Company Name: Telenet
Company Ticker: TNET BB
Date: 2020-02-12
Event Description: Y 2019 Earnings Call

Market Cap: 4710.10093774
Current PX: 41.0800018311
YTD Change($): 1.02000183105
YTD Change(%): 2.546

Bloomberg Estimates - EPS
Current Quarter:
Current Year: 3.379
Bloomberg Estimates - Sales
Current Quarter:
Current Year: 2592.786

Y 2019 Earnings Call

Company Participants

- Rob Goyens, Vice President of Treasury, Investor Relations & Structured Finance
- John Porter, Chief Executive Officer
- Erik Van den Enden, Chief Financial Officer
- Ann Caluwaerts, Senior Vice President, Corporate Affairs

Other Participants

- Roshan Ranjit, Analyst
- Emmanuel Carlier, Analyst
- Nicolas Cote-Colisson, Analyst
- Michael Bishop, Analyst
- Nawar Cristini, Analyst
- Steve Malcolm, Analyst
- David Vagman, Analyst
- Paul Sidney, Analyst
- Ruben Devos, Analyst
- Stefaan Genoe, Analyst
- James Ratzer, Analyst
- Simon Coles, Analyst

Presentation

Operator

Ladies and gentlemen, welcome to the Telenet Conference Call. Let me introduce you, Mr. John Porter, CEO; Mr. Erik Van Enden, CFO; and Mr. Rob Goyens, Treasury, Investor Relation and Structured Finance. Sir, please go ahead.

Rob Goyens, Vice President of Treasury, Investor Relations & Structured Finance

Good afternoon, everyone. My name is Rob Goyens, Head of Treasury and Investor Relations at Telenet. I would like to welcome all of you to our Q4 2019 Earnings Webcast and Conference Call. I trust, you've all been able to have a look at this morning's earnings release. The release and the presentation for this call can be found in the Results section of our investor website.

As usual, we'll start with John Porter, our CEO, who will walk you through some of the main strategic and operational highlights of the fourth quarter. Next, our CFO, Erik Van den Enden, will guide you through our quarterly and annual financial results. And afterwards, we will gladly open it up for Q&A.

Before we start, however, I would like to remind all of you that certain statements in this earnings presentation 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 the presentation.

With that, let me now hand over to John.

John Porter, Chief Executive Officer

Thanks, Rob. Hi, everybody. It's John here. I'm very pleased to say that we ticked the boxes once again on all our full year 2019 guidance metrics. First of all, we did significantly better than forecast on the full year 2019 top line performance with a decline of only 1.2% on a rebased basis. Higher handset sales and higher production revenues at De Vijver Media, partially offset the impact of the loss of MEDIALAAN MVNO contract, lower interconnect and lower mobile telephony revenues.

Adjusted EBITDA declined 1.7% on a rebased basis to EUR1,375 million with the same drivers as mentioned above. With substantial savings in our capex, we achieved rebased operating free cash flow growth of 18%, and managed to generate EUR391 million of adjusted free cash flow, at the higher end of our guidance. In light of the intermediate dividend paid in December 2019 and the robust adjusted free cash flow generated in 2019, the Board of Directors will propose a gross final dividend of EUR143.2 million or EUR1.30 per share gross to its shareholders at the April 29, 2020 Annual General Shareholders' Meeting. If and when approved, the final dividend will be paid in early May 2020.

We achieved our full year 2019 guidance, thanks to a solid set of operational KPIs, which underpin the good start of our '19 through '21 strategic growth plan. We added another 39,000 new FMC subscribers in the fourth quarter 2019, bringing the total for full year 2019 to nearly a 150,000 net additions, resulting in a 37% growth year-on-year. Thanks to the success of our fixed-mobile convergence strategy, we were able to increase the full year 2019 fixed ARPU per customer relationship by 3% year-on-year.

As more and more customers opt for bundled service offerings, the mobile attachment rate increased 7 percentage points year-on-year to 59% in our 3P universe. This also explains our continued growth in mobile postpaid, adding 39,000 subscribers in the fourth quarter and almost a 170,000 for the full year 2019.

In the B2B segment, we further signed multiple new large accounts and I'm also particularly pleased with the solid uptake of the brand new KLIK FMC offer, driving growth in the SOHO segment. By launching 1 gigabit speeds on our HFC network back in September 2019, we reconfirmed our leadership in speed and infrastructure.

Fixed traffic more than tripled amongst our Gigabit subscribers compared to non-Giga subs, underpinning the need for speed. We distributed 544,000 WiFi boosters so far since the launch of the Good Flow campaign in the summer of 2018, providing our customers best-in-class in-home connectivity, which is our top priority.

The BIPT mobile network drive tests, done in September through October 2019, prove once again that we're also leading on the mobile side with the highest up-speed and download speeds available in the Belgian market. Combining the best fixed-mobile converged products with the most inspiring entertainment experience has always been at the heart of our strategy. We updated our Play and Play More premium entertainment packages with the latest popular series, and our fully-owned free-to-air channels managed via SBS Belgium can look back on a great year, setting a new historical record for four, five and six, closing 2019 with a 20.8% market share in the commercial target group of 18 to 54 year olds.

We also announced today that together with DPG Media, our intention is to jointly launch a fully-fledged new video streaming offer through a joint venture between the two companies. In this way, we want to respond to changing viewing behavior and together, offer a local response to foreign streaming services. We expect the new company to be operational in the fall of 2020, pending approval of the competition authorities. As the world around us is changing rapidly, we announced during the 2018 Capital Markets Day that we will transform our operating model fully to the agile way of working. By doing so, we can respond faster and better to changing customer expectations, we can improve efficiency and effectiveness, and we can increase engagement to attract and retain talent. We've made good progress on that side and we are on schedule to implement this new way of working through the course of the first half of this year.

And finally, to conclude, looking ahead at the big themes for 2020, we'll be focusing on further driving our fixed mobile convergence products and improving our product tier mix. Secondly, leveraging our new and existing strategic partnerships. Third, continuing to innovate across our entire product suite, and finally, continue our focus on B2B and new business initiatives to drive top line growth.

And now, I'll hand it over to Erik Van den Enden, who'll take you through the numbers.

Erik Van den Enden, Chief Financial Officer

Thanks, John, and welcome everyone to our full year 2019 earnings call. Telenet can look back at a successful year during which we laid the foundations for healthy future profitable growth, reshaped our product portfolio and delivered on all of our financial targets. We also executed upon our shareholder remuneration timeline as presented during last year's Capital Markets Day.

Through a successful end-of-year campaign and revamped product portfolio, we enjoyed very strong net additions for all of our products in the fourth quarter. We added more than 39,000 net new FMC subscribers in Q4, bringing the total FMC's customer base to just over 547,000 RGUs, which is an increase of 37% versus last year.

As such, the penetration of FMC subscribers relative to the total number of customer relationships was approximately 26% at the end of Q4, as compared to approximately 19% a year ago. On the broadband side, we recorded more than 5,000 net adds in the quarter, which is our best quarterly performance since the first quarter in 2017. And in the digital TV area, we also saw an improved trend, driven by the awareness campaign around Signal Switch, which triggered the migration of analog TV subscribers towards a digital offer.

