Company Name: Telenet
Company Ticker: TNET BB
Date: 2022-04-28
Event Description: Q1 2022 Earnings Call

Market Cap: 3157.9720330036544
Current PX: 27.739999771118164
YTD Change($): -4.32
YTD Change(%): -13.475

Bloomberg Estimates - EPS
Current Quarter: 1.01
Current Year: 3.1590000000000003
Bloomberg Estimates - Sales
Current Quarter: 645.667
Current Year: 2622.789

Q1 2022 Earnings Call

Company Participants

- Rob Goyens, Vice-President Treasury & Investor Relations
- John Porter, Chief Executive Officer
- Erik Van den Enden, Chief Financial Officer

Other Participants

- Joshua Mills, Analyst
- Ben Lyons, Analyst
- Roshan Ranjith, Analyst
- Ruben Devos, Analyst
- Nicolas Cote Collison, Analyst
- Carl Murdock-Smith, Analyst
- Analyst
- Martin Hammerschmidt, Analyst
- James Ratzer, Analyst

Presentation

Operator

Hello and welcome to the Telenet Q1 2022 Earnings Conference Call. My name is Josh and I'll be your coordinator for today's events. Over the duration of the call, your lines will be on listen-only, however there will be the opportunity to ask questions. (Operator instructions) I will now hand over to your host, Rob Goyens, VP, Treasury and Investor Relations to begin today's call. Thank you.

Rob Goyens, Vice-President Treasury & Investor Relations

Thanks operator and welcome everyone to our First Quarter Earnings Webcast and Conference Call. As always, all earnings materials including this presentation can be found in the results section of our Investor Relations website and after this call, as per usual, we will also provide the replay and transcript for those having missed this call. We will start today with an overview of the main trends and achievements in the quarter that will be presented by John Porter, our CEO. Immediately thereafter, Erik Van den Enden, our CFO will guide you through our operational and financial results.

And finally, after this we will open it up for Q&A. Given the number of participants to this call and in order to allow an equal treatment we're limiting to two questions each. Any follow-up questions can be directed to the Telenet Investor Relations team afterwards. Before we start this presentation, however, I would like to remind you that certain statements in this earnings presentation contains forward-looking statements. More information on these statements can be found in the Safe Harbor disclaimer at the beginning of our presentation.

With that, let me hand now over to John.

John Porter, Chief Executive Officer

Thanks, Rob and good afternoon or morning to all of you. Thanks for joining the call. I'm first of all delighted that yesterday's AGM approved the appointment of four new directors to our Board, of which three are new Independent Directors. Ms Lieve Creten, Mr John Gilbert and Mr Dirk JS Van den Berghe have been appointed for a 4-year term as new independent directors of the company and Ms Madalina Suceveanu as a new Non-Executive Director. At the same time, the Director mandates of both Ms Amy Blair and Ms. Severina Pascu have been extended by a similar 4-year period.

The new Telenet Board of Directors consists of 11 members, including four Independent Directors as opposed to nine members and three independent directors previously. A revamp Board is well placed to help promote further growth for Telenet given its wide breadth of experience and background. In addition, Andre Sarens will continue to serve as an independent observer. The new Board will have four women embody five different cultures and bring a wide range of expertise, including technology, media and telecom experience, e-commerce, digital transformation, data platform management and financial technology. The mandate of Mr Bert De Graeve, Chairman of the Board till now an Independent Director has come to an end.

I would personally like to thank Bert for his great leadership and vision, leveraging his experience in the telecoms and media business, he inspired the SLT and supported Telenet's both expansion into the media sector and to become a full-fledged FMC operator. I'm pleased that Mr. Jo Van Biesbroeck has accepted to Chair the Board for a one-year term. He always has been a well-valued Independent Director and Chairman of the Audit Remuneration Committee since 2015. After that one-year term he will be succeeded by Mr. Dirk Van den Berghe.

Finally Christiane Franck has stepped down from the Board as Independent Director, as she reached the maximum permitted age as stipulated in our corporate governance charter. Christiane has also been a key contributor to our Board for over six years providing seasoned advice on a variety of topics. I hereby also want to thank her for her expertise and engagement.

At the end of October last year, we announced that the Board has started the strategic review of our tower business and five months later, we have entered into a binding agreement with Digital Bridge regarding the full sale of this business, which owns all of Telenet's passive infrastructure assets. The transaction values our tower business at EUR745 million on a debt and cash free basis equivalent to a multiple of just over 25 times on an EV-to-EBITDA after leases basis. We expect this transaction to close in Q2 2022, and as mentioned, we intend to initially hold on to the net proceeds awaiting the outcome of certain transactions on our leverage profile.

As a reminder, we continue to actively target a four times net total leverage structure, which is exactly where we were at the end of March. Having successfully completed the strategic review of our tower portfolio, we remain fully committed to evolve on the Fluvius transaction. Both companies target to enter into final legal agreements by the time we announce our H1 results, which represents a slightly delayed timing from the spring initially. We will reach out to you on a new timing for our Capital Markets Day to provide more clarity on the growth outlook for both our retail and infrastructure businesses. Unfortunately, we live in unprecedented times with a war ongoing in Europe, causing the casualties of many innocent people. The situation in Ukraine has deeply touched us all. Since the outbreak of the war, we have taken our corporate social responsibility to provide free mobile connectivity access to Ukraine refugees in Belgium, allowing them to stay connected with family and friends in the home country. In addition, we support local governments with Internet access in the temporary refugee centers and took many other initiatives to support the Ukrainian people such as the provision of the Ukraine 24 TV channel.

