THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

TNET.BR - Q4 2015 Telenet Group Holding NV Earnings Call

EVENT DATE/TIME: FEBRUARY 10, 2016 / 2:00PM GMT

THOMSON REUTERS

CORPORATE PARTICIPANTS

Rob Goyens *Telenet Group Holding NV - VP Strategic Planning, Treasury & IR*

John Porter *Telenet Group Holding NV - CEO*

Birgit Conix *Telenet Group Holding NV - CFO*

CONFERENCE CALL PARTICIPANTS

Emmanuel Carlier *ING Financial Markets - Analyst*

Paul Sidney *Credit Suisse - Analyst*

Michael Bishop *RBC - Analyst*

Vikram Karnany *UBS - Analyst*

Saroop Purewal *Redburn Partners - Analyst*

Frank Knowles *New Street Research LLP - Analyst*

Bart Jooris *Degroof Petercam - Analyst*

Veren Dronsov *- Analyst*

Marc Hesselink *ABN AMRO - Analyst*

James Britton *Nomura - Analyst*

Sander van Oort *Kempen & Co - Analyst*

Fianne Huisman *Rabobank Equity Research - Analyst*

Louis Citreon *Arete Research - Analyst*

PRESENTATION

Operator

Good day and welcome to the Telenet FY15 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 *- Telenet Group Holding NV - VP Strategic Planning, Treasury & IR*

Thank you, operator. Ladies and gentlemen, on behalf of Telenet investor relations team, Thomas and I would like to welcome everybody to our full year 2015 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 to join the 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 program and speaker lineup. As you'll remember from last quarter's call, we have slightly changed the setup to allow for more Q&A time. So we'll first start with an executive overview by John Porter, our CEO, after which our CFO, Birgit Conix, will briefly 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 - *Telenet Group Holding NV - CEO*

Thanks, Rob, and good afternoon or morning to everyone on the call. Before we delve into the details of the quarter and yearend, I want to briefly touch on some accomplishments here at Telenet from 2015.

You can see from the subscriber stats that we had a very successful end-of-year marketing campaign. Through a mix of targeted promotions and successful below and above the line marketing campaigns highlighting the value of both our fixed and mobile offers, we managed to attract more than our fair share of net adds in Q4 2015.

The number of net subscriber additions from our advanced fixed services of broadband Internet, fixed line telephony and enhanced video for the quarter were up 5% versus a robust Q3. However, we've not only been focusing on volume growth, but we also went above and beyond to improve the experience for our 2.1 million customers.

Staying close to our customers and focusing on providing them with an amazing customer experience is at the core of our DNA. As such, I'm really pleased to announce that, in 2015, we were able to proactively visit over 150,000 customers under our Helemaal Mee Tournee, leading to a positive NPS impact felt throughout the entire subscriber base.

As such, our churn levels remain moderate and pretty stable year on year, despite the intensive competitive environment. I'm particularly proud of this accomplishment, as we're the only operator in Belgium and in Europe, to my knowledge, to offer this kind of proactive, high-level customer care.

It is our prediction that this will become a key differentiator versus competition, as Flemish households are increasingly pivoting to a digital and more connected lifestyle.

You can see on the next slide that we've been driven by our continued investments in both network quality and customer experience. We achieved some solid subscriber exit points for 2015. At the same time, we posted an impressive 35% improvement in our residential net promoter score.

Slide 7; in 2015, we reiterated our commitment to inspiring entertainment in general and, in particular, the Belgian audiovisual sector, which we provided across multiple devices both in and outside the home. By supporting local initiatives, we hope to do our bit as a distributor to support this sector as a whole and, in parallel, build out a more engaging relationship with our customers.

This extends beyond some exclusivity behind the paywall, as I'd like to explain with a concrete example. Through our 50% participation in De Vijver Media, we were able to partner the reality TV gameshow, The Mole, in which players must work together to complete various challenges to build up a significant cash prize, only to be sabotaged by an anonymous double agent hired by the producers.

In collaboration with De Vijver, we offer viewers the opportunity to identify the mole themselves through an online platform. This personalized extension of the traditional TV screen is something which we believe is not going away and, hence, will continue to be a true differentiator for us, going forward. Through our 50% stake in De Vijver Media, we are well positioned to benefit from this trend and towards a deeper and more engaging two-way relationship with the customer.

We, at Telenet, believe being a relevant player in the contents space pays off, not only through additional ARPU generation, which by the way is EUR16 to EUR17 across our general entertainment premium packages, but also enhancing our brand value. At the end of 2015, our SVoD packages Play and Play More had around 300,000 subscribers, which more than doubled year on year, driven by targeted promotions and seasonality in Q4.

Slides 9 and 10 speak to our sports offering. Our year in sports was characterized by some important deals, of which the renewal of the English Premier League rights for the next three seasons was, of course, an important one. Next to that, the deal we struck with Eleven Sports for some smaller, but nevertheless, important leagues.

The revamp from sporting Telenet to Play Sports, which featured a new state of the art studio, a dedicated app and the introduction of new features and functionalities, such as live biased commentary by opinionated Flemish celebrities during football matches, is something which fans have come to love.

All of this led to 9% growth in our Play Sports subscriber base in the second half of the year, an impressive inflow compared to recent quarters.

