Company Name: Telenet
Company Ticker: TNET BB
Date: 2021-07-29
Event Description: S1 2021 Earnings Call

Market Cap: 3586.01729849998
Current PX: 31.5
YTD Change($): -3.58
YTD Change(%): -10.205

Bloomberg Estimates - EPS
Current Quarter: 0.92
Current Year: 3.269
Bloomberg Estimates - Sales
Current Quarter: 647.857
Current Year: 2595.8

S1 2021 Earnings Call

Company Participants

- Rob Goyens, Head, Treasury & Investor Relations
- John Porter, Chief Executive Officer
- Unidentified Speaker
- Erik Van Enden, Chief Financial Officer

Other Participants

- Roshan Ranjit, Analyst
- Unidentified Participant
- Emmanuel Carlier, Analyst

Presentation

Operator

Hello, and welcome to H1 2021 Telenet Group Holding NV Earnings Conference Call. My name is Molly and I'll be your coordinator for today's event. Please note that this call is being recorded and the duration of the call. Your lines will be on listen-only. However, you will have the opportunity to ask questions. (Operator Instructions). I will now hand you over to Rob Goyens VP Treasury Investor Relations to begin today's conference. Thank you.

Rob Goyens, Head, Treasury & Investor Relations

Thanks, operator, and good afternoon everyone. My name is Rob Goyens Head of Treasury and Investor Relations at Telenet, I would like to welcome all of you to our second quarter earnings webcast and conference call I trust you've all been able to digest this morning's earnings release and as reminder, all earnings materials including this presentation can be found in the results section of our investor website after this call, we will also provide replay and a published the transcript for those having missed this call

As per usual we'll start today with an overview of the main trends and achievements in the quarter by our CEO, John Porter immediately thereafter our CFO Erik Van Enden will guide you to our operational and financial results, and after that we'll open it up for Q&A.

Given, the number of participants to this call and to allow for equal treatment, we are limiting to two questions each any follow-up questions can be directed afterwards to the Telenet Investor Relations team. Before we start, however, I would like to remind you that certain statements in this earnings presentation are forward-looking statements. This 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 please refer to the Safe Harbor disclaimer at the beginning of our presentation.

With that, let me now hand over to John.

John Porter, Chief Executive Officer

Thanks, Rob and good afternoon or good morning to all of you thanks for joining this call. Looking back at the second quarter I'm pleased to confirm that our core

Unidentified Speaker

Are in great shape. On the top left chart, you can see that we were able to maintain the improved run rate of our subscription revenue, which includes both our cable and mobile subscriptions. This metric was up a healthy 1% year on year, and represents a solid source of cash flow to our business.

As flagged in last quarter's call, we expected a strong rebound in our other revenue in the second quarter as last year was particularly hit by the impact of the COVID pandemic. Hence our other revenue was up 15% in Q2 on a rebased basis. Driven by a robust 72% increase in our advertising and production revenue.

And thanks to a solid 21% viewer share for our SBS broadcast channels over the past quarter. Our quarterly fixed customer relationship. ARPU was also up 1% year-on-year to just below EUR59 per month. Driven by more customers moving to higher product years and through the October 2020 price adjustment.

As you've seen from our release this statistic is also somewhat impacted by the recent launch of our one FMC bundles. As now a higher proportion of our bundled revenue is allocated to mobile. And finally annualized churn remains best in class with a still extremely low 7% churn level for broadband.

Despite a return to more normal commercial market activity compared to the lows of Q2 last year as a result of the COVID pandemic. Zooming in on the performance of our newly launched one FMC bundles now. We are very pleased with the first results as the one customer base is growing at a faster pace compared to we go launched back in 2016.

Despite the fact that customers have the optionality to include or not include TV in their package. We do see a very high TV attachment rate for one with only a limited number of customers taking no TV propositions at all. The split between customers opting for multiple SIMs compared to one SIMs is also very well balanced.