As you can see on the next slide, our revenues amounted to nearly EUR2.6 billion in 2019, up 2% year-on-year and mainly driven by the inorganic acquisition effects of the Nextel and De Vijver Media acquisitions. On a rebased basis, our top line declined by 1.2% in 2019, which was significantly better compared to our previously upgraded top line guidance of around minus 2%. The better-than-anticipated revenue performance was mainly related to higher handset sales during the fourth quarter and higher production revenues at De Vijver Media. We also succeeded in maintaining our cable subscription revenue broadly stable for the full year of 2019, despite certain competitive and regulatory headwinds.

On the negative side, our rebased revenue was impacted by the loss of the MEDIALAAN MVNO contract, lower interconnect revenue and lower mobile telephony revenue. Excluding the loss of the aforementioned MVNO contract, our rebased revenue would have been broadly stable year-on-year and within the fourth quarter, specifically our top line was broadly stable versus last year at EUR673 million, thanks to handset sales and higher production revenues at De Vijver Media.

Turning to our cost base on the next slide. Our operating expenses declined by almost 1% in 2019 on a rebased basis. This was predominantly driven by three factors. Firstly, a 14% decline in our other indirect expenses, reflecting our continued focus on operating leverage and tight cost control. Secondly, a 4% reduction in our staff-related expenses, which reflected the impacts of the Unit-T joint venture and a lower average headcount as compared to the same period of last year, which was partially offset by higher network operating and higher outsourced labor costs. And finally, our direct costs were up 1% year-on-year with a noticeable increase in Q4, due to the higher costs related to handset purchases and also higher programming costs at De Vijver Media.

Let's now have a look at our adjusted EBITDA. On a reported basis, our adjusted EBITDA in 2019 increased 4% year-on-year to almost EUR1.4 billion, including the Nextel and De Vijver Media acquisitions and the application of the new IFRS 16 lease accounting standards as of the beginning of the year. The latter had a favorable impact of nearly EUR42 million on our adjusted EBITDA in 2019.

On a rebased basis, which means excluding the aforementioned inorganic effects and the impact of IFRS 16, our adjusted EBITDA contracted by 1.7% compared to last year, reflecting the loss of the MEDIALAAN MVNO contract and certain regulatory headwinds. And as John already mentioned, this was also in line with our full year 2019 guidance. As expected, the decline in our rebased adjusted EBITDA was more outspoken in Q4, on the back of seasonally higher programming costs at the De Vijver Media and a tougher comparison base relative to a strong Q4 last year.

Moving on to capital expenditure. We succeeded in substantially reducing our investment intensity as compared to last year. Our accrued capital expenditures reached EUR587 million in 2019 and reflected the recognition of the UK Premier League broadcasting rights, which we successfully renewed for another three seasons in the first quarter. Excluding these impacts, and also excluding the recognition of the 2G mobile spectrum license extension in 2018, our accrued capital expenditures decreased by 15% year-over-year, equivalent to around 21% of revenue in the period. And as you can see in the right-hand pie chart, around 57% of our accrued capital expenditures in 2019 were scalable and subscriber growth related. We will continue to closely monitor our capital expenditures in order to make sure that they drive incremental returns.

Let's now zoom into operating free cash flow, a key metric to measure operational performance. We define OFCF as adjusted EBITDA minus accrued capital expenditures and exclude the recognition of football broadcasting rights and mobile spectrum licenses. A substantial decline in our accrued capital expenditures drove a 23% year-on-year increase in our operating free cash flow to EUR821 million. On a rebased basis, and excluding the IFRS 16 impact, we achieved an 18% increase in our operating free cash flow, which was at the upper end of our outlook.

Our adjusted free cash flow reached EUR391 million in 2019, including a robust EUR121 million in the fourth quarter. Hence, we delivered on our full year outlook of EUR380 million up to EUR400 million. At face value, our full year adjusted free cash flow decreased 7% relative to 2018. However, our 2018 adjusted free cash flow included a EUR94.2 million higher contribution from our vendor financing program. Excluding this impact, our underlying adjusted free cash flow was actually up 19% year-on-year driven by solid growth in our operating free cash flow including a positive working capital trend in the fourth quarter.

Moving on to the next slide. We continue to enjoy a solid and healthy financial profile characterized by strong liquidity and a well-spread debt maturity profile. At the end of the year, we had full access to EUR505 million of undrawn commitments under our revolving credit facilities, which can be used for general corporate purposes and is a further add-on to our liquidity profile. On top of that, our cash balance reached over a EUR101 million at the end of December, providing for a very robust liquidity profile.

Let's now spend a few moments on the successful refinancing of our dollar and euro-denominated term loans, which we completed at the end of January of this year. We were able to reduce the margin on both loans by 25 basis points on a recurring basis, while at the same time, extending the tenure up to April 2028 and April 2029 on the dollar and euro loans, respectively. Our weighted average cost of debt improved from 3.6% at the end of Q3 to 3.2% currently.

As you can see on Slide 21, we face no debt amortizations prior to March 2028, which translates into a long term weighted average maturity of 8.5 years. This leverage-neutral transactions will favorably impact our adjusted free cash flow in 2020.

Turning to the next slide. We reached a net total leverage ratio of 4.0 times at the end of the year, exactly at the mid-point of our targeted net total leverage framework. The modest year-on-year decrease in our net total leverage was mainly driven by robust cash flow generation throughout the year and was achieved despite an attractive shareholder remuneration pay-out of a EUR164 million in 2019.

And before opening up for Q&A, I would like to come back on our medium term and 2020 financial outlook, and I will also update you on this morning's shareholder remuneration announcement.

As you will remember, we presented our ambition to deliver sustainable profitable growth over the next three years at our Capital Markets Day in December 2018. Over the 2018 to 2021 period, we target a rebased operating free cash flow CAGR of 6.5% to 8%. This excludes a recognition of football broadcasting rights and mobile spectrum licenses and it also excludes the impact of IFRS 16 on our accrued capital expenditures. Having delivered 18% OFCF growth in 2019, we are well on track to deliver on this target.

Let's now zoom in on our full year 2020 outlook, as communicated this morning. For 2020, we expect an improved run rate in both our rebased revenue and our adjusted EBITDA performance, despite certain regulatory impacts and the continued impact from the loss of the MEDIALAAN MVNO contract in Q1.

For the full year, we expect broadly stable revenue and adjusted EBITDA growth of around 1% on a rebased basis. As we substantially reduced our capital intensity in 2019 versus '18, our operating free cash flow growth will be lower in 2020 versus last year, targeting around 2% growth on a rebased basis.

We expect a firm increase in our adjusted free cash flow from EUR391 million in 2019 to between EUR415 million to EUR435 million in 2020. This increase is driven by higher operating free cash flow, lower cash taxes and lower cash interest expenses. The increase in adjusted free cash flow through few future shareholder remunerations given our underlying capital allocation and shareholder remuneration framework.

In light of the intermediate dividend paid in December 2019 and the robust adjusted free cash flow generated in 2019, the Board of Directors will propose the gross final dividend of a EUR143.2 million at the Annual General Shareholders' Meeting of the 29 April, 2020. If and when approved, the final dividend will be paid in the beginning of May 2020. The final dividend per share will be determined at the end of March based on the number of dividend-entitled shares at that moment.

As an add-on to our total dividend paid over the full year 2019, the Board of Directors has also authorized a new share buy-back program of up to 1.1 million shares for a maximum amount of EUR55 million, effective as of the end of February 2020. With that, we continue to deliver against our anticipated shareholder remuneration timeline, combining attractive shareholder pay-outs with robust underlying adjusted free cash flow generation.

With this, let me hand it back over to the operator for the Q&A session.