Moving over to slides 11 and 12, which speak to Telenet for Business. Telenet for Business further refined its offer for SoHo and SME customers and launched some exciting new products such as FreePhone Business, a user-friendly voiceover IP PBX and an upgraded Corporate Fibernet, which has now speeds of over 240 megabits per second down and 25 megabits up. Telenet for Business kicked off 2016 with a promising new marketing campaign with a twist, as you can see on slide 12.

Then, of course, to conclude, just a few words about the BASE transaction which, as you probably will have heard by now, has been approved by the European Commission last week.

We expect this acquisition to close in the next couple of days, allowing us to more effectively compete for mobile subscriber growth in the future. Today, we are reconfirming both the synergy levels and investments we announced early in April last year and look forward to providing you with more color and granularity into our plans during our Capital Markets Day in London on April 28.

So with that brief overview, I'll hand it over to Birgit for a short summary of our financial performance.

Birgit Conix - *Telenet Group Holding NV - CFO*

Thank you, John. Looking back at our financial performance for the year, I'm pleased that we were able to deliver on the upper end of our upgraded full-year outlook, as you can see on this slide. Our adjusted EBITDA for the full year was up nearly 5%, a solid performance taking into account the integration costs which we have started to incur for the planned integration of BASE Company.

Whereas direct acquisition costs do not impact our adjusted EBITDA, operational integration costs do and, as such, have a negative impact. For the full year, this effect was a negative EUR10 million, of which around EUR6 million in Q4. Excluding these integration costs, our adjusted EBITDA in Q4 would have grown nearly 6%, which is a much better reflection of the underlying growth rate.

For the full year 2015, we generated revenue of approximately EUR1.8 billion, which was up 6% year on year compared to our outlook of between 5% to 6%. This growth was underpinned by four drivers.

Firstly, we achieved solid multiple-play growth with the number of triple-play subscribers up 6%. Secondly, our revenue growth reflected the benefits from the selective price adjustments in January 2015. Thirdly, our mobile activities contributed EUR22 million more versus last year. And finally, B2B continued its last quarter's success and was able to increase revenues by 12%.

In Q4, our revenue was EUR459 million, up 5% year on year, and essentially up on the same growth drivers as previously mentioned.

Slide [18]; for the full year 2015, adjusted EBITDA was up 5% to EUR944 million and included non-recurring benefits of around EUR8 million and EUR13 million respectively for 2015 and 2014. So excluding these one-off effects, the underlying growth rate in our adjusted EBITDA would have been much higher.

Growth in our adjusted EBITDA was driven by accretive multiple-play growth, including the benefit of the aforementioned price adjustments and our continued focus on cost efficiencies and operating leverage. This was partly offset by higher content-related costs, high interconnection costs and higher costs related to the integration of BASE company.

As mentioned earlier, these integration costs negatively impacted our adjusted EBITDA. Its full-year impact was a negative EUR10 million, of which around EUR6 million in Q4.

Slide [19]; accrued CapEx for the full year 2015 was slightly down year on year to almost EUR384 million. This was due to significantly lower set-top box related capital expenditures, which were partly offset by higher network-related investments relating to both our proactive customer visits and our Grote Netwerf investment program. Excluding the recognition of the Belgian football broadcasting rights for the current season, they represented around 20% of our revenue.

Slide [20]; despite significantly higher cash taxes paid in 2015 relative to 2014, we delivered 17% free cash flow growth to EUR279 million, which compares favorably to our upgraded outlook of EUR250 million to EUR260 million. The robust increase in our free cash flow was driven by solid growth in our adjusted EBITDA, EUR32 million lower cash interest expenses as a result of prior refinancing, and a marked improvement in our working capital.

Our net leverage ratio at the end of December reached 3.4 times and was slightly up compared to Q3 because of sequentially lower EBITDA growth in the yearend quarter. Our net leverage excludes the additional facilities related to the acquisition of BASE company.

John already briefly mentioned that the European Commission approved the BASE acquisition last week and we aim to close this transaction in the next couple of days. As mentioned before, the transaction will be funded by a mixture of undrawn debt facilities of around EUR1.2 billion and existing cash on the balance sheet.

Given the pending closing, the Board has decided not to provide a detailed outlook at this stage. We intend to provide detailed guidance in April in conjunction with the release of our Q1 results.

As mentioned in the release, 2016 and 2017 will be important investment years in both fixed and mobile networks, including our earlier communicated investment plan of EUR240 million in BASE's mobile network and integration costs. This will be more than offset by confirmed annual run rate synergies of at least EUR150 million as part of the transaction.

Finally, the Board of Directors approved a EUR50 million share buyback program yesterday, effective as of Monday next week, as you have read in our press releases.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Emmanuel Carlier, ING.

Emmanuel Carlier - *ING Financial Markets - Analyst*

Three questions. First of all, I see that consensus is expecting around 3.7% EBITDA growth on Telenet standalone. So far, you are not providing some guidance, but could you maybe give some color if consensus is far from what you were expecting for Telenet standalone?

Then secondly on BASE, so far you guide for EUR240 million investments and synergies above EUR150 million. I would appreciate if you could give some run rate of these investments and also the synergies.