Moving onto our results now. When we look back at our operational performance in the first quarter, we managed to organically grow our business. However, at a slightly slower pace as we observed less flux in the market. This can also be seen through our annualized churn rates which remain at historically low levels. We added nearly 23,000 net new FMC subscribers in the quarter, bringing the total to just over 772,000 subscribers at the end of Q1, up 17% year-on-year. We also managed to expand both our broadband and mobile customer basis, with 2,900 and 8,800 net additions respectively. The weighted average data download speed across our broadband subscriber base continue to increase reaching 241 megabits per second at March 31, 2022, up 12% from 215 megabits per second in Q1 last year. This underlines our leading network infrastructure position in fixed.

I'm also proud about the performance of our mobile network offering the highest download speed on mobile in Belgium at 93.5 megabits per second based on the latest BIPT test drive results. And finally, our commercial broadcasting subsidiary SBS launched another very successful addition of them all with a record-breaking over 1 million viewers to the first episode which equal to 50% market share. As you all know, we will be participating in a spectrum auction in June, which we are very intensively preparing for. It concerns both the renewal of existing spectrum licenses, which have been temporarily renewed until mid-September of this year and also new capacity for 5G as you see in the illustration above.

At the end of March 2022, the BIPT informed the participants of the auction that one newcomer had exercised its option to acquire reserve spectrum in the 700 megahertz, 900 megahertz, 1800 and 21 megahertz bands. Also the existing operators have exercised their option to obtain 30 megahertz duplex reserve spectrum in the 900, 1800, and 2100 bands. The remaining non-reserve spectrum lots will be auctioned as of early June 2022. In total 640-megahertz of spectrum will be auctioned. As previously discussed, we continue to question the viability of a potential fourth mobile player in the Belgian B2C market in light of the high convergence rate of over 60% today. Already in the residential segment and the already very competitive standalone mobile market with many brands, MVNOs, M&Os and low priced offers. Having completed the first three months of the year, we confirm our full-year 2022 outlook as presented mid February. In line with our FY 2022 outlook, we anticipate an improved trend in our revenue profile and adjusted EBITDA in the second half of the year, driven by certain price adjustments coming into effect as of mid-June 2022 as announced yesterday as well as a continued focus on our operating expenses and tight cost control. With that, let me now hand over to Erik.

Erik Van den Enden, Chief Financial Officer

Thanks, John and welcome, everybody. Let's first have a look at our operational results in the first quarter of this year. We added nearly 23,000 net fully converged subscriber in the first quarter, which represented a softer growth trend compared to preceding quarters. This reflected seasonality, and a less active market environment characterized by less flux and a continued decrease in our annualized churn. The expansion of our broadband Internet customer base continued albeit at a slower pace. Over the first three months of the year, we added almost 3,000 net broadband subscribers, which was primarily driven by the business segments. We also added 8,800 net new mobile postpaid subscribers in the quarter, again driven by softer market dynamic.

Our monthly fixed ARPU per customer relationship reached EUR58.7 representing a decrease of nearly 2% compared to the prior year period, when our ARPU was favorably impacted by certain one offs. At the same time, we continue to see a shift from cable revenue to mobile revenue as a result of our new ONE and ONEUp bundles. This effect however should annualize as of the second quarter, as we've launched these bundles, about a year ago. Let's now have a look at our top-line performance in the first quarter. We generated revenue of nearly 645 million in the first quarter, which was broadly flat versus the first quarter of last year, which included certain one-offs in our video revenue. Excluding this impact, our underlying growth would have been around 1%. Turning to the cost side, our operating expenses increased just over 1% year-on-year in the first quarter. This was mainly driven by higher outsourced labor and professional services costs as a result of certain strategic and digital transformation projects.

We also incurred a 1.7 million increase in staff related expenses due to the mandatory wage indexation of 3.6% at the beginning of this year. And finally, we recorded higher network operating expenses, reflecting amongst others, a 3.5 million year-on-year increase in our energy costs. Turning to the next slide, you can see that we achieved an adjusted EBITDA of nearly 329 million in the first quarter, which marked a decline of 1.7% versus the first quarter of last year. The decline in our adjusted EBITDA was driven both by tough comparison base compared to last year because of certain one off effects in Q1 and the impact of higher inflation on both our staff related expenses and network operating costs. In line with our full-year outlook for 2022, we anticipate an improved trend in our adjusted EBITDA in the second half of the year, driven by certain price adjustments coming into effect as of mid-June, as well as continued focused on our operating expenses and tight cost control.

Let's now have a look at our accrued capital expenditures. Excluding the recognition of certain football broadcasting rights, mobile spectrum licenses and certain lease related capital additions, our Q1 accrued capital expenditures were nearly EUR140 million equivalent to approximately 22% of revenue and representing a more moderate 4% year-on-year increase. In line with our full-year outlook, we expect our investment intensity to pick up in the remaining quarters.