Important to mention here is the fact that one generally comes with one SIM with customers, having the option to select and pay for additional whereas our former we go bundles typically included two SIMs or more depending on the type of bundle. Finally, the default inclusion of 1 gigabit speeds in our high-end one up bundles clearly had a positive impact on the weighted average broadband download speed which increased 10% year-on-year to 226 megabits per second. As such, we continue to move up, our customer base to

Unidentified Speaker

Actually superior speed tears. Customer intimacy is at the heart of our strategy and is driven by focusing on further digitizing the customer experience and moving to a frictionless experience for customers. The proportion of self installations has increased by 15% points to 40%.

We also see a similar shift to digital e-commerce when selling extra services, be it migrations, cross sells, or up sells. At the end of the second quarter we had distributed nearly thousand WiFi boosters, which equals 52% of our broadband customer base, having access to the superior in home WiFi connectivity solution.

We continue to expand our ventures portfolio with a clear ambition to grow this business significantly in the coming three years most of these ventures with the exception of the park are not consolidated in our financial results. So you won't see the immediate effect on our consolidated accounts, it adds up to the optionality we have as a company.

In June, we signed an agreement with the Belgian FinTech company Isabelle Group to form a 50-50 joint venture in Darko to focus maximally on digitizing customer experience and digital administration. Meanwhile, we also closed the deal with [ph]Canyoypollus to expand the locations for our virtual reality entertainment business the park.

And thanks to the partnership with ICT specialist. Yes.(inaudible), we are able to provide all inclusive ICT solutions to schools. And finally, we are very pleased with the continued growth of itsme the digital authentication solution we successfully closed a EUR25 million capital increase eecently, in which we participated.

At the end of June, we published our 2020 sustainability report, which you can find on our corporate website, we've adopted a new 2021 through 25 sustainability strategy, which is fully aligned with Telenet business priorities and reflects our purpose and brand promise to provide technology for human progress to consumers, businesses and society.To reach this goal, we have identified thre main focus areas and related long-term targets. One, drive progress by digitally accelerating the lives of 150,000 people and businesses by 2030. Two, to stimulate empowerment by being internally and externally recognized as an inclusive and purpose-driven organization. And three, to take environmental responsibility by adopting NetZero targets on CO2 emissions and embracing more advanced circular economy practices by 2030. We have also reviewed and sharpened our existing sustainability

Unidentified Speaker

Governance principles as you can see here. For3 more details. I would refer you to our 2020 sustainability report. Having delivered a very solid financial performance in the first half, we are on track to deliver against our full-year 2021 objectives as presented in February 2021.

Eric will provide more details later on in his presentation. To conclude, let me emphasize again the sustainable and well diversified building blocks of our equity story, which will be the cornerstone of our shareholder value creation going forward. With that, let me now hand over to Eric for a snapshot of our second quarter operational and financial results.

Erik Van Enden, Chief Financial Officer

Thanks, John and welcome everybody. Let us now have a look at our second quarter operational and financial performance. Looking back at the second quarter, it's good to see that in nearly all product categories, we managed to maintain our operational momentum. The launch of our new one and one up fixed mobile converged propositions in April has been very successful and resulted in 25,400,FMC net debts in the second quarter.

This is a nice acceleration compared to the previous quarter and brings the total FMC customer base to nearly 6,86,000 RGUs. In addition, also broadband mobile postpaid and enhance TV performed well, with 6000, 18,400 and 7100 net additions respectively. The latter was also driven by the analog switch off program, which is running at full speed.

As mentioned in our earnings release or mobile postpaid SIM count as of the second quarter of 2021 includes our SME and LE mobile customers, which were previously not recognized in our subscriber counts. For more details. I refer to our earnings release and investor toolkit which you can find on our Investor Relations website.

Turning to ARPU, we continue to grow the fixed quarterly ARPU per customer relationship, which was up 1% year-on-year to nearly EUR59 a month. Compared to the first quarter fixed ARPU drop 2%. This however is a technical effect. Caused by the fact that we allocate a greater proportion of our revenue of the one and one of bundles to mobile telephony as compared to our legacy legal and you bundles.

This has a positive impact of EUR0.9 million on our mobile telephony revenue in the second quarter and a corresponding negative impact on our cable subscription revenue. Turning to the next slide and looking at the quarterly trends in our rebased top line and adjusted EBITDA.