And then thirdly, Mobistar made some comments on cost-plus regulations, saying that they believe it could be introduced in the next few years. I would like to hear your views on that. Thank you.

Birgit Conix - *Telenet Group Holding NV - CFO*

Hi, Emmanuel. We originally planned to give standalone guidance, but given the fact that we received the EC approval for the BASE acquisition just last week, we thought it would be odd to provide Telenet standalone guidance, instead of combined results.

And since we don't have full insights yet in the BASE 2016 plan, we are currently not in a position to provide combined numbers. But I can give you a flavor of where we plan to end for Telenet standalone, which is a continuation of our current trends for our financial parameters.

So this could mean, let's say, mid single digits for revenue and EBITDA. And Telenet standalone, we would keep our CapEx levels at around 20%, like we normally do. And free cash flow, we plan to end flat and that is due to higher tax expenses in 2016. And, as we mentioned earlier at our first quarter call, we will provide the combined outlook when we have full detail.

John Porter - *Telenet Group Holding NV - CEO*

[I'll take the] next one, which is looking for more granularity and clarity on the synergies and investment. The bulk of the investment, of course, is in the network upgrade, which will kick off within weeks, or a month or two, of the closing of the acquisition.

It will require a ramp up period. We'll be upgrading over 3,000 existing sites and looking at somewhere between 500 and 800 additional sites delivering better performance and densification. The timetable for that entire project actually extends beyond -- well into 2017 and well into the end of 2018 and even beyond, if you include the additional sites.

So it's our intention to provide, as I said, more granularity on the investment profile and the synergies in our Capital Markets Day, which will be held on the back end of our Q1 result. So we hope to see you there.

On the synergies, once again, the bulk of the synergies do come from moving the MVNO customers over onto an owned network, although there are certain levels of, of course, G&A synergies which will come on stream more quickly. Synergies also will ramp up over a two- to four-year period, depending on the rate of migration to the owned network, although some will come on stream sooner. However, I wouldn't look to any significant benefits in the synergies department in 2016.

On the cost-plus question, I'd think we're in a perpetual state of regulatory examination. We're already the most highly regulated telco in Belgium, being regulated on both fixed and mobile. But I am sure that the BIPT will be kicking off a process, a market study, on broadband in the foreseeable future; we expect that.

I don't know why Mobistar would have any particular insights on the timing of cost-plus, but its history is the best guide to future performance. It's taken five years from when the cable access regulation was passed to get to where we are today.

We have also been ready to host Mobistar's access of our network since June 2014. So I don't see these things moving particularly quickly, and I would suggest that it's mere optimistic speculation on Mobistar's part, that cost-plus legislation will be implemented within the next two years.

And who knows? It might be whether it's better or worse, or I think you just in this case, just have to play what's in front of you.

Emmanuel Carlier - *ING Financial Markets - Analyst*

Okay. Thank you.

Operator

Paul Sidney, Credit Suisse.

Paul Sidney - *Credit Suisse - Analyst*

Just three quick questions from me as well, please. Firstly, how has the latest price increases put through by Telenet been taken by Telenet customers and the Belgium media?

And just question two is really a follow-on from that. How did Telenet manage the process of informing customers and preparing them for the price increase this year? And how was that different to 2015?

And just a quick third one; will the acquisition of BASE change Telenet's view on optimal leverage and distribution policy? Thank you.

John Porter - *Telenet Group Holding NV - CEO*

Yes, the price increase this year was a completely different experience than in last year. A couple of things. One is, it is a bit less, on average EUR1.99 versus EUR2.99 last year. It's more in line with -- it's above CPI but it's more in line with other increases that have been seen in the market.

There was also a much more comprehensive multiyear, multi-month communication strategy, which culminated in letters going out in January and actually bills hitting now in the beginning of February. But we actually began the process, if you will, back in the second half of last year.

There was a comprehensive push to communicate fundamentals of the business, which is essentially that data consumption has doubled in the last eighteen months; that average devices per household has gone from four to over seven in the last year; that speeds have been increased; and certain improvements have been made to the basic product, including the DTV, but also the WiFi network as well.

We also initiated what we call the Helemaal Mee which has also been called the Yellow House, where we have been targeting low NPS households, or households that will clearly have a less than satisfactory experience within the home, particularly with WiFi, and go out and proactively check their services from end to end, upgrade their hardware to the latest edition and spend some time on customer education.

NPS increases by almost 40 points from the time we go into the home to the time we leave, and has created an enormous positive talkability in the market about the added value customer relationship that we are delivering.

And then our communication process was more open and more transparent. I was in the market on television and in the press before Christmas, explaining the evolution of our business and how we put 40% of our operating cash flow back into our capital and our networks and network functionality and capability, as well as some of the other points that I just made.

But also informing people that there would be an increase, as there has been in the past, and as there also has been from our competitors in the recent past, including Proximus.

So all those things resulted in much a more accepted price increase. If you look at NPS, which is our ultimate KPI of customer satisfaction, last year we went down about 20 points on the back of our rate increase, and it took us about four months to get back. This year, we've only gone down a little bit under five points, which is a tremendous improvement, and we expect to be back to pre-price increase levels by March.

