondly, you mentioned earlier about all the working capital moves you're doing by extending credit and deferring handset payment cycles for 360 days. They all provide one-off benefits. So if they're going to be a major driver of short-term free cash flow, is there a risk that actually we're creating an expectation of unsustainable free cash flow, given these one offs? Thank you.

Rob Goyens^ Let me take the second question, Guy, on the free cash flow. So, as I said, we implemented the vendor financing program. For those of you less familiar with it, it's a reverse factoring program, so we are actually extending our payment term to 360 days. For us, it's actually a diversification of credit, but admittedly also a key form of credit. And we believe that, in order to make this plan successful and work in the long run, it needs to be sustainable. That's why we only do it with strategic, selected suppliers, not to go overboard with the program.

And in order to give you more visibility on the growth of the platform, we're also providing more granularity in the release. So we actually mentioned that, for the first nine months of the year, the benefit was EUR9 million of payments that didn't take place in the quarter but actually were deferred towards 360 days.

And so we are carefully monitoring the growth of the platform, indeed to make it sustainable because next year, just conceptually what will happen is the platform will continue to grow, as the spend of those suppliers will annualize. At the same time, you need to repay a certain number of spend, so you clearly want to monitor all types of things.

So that's what we are doing here over Telenet. But the real drive of it is clearly a cheap form of credit and diversification. And the fact that it stays within the short-term debt boundaries, which also has a nice add-on benefit that it does not impact our financial covenants.

John Porter^ And your first question, the 350 megs of offload, those are [EEP SIM] customers, which is not 100% of our SIMs by the way. And that's in addition to the average total customer usage of a little bit over 900 megs per SIM. And then there's a whole other component, which is the in-home component, which is even higher. And that's also in addition to the 900 megs.

Guy Peddy^ Brilliant. Thank you very much.

Operator^ [Joost van der Sluis, Kempen].

Joost van der Sluis^ Two questions from my side, please. First one on long-term capital intensity; if I'm correct, at the Capital Markets Day you mentioned 19%, which seems a bit high, given that mobile usually operates at a much lower level. Does this includes also content, for example?

And a second one on roaming; do you already see some price elasticity this quarter, in the sense that customers use more roaming now it's cheaper? And can you give some guidance on the impact of roaming next year?

Birgit Conix^ Roaming for 2016, that is around EUR10 million, as we also talked about during the Capital Markets Day. Now for 2017, you can expect the same kind of number because there you see the second wave of impact of roaming. As you know, it started for the second half of 2016, and then the next wave is second half of 2017, so you'll get more or less the same number.

And then your other question on the CapEx, so the 19% is actually excluding content still. This is 2019, but there we see an acceleration of the decrease of percentage to revenue. So it'll reduce further 2020 and then going forward for various factors, because you're right, mobile typically has a lower CapEx to revenue number, so we'll benefit from that but also from, for instance, lower prices on set top boxes, etc. So there's many factors that will drive that percentage down. But we are cautious not maybe immediately in 2019, but we do see it in the future years, so that is for sure.

Joost van der Sluis^ Okay. Thank you very much.

Operator^ That will conclude today's Q&A session. I would now like to turn the call back to Rob Goyens for any additional or closing remarks.

Rob Goyens^ Okay, thank you, operator. So indeed, ladies and gentlemen, I guess that wraps up today's call. Please feel free to reach out in case of further questions. We hope to see you soon, during one of our future roadshows or conferences. Thank you and goodbye.

John Porter^ Goodbye.

Operator^ Thank you. Ladies and gentlemen, that will conclude today's conference call. Thank you for your participation, you may now disconnect.