We see a clear improvement compared to the same period of last year. As you can see on the left-hand chart, we managed to turn the negative tide when it comes to our topline performed In the second quarter, our total revenue was up nearly 4% year-on-year on a rebased basis. Driven by an increase of 15% in our other revenue, but also by a 1.5% increase in our core revenue. As mentioned in previous earnings calls, our other revenue, which includes amongst others interconnect revenue handset related revenue and the contribution from our entertainment business if ever media has been severely impacted by the COVID pandemic.But other parts of our business has proven to be very resilient. In terms of adjusted EBITDA, we achieved a solid 2% year-on-year increase despite a tough comp. Given that the second quarter of last year included firstly lower direct costs due to the accelerated write down of sports leading broadcasting rights in the first quarter. And secondly, lower staff related and sales and marketing expenses as a result of the COVID-19 pandemic. Let's have a look now at our top line performance in the second quarter and the first semester of the year. In the second quarter, our revenue amounted to EUR642 million, an increase of nearly 4%, both on a reported in the rebased basis. Our revenue for the first six months amounted to just below EUR1.3 billion, which was up more than 1% compared to the same period of last year. Revenue growth in the second quarter was predominantly driven by a strong rebound of our other revenue of 15% as we anticipated. But equally important, our revenue excluding other revenue increased over 1% driven by higher subscription revenue and B2B revenue up 1% in 7% all on the rebased basis.As a revenue started to sequentially improve as of the third quarter of last year. One is the tight lockdown was lifted, we expect our revenue growth to decelerate in the second half versus the first six months of the year, which is fully embedded in our full-year 2021 outlook. Turning to the cost side, as was the case in previous periods, we maintained a very tight focused on costs. As a result, our operating expenses were broadly stable over the first half of the year compared to the same period of last year on a rebased basis. This was predominantly driven by an 8% increase in our direct costs which partially offset higher staff related expenses, higher network operating expenses and higher indirect expenses, reflecting higher outsourced call center costs amongst others. Let's have a look now with our adjusted EBITDA on slide 18. As a reminder, our adjusted EBITDA is of the third quarter of last year is impacted by changes to the IFRS accounting treatment of certain content related costs for our premium entertainment packages and the Belgium football broadcasting rights. And this is due to changes related The underlying contracts. More details can be found in our earnings release and our investor toolkit where we show both reported and rebased numbers. These changes in accounting treatment from CapEx to OpEx explain why our adjusted EBITDA was modestly down year-on-year on a reported basis to EUR689 million. On the rebased basis, our adjusted EBITDA for the first six months was up nearly 3% year-on-year. Following a strong 4% increase in the first quarter of the year. Our Q2 adjusted EBITDA increased 2% year-on-year to nearly EUR355 million despite tough comp versus the second quarter of last year, which included lower direct costs due to the accelerated write-down or sports broadcasting rights in Q1 of last year and also lower staff related and sales and marketing expenses as a result of the COVID-19 pandemic. Turning to investments, our accrued CapEx excluding the recognition of certain football broadcasting rights and the temporary extension of our mobile spectrum licenses was EUR138 million in the second quarter, leading to total CapEx of EUR270 million for the first six months. As a percentage of revenue. This represented approximately 22% and 21% for Q2 and H1 respectively. Compared to the second quarter of last year on investment level significantly increased, which is another impact from the COVID-19 pandemic, which drove a lower level of investments in the second quarter of last year. For the first six months total CapEx was down 9% year-on-year. Approximately 62% of our accrued CapEx in the first half were scalable and subscriber growth related. As always, we will continue to closely monitor our CapEx in order to drive incremental returns. Turning to operational free cash flow which has been our leading financial metrics for the 2018 to 2021 plan. We delivered a strong performance with OFCF up 4% year-on-year for the first six months reaching EUR418 million. This reflected substantially lower investments in the period as mentioned on the previous slides on the rebased basis and excluding the recognition of both football broadcasting rights and mobile spectrum licenses as well as the impact of certain lease related capital additions on our accrued CapEx our OCF grew an equivalent 4% year-on-year. In the second quarter, our operating free cash flow reached EUR260 million which mirrored 5% decrease compared to the last year as a result of higher CapEx due to phasing. Our adjusted free cash flow reached nearly EUR203 million for the first six months of the year, marking a 23% decrease versus the same period of last year. This was driven by different timing in the annual settlement of our cash taxes, which were paid in the

Unidentified Speaker

Quarter of this year versus only the third quarter of last year.