Birgit Conix - *Telenet Group Holding NV - CFO*

So the BASE acquisition does not change our leverage expectation. Currently, we are 3.4 times EBITDA and the pro forma leverage, including BASE, would bring us to 4.1 times.

And the distribution policy remains the same. So first of all, accretive M&A; secondly, share buyback; and then thirdly, dividend. As you know, we do not have a dividend policy, and also you noted that the Board has authorized a share buyback just now for an amount of EUR50 million.

And then finally, the Board has also in the press release stresses that they remain committed to attractive and sustainable shareholder value by growing the combined entity and taking a view on the optimal leverage and funding mix as we proceed in the coming years.

Paul Sidney - *Credit Suisse - Analyst*

That's really helpful. Thank you very much.

Operator

Michael Bishop, RBC.

Michael Bishop - *RBC - Analyst*

I've got a couple of questions. Firstly, on the EU remedies and the deal you provided to MEDIALAAN, you've clearly reiterated the synergies, but I was wondering if you could give us any insight into their ambitions in terms of being an MVNO, whether they'd be more aggressive in your footprint or outside of your footprint and that sort of thing. So I appreciate you probably can't talk about the exact deal.

And then secondly, on mobile, given you've had the similar price points for a while, could you give us an indication of where average data usage is and whether you're going to reach a natural tipping point where people start to spin up because they're exceeding the usage within their bundles?

And then thirdly, I just wondered if you'd had any more thoughts around the BASE subscribers that are outside of your fixed line footprint, and whether you've had any discussions with VOO around extending or changing the MVNO deal that you have with them. Thanks very much.

John Porter - *Telenet Group Holding NV - CEO*

Okay, some big ones. In terms of the remedies or the divestiture of the JIM prepaid, predominantly prepaid base and our 50% stake in Mobile Vikings, when we made this investment, we knew there were a number of these not MVNOs but branded resellers and quasi-light MVNOs in terms of Mobile Vikings, I think we've said that we don't expect it to materially change the economics of this business for us.

It's a stated objection of this new MVNO to get to full MVNO and to, obviously, convert more of its customer base to postpaid, which would mean more data usage which would mean a better economic relationship with the network provider, being us. So really, over time, a successful MVNO does not materially change the economics of the investment for us.

Whether they are going to be more successful on our footprint or outside of our footprint, right now, those subscribers are reasonably proportional between Flanders and Brussels and Wallonia, similar to the makeup of the BASE company customer base. However, both JIM and MEDIALAAN clearly have a more sort of Flemish DNA, so we can expect that they will continue to probably outperform in the northern part of the country.

But it's really in our interest that they have some degree of success, and we will be supportive and wish them the best of luck to get to full MVNO status as quickly as possible.

The mobile pricing it's, obviously, yes, mobile rates have not increased. You're going to talk about that?

Birgit Conix - *Telenet Group Holding NV - CFO*

The full MVNO-related costs have grown 13% year over year compared to a 12% RGU growth in mobile, so I think that is what we can detail on the costs.

Michael Bishop - *RBC - Analyst*

Okay. And in terms of your mobile subscribers, I was just wondering about their actual data usage. Is that pretty much in proportion with the costs you're paying, the 13%, if I read across to the per gigabyte per month metrics?

Rob Goyens - *Telenet Group Holding NV - VP Strategic Planning, Treasury & IR*

There's more to the actual data usage of customers than obviously the full MVNO-related cost that we are paying to Mobistar, because part of our strategy has always been to go for WiFi. And that's what we have been doing by investing in WiFi hotspots, which is why WiFi offloading, even despite the BASE acquisition, continues to be a central part of our overall strategy.

And we've also educated people that WiFi is something that should actually suit them well. We have invested in EAP kind of solutions, to ensure that people go on WiFi first, and two apps that we have also launched that people are able to control their mobile data usage. And, as soon as they see that they are exceeding their bundle, what we typically see is that customers, some parts of the customer base, are adapting their behavior so that they don't exceed the proportion of WiFi offloading.

So there is more to the data part than just the cost that we pay to Mobistar. But on overall, we do see that data volume growth also for our business -- also for our customers is growing.

John Porter - *Telenet Group Holding NV - CEO*

Moving to your last question, the BASE subs that are out of footprint, our current expectation is that we will operate out of footprint, pretty much status quo, and that we will -- there's no contemplated change in our agreement with VOO in relation to the Mobistar access agreement. That could change but, right now, there is nothing contemplated.

We have pretty good momentum in the southern part of the country with BASE and the BASE subscriber base in that region is stable to growing, so no immediate plans. But I would definitely -- obviously longer term we're going to need to do something; either VOO will need to do a direct deal with Mobistar or one with us for their existing customers. And in terms of how we continue to operate in the south and what strategies we deploy, that will remain for another day.

Michael Bishop - *RBC - Analyst*

Great. Thanks so much.

Operator

Vikram Karnany, UBS.

Vikram Karnany - *UBS - Analyst*

I've got couple of questions. Firstly, on mobile, there was a sequential slowdown if I look in terms of headline growth, while simultaneous to the subscriber growth. So I was just wondering what were the main drivers behind this, and how should we think about the evolution in terms of the next couple of years as you do your migration phase to BASE. And in terms of mobile, would we expect more or less this steady run rate of around 25,000 subscribers to continue?