Turning to adjusted EBITDA less property and equipment additions or operating free cash flow as we used to call it, we yielded an adjusted EBITDA less property and equipment additions of nearly 189 million in the first quarter. The 6% year-on-year decrease was mainly driven by the 2% contraction in our adjusted EBITDA as explained earlier and secondly by modestly higher accrued capital expenditure versus the first quarter of last year. In line with our full-year outlook, we expect a further contraction in our adjusted EBITDA less property and equipment additions for the remainder of the year as higher investments will more than offset the projected recovery in our adjusted EBITDA

Turning to the next slide, you can see that our adjusted free cash flow was EUR61 million. This represented a 49% year-on-year decrease, which is mainly driven by different phasing in the payment of our annual cash taxes, which were paid in Q1 of this year, whereas they were paid in Q2 in 2021. We also had a 9 million lower contribution from our vendor financing program compared to last year.

Finally, as we already settled our annual cash taxes in the first quarter, we expect a much stronger adjusted free cash flow performance in the second quarter and in the remainder of the year. Turning to the overview of our debt position, we continue to enjoy a very strong liquidity and long-term debt maturity profile. At the end of March, the weighted average maturity of our debt excluding short-dated commitments under our vendor financing program was 6.3 years and we faced no debt amortization prior to March 2028. Including our cash balance, we have a total undrawn available liquidity of almost EUR720 million. Moreover, all of our floating debts has been swapped into fixed limiting the exposure to future interest rate swings. The Board of Directors remains highly committed to deliver on the Company's shareholder remuneration policy as detailed during the December 2018 Capital Markets Day and has tightened in October 2022. In the absence of any material acquisitions and/or significant changes in our business or regulatory environment, we intend to maintain net total leverage around 4.0 times through an attractive and sustainable level of shareholder disbursements. This includes a fixed dividend per share floor of EUR2.75 per share. The remainder of our adjusted free cash flow may still be considered for accretive acquisitions, extraordinary dividends, incremental share buybacks, deleveraging or any combination thereof.

At the end of March 2022, our net total leverage was at 4.0 times, exactly in the middle of our range and unchanged compared to the end of last year. Having completed the first three months of the year, we reconfirm our full year outlook as presented mid February. Relative to the first quarter, we expect an improved trend in both our revenue and adjusted EBITDA in the second half of the year, driven by certain price adjustments coming into effect as of mid-June, as well as continuous focused on our operating expenses and tight cost control. Yesterday the AGM approved the proposed final gross dividend of EUR1.375 per share, the dividend will be paid next week on May 4 from our existing cash balances with the Telenet share trading ex-dividend on Euronext Brussels as of the 2nd of May. In addition, the AGM approved the cancellation of 1.1 million treasury shares which we repurchased under the share repurchase program of 2021.

As a result, the total number of shares will be lowered by an equivalent amount of shares, as such Telenet continues to execute against this shareholder remuneration policy, as announced in December 2018 and tightened in October 2020. With that, I hand over to the operator for the Q&A session.

Questions And Answers

Operator

Thank you. (Operator Instructions). The first question comes from the line of Joshua Mills from BNP Paribas. Please go ahead.

Joshua Mills, Analyst

Hi guys. Thank you for the two questions, the first one for me would just be on your guidance, and you've talked in the first quarter about the -- the impact of inflation, since you gave the guidance, the Belgium health indexing, you also mentioned that picked up quite materially. And if I look at your price increase that's coming through in June and 4.7% that's still below the 8% inflation rate which you're currently seeing. So my question is what gives you the confidence that despite those bigger cost headwinds, you're actually able to deliver 1% EBITDA growth this year. Have you done more cost cutting. Was the initial guidance conservative, just a bit more detail about the puts and takes there would be very helpful.

And then secondly, John, you touched on the upcoming spectrum auction. And I think before you've always talked about the limited consumer opportunity given record Belgian sales [ph] and perhaps, this might be more of a B2B focused products, but given that the new entry [ph] is deserving spectrum across multiple different bands and appears to be looking for a nationwide, potentially consumer focused offer, what do you think that you might be looking at the opportunity here and how your thought process is about, you will need to respond to go out to that change at all? Thank you.

John Porter, Chief Executive Officer

Okay thanks, Josh, First of all of the health index relative to the increase. First of all, we're not exposed to the full force of the health index. The major things that impact our P&L are certainly labor, which we've already indicated the increase is 3.6 and we do not need to -- unlike some of our competitors in the industry and other corporates, we do not need to revisit that until 2023, so that is probably the biggest impact. And I think, Erik in his introduction articulated that in Q1 that was 1.7 million, I think, impact on our labor. The other -- the second largest impact is energy of course, and we also pointed out that that the, the impact in Q1 was about 3 million. And we're anticipating sort of probably a likely case scenario potentially being up to 10 million for the full year.

Beyond that, operating costs are well within the span of our control. So we have quite a bit of confidence that we can manage, and the other thing is that when you look at our price increase, it is something that has been developed in the context certainly of the inflationary pressures, but also with extensive quantitative and qualitative research with our customers. Telenet position as a -- having incumbent like market share, means we have a very precious I would say, relationship with the consumer and we don't want to abuse that position. Now obviously, our competitors have also raised their prices in the range of 5%, so that obviously gives us the headroom to go up to where we are, but it was, it was quite clear in the research that we did that there is a bit of a cliff in terms of your NPS or relationship with the consumer.