Questions And Answers

Operator

Thank you, sir. (Operator Instructions). We have one first question from Mr. Roshan Ranjit from Deutsche Bank. Sir, go ahead.

Roshan Ranjit, Analyst

Hi, great. Afternoon. Three questions from me, please. We saw a strong performance from De Vijver Media this quarter. Is it possible to get a sense of how we should think about that performance through 2020? I appreciate it is a lumpy type of business segment, but I assume this is a kind of big support for your say for revenue guidance? And tied to that, in supporting that revenue progression, what impact is De Vijver Media having on your capex for this year? Because going back to the CMD, I would have thought that the capex decline fiscal year '20 versus fiscal '19 would maybe be a bit bigger than what your guidance is kind of implying. And lastly, strong performance in your residential broadband KPIs, strong sequential improvement, is it likely to return to a positive growth for just a residential component at the beginning of 2020? Thank you.

John Porter, Chief Executive Officer

Okay. Erik, you want to take the first two?

Erik Van den Enden, Chief Financial Officer

Yes, De Vijver. Sure. So Roshan, taking the first question, I think, indeed, we saw a strong performance of DVM. We had already said last quarter that it is a very seasonal business. So always, the momentum, both in terms of top line, but also in terms of profitability is always on Q4. So we were very happy with the performance of DVM, not only in financials, but also when we look at what they do on a -- from a commercial perspective, they have been growing now market share in the relevant target group for three years in a row, so very strong. I think for 2020, I mean we -- the plan is very much to build on that momentum and kind of further develop the business.

In terms of capex, so of course, DVM is a very different business than ours, media versus telecom, so their capex spend, because they capitalize the copyrights that they buy is of course structurally a bit higher. And with the full acquisition that we did this year, of course, that is impacting our capex profile. So when we set the guidance for the three year, of course, that was not yet including the DVM component.

Now having said that, it's not overly material. You should probably think somewhere between 0.5 to 1 percentage points, which also means that if you take this element out, in terms of the capex profile for the telecom business is very close to the -- around 20 that we have given previously. It is also important, and I would like to stress that for next year, I guess to take into account, and of course, in 2019, we only had six months of De Vijver Media capex in our numbers. Next year, that will be a full year contribution. So whereas the absolute capex number might go up a little bit on an apples-to-apples basis, so if you compare 2019 with a full contribution from DVM and you set that off against the plan and the outlook for 2020, yes, 2020, it is a flattish profile, so we're definitely not going to increase capex on a like-for-like basis next year.

John Porter, Chief Executive Officer

Yes. Just following up on that, I mean we are quite happy with the synergies and the performance of De Vijver Media. Since we've been involved every year, the market share of overall television and even more so of commercial television is going up and the power ratio has improved. So the revenue profile of both the production segment and the networks has been moving in the right direction.

But as Erik said, not overly material to the overall result. In terms of the performance of broadband, obviously, we'd like to see that continue. We -- and I think the important thing to point out is that we no longer have the headwinds that we had through the SFR acquisition as we were migrating the customer base on to Telenet's network. So it's a much more sort of sustainable profile, although we did have a very successful campaign in Q4. But we also had net adds in broadband in Q2 last year. So we're cautiously optimistic that in both SOHO and in the residential business that we can maintain a positive profile in broadband. Similarly in digital TV, we had the headwinds there associated with SFR and now we really have tailwinds, which is more associated with the analog switch-off, which will take place over the next 12-plus months and we're getting a much higher migration of that analog customer base into digital TV than we had originally anticipated. So that's a very gratifying result as well. But without giving any sort of forward-looking statements on actual RGU performance, I'd like to say that we're pleased with Q4 KPIs and we'll try to build on that this year.

Roshan Ranjit, Analyst

Okay, great. That's very helpful. Thank you.

Operator

Thank you, sir. We have another question from Mr. Emmanuel Carlier from Kempen. Sir, please go ahead.

Emmanuel Carlier, Analyst

Questions. The first one is on your guidance for 2020. So that looks to me quite conservative taking into account a 1% EBITDA growth then EUR20 million lower cash interest and EUR30 million lower cash taxes. I'm just wondering, if there are any other important free cash flow drivers in 2020 that I'm missing. Then secondly is on infrastructure. So we have seen quite some other telco operators monetizing infrastructure. Is that something you consider to do either on the mobile tower side or maybe on the cable infra side? And then, thirdly is on the shareholder remuneration. So if I take the dividend and the buyback into account, your net debt-to-EBITDA would drop below 4 times. I think at the CMD, you mentioned that the target range is 3.5 times to 4.5 times, but rather around the 4 times. So that would mean that you have additional capacity to do more share buyback in 2020. So if you could just update us on your view on leverage and the potential impact on further SBB. Thank you.

John Porter, Chief Executive Officer

I'll take the second one first and then let Erik answer free cash flow and shareholder remuneration questions. As you can see by our announcement today, with the formation of the streaming -- premium streaming service with our friends at DPG. We -- I think we're really open to taking a fresh look at the structure of our business overall and that's not to say that we have any other specific plans, but it'd be pretty fool of us but not to have taken notice of the value that the market places on infrastructure versus the value that market places on customers. So in a nutshell, I would say, we are aware of those trends, we have met and understand the motivation of infrastructure investors, and we will continue to do the work to understand what the best way to improve shareholder returns is, but we don't have anything specific to say about it today. And then, Erik?

Erik Van den Enden, Chief Financial Officer

Yes. So on guidance, I'd just like to start with the pointing out that I think we have been growing free cash flow quite a bit already in the sense that we grew it this year 19%, if you take out standard financing, so from EUR330 million to EUR390 million. And also next year in the business and industry, where top line is going to be broadly stable and EBITDA is going to grow, but together with OFCF 1% to 2%, what we are announcing today is a 6% to 11% further increase again on top of the 19% that we had this year. So we do tend to believe that Telenet has been yielding a lot of free cash and we're very keen to continue on the journey also next year.

Of course, it is a range between EUR415 million and EUR435 million, and of course, we will work hard to make sure that we live up to that promise. In terms of the drivers, Emmanuel, indeed we start with the OFCF, which is expected to grow at 2%. You've pointed out the interest in the tax evolution. There is indeed one thing I would like to say about working capital, because working capital this year has been exceptionally strong. You will probably have seen that we improved working capital year-on-year by EUR30 million, and that EUR30 million basically splits into two pieces. There is -- we have worked hard on working capital this year, in the sense that we had a strong focus on really producing or improving what we call core working capital, which is really the operational heart of the business.

Specifically, we've worked very hard to reduce inventories. We've also continued to expand payment terms, so that is basically something that drove the free cash -- sorry, the working capital into 2019. Of course, there is a certain level that you need in terms of inventories and even if you stay at that certain level, that does not create additional working capital anymore. So the big improvement 2019 is going to stabilize a little bit over 2020, that is one element of this EUR30 million. The another one is really a one-off, where this year, we had because of the technical alignment of our billing segment, we had a positive one-off in working capital due to the bill cycle alignment that we did across our product suite and that is really a one-off that we had this year, that is not going to be the case anymore next year. So the very favorable evolution of EUR30 million is not something that we expect to see in 2020.

Emmanuel Carlier, Analyst

And what is the amount of the lost effect?

Erik Van den Enden, Chief Financial Officer

30%.

John Porter, Chief Executive Officer

The ABC alignment?

Erik Van den Enden, Chief Financial Officer

No. I mean we don't break that out, but a bit sizable.

Emmanuel Carlier, Analyst

30%.