THOMSON REUTERS

And secondly, similarly, on terms of B2B, how should we see the prospectus in terms of positioning your business longer term as the integration happens? Will you be making a more and more aggressive push in 2016 and 2017 in B2B? Thanks.

John Porter - *Telenet Group Holding NV - CEO*

I'll answer the second one first on B2B. Yes, B2B, in terms of top line, is probably one of the biggest top-line synergies in the BASE acquisition. There is a very neat fit between our B2B strategy in fixed and what the BASE company has accomplished in mobile. That's been a significant gap in our offering and it really means that we're competing with one hand tied behind our back, particularly in the SME space where we have less than 10% market share.

So now that we are able to offer a full portfolio of connectivity plus added value services like IP-centric, security, hosting, etc., etc., we feel that we can compete much more effectively in SME. And even pro forma for the acquisition, we're still only sitting at 14% market share in the enterprise market, which is dominated by Proximus. So there's plenty of upside there and it is an integral part of our go-forward strategy where we're -- certainly our ambition is to achieve double-digit growth in our enterprise revenue and OCF over the next few years.

Vikram Karnany - *UBS - Analyst*

Okay.

Birgit Conix - *Telenet Group Holding NV - CFO*

Yes, so then on the mobile question; indeed, Q3 was stronger with EUR54 million versus Q4 with around EUR50 million in mobile. But this is like a typical run rate that we also had foreseen for 2015, because the last quarter of the year is typically a very, very competitive quarter in the market in Belgium with lots of promotions as well, so.

And we did reach our cap of 1 million subscribers in 2015, which is a remarkable result under an MVNO, so we're actually quite pleased with the results in mobile so far.

Vikram Karnany - *UBS - Analyst*

And going forward, once you do the integration with BASE, is that the run rate currently to be expected once you get the BASE network up and running during the transition period?

John Porter - *Telenet Group Holding NV - CEO*

We don't give forward-looking guidance on sub numbers, but history is the best guide and we'll be giving you a more granular update on our plans in April.

Vikram Karnany - *UBS - Analyst*

Thank you. That's clear.

Operator

Saroop Purewal, Redburn.

Saroop Purewal - *Redburn Partners - Analyst*

I just had a couple of questions. The first was on your programming costs; could you give us some indication of what proportion of your costs are now programming- or content-related and what kind of trajectory that they're on? Are they going to be higher again and, if so, will it be higher than inflation?

And then secondly, I just wondered about your pricing. So you've introduced a roughly 2% price increase across your product range, and last year it was more like 4% to 5%, only on one product, the triple-play. So will the effect this year, year on year, be as strong as last year? Just wondered if you could talk about that. Thanks.

John Porter - *Telenet Group Holding NV - CEO*

In absolute terms, the price increase is more or less at par with 2014. And you're right, different denominator using, we talked about it in a different way in 2014. But there's also been some tweaks on some transactional things like fees, and things like that, that get it to the levels of 2014. So yes, about the same amount, in absolute terms.

And then on the programming cost?

Birgit Conix - *Telenet Group Holding NV - CFO*

Yes. So we normally don't go in that much detail on how much content is as a total in terms of a direct cost, but let's say that like one-fifth of direct cost more or less is content-related. And we do see a significant increase because, as you know, we have an entertainment strategy, so we do invest in content.

And we do see that this is paying off because, for instance, to give one example, our Play Sports subscribers, that increased with the 9% in 2015, so that is a substantial increase. And also our Play and Play More customers actually doubled in 2015. So you see that the strategy is paying off, but it does have a substantial investment [that is made].

John Porter - *Telenet Group Holding NV - CEO*

I think it's important to point out that, unlike some of our peers in Europe, we're adding no cost to our triple-play video, so our DTV, where we are constrained from a pricing standpoint. The only place we're adding cost is in the optional premium segment, where our ARPU is around EUR16/EUR17.

So we've got the headroom to add some cost. We did recently complete another three-year extension of the English Premier League, and if you've followed those negotiations globally, you know it's not getting cheaper.

But we are investing where customers are willing to pay us. And so I think the dynamic that a lot of cable companies in Europe have is that they're having to pay more in the package where the customers aren't willing to pay more and that's the problem. But the way we've got it structured, this is more classic pay-TV model. It's not a problem.

Saroop Purewal - *Redburn Partners - Analyst*

Okay. Thanks very much.

Operator

Frank Knowles, New Street Research.

Frank Knowles - *New Street Research LLP - Analyst*

Most of my questions have been answered, actually. I just had a couple of quick ones. One is just on the working capital; obviously, you noted that you'd done some effective working capital tightening this year, just wondered whether there were similar opportunities in 2016, or whether it's now at an optimal rate, and we should expect flattish working capital.

And then the second question was just on your home visit strategy, obviously working really well in terms of NPS. You said you'd done about 150,000 visits this year; wondered whether there were plans to accelerate that. Obviously, at that pace, it'll take you about 14 or 15 years to get round to all of your 2.1 million customers, so whether you had any plans to ramp that up even further? Thank you.