They will wear [ph] up to 5% but it falls off pretty spectacularly after that. So the other thing to point out is that a rate increase is not a rate increase or a rate increase, because when you look at these rate increases that others in our industry are proposing, they are either on back book or front book or no front book and no back book or certain segments, lot of exclusions. I would say that in the context of the industry announcements on price increases that ours is probably one of the most expensive because we don't really play the front book, back book game. We're quite straightforward on our pricing and what's good for the front book is good for the back book, so when we take a price increase, we're actually taking it against a very broad spectrum of our subscription revenue.

The subscription revenue that of our 2.5 billion in total revenue-ish, we're applying this rate increase to 1.6 billion of the total revenue and there is some more specifics on that, that we can give you later. But that is quite a broad range of the revenue. So you can see on a full year basis, it will have a substantial impact and even on the half-year basis, it will provide against COF, a very nice acceleration in our EBITDA. So that's giving us the confidence to say that this is more than enough for us to retain good relationships with our customers as well as cover the increase in our costs. When it comes to the spectrum auction and the idea of a fourth operator. I mean, obviously, well we won't know the full story until well after the auction probably but I will certainly stick by my thesis that the companies that are behind the spectrum purchasing the reserve spectrum are really not in a position to launch an extensive above the line B2C strategy.

The return on that capital -- on capital for the B2C strategy, given the certain aspects of the legislation, which are what I would call anti-arbitrage provisions of having to get 20% population coverage before you can get a national roaming agreement and other aspects mean that in addition to the 83 million, they've already committed that you're probably talking about at least another 100 million to really get in the game. The profiles of these companies are not really put themselves in a position to do that. There is nothing about their business model today that suggest they have any experience in B2C. They don't know -- have the kind of cash flow profiles to invest in a long-term payback. So I would say that a more likely scenario is that they are -- they see that they are providing broader coverage, could be an element of their industrial enterprise strategy. They certainly target businesses and the public sector, where there are tens of thousands of employees. This might be something a benefit that they would extend to some of their large enterprise customers.

The only complete unknown is whether there is a scale international player potentially sitting behind them. But I would suggest to you that there is no reason to believe that going from a standing start in this market, where you have over 50% FMC customers, you have over 60% attachment rate, you have pricing all over the board. You have at least 15 MVNOs including some scale ones in like a mobile and Mobile Vikings that have carved out some interesting segments in the market that there is a real place for a disrupted B2C player to get a real toehold in the market. Even if we would say, okay this fourth operator could over say three or four years get to the penetration levels of the largest MVNO which is Mobile Vikings so well likely is the largest but that includes prepaid but the largest post-paid MVNO which is Mobile Vikings with 300,000-ish plus a little bit over 300,000 postpaid SIMs, that's not a disruptive profile in a market where you have kind of a 90% SIM to talk [ph] ratio. So that's the short version of why I don't think this is going to be a substantial threat but we ask, could I be proven wrong. I guess so but also there is just no intelligence in the market to suggest that there is any movement on that front and it will be one of the most well-kept secrets in the European telco industry if there was a major player behind them.

So those are the answer to your question, Josh

Joshua Mills, Analyst

Great. Thanks very much.

Operator

The next question comes from the line of Ben Lyons from Credit Suisse. Please go ahead.

Ben Lyons, Analyst

Hi, thanks for taking my question. If I could just stick on pricing. I was wondering if you were looking to do anything on the mobile side. And are you seeing one of your peers up to a bit of more for more type strategy going from June. So I was wondering if you're still -- if you were looking at that. And if I could also ask on residential broadband, it does seem like a significant slowdown. You said the churn was down in the market and, I think, you don't have a pull forward in broadband anyway. Are you seeing any share loss or is it being compensated on the wholesale side, if you could sort of get your take on what you're seeing from there -- from a market share standpoint. Thanks.

John Porter, Chief Executive Officer

I think, it's personally, I don't think there is a lot of shift in the share going on. We are experiencing, I think, and something we put out already we said that there is the least amount of flux in the market that we've seen basically. So in other words, our churn rate is extremely low. So we are probably -- obviously we're not going to see Orange's numbers and we'll see Proximus's and -- but I don't think this is the biggest issue.

I think the bigger -- although Proximus has been aggressive with the hardware offers and these kinds of things through the holiday period, et cetera. So I'm sure they'll present some decent results, but I don't it's the -- I don't think it's the main driver. I think what we're do -- what happening is were two things, one is we're coming out of the pandemic period, where we had real market expansion. We added over 50,000 broadband subs during the pandemic, so it was a really back to the good old days period as all the operators gained something pretty close to their fair share during that period. So I don't -- I think maybe coming out of that a lot of that absolute necessity to have fixed broadband everywhere weren't seeing the same need for that or if you have the same need for that, it was already satisfied during the heavier days of the lockdowns et cetera, et cetera. So where we saw the weakness was not in shifting share, it was on the acquisition side. So we just didn't see -- there wasn't really a lot of opportunity there. On the mobile -- on the mobile front, we are increasing Telenet Mobile by the 4.7%. We are not shying away from that, as you know, Telenet Mobile is predominantly in an FMC package or at the very least attached to 1P or a 2P customer, but not in a -- in what we define as an FMC, it's a bit -- the markets a bit here and there on the definition of FMC.