Erik Van den Enden, Chief Financial Officer

Yes, the overall is 30%, but...

Emmanuel Carlier, Analyst

Okay.

Erik Van den Enden, Chief Financial Officer

The bill cycle and it's both.

Emmanuel Carlier, Analyst

Okay. And then...

Operator

Thank you...

Emmanuel Carlier, Analyst

Shareholder remuneration?

Erik Van den Enden, Chief Financial Officer

Shareholder remuneration, I think, what we did today, two things, first of all as part of our new strategic plan, we had clearly articulated desire to start paying recurring dividends, which we started last year in December with our first intermediate one, it was of course a smaller part. So we have now, well -- I mean the Board proposes the final dividend, which, if you bring it together, will be more or less EUR1.87 a share, which brings us to a 4.5% dividend yield. So that is one element that we are doing. If it all goes well, we will also reconsider, the Board will reconsider a final dividend at the end of the year. And really what we started at the end of last year, initiating a recurring dividend, since we aim to continue that for the future. At the same time, we always said, listen, we will test the shareholder remuneration framework against the leverage, which of course, was very favorable, we were already at 4.1 time in Q3, we were at 4.0 times, so that test was well passed.

But second, we also said that the remainder of the free cash flow, we would really take decisions as we go in the sense that we can decide to increase a dividend to opt for share buyback or to deliver if you think is necessary. And today, we are just taking a first step. So the Board has looked at that. We have -- while the Board has approved a share buyback of 1.1 million shares up to EUR55 million. And we are now going to execute upon that program and then from time-to-time, the Board will reassess the situation and take further decisions as it see fit.

Emmanuel Carlier, Analyst

But so far, you don't really see a reason to change the midpoint, the 4 times net debt-to-EBITDA, it's more because if you would do, I don't know, EUR150 million or EUR200 million in buyback, you would temporarily be above that range. Is that the way how I should read it that you prefer to do it rather step-by-step?

Rob Goyens, Vice President of Treasury, Investor Relations & Structured Finance

Yes. So Emmanuel, Rob here. So I think first of all, there is of course some seasonality in the free cash flow throughout the year. So typically, H1 tends to have a bit of an avert effect on our leverage profile. Given where -- the moment where we pay the annual taxes, but also, well, now that we start to pay the final dividend and then actually the leverage starts to come down again in the second half of the year. So there is some seasonality in the framework. I think, overall, when we set the leverage framework at the Capital Markets Day, obviously there was a long-debated decision, and I think the mid-point of the around 4 times actually meets very nicely also some of the financial criteria that we have like this very robust free cash flow that we generate.

So we have no plans, excluding any potential M&A to increase leverage beyond the current levels, but also no plans to actually delver from the current levels, because when we look at our cash flow and especially the debt profile, as Erik already mentioned in the presentation, that has been further extended through some recent refinancing transactions. So we have no debt amortizations prior to March 2028 with a weighted average maturity of 8.5 years. And the financing levels have actually been coming down. So that also adds to the free cash flow profile as well.

And so finally, the Board will of course continuously assess where the leverage ends, and we'll see based on that framework. I think, it's also important to underline that -- so we have now communicated the final dividend, which is going to be the complement of the intermediate dividend that was paid in December, and so that is the starting point of a total dividend versus 2019, if you will. And then there will be intermediate dividend to be paid in December of this year, and that of course will already be based on the 2020 free cash flow.

And as you can see from the guidance, yes, that free cash flow number will be up severely versus 2019. So it's also then logical to assume that interim dividend will also increase and also aided of course by the underlying share buyback.

Erik Van den Enden, Chief Financial Officer

Absolutely. So we are not -- absolutely not religious about 4.0 times, we always said it has to be around that number, can be a little bit higher, can be a little bit lower. I think the only thing we would not do is to delever up to kind of boost the shareholder returns with share buybacks, but it's around 4.0 times, not the exact number.

Emmanuel Carlier, Analyst

Yes. No, very clear. Thank you.

Operator

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

Nicolas Cote-Colisson, Analyst

Hello. Thank you. Hi, two questions on networks please. The first one is on the mobile network sharing deal between Proximus and Orange Belgium. I was wondering, what is it that you want from the competition authority? And are you able or are you willing to join the venture at a later stage? And if not, how do you deal with the -- I mean the cost disadvantage you may -- it may create eventually? And secondly, on the cable side, what is the take-up rate for your Giga speed option? Can you see a strong appetite for extra speed on top of your 150 megabit per second that is coming as a standard? Thank you.

Ann Caluwaerts, Senior Vice President, Corporate Affairs

Yes. On the first question. This is Ann Caluwaerts speaking. The joint venture Proximus, Orange, and the complaints we have done to the Belgian Competition Authority, was based on the fact that the scope of this joint venture covering all technologies and whole of the Belgian territory is very, very large, and it's based despite two operators who on mobile have the number 1 and the number 2 market position in Belgium. And as you have seen, the Belgian Competition Authority have asked to suspend the joint venture until 16th of March, and during that time, they will be requesting informations from both Orange and Proximus in terms of details of how they will -- of what the possibilities are to look at a number of concerns. We also filed a complaint that will take longer. What we ask by for now is interim measures certainly in advance of the spectrum auction of next year. But there will be of course, a complaint is -- a complaint uphold. So that will take longer for the Belgian Competition Authorities to look at that in detail. But our concerns are mainly the scope, all technologies and the wide geographic area that it composes and we would hope and expect that the competition authority puts some limits to that.

John Porter, Chief Executive Officer

And on the competitive intensity of the JV versus Telenet, I mean, the Telenet is not going to shirk from the opportunity to invest in 5G. In fact, we're deploying a test next week on latency in our virtual reality free roam centers. We'll also clearly be participating in the 50 megahertz of spectrum that the government is going to make available later in the year. So from a -- from the standpoint of going to market as a standalone company, I think, we're pretty nimble and we'll get out there and try to get our share of the opportunity.

What the real opportunity for the JV is, is of course to lower the capital intensity. There is no specific advantage in terms of coverage or technology or anything else that the -- that we expect the JV to bring to the market. But -- and we're not opposed to ways to reduce capital intensity in a smaller arguably sub-scale market for three mobile operators. It's just that we think that needs to be done on a fair and reasonable basis. And so, that's what we're asking the regulator to have a look at. But we will be right there toe-to-toe with -- whether it's one, two providers when the time comes. And in terms of our ability to participate, from a technology standpoint today, our understanding is, and I think it's accurate is that the complexity of network -- of spectrum sharing amongst three operators is prohibitive. And that's not to say that won't change one day, and I believe that both Orange and Proximus have demonstrated through their willingness to work together that they are amenable to an open architecture for 5G rollout. And I don't think, they are specifically precluding Telenet, it's just that it's -- there are certain technological barriers to entry.

Erik Van den Enden, Chief Financial Officer

And I think, Nicolas you also had a question on the GIGA Speedboost option...

Nicolas Cote-Colisson, Analyst

Yes.

Erik Van den Enden, Chief Financial Officer

So of course, it's still a bit early day since we launched the GIGA Speedboost option. But definitely, the trend that we are seeing underlying is favorable. You can also deduct that when you look at the ARPU profile and our fixed ARPU per customer ratio that we report, which showed a healthy 2% uptick year-over-year in the fourth quarter. What we can say for sure is that the traffic volume that these customers generate is moving up quite significantly, so tripling at this point. So we definitely see that this underpins the need for very high speed reliable broadband connectivity. And of course, given where we are in terms of network, with our HFC network that puts us in a good overall competitive land spot. So we are very happy with the progress.