Birgit Conix - *Telenet Group Holding NV - CFO*

So yes, on the Yellow, also on the Helemaal MeeTournee, we have plans to ramp the run rate up in 2016, and we see that the program has been very successful, as John already mentioned earlier. Our NPS increased significantly, with 35%, and we also see it in our churn level. So it has been a very successful program, which we will continue in 2016.

And then on the (multiple speakers)

John Porter - *Telenet Group Holding NV - CEO*

Just on the overall numbers, we're going to do more than 300,000 visits this year, and that will continue to increase. The other thing is, we started out with the toughest ones, so we're sort of working our way up the chain. And we also do a version of the Helemaal Mee on service calls and, of course, at installation we do it as well.

So in terms of absolute numbers that we have to get to, there are some that don't require it, don't want it. There are some that are receiving it, new installs for the year that are getting it. Those we don't include in those numbers.

The 150,000 is just where we've proactively identified a customer who we think could benefit from it, and we've generated an incremental service call. But we're doing it at service calls, at installation, and obviously there are some customers who've been installed in the last couple of years who are highly satisfied anyway.

Birgit Conix - *Telenet Group Holding NV - CFO*

Yes. And then on the working capital question, yes, we have made significantly improvements in both 2014 and 2015. But we do still see room for improvement in working capital further in 2016.

Frank Knowles - *New Street Research LLP - Analyst*

Very helpful. Thank you.

Operator

Bart Jooris, Degroof Petercam.

Bart Jooris - *Degroof Petercam - Analyst*

I have just one more or less follow-up question. In the conference call Mobistar said that in its 2016 guidance they see a stable EBITDA coming in from your MVNO agreement with them. Seeing that you still see customer growth, you still see mobile data growth, this seems rather strange that they only see a stable EBITDA coming from you.

What's your view on this? And are you planning to putting new mobile customers faster on the BASE network directly after closing the deal? Or is everything still to the old plans, like announced in April last year?

John Porter - *Telenet Group Holding NV - CEO*

No, I don't think we've changed our plans. I think stable is probably a relative term; it may be surprised and delighted. We have no intention of accelerating the migration. We only win, as we said back in April, only when it's completely transparent to the customer from an experience standpoint will we migrate a customer.

We still have to (multiple speakers)

Bart Jooris - *Degroof Petercam - Analyst*

(multiple speakers) new customers, new customers coming in after the closure?

John Porter - *Telenet Group Holding NV - CEO*

New customers, we're still going to be operating these businesses somewhat separately for the first three or four months. So if we do start adding new Telenet mobile customers to the BASE network, which will only be done assuming it's the same experience that they would get on the Mobistar network, it won't be until well into the second half of the year, so --

Bart Jooris - *Degroof Petercam - Analyst*

Okay, that's fair enough thanks.

John Porter - *Telenet Group Holding NV - CEO*

I don't think it's going to have a lot of impact on 2016.

Bart Jooris - *Degroof Petercam - Analyst*

Thank you.

Operator

[Veren Dronsov], (inaudible).

Veren Dronsov - - *Analyst*

I wanted to maybe delve in a little bit more into the fixed line consumer business. In broadband, you saw some decline in subscribers; I wonder whether that's some kind of a reclassification, or whether the market is becoming a lot more competitive. Maybe if you can elaborate on your expectations for that segment a little bit, going forward?

Rob Goyens - *Telenet Group Holding NV - VP Strategic Planning, Treasury & IR*

Yes, the only product segment in which we have been losing customers consistently is in total video, which is the sum of previously called analog and digital TV, so it's actually basic video and enhanced video together. This has to do with the fact that, historically, we have had very dense cable penetration in Flanders.

Given the increased competition that we see from the incumbent, but also from the other OTT platforms, we have been losing customers in this space gradually. These customers are also predominantly single-play customers, generating a fairly low ARPU relative to the triple-play ARPU that we generate through our Whop and Whoppa bundles.

For the other product lines, you have seen in our reporting that we continue to grow handsomely. Net subscriber growth for our advanced fixed services of broadband Internet, fixed line telephony, and enhanced video was actually up 5% compared to a very robust third quarter. This was driven, as John mentioned earlier, by the successful end-of-year marketing campaigns that we did here at Telenet.

The only impact that you might also be referring to is when you look further down. For example, in the broadband subscriber base, between residential and B2B, you've seen that there has been a re-class of certain subscribers from residential to B2B which has been done. But we have not restated it for the prior year's periods.

On a total base of 1.5 million subs that impact is also fairly limited. There actually was a re-class because of an alignment of the alignment of definitions that we have here, so we had to re-class those people.

Veren Dronsov - - *Analyst*

Okay, I see. Broadly, what would be the residential broadband Internet growth or figure for Q4?

Rob Goyens - *Telenet Group Holding NV - VP Strategic Planning, Treasury & IR*

I think if you're don't take --

John Porter - *Telenet Group Holding NV - CEO*

Just under [50,000] for the full year.

Rob Goyens - *Telenet Group Holding NV - VP Strategic Planning, Treasury & IR*

The subscriber growth generally for broadband was up 3% year on year. I think for broadband, the residential, excluding the re-class, it would have been a similar effect.

Veren Dronsov - - *Analyst*

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

Operator

Marc Hesselink, ABN AMRO.