We define FMC as somebody who is in a data-centric platform agnostic package with fixed price and that the price is not you buy mobile, you buy some fixed and then we give you free HBO. That's not FMC in our mind. So we think the overall 4.7% will be applied to all of the FMC bundles and all of the standalone products in Telenet. We're not raising the price on base -- base has been positioned as a value product. It's primarily impacting our success in Brussels and in the south of the country. And the only other thing that we're not raising is our premium entertainment products and that's it. I mean, pretty much everything else except large enterprise and SME in TB, everything else -- SOHO is getting raised 4.7% as well. So it's a broad reach on the rate increase.

Ben Lyons, Analyst

Okay. Thanks for the color.

Operator

The next question comes from the line of Roshan Ranjit from Deutsche Bank. Please go ahead.

Roshan Ranjith, Analyst

Afternoon, everyone. Thank you for questions. Two for me please, firstly on Fluvius Well, I appreciate it's a long and a complex situation. Is it possible just to give us some color on what the kind of reason for the delays are. Is it a kind of the same situation, which is just dragging or are there kind of new developments, which are of course in the situation just to be pushed out. So any details you can give there would be super helpful, please. And secondly, just moving back to the KPIs.

If I look at the digital TV split, I think that saw a sharp decline and I think, you've now kind of completed the migration from analog to digital. So are we now seeing the effects of a pretty mature digital TV market, which, and as you have pointed out, there is very limited movement within the market. So there isn't this kind of increase in digital TV base or do you think that there is still a bit more to extract there because again if we break down within the digital TV ads, I think, this was kind of the biggest decline, which we've seen for the last two years. So, again any details there will be super helpful. Thank you.

John Porter, Chief Executive Officer

Well just a couple of comments on the TV base. One is, yes, we completed the analog switch off by I believe that was in the middle of last year. So we might have expected to see the impact from that not having the benefit of moving people over in Q3 or Q4. Although potentially it took that long. I think, we also are really probably well, I can tell you anecdotally coming from our call center agents and our retail folks that a lot of calls that -- a lot of calls we're getting, we're not, as I said, we're not seeing much churn, nobody is saying, I am paying too much to you guys.

I may go to Scarlet or to Orange or whatever. It's about a, I love the service, I love the products, the broadband is working great. How can I save -- these are tough times. How can I save some money and I think, the direction of course is potential cord shaving on the basic TV product. So we're seeing that both in retention and to some extent in acquisition. And it's not surprising that it's -- well, we couldn't, expect to be immune from this phenomenon forever. So yeah, we'll see how it goes. We do have some strategies in place to mitigate that and turn that situation back around more positively. But as more and more D2C services launch, I mean, et cetera, et cetera. It's going to get increasingly challenging. So we have to replace that revenue and that customer relationship with somebody else, but we still have very high TV penetration compared to the rest of the Western world's markets.

Erik Van den Enden, Chief Financial Officer

And maybe also Roshan in regards to this also in the past so prior to the analog switch off and during this analog switch off process, there was of course a very strong migration from basic video to enhanced video. So that's why in the line, there was still a positive trend on the enhanced video side. Now, of course, having completed that migration there is still is a relatively small proportion of basic TV customers left as we showed in the Q4 reporting. Therefore, we decided to no longer split it out because it does not give any particular collar. So when you look at the total video churn, which is the most important factor to focus on is the combination of the basic and the enhanced video. The trends are still relatively similar compared to what we saw previously. So, yes, there is coming a bit more from digital, but that's also because that migration has now been completed. So it's logical that if your base has been fully converted, your churn stays relatively the same that you then lose those digital subscribers.

Roshan Ranjith, Analyst

And then Fluvius.

Erik Van den Enden, Chief Financial Officer

Yeah as to Fluvius, so I guess the question was just take longer you -- have you encountered new roadblocks. It is clearly the fact that we, I mean, there are no new new roadblock. So it's not that all of a sudden we entered into a huge issue and that we're stalled there. It is indeed very much the case that the process that we have to go through, which is very detailed and very tedious in terms of producing the carve-out accounts during the due diligence that does take longer. It's incredibly complex a file and also one that of course, we're writing here an agreement which by Telenet will have to for the next 20 years. So we're taking that very serious and it does just take more time than we expected. It's also -- so that there are some elements as well that are not necessarily knowing under our control nor Fluvius control in terms of the timeline. So I mean to give one example of course we both want to have full clarity on the tax implications of this carve out and these things are still underway. Now at the same time we have been making quite a bit of growth -- actually a lot of progress. So we do feel comfortable that we will at both sides be able to lend the file with the final signature by the time what we fully buy or before the time we publish H1 results. But it is indeed more time consuming and more lengthy than we anticipated.

Roshan Ranjith, Analyst

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

Operator

The next question comes from the line of Ruben Devos KBC Securities, please go ahead.

Ruben Devos, Analyst

Yes, good afternoon. Just the first question is on what you said in the outlook, it talks about being this year, being a pivotal year with two important strategic projects. They are talking about the reviews and the sale of mobile towers but then apart from these, I was wondering whether you could talk a bit about your commercial strategy in Wallonia to likely take the entire year for your competitors before the deal will be approved.

You've been active there on the mobile side have been experimenting with them [ph], so yeah, other -- some thoughts you could share on what type of possibilities there are now that the landscape is changing in the South.