Nicolas Cote-Colisson, Analyst

Okay. Thank you.

Operator

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

Michael Bishop, Analyst

Yes, thanks. Good afternoon. Just two questions please. Firstly, on the cost efficiencies. You flagged the move to agile is going well, so I was just wondering, whether you could update us on the ramp up of the cost efficiencies that you communicated in the Capital Markets Day. From memory, you're saying that even '19 was a year of effectively executing and then sort of '20 was a ramp up and then a lot in '21. But it will be just great to hear your latest thoughts on the phasing. And then secondly, just following up on the free cash flow drop through from operating cash flow. Could you just give us a sense of where you think the other items will be in 2020, so specifically, the cash out for the Premier League rights? And then, any extra spectrum payments, I think in Slide 20, you show them for 2019 sort of bucketed together the EUR92.5 million. So just a comparable number for '20 would be great. Thanks.

John Porter, Chief Executive Officer

Okay. On the first one, we have been having a negative CAGR in our overall end-to-end labor costs of around 5% year-on-year for the last two or three years. We need to -- our goal is certainly to maintain that trajectory, if not improve on it. I would say that from the pilots that we've had in place for the last six months or more than six months, and from the -- we're in sort of the migration of our residential organization to this full scale agile model. We're quite confident that we will see that as a base case for what we're attempting to do with the scale agile transformation. More importantly, I think our other objectives of speed-to-market, of customer centricity, the segment of one customer data, all of the things that we're trying to do as well as employee engagement, and -- is all working out to, if not ahead of plan. We'll be in -- fully transformed by April, so we'll, of course, have more specific data for you there, but it's really about just continuing to maintain the trajectory and deliver a much more nimble versatile organization when it comes to rolling out new products and innovation. And so far, I would say we're right on track. Free cash flow?

Rob Goyens, Vice President of Treasury, Investor Relations & Structured Finance

I think, Michael, Rob here. So your question with regards to the other free cash flow drivers. So obviously, the question on spectrum is a relevant one because the current reading is actually that the big spectrum auction is going to be delayed until Q1 of next year. Obviously, there is currently process on-going for temporary test licenses in Belgium on for commercial usage, but on a trial basis. So that will have a limited impact, if any, on this particular cash flow profile. Remember that notwithstanding we tend to pay for spectrum cost annually, so even in 2021, if we renew spectrum, there is not going to be a major bump in the free cash flow profile, because of the annual installments that we have typically been opting for. For football right, obviously, under IFRS, those rights are typically capitalized for the -- upfront for the period of the entire contract, but of course, we only pay them on annual basis. And so from a free cash flow perspective, there is no change in timing variances. So around 60% of the contract is typically paid prior to the start of the season and then the remainder is paid after the winter break, so that should be fairly similar to where we had the phasing in 2019. And maybe just as a reminder here, so the big upside in terms of the free cash flow that we see versus 2019, to Erik's point, is coming from the operating free cash flow growth, of course, aided by the lower cash taxes and interest savings. And of course, then partly offset by the working capital movements that Erik already explained, which are probably more important drivers then what we see elsewhere on either broadcasting rights of spectrum.

Michael Bishop, Analyst

Right. Thanks very much.

John Porter, Chief Executive Officer

Okay.

Operator

Thank you, sir. Next question is from madam Nawar Cristini from Morgan Stanley. Madam, please go ahead.

Nawar Cristini, Analyst

Thank you very much. I have three questions, please. Firstly, on cable regulation, it looks like we should expect more delays here. Could you update us on the next milestone please? And secondly, on Wallonia and on VOO specifically, looks like conversations on the sale of VOO continue. If VOO were to be sold, how should we think about Wallonia from Telenet perspective? Do you see any attractive business case for Telenet to expand its services beyond the current footprint? And lastly, we saw one of your competitors including EPRA services through their bundles, which does trigger VAT savings, and hence, ARPU uplift. I was curious to know if you have looked at this, and if -- is there scope for you to do something similar? Thank you very much.

John Porter, Chief Executive Officer

Yes. Can you take cable regulation?

Ann Caluwaerts, Senior Vice President, Corporate Affairs

Yes. So, thank you. On cable regulation, it's correct that there is a bit more delay. According to the work plan of the regulator, it now looks like a final decision on the new wholesale pricing, would be expected during the second quarter of 2020. And the adoption then would follow that. Not clear yet when that will be, but probably also towards end of Q2 is what we expect for the moment.

John Porter, Chief Executive Officer

Yes. And on Wallonia and VOO, I think, our understanding is that the providence is in deep due diligence/finalization of the sale, the purchase agreement. And they expect to go through regulatory process and close in the summer. I think that's where they're positioned. As far as we're concerned, we are very interested in understanding what the ambition of the partnership will be. We certainly have options to support our customer base, that's already in the south of the country, 300,000 base customers. And we are in a sort of advance beta test on the fixed -- the wireless fixed substitution product TADAAM. We have customers in the south on the TADAAM product. So we have alternatives to be more aggressive in the south, but we also would look to be more constructive in that approach depending on the approach of the new partners. So we're sort of taking a wait and see, where no one's really seen the whites of their eyes yet, so we don't know what their really intent is, but we can assume being private equity that they want to make money. So we'll see how that goes. On the newsprint product?

Erik Van den Enden, Chief Financial Officer

Yes, I think, we've definitely noted that. Obviously it's something that we consider it could be an opportunity. I think, the truth is we will always apply to such initiative is first of all whether it's relevant and whether it's bringing something for the consumer base, and secondly also if the business case works.

Nawar Cristini, Analyst

Very helpful. Thank you, guys.

John Porter, Chief Executive Officer

Thanks.

Operator

Thank you, madam. Next question is from Mr. Steve Malcolm from Redburn. Please go ahead.

Steve Malcolm, Analyst

Yes, hi there, guys. I'll go for three if I can. First, I just want to come back to De Vijver, I never pronounce that correctly, numbers and financials. Maybe you can help me out a bit. I mean, it looks like you spent about EUR50 million to buy half that business and the EBITDA this year was 44, so an EBITDA multiple of 2.5 times, I guess you really buy it on that basis. So could you help us understand sort of how many -- how much of the cost you recategorized into capex? And just taking your comments, you said that the capital intensity was a bit higher than the rest of the business. So I think the revenues were 120. So should we thinking of capex in sort of 40 -- 30, 40 kind of region for that business. That'd be great. Thank you very much.

And then just on the working capital. I heard the comments on inventory and stuff, but looking at your balance sheet, your inventory balance is tiny. And the press release mentions a EUR70 million sort of rightsizing on customer billing cycles. Is that just taking longer to pay your suppliers or is that a trade receivable kind of impact? Could you maybe just elaborate a little bit on that EUR70 million? And just on working capital, I mean, I think the last few years, you've had about a EUR100 million in each year from vendor financing and working capital. Can you just tell us exactly what you expect in 2020 versus those EUR100 million for last couple of years? And I'll leave it at that. That'd be great. Thanks.