Marc Hesselink - *ABN AMRO - Analyst*

I've got one question. If I heard correct, you already have some teams working on the integration to hit the ground running. Can you share if you already have some deeper knowledge of the client base of BASE?

Are there a lot of postpaid clients in the BASE customer network that are also fixed line clients of you that you maybe combine, therefore getting down the churn levels for those clients? Or any other things like some opportunities that you are seeing in that customer base.

John Porter - *Telenet Group Holding NV - CEO*

Well, that's the one area that we haven't had a lot of visibility on because, obviously, up until the next 24, 48 hours, we're actually competitors. So we don't get a look in on their customer movements. We do have a lot of confidence, though, that putting Telenet and BASE together will create some real opportunities for BASE to boost or accelerate its acquisition and retention programs.

We have a lot more -- BASE has been primarily a retail business. We have an enormous amount of channelization that we can support them with, whether it's digital or selling through our call centers, or selling through our own retail network. Obviously, any time you're in the nine-month process of getting sold, resources are thin on the ground.

We expect to put some oxygen into the go-to-market strategies of the business there and obviously, to begin slowly to cross-sell between our fixed and mobile offering. So whatever it's been, and I guess you guys have the same visibility we have actually, which is through the KPN result, we expect it to improve dramatically over the next six to nine months.

Marc Hesselink - *ABN AMRO - Analyst*

Okay. Thank you.

Operator

James Britton, Nomura.

James Britton - *Nomura - Analyst*

I've got a couple of questions. Firstly, just a follow-up on the Yellow House initiative, which seems to have been a fantastic success, could you just help us understand how do you see a 40% NPS uplift translating through to customer lifetime value and a lower churn?

Then secondly, I know Belgian operators are always traditionally quite exposed to roaming, so can you just clarify what roaming exposure BASE has on revenues and EBITDA? Thank you.

John Porter - *Telenet Group Holding NV - CEO*

I can give you some big picture numbers on Yellow House, which are basically we can translate the 35 to 40 point improvement in NPS directly into that customer's churn profile, and also their propensity to buy more services from us.

We overall calculate that there is a little bit over a 12 month cash-on-cash return for proactively scheduling a hour-long Yellow House visit. I don't have the numbers handy in terms of its direct impact on churn. But like I said, when we added up the combination of subscriber life and increase in ARPU, that translates into what we call customer value. We calculated, like I said, there's around a 12 to 13 month cash-on-cash return for the visit. Obviously, the goodwill generation extends out beyond that, but is more an intangible.

Do you have anything on roaming exposure?

Birgit Conix - *Telenet Group Holding NV - CFO*

No. We would have to come back offline on that one.

James Britton - *Nomura - Analyst*

Okay, great. Thank you.

Operator

Sander van Oort, Kempen.

Sander van Oort - *Kempen & Co - Analyst*

Two questions, if I may? First of all, the negative impact on ARPU from the legacy mobile tariff plans, which are running out of your base, maybe you can give us the proportion of these contracts.

Secondly, I was wondering if you can give a breakdown of the ARPU versus bundle versus out of bundle, to see what proportion of the bundle is at risk when the bundles grow in the near future. Thank you.

Birgit Conix - *Telenet Group Holding NV - CFO*

Maybe on the mobile ARPU, and I'm not sure I understood your question entirely. Indeed, mobile ARPU decreased with 5% versus 2014. The reason for that is, we also detailed it in the press release, it's due to the move from old tariffs to King and Kong, and it's also a mobile out-of-bundle usage which decreased. For instance, part of it is roaming and also less SMS activity.

I don't have the full breakdown here, but that is basically where the mobile ARPU -- I mean ARPU decrease is coming from.

To your question on the plans, are you after the split between what proportion is SIM-only, what plans do we have for handset discounts and handset financing, is that your question, because that I can answer? So 70% we do in SIM-only, 25% is more like discounts on the handsets and that combined with the tariff plan, and then 5% is including handset financing. But I'm not sure, yes.

John Porter - *Telenet Group Holding NV - CEO*

How much is the fixed part of the bundle versus out-of-bundle.

Birgit Conix - *Telenet Group Holding NV - CFO*

Yes, versus out-of-bundle.

Sander van Oort - *Kempen & Co - Analyst*

Essentially, what you're saying, of course, is in the press release that part of your ARPU decline is due the migration of customers, of course, to the new tariff plans. So I was wondering, what proportion of clients is still on the old plan (multiple speakers)

Birgit Conix - *Telenet Group Holding NV - CFO*

That's what -- okay.

John Porter - *Telenet Group Holding NV - CEO*

Very low.

Birgit Conix - *Telenet Group Holding NV - CFO*

Okay, that's indeed very, very low. We actually, even proactively, move customers to our King and Kong tariff plans and, indeed, that is part of it. It's a small base because we would like to move everybody to our new tariff plan. Sorry, I missed (multiple speakers).

Sander van Oort - *Kempen & Co - Analyst*

Okay, excuse me. Okay, thank you. Very helpful.

Rob Goyens - *Telenet Group Holding NV - VP Strategic Planning, Treasury & IR*

The 90%, which is actually already on the latest migrate plans, some of the movements you've seen is either from really legacy customers that we have been moving proactively as we want to clean up our subscriber base and also the number of rate plans we have. And part of it is also due to the migration of people that used to have a very large out-of-bundle-type of profile, and then are selecting the additional King Supersize option, so they can actually double the specs of the King product. That's a dual effect there.