That's the first question and the second one is just on, yes share buybacks really. You initiated one in October, finalized in February, it was about 1.1 million shares relative to 110 million shares over also relatively small, let's say. Concerns hasn't been banking on any buybacks really.

But given that you sort of indicated before that you'd like to signal your confidence in the company's prospects and the relatively low valuation, yeah, I was wondering whether more share buybacks could be an interesting way in your view to use excess cash in the company?

Thank you.

Erik Van den Enden, Chief Financial Officer

I'll take the question on the buybacks, Ruben. So buybacks is obviously something that we have been using many times in the past, it's true that the last one was relatively small one that back in 2019 we did a 300 million share buyback, and also before that it's a tool that we have been using very regularly and is also fully part of our toolbox.

I think at this point in time, obviously, we are expecting the proceeds from the tower sale. Important to understand is that the cash is not yet on our bank account. We expect that to happen by the end of Q2.

And I think, what we have or what the Board has decided for now is to retain that cash and until we get more clarity on two important files, it is at the one hand the spectrum auction and at the other hand, the Fluvius transaction. And when there is clarity around those deals, we will apply the shareholder program as we always do and definitely assess whether a buyback is a good use of proceeds there, but it's been part of our tool -- it will continue to be part of our toolbox, it is just that on the short-run and that is probably, again I mean the auction is going to be in June. We plan to land the deal with Fluvius before we publish H1 results with a relatively short time frame. But you want to get a clarity first before we take any decision on buybacks.

Rob Goyens, Vice-President Treasury & Investor Relations

And also Ruben, I think we are pleased that as a company that yesterday, the shareholders approved to the new share buyback resolution, which actually states that we can buy back shares over the next 5-year period, up to the legal maximum threshold. And as you maybe have seen from the competing notice, the conditions for the buyback have become more flexible, of course, that does not yet give the company the mandate that which needs to be granted by the Board that Erik just mentioned, at least from a shareholder resolution perspective, we have been able to renew it for another 5 years yesterday as part of the AGM.

Erik Van den Enden, Chief Financial Officer

And then maybe on Wallonia, there is not much we can say for now. I think, we're all aware that the -- I mean the regulatory process for the VOO transaction is still fully in progress and it's expected to to take probably until the end of the year or maybe longer that's of course very difficult to see but that's a typical timeline for an approval process. In the meantime, I mean we are active in Wallonia, we always have been and continue to be with the base brands and we will continue to be active there, but in terms of further concrete plans, it's not something that we can kind of communicate but also put together at this stage, we will first have to understand what is the outcome of the regulatory appeal.

Ruben Devos, Analyst

All right, thank you.

Operator

The next question comes from the line of Nicolas Cote-Colisson from HSBC. Please go ahead.

Nicolas Cote Collison, Analyst

Thank you. Hello, John. Hello, Erik, two questions please. Just a follow-up on the new entrant thing. As an operator yourself, do you think it would take -- how long it would take, sorry to build a 20% footprint and start accessing a roaming agreement. And also what would be your appetite to offer such a roaming agreement to the new entrant? And my second question is on Fluvius transaction. So I understand, you should get back to us before end of July. Should we then expect to know about the final shareholding structure, including the financial parties or this would come at a later stage. Thank you.

John Porter, Chief Executive Officer

No, I think it's our intention, the -- one of the reasons that we've delayed Capital Markets Day in sort of the end to end discussion of the Fluvius transaction and its implications for our capital allocation going forward is that we want to have a completely comprehensive agreement in place so that there is going to be no outstanding issues, no outstanding discussions, other than the fact that probably who's going to be the wholesale access seekers on the network. I mean, we know obviously that on day one, Orange is going to be on the NetCo 100%. And we expect that there is a lot of good reasons for them to follow along with us but those things won't be finalized until after the agreements in place, but once we do finalize the outstanding issues on the agreement and as Erik said, they are more a matter of administration than commercial discussion, we will share very comprehensively the details of the agreement and the implications.

On the new -- on the potential new entrants, look, it's considering once again they're going from a standing start, I would guess that. And what I -- we know certainly about ramping up for 5G ourselves and we have a turnkey agreement with Ericsson and Nokia and Google on the core that, yeah it can take it up to a year to even get started. Hence, you know that the supply chain for this stuff is also under pressure. We've had some delays from Ericsson because of the lack of chipsets for transmission equipment et cetera.

So, not an easy thing to get off -- this thing off the ground from a standing start, although 20% of population could probably be covered with just a few hundred towers. But it is not like you need thousand but a lot to do for our company once again that really isn't in this business. So.

Erik Van den Enden, Chief Financial Officer

Getting permits is not an easy thing, right. I mean if they were just to build new towers, of course, there will be regulated access as well. But any network needs their own towers, so just getting permits to build new towers in itself is also very lengthy and cumbersome process.

John Porter, Chief Executive Officer

And in terms of our own appetite for a roaming agreement, I mean TBD, we need to see what -- what their plans are and what the strategy is and whether it's compatible with what we're doing. I mean, I think we've pretty much positioned ourselves as an open architecture as a company that's supportive on the right terms and conditions of an open architecture both on fixed and mobile. And I think, there are lot of complexities for a new entrant to access the MWings partnership, because they're pretty much already locked and loaded on that. So we would be a logical person for them to talk to about this, but we'll -- let's see, when we see the wits [ph] in their eyes.