Erik Van den Enden, Chief Financial Officer

Okay, Steve. So I'll try to -- try just to maybe summarize a bit and then -- and maybe you have to help us out here. So I think on to the De Vijver Media part, so obviously the EUR50 million that you referred to, only of course, is for the second payment if you will, because we were already a 50% shareholder. And so last year in June, we decided to double down on the acquisition and we added another 50% for EUR50 million roughly. As Erik already mentioned previously, so part of the cost base of De Vijver Media, which is typically in programming and especially regarding the large foreign studio deals, is capitalized under IFRS rather than being treated as an opex expense, which has around a 1 percentage point impact on the total capex profile of Telenet. So that way, you can actually back out the underlying capex trend of De Vijver media.

But I think, important here is that, if you were to exclude the De Vijver Media from the group capex profile, we would actually be around 20%, which is what we more or less said that we would be at during the December Capital Markets Day. Then we will come back on the working capital piece lastly, but maybe to then jump over to vendor financing. So vendor financing actually was flat year-over-year in 2019, so the program didn't grow, which is also in line with our expectation, so we kept it stable, which means that what we upload in terms of invoices, which means that technically speaking, we deferred the payment of those invoices by up to 360 days. That matches more or less with the repayment of the short-term debt that we need to pay. So in that sense, it was basically a zero-sum game in 2019. Of course, there was some seasonality, so Q1 2019 still had a favorable inflow which got reversed in the fourth quarter. So there will be some seasonality just because of seasonality of invoices during the year. And the expectation is that for 2020, the contribution of vendor financing should be zero to the adjusted free cash flow. And so there is no growth, neither a decline that has been projected in these numbers. I think it's important that you all realize that we keep this program relatively stable now going forward, and I think the level where it's now look -- also looking at our debt maturity profile, the size of our revolver for instance, but also looking at the cost of the program in terms of real hard interest is where we want it to be. So in that sense, stable outlook is probably the best assumption for now. And then, if you could maybe help us out on that other question you had, Steve?

Steve Malcolm, Analyst

Rob, so I think vendor financing. Thanks. So in order to understand that, what I was trying to say is that you had a -- broadly speaking, you had $100 million on vendor financing in 2018. It was flat this year obviously, you had a EUR100 million on working capital in 2019, which I think in the press release you talk about a EUR70 million alignments at billing cycles that had a one-off benefit to working capital. I was trying to understand what that was. Because when I look at your balance sheet, the big move is obviously on trade payables, your receivables, your inventories have fairly moved year-on-year. So that would be the obvious place for that number to pop-up. So I was trying to understand what that was. And you also talk about working capital outflows in Q1. So just to understand the phasing, you had a EUR100 million from vendor financing in 2018, you had a EUR100 million in working capital in 2019. I think of those things in the same bucket basis, it's payables essentially. So just regarding 2020, you've got a

EUR100 million of headwind on the working capital, just trying to understand how that -- what that looks? I understand vendor financing will be flat. The EUR70 million -- billing cycle and sort of EUR100 million headwind will be, so to understand. Thanks.

Erik Van den Enden, Chief Financial Officer

No. I see where it comes from, Steve. So to be clear, the EUR70 million is basically the delta in working capital versus the two periods, that's about '19 versus '18. It's not all related to the billing cycle alignment if that was only to be true. So that contribution is actually part of that, but it's of course a substantial part, but it is not the vast majority of that number. So, generally the way we approach working capital is definitely try to basically monitor both the incoming side, but also the outgoing side, which is of course our procurement processes and the payments towards suppliers. So that of course needs to be a balancing act. And so that also was of course a driver there to the underlying working capital. As we continue to focus on extending also of course the payment terms as well.

Steve Malcolm, Analyst

Okay. Can I just ask one more, quick one. Just in terms of your sort of base case for regulation, I mean -- this language in the release about and then the guidance for the year. Is the base case, the current proposed rates are what you have to face in Q2 or is that what the guidance is set on?

John Porter, Chief Executive Officer

Yes. We're comfortable that our guidance is giving us scope for the prices that we expect. And obviously we're leaning on the conservative side in terms of the impact on guidance. But we...

Steve Malcolm, Analyst

Okay, great.

John Porter, Chief Executive Officer

Don't know exactly what's going to come out. But we're not -- that the guidance is not at risk because of it.

Erik Van den Enden, Chief Financial Officer

No, I mean the guidance indeed -- I mean, the guidance indeed what it is ranging from minus 1 to plus 1, because of course, the outcome on the tariffs is quite relevant and it is extremely difficult to say. Of course, we are not happy with the terms that are proposed today and that's also not our base case. We think the prices should go up, but again, I think we made sure that the guidance is tested and robust for the outcome of that process.

Steve Malcolm, Analyst

Okay, great. Thanks a lot.

Operator

Thank you, sir. Our next question is from Mr. David Vagman from ING. Sir, please go ahead.

David Vagman, Analyst

So first question is on the competitive dynamic in the Belgian market in 2020, and this question is also related also to the cable wholesale rate. So what would be your expectation basically for this year relative to 2019? Would you then expect this to involve higher marketing cost, more promotion, maybe some further pressure on ARPU, especially in mobile? And then my second question was to actually coming back on the VOO-Providence situation. My understanding is that you are kind of accepting the sale to Providence. You have no intention to appeal against that despite a process which some have said to be unfair? Yes, these are my two questions. Thank you.

John Porter, Chief Executive Officer

Okay. On the competitive dynamics, there have been a lot of guns fired in first half of last year. It -- well going into the third quarter as well. So there is a point at which you've done unlimited, you've done cheap, you've done sort of spec increases to the point where nobody is paying any usage fees anymore. And a lot of that's -- a lot of those guns have already been fired. So I'm actually -- my feeling is, and based on the sort of month-to-month flux in the market that I'm seeing i.e. churn is pretty stable at a reasonable level. I don't know that there are any huge swing factors that we're looking for in 2020.

I mean, I think all -- you see all the operators seem to be able to grow their business in one way or another, and we're all focusing on the areas in which we feel we have opportunity and there are areas in which we are on the offensive and there are areas in which we are on the defensive. But I don't -- I think there is less and less swing factors really or levers to pull to increase the competitive intensity in the market, so it's going towards more stable rather than less stable. ARPU wise, we're a company that is innovating and introducing new products and we're trying to get people to opt into new things. We launched Safespot in the last couple of months, that's a product priced at EUR5. We launched KLIK in our -- for our SOHO universe that is driving an increase in ARPU. We have a number of things in the pipeline that should incrementalize ARPU against any potential sort of downgrade or weakness in the core business. So yes, so I'm not expecting any big movements this year. On the VOO Providence front, yes, we have no -- certainly noticed that they seem well down the road on completing that transaction. And we continually assess our options based on what -- how we want to move forward. But for the time being, we don't have any plans to take legal action, although anecdotally, I would say the process was extremely flawed. But I mean, fighting city hall is probably not the solution. Solution is to try to find some ways to adapt to the new environment and see what the new joint venture is going to be up to. Now, we do have several points of engagement already with VOO. They are very good partner for us as an MVNO and doing very well there. We certainly have many areas of commonality around content. And sometimes, we share rights, we take the Flemish region and they take the francophone rights. So there are a lot of things that we do constructively with that company as well, and which is not today in our interest to be divisive.

David Vagman, Analyst

Thank you very much. And a very quick follow up on this and on Providence. So would you rather expect them to be, let's say a very disciplined fashion, be a very rational player and not be -- act as a disrupter, if I understand you correctly. And then maybe looking at the north of the Country of Flanders, would you expect a player like maybe like Mobile Vikings to try to launch broadband-only offer or using the advantage of the new regulation to do something with it? Thanks.