Sander van Oort - *Kempen & Co - Analyst*

Yes, thanks. Great, very helpful.

Operator

Emmanuel Carlier, ING.

Emmanuel Carlier - *ING Financial Markets - Analyst*

Two questions from my side. So on the remedies of the BASE view, could you provide any color on sales and EBITDA impact of that on 2014, for example?

And then, secondly, on handset subsidies, typically you give a guidance on the difference year over year. Could you do that again for 2015? Is it up or down and by how much? Thank you.

Birgit Conix - *Telenet Group Holding NV - CFO*

Yes. In terms of handset subsidies, overall it didn't change too much year over year, but what we did do is we switched part of our base to handset financing. So overall subsidies, you could say, actually even decreased a bit due to our handset financing program. So we moved from -- actually, handset financing, well, it is upfront revenue recognition at the time of the deal with the customer. That's what handset financing does to us in our financials, versus the previous plans where the revenue from the handset was spread over the duration of the contract, namely 24 months.

And when we do the switch to handset financing you have two effects. First of all, the effect of the upfront revenue recognition and that was in our case -- yes, I can give the amount even. It was EUR7 million. And then we also have the effect of a slightly lower volume effect. And that is due to several factors, because when you move to handset financing, so with the upfront revenue recognition, the duration of the credit checks, paperwork, etc., it takes much longer than just going for a discount on a handset, so we do have an impact of a slightly lower volume on that base. But it's only 5% of our total mobile revenue that is handset financing.

John Porter - *Telenet Group Holding NV - CEO*

You've got to realize that the economics don't really change until they go to a full MVNO. And assuming that they are able to grow their business, which is the assumption that we're all making, then it's reasonably immaterial to the free cash flow of the business in the medium term.

Emmanuel Carlier - *ING Financial Markets - Analyst*

Okay. Thank you.

Operator

Fianne Huisman, Rabobank.

Fianne Huisman - *Rabobank Equity Research - Analyst*

I have one question on the planned upgrade of the BASE network. Is your focus also on 4G+ or even 5G, or are you first going to improve the 4G coverage of BASE as 5G is coming soon? Thank you.

John Porter - *Telenet Group Holding NV - CEO*

We will, as we upgrade the network, we will, obviously, be focused on the state of the art. The degree to which that's 4G+ or we'll rely on the existing 4G, I wouldn't want to really be too granular about that, given the competitive environment. But I would say that the current view on 5G is 2019, 2010, so we are focused on ensuring that the customer experience between fixed line and mobile is quite seamless. And therefore, we will certainly be not a laggard when it comes to technological evolution of the mobile network.

We do have a lot of work to do to accommodate the additional subscribers and improve the density of the network overall to improve in-building coverage and a number of other things. So that's going to be our primary focus for the next year or two.

Fianne Huisman - *Rabobank Equity Research - Analyst*

All right. Thank you.

Operator

[Louis Citreon, Arete Research].

Louis Citreon - *Arete Research - Analyst*

I just had a small follow-up on your point on the handset financing program. You mentioned EUR7 million of upfront revenue recognition; could you give us a sense of what the contribution was from an EBITDA perspective, if any, compared to last year? Thank you very much.

Birgit Conix - *Telenet Group Holding NV - CFO*

Yes. So if you change the accounting methodology in this case, and you have an upfront revenue recognition, then obviously this also has an income impact. It seems obvious that the two go together, because you recognize upfront instead of over an installation of 24 months.

So you, indeed, have the same type of income impact. And that was planned for; we had all of that. So if you're alluding to guidance or anything, we had planned that already for 2015 to happen, so it was included.

Louis Citreon - *Arete Research - Analyst*

Okay. And the EUR7 million was just for Q4 or from Q3?

Birgit Conix - *Telenet Group Holding NV - CFO*

No, that was because we launched, let me think, right in the summer, June, end of June, so it was for Q3 and Q4.

Louis Citreon - *Arete Research - Analyst*

Okay. What was the Q4 impact? Is it possible to know it?

Birgit Conix - *Telenet Group Holding NV - CFO*

That I don't -- probably, let's say EUR4 million, because you have the ramp up of the program. Let's say, yes, EUR3 million in the third quarter and EUR4 million in the fourth.

Louis Citreon - *Arete Research - Analyst*

Okay, great. Thank you very much.

Operator

That will conclude today's question and answer session. I would like now to turn the call back to our host for any additional or closing remarks.

Rob Goyens - *Telenet Group Holding NV - VP Strategic Planning, Treasury & IR*

Thank you, operator. So ladies and gentlemen, I guess this wraps up our full-year webcast and earnings call. We hope to welcome you soon during one of our future roadshows and conferences. Should you have any further follow-up questions, don't hesitate to contact either Thomas or myself, and let's all touch base for our upcoming Capital Markets Day on April 28. We'll come to you with the formal invites, so stay tuned.

Thank you. Bye-bye.

Operator

That will conclude today's conference call. Thank you for your participation, ladies and gentlemen. You may now disconnect.