Nicolas Cote Collison, Analyst

Okay, thank you, thanks for the precisions.

Operator

The next question comes from the line of Carl Murdock-Smith from Berenberg. Please go ahead.

Carl Murdock-Smith, Analyst

Hi, thank you for the questions. Firstly, I just wanted to ask on the transition of revenue away from cable towards mobile, due to the new convergence bundles. You talked about how that will annualize in Q2. I was just wondering, can you provide a bit more color in terms of the annualization? Is it a hard annualization or a soft annualization? So basically did impact the entire base all at once in Q2, or is it more of kind of soft annualization, so as people moved on to that, so that impact of revenue transitioning happened over time and therefore, as we annualize the kind of drag will all kind of slow down over time as well.

Hopefully, that was clear. And then my second question is, you obviously, yesterday you announced the price increase we've talked about the 4.7% increase and you've touched on the fact that you're not moving prices up in base or on the premium entertainment products, but kind of more -- more in the other revenue lines of other and business services, to what extent do you feel like you are able to offset the inflationary cost pressures with changing the revenue line and price increases. Thank you.

Erik Van den Enden, Chief Financial Officer

Maybe I'll take the first question on the annualization. So the effect that is described in our release is in April of 2021, there was a moment when we launched our ONE and ONEup bundles and they were replacing the WIGO bundles. Now, of course, customers pay in all-in price, and so the portion of the total bundled price that is allocated to fixed versus mobile is slightly different in the ONE and ONE(Up) bundles as it was for Swigo [ph], simply also because the proposition of those two bundles was different. So that was indeed something -- so if you think about Q1, it means we did have yet ONE and ONE(Up). It was full WIGO basis. And so as we allocated more revenue in ONE and ONE(Up) to mobile versus WIGO that had an adverse effect on the fixed ARPU.

So that effect is going to fade out as of April essentially. Now, of course, we did not -- I mean people moved over time, although it was a fast transition from WIGO into One. So you will be seeing basically already big shift in the next quarter, but there is going to be some residual effects in the second part of it, but that's essentially what it is, it will play out over the next 8 months or 9 months with -- but with a fast ramp-up in Q2. So you should see the bulk of it coming through definitely in the first part of the year.

John Porter, Chief Executive Officer

And on your other question on the other revenues, and business service revenues and potential impact of the rate increase. The other revenues are primarily in a bucket including hardware, interconnect certain transactional fees like a box swaps upgrading to our EOS platform, installation fees, et cetera. So they're very transactional fees. So although we will pass through any increases in hardware cost, on handsets, obviously in the transaction with our customers.

So we think we can recover any increases there but pretty much anything with a chip in it, it's going up in price. So we will pass through where we can, but transactionally, it won't be the 4.7% applied to it. In terms of business services, we do have a strategy in place on the back of our acquisition of Nextel, all three years ago now, to increase share of wallet on ICT services to our SME and LE customers. That is a business which -- from which we expect a fair bit of growth. The mix of revenue within SME and LE is obviously skewed very heavily towards just connectivity. And we're now focusing much more on ICT services like SD WAN and Cloud and security and other business, IP switches and these kind of thing. So we do hope that the share of wallet will increase and we've got sort of a reinvigorated management team there at our TV [ph] Telenet business group. And so that's where we expect to drive more revenue if there is [ph] services.

Carl Murdock-Smith, Analyst

That's great, thanks very much.

Operator

Your next question comes from the line of Laura Homze [ph] from MFS. Please go ahead.

Analyst

Hi, thank you so much for taking my question. Maybe a bit premature, but just in terms of capital structure going forward, given that you obviously planning on sort of separating the NetCo business and bearing in mind that your bonds become callable at the end of this year. Is there anything that you can share in terms of plans of sort of capital structure going forward whether you are going to have separate capital structures and any plans with regards to the bonds given they become callable later this year. Thank you.

Erik Van den Enden, Chief Financial Officer

Yeah. Laura. So I can take the question. We will definitely have different capital structures for the what we call the ServCo and the NetCo simply because where the business and the risk profile is very different, so we do expect a relatively high level -- sorry leverage on the NetCo, it's very stable, very long-term business, wholesale business with a strong tenants -- anchor tenants behind it's being done at ServCo.

So that will bear higher leverage and at the same time, the leverage for ServCo is expected to come down so that is a shift that we expect and that we will implement. The exact mechanics of how we do that, what the mix of financing looks like and whether bonds will be called or not that is indeed little bit premature, but definitely, it's really important for the NetCo, so for the value creation that sufficient debt can be put on it and also that the cost of capital is really optimized and that is something that we definitely focus on as we set up these new venture.

Analyst

Understood, thanks for the color appreciate that.

Erik Van den Enden, Chief Financial Officer

You're welcome.

Operator

The next question comes from the line of Martin Hammerschmidt from Citi. Please go ahead.

Martin Hammerschmidt, Analyst

Thanks for taking my questions. Regarding the EBITDA guidance, so when you basically thought about how to guide into 2022, how much of so that's 4.7% price increase was factored in and maybe more importantly, how much of the energy costs were factored in, when you issued the guidance, I think, of course, you mentioned the 10 million, is that 10 million based on sort of today's energy prices or on the energy prices back when you issued the guidance and so that's the first question.