John Porter, Chief Executive Officer

Yes, I mean, I think -- I don't know. I was -- been in private equity myself and the peak return is after 36 month. So if you can get a cash-on-cash return in 36 month, you hit a home run. If -- between three and five years, you're playing in the average and over five years, you're failure. So I would expect that -- their timeframe as well and if they can do things, where they think they can get a cash-on-cash return within 36 to 48 months, they'll probably do it. But things like being a massive disrupter in wireless, when you're seeing fourth operator's crash everywhere from North America, to Europe, to all over the world, maybe that doesn't really fit into their timetable. So although I'm prepared to be surprised and always in Belgium prepare to be surprised, but I don't really expect anything. I think they'd be more to the rational side. And in terms of another ISP coming around, I mean, it's not a business for the faint-hearted. You see that Orange is saying, we're turning positive with the new rates and after three and a half years and a 0.25 million national subscribers. So I don't expect subscale players would really want to go there. Not to say, they won't once again, crazy stuff happens in this part of the world. But I wouldn't follow in their shoes. So yes, that's my point of view.

David Vagman, Analyst

Thanks very much. Very helpful.

Operator

Thank you, sir. Next question is from Mr. Paul Sidney from Credit Suisse. Sir, please go ahead.

Paul Sidney, Analyst

Yes, thank you very much for taking my questions. Good afternoon. Just two from me, please. First one is on the broadband competitive environment and we've seen both yourselves and Orange Belgium reports accelerating broadband adds in the quarter. Orange helped by their Love Duo brand and you helped by also some improved broadband standalone lineup that you've mentioned in the text. Do you think, is this expanding the addressable market for broadband in Belgium or do you think you're essentially doing better than your competitor? And then just secondly, just a follow up on the BIPT proposal around the provisional licenses. I can probably guess the answer to your question -- this question. But do you see any appetite for a new entrant coming in for one of these provisional licenses? And actually, could we view this as a positive catalyst i.e. if no one comes in, do you think the whole issue of a new entrant sort of dies effectively? Thanks.

John Porter, Chief Executive Officer

Well, I maybe an outlier here, but I have since day one really questioned the economics of the fourth operator in Belgium. This is a country with 11 million people and over 100% SIM penetration and very highly performant operators as well. As you can see in the context of the JV and our commitment to 5G, we're both very committed. And I will say that ever since we started talking about the fourth operator, prices and -- have gone down and specs have gone up. So the headroom for the fourth operator is very, very questionable. So unless somebody wants to play the disrupter to get bought out game then I don't see a lot of room for the fourth operator and even less today than I would have a year ago. So coming in and jumping on a provisional license, where things -- you start hemorrhaging money, you don't have certain -- there is no indication that there is going to be certain preferential rights for a new entrant in the provisional license. So I'm not anticipating that happening. In terms of the broadband growth, both from us and Orange, and I probably see some broadband growth from Proximus as well. I do think the market is expanding. I mean, we do get certain amount of growth in homes and businesses in Belgium. And you see -- I mean, we're at 93%, I think, broadband penetration as a market overall. But some of our growth comes out of SOHO as well. We are winning some market share in SOHO. We're winning market share in SOHO in Brussels, which is new territory for us. So I think the market can continue to expand in the range of sort of 1% per year and anything else on top of that is probably share shifting. But there is -- it's a -- the share shifting is so around the margins that I think, being massively disruptive to grab a point or two a share is a mug's game. So I wouldn't expect that to be part of the profile of this market.

Paul Sidney, Analyst

Just had a quick...

Erik Van den Enden, Chief Financial Officer

No, the overall....

Paul Sidney, Analyst

I'm sorry.

Erik Van den Enden, Chief Financial Officer

I would just add that, of course, in terms of the overall market that remains to be seen on what Proximus also publishes. But one thing that I would like to add to that is in terms of the ARPU and the value that the customers attribute to broadband, that is something that we see very positively in the sense that our ARPU has been going up 3% year-on-year, our fixed ARPU. And it is really driven amongst others by tier-mix, so we see a continuous and a persistent trend amongst our customer base, where people really opt for higher quality, higher speeds and higher volume broadband products and that is obviously a very encouraging trend.

Paul Sidney, Analyst

And can I sort of -- a quick follow up on that. Should we now view SFR BeLux as a tailwind now for your KPIs rather than the headwind that was providing a year ago?

John Porter, Chief Executive Officer

It's not as windy as I'd like it to be, but we've certainly set that as an objective for the organization. We have a very high priority on Brussels.

Paul Sidney, Analyst

That's great. Thank you very much.

Operator

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

Ruben Devos, Analyst

Yes, good afternoon. I had one on the B2B. You've highlighted that you've managed to sign multiple new larger accounts. I am just curious whether you could add some flavor on the commercial performance and the ambition in this market at this stage. Will also be great, if you could provide an update on the B2B market share, how it has changed versus the 22% that was disclosed at the CMD. Also, I was curious, given the priority on driving these WIGO-like FMC offers, which are now called KLIK, if I'm not mistaken. I was -- do you also have a sort of measure for these FMC subscribers versus the number of SME and SOHO customers similar to the residential penetration number you're giving of 26%. And then the second question is related to the analog TV signal and switch-off. So that will start in autumn and is expected to be completed by the end of 2021. Just wondering, after all these years like what has led you to go ahead and initiate switch-off? What sort of benefits do you see and how will you cope with potentially increasing churn risk as customers migrate to digital? And then lastly, any sense of the phasing in terms of migration for the analog switch-off, would be very helpful. Thank you.

John Porter, Chief Executive Officer

Well, I'll start with the second one first. The analog switch-off has actually been underway for several months now and we have tested with a couple of our regions already. So we have a very good idea of what the churn factor and the migration to DTV factor is. We had very reasonably low expectations of churn and that the actual performance has outperformed our already modest expectations. So we're quite pleased with that. I think you can see that reflected in the profile of DTV in Q4, which is when we did those two test head-ends. We're doing it because it's an enormous amount of bandwidth. I think it's 26 channels of analog TV, which translates into hundreds of channels of digital, which essentially provides both upstream and -- both downstream and upstream capacity for our HFC network. So it will enable us to not so much expand our speeds because their speeds are already pushed to up to 1 gig, but our capacity. So as you see, I'm sure all the telcos are reporting similar kind of numbers that data capacity is growing at between 30% and 50% per year, depending on how you look at it and we need that capacity. It's not about capacity this year or next year, it's about capacity in three, four, five years. But also, it's freeing up more bandwidth for upstream products, particularly for our B2B business, which is a good segue to the B2B business, which we don't report segments of the B2B business. But anecdotally, I can say that we have now structurally separated the SOHO business from our LE and SME business and it's moved more closely to our residential operations. So we expect to get some good synergies there. But the KLIK and the online essentials product and the FreePhone business product, SOHO is very set up to compete very strongly. We also have a really good regional sales force sitting behind SOHO and SOHO is more and more integrated into our retail network and into our third-party retail network. So I expect to see some decent P times Q growth in the SOHO business in the very near future. In terms of the SME and LE business, that business is run now exclusively with Martine Tempels as our domain lead. And we are starting to kick some goals that we wouldn't have kicked otherwise without the acquisition of Nextel. So customers want end-to-end solutions, they don't want to buy connectivity from one supplier and solutions from another supplier. And we have positioned ourselves very favorably in the government and municipal sector, in health sector, in the call center business, in smart cities. And so we've picked out some segments of the LE market debt and SME market that we feel we can be very competitive in. And we're starting to see the integrated sale become a dominant sort of profile, particularly the LE, but also the SME business. So whether the customer comes to us, because they need a softswitch or they come to us because they need a fiber-to-the-premise, big FatPipe. We tend to reverse that sale and bring products to a connectivity customer and connectivity to a vertical service customer. And we're also expanding our services with, particularly more mobile solutions that are lot more dynamic and smart IoT solutions, such as smart parking solutions and video cameras and these kind of things. So we're pretty -- we're very optimistic about that business. I think, fair to say that, I think in the SME and LE space, I don't -- I think the 22% is -- would have been a blended number of -- between SOHO and LE, SME. I think, in SME and LE, we're in the mid-teens. So lot of upside there and things are going pretty well.

Erik Van den Enden, Chief Financial Officer

Let me maybe just add one technical remark, Ruben, if I may. The KLIK, of course, is -- I mean, since it's on cable, it is reported as part of our cable subscription revenues. You will probably remember that what we report under B2B is all non-cable generated business or fiber, etc., a DSL, but not KLIK. KLIK is part of cable subscription revenues.

John Porter, Chief Executive Officer

Yes.

Ruben Devos, Analyst

All right, great. Thank you.

John Porter, Chief Executive Officer

Yes, good. Very well.

Operator

Thank you, sir. Next question is from Mr. Stefaan Genoe from Degroof Petercam. Sir, go ahead.

Stefaan Genoe, Analyst

Hello.

Operator

Mr. Genoe, your micro has been open. Mr. Genoe, your micro has been open. Okay, next question is...

John Porter, Chief Executive Officer

Can we move on?

Operator

Yes. Next question is from Mr. Jim Ratzer from New Street Research. Sir, please go ahead.

James Ratzer, Analyst

Yes. Thank you very much. Good afternoon. I had two questions, please. First one, just going back to the capex questions from earlier. I mean, from the guidance, it looks as if you are steering for accrued capex in 2020 to be about EUR550 million -- EUR560 million. The consensus number is around EUR520 million this year and also in 2021 and 2022. Just wanted to check, do you now see this kind of EUR550 million to EUR560 million as new base level going forward into 2021 and 2022 or do you think capex can still trend down from the 2020 level you're guiding on? And the second question, just regarding potential M&A opportunities. I've had a few questions on VOO, but want to get your latest thoughts on potential for deal with VodafoneZiggo. Has there been any developments on that front? Is that something you still think could be a potential deal for Telenet in the near future? Thank you.

Erik Van den Enden, Chief Financial Officer

Yes. So James, I'll take your first question first. So you referred to a EUR520 million consensus for 2019. But...

James Ratzer, Analyst

For 2020.

Erik Van den Enden, Chief Financial Officer

Yes. In the 2020, but that is not, I think taking into account the De Vijver Media...

James Ratzer, Analyst

Fine.

Erik Van den Enden, Chief Financial Officer

Acquisition, right? So that is a number only for Telenet. So I think, the number you quoted all in is about right. And again, that number is very comparable if you rebase 2019 for a full contribution of DVM. So just reported number, that's all of the telecom's business in the last six months of this year. Again, if you take it -- next year, of course, we will have a full year contribution of DVM. So if you restate '19 for a full year contribution of DVM, you would be very close to the same number. So as I said, we are not going to be increasing capex on a relative basis. And also, if you look at this relative to revenues, DVM is more capital-intensive, because of the capitalization of the copyrights. But again, if you take this out and you look at the capital intensity of the telecom's business, that is close to the 20% -- around 20% or fully consistent with the around 20% that we gave earlier. So that's where we were on 2019 with the actuals. We expect to remain in that range for '21 as well -- sorry, 2020 as well.

James Ratzer, Analyst

Got it. And therefore, given that includes now DVM that is a probably a reasonably stable run rate going forward over the next couple of years as far as you can see.

Erik Van den Enden, Chief Financial Officer

Yes, I mean, we -- probably, yes. Well, of course, the -- this number does not include huge 5G roll-outs. Of course, 5G, before we all get scared, it is a bit of a phased investment in the sense that there is first potential equipment on existing locations that you could replace over time, if you want to go to the full rollout. You may also need to densify the network, but I think, what we see with other operators, everybody is taking a kind of a phased approach, so I'm not sure if that should drive capex up but yes, I think that is probably the run rate that we see for now.

James Ratzer, Analyst

Fine.

John Porter, Chief Executive Officer

Yes. And on Ziggo Vodafone, we remain intrigued. We think there are significant opportunities to align the businesses. Right now, we don't have a counterparty that chooses to engage, so we're just sort of on-hold. So in terms of anything in the near future? Probably not, but I think, my view is that over time, the strategic alignment and the synergies are very compelling and are going to -- people should be taking a look at them. But my understanding is that Vodafone has a lot of optionality on their plate and they're not interested in engaging on this one right now. So that's the situation.

James Ratzer, Analyst

Got it. That's clear. Thank you.

Operator

Thank you, sir. We have one last question from Mr. Tom from Barclays. Sir, please go ahead.

Simon Coles, Analyst

Hi, it's Simon from Barclays. Thanks for taking the question. Just on enhanced TV, obviously, showing improving trends there. So are we potentially reaching sort of a period of relative stability? And then I guess, linked to that, should we be reading anything into the OTT service that you're launching with DPG? Is that any read across the enhanced TV as well? Thank you.

John Porter, Chief Executive Officer

Yes, I think we -- like I said, we are getting some tailwinds on DTV from the analog switch-off, so we're getting more conversions from analog to DTV than we had anticipated, which is a good thing. And I would say that cord-cutting as a concept is -- you don't see the same kind of trends here as you do in some other markets. There is no alternative to get -- getting basic television than getting it through Proximus or Telenet or Orange, and local television viewing is still very strong. And so for those reasons, I don't think -- we will continue to see attrition, but I don't think we'll see the rate of knots that some other markets have seen it. And then, the strategy with DPG, I mean, we already have over 400,000 subscribers to our Play and Play More services. We think, in light of the fact that we will be losing certain rights that we enjoy in those services that the opportunity now is to create a more compelling foundational Flemish and international product service with original local content and with the best of what we can still get our hands on. We think it's going to be compelling. We think it's going to be the first streaming service that people in the local market choose for, given the plethora of Anglo-Saxon products that they will have to choose from after that. And we think it's a smart thing to do, where we back ourselves to take that channel OTT and to make it available to any broadband customer who wants to watch a Flemish streaming channel. And we do that, because we think we have far away the the most performant video platform and a number of other compelling reasons for people to stick with Telenet as a video option. So excited about that one and where it's going to go potentially. And we've got a really strong commitment from DPG on a number of fronts to make that product extremely compelling and to make it worth our while to enter into that JV.

Simon Coles, Analyst

Great, thanks very much.

Erik Van den Enden, Chief Financial Officer

Which will light later.

Simon Coles, Analyst

Thanks.

Erik Van den Enden, Chief Financial Officer

Yes.

Operator

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

Rob Goyens, Vice President of Treasury, Investor Relations & Structured Finance

All right. Thank you, operator for the assistance and thanks, everybody for joining this call. We hope that all your questions have been addressed during the lengthy Q&A session. If not, Bart and I are really available for any further follow ups you might have. On our investor website you'll not only find all the relevant materials for the Q4 results, but you'll also find an updated Q4 and also roadshow calendar. So we look forward to meeting with you during one of our roadshows that have been scheduled. So we say goodbye for now, and we will tune in later. Bye-bye.

Operator

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