And the second one is on the fixed ARPU growth, could you give us some color what the underlying ARPU growth is for the quarter, so excluding the one-off last year and also excluding the fixed to mobile effect.

Thank you very much.

Erik Van den Enden, Chief Financial Officer

Yeah, maybe first on the guidance. So obviously, the world has moved a lot over the last couple of months and especially given of course the events in Ukraine.

So we had certain assumptions when we made the full-year guidance, of course, every quarter or almost on a constant basis, we revised the guidance and so the fact that we reconfirm it today is really based on the latest insights, both in terms of what to be doing on the price increase and we have confirmed that yesterday at 4.7%.

But also taking into account the latest view on energy. Just also maybe to remind you that on the energy side, we are, we have a hedging program in place, which means that around 50% of our total energy exposure is hedged and we did that last year still at favorable rates. Of course, with the remaining 50% we are exposed but already one-fourth of the year behind us.

So the latest view confirms the fact that you know the external guidance is still viable (inaudible). And then second question I guess was on the ARPU. Yeah, sorry. So I mean, indeed there is a one-off that we had in Q1 in our video revenue. More typically, you will see, if you look at the details reporting that especially the video revenue its impact versus last year.

If you would not have had that one off, the total revenue would have grown actually 0.7%. So close to 1%. I do not have the exact evolution year on the ARPU, but would also meant that the ARPU on an apples-to-apples basis, with a slightly growing versus the Q1 of last year.

Martin Hammerschmidt, Analyst

(Multiple Speakers)

Erik Van den Enden, Chief Financial Officer

(Multiple Speakers) the exact number afterwards, we'll do that, Martin.

Martin Hammerschmidt, Analyst

Thank you.

Operator

The next question comes from the line of James Ratzer from New Street Research. Please go ahead.

James Ratzer, Analyst

Yes, thanks very much and good afternoon, I've had two questions please. The first one was just regarding your change of accounting that you've talked about where you're going to be moving to an EBITDAL basis. I was wondering if you could just let us know what your four times leverage that you report now under IFRS 16 will become under the new basis and all else being equal, if you could then give us an indication of what it would go to following the tower transaction and taking into account the new lease cost you'll be paying to DigitalBridge.

And then the second question, just would actually sticking on the theme of towers was -- could you remind us under Belgian rules what tower access you would have to give to any new entrants on your mobile towers and does actually selling the asset now to DigitalBridge make it easier for a new entrant to build out a network and get tower access space or would you have to offer space on your towers even if you had not sold those towers to a third party. Thank you.

Rob Goyens, Vice-President Treasury & Investor Relations

Okay. James, Rob here. So I'm happy to have a go at it and Erik has a free to chip in. So yeah, we indicated this morning that as part of the tower transaction, which we anticipate to close in the second quarter so in June more precisely that we intend to move to EBITDA after lease reporting. We think having spoken to a lot of stakeholders, it's probably a better reflection of how from a financial perspective at least, continue to be -- have a better reflection of the impact of the tower transaction and also on the lease cost mortality [ph]. This actually means that we will -- the former [ph] operating leases, but also capital leases, we will basically correct within -- in our EBITDA result. This will also impact of course the leverage because today, those leases are still included in our leverage profile. So today, when you look at our net total leverage, yes leases are included in the debt numbers and they are excluded from the EBITDA.

So that will also change. Our intention is to provide between now and the moment we report our results at the end of July rebased financials and apologies again to come up with rebased financial. But the idea of the rebased financials is twofold.

First of all, to give you a like-for-like comparison on the impact of EBITDA to EBITDA after lease reporting but secondly also to show the impact of the tower transaction, so that you have a clean comparison base for the full year '21, but also the first quarter of 2022.

So we are actually doing the last checks and balances here on these numbers and then we can share them with you also can update them on our website as well. With regards to the tower transaction. So as I mentioned, we will look to close this in the second quarter so in June. This will be an important moment of course for Telenet. Today when you look at it on the good [ph] reporting, it will have a decrease in leverage of around 0.2 times, 0.3 times. So this is currently assuming that the debt so the -- so we have to recognize the lease until the first break date and as communicated, this first renewal period is 15 years. If we were to move to EBITDA lease reporting, the leveraging impact is going to be closer to 0.4 times, most likely.

And then on the tower access. So in essence there is from our perspective, no real change here in the sense that the operators, but also tower companies as has been actually judged by the BIPT as part of this tower disposal process need to provide access to an XCE [ph] so that can be existing M&Os but it can also be other operator. So basically there is a -- there is mandatory side sharing taking place so on existing pilots, but also new built pilots, you basically need to open it up for your competitors. And that goes against regulated prices which offset by the risk and the risk is actually in association of the mobile operators. There isn't -- areas like referrer hold here for the BIPT to ensure that the prices are having checks and balances. And as you know, those prices are regulated in Belgium. So the tax sharing mechanism is not changing because the obligation to offer that access was previously only with M&Os but as part of the tower transaction that will now also be with with our companies. So in that sense, there is no change from a regulatory perspective.

Martin Hammerschmidt, Analyst

Okay. Thanks, Rob.

Rob Goyens, Vice-President Treasury & Investor Relations

All right. You're welcome.

Operator

We have now reached the end of the questions. So that completes today's event. Thank you for joining today's call. You may now disconnect your line.