Our H1, adjusted free cash flow also included a small reduction of $3 million in our vendor financing program, but is last year, we still have benefit of nearly EUR11 million. Excluding these movements our underlying adjusted free cash flow performance would have been marginally better.

The different phasing of our cash tax payments also drove strong 57% decline in our adjusted free cash flow in the second quarter to EUR79 million, together with a sizable phasing impact from our vendor financing program in the second quarter specifically.

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 June, the weighted average maturity of our debt excluding short-term commitments under our EUR348 million vendor financing program was seven years and we face no debt amortization perhaps to March 2028 including our cash balance we have a total undrawn available liquidity of almost EUR650 million moreover, all of our floating rate debt has been swapped into fixed limiting the overall exposure to future interest rate swings.

In terms of net total leverage we were at 4.0 times at the end of June, exactly at the middle of our leverage framework leverage was stable compared to the end of March despite the payment of the final dividends being the remaining 50% of the EUR2.75 gross annual dividend per share which we paid in May.

As a reminder, we intend to maintain net total leverage around 4 times in the absence of M&A as we aim to drive attractive shareholder revalue in 2021 and beyond.

Finally, taking into account the solid financial performance in the first half of the year we are fully on track to deliver against our full-year 2021 objectives as presented in February earlier this year. Consistent with our full-year outlook, we anticipate lower revenue and adjusted EBITDA growth rate in the second half of the year, partly reflecting a tough comp, as well as an overall acceleration in our commercial activity compared to last year.

Despite an anticipated reversal in our operational free cash flow for the second half, which includes certain selective network-related investments as announced in February, we expect a stronger adjusted free cash flow performance in H2 given the aforementioned phasing in our cash tax payments

As such our dividend floor of EUR2.75 per share, representing in aggregate around EUR300 million per year remains very well covered by organic adjusted free cash flow regenerate and this concludes the management presentation. Let me now hand back to the operator for the Q&A session. As Rob

Erik Van Enden, Chief Financial Officer

I mentioned in the beginning of the call, we would appreciate if you could limit yourself to two questions each back to the operator.

Questions And Answers

Operator

Thank you. As a reminder, (Operator Instuctions). The first question today comes from the line of Roshan Ranjit calling from Deutsche Bank. Please go ahead.

Roshan Ranjit, Analyst

Thank you. Afternoon, two questions from me please, firstly, just on the cable subscription revenue and Eric you highlighted the readjustment between mobile and fixed products. Now if I make that adjustment just under $1 million in this quarter, the year-on-year growth in Q2 has still slowed versus the year-on-year growth in Q1. Thank you, up 2% in Q1 growth so what is there anything else going on within the fixed product mix? there because obviously I think it is still benefiting from the price increase that we put through.And secondly, sorry to go back to or to just about Fluvius. I think it's now nearly a year since you have announced potential projects. And again, I appreciate the delays in the negotiation process. But now we are seeing an increase in momentum for alternative fiber networks in Belgium I think Orange Belgium announced another going to pilot in Brussels. So what is the latest timeframe on the potential fiber product project sorry and you know, so you could say on that front? Thank you.

John Porter, Chief Executive Officer

Okay Erik you want to take the first one, take the second one.

Erik Van Enden, Chief Financial Officer

I'm going to go. Okay. Sure. So you are correct Roshan on the discussions with Fluvius have certainly taken longer than we had hoped. I think what it really boils down to is no lack of intent or any was part. Fluvius is a conglomerate utility company that is essentially Board of Directors is made up of Mayors of the the cities of the region in which they operate.

So there is a level of complexity that you would find in a straight sort of commercial transaction. Maybe, it's good, just to revisit directionally what the objectives of this discussion. We are already partners with Fluvius with through a capital lease for the

Unidentified Speaker

HFC area that represents about a third of our total service area. The idea is to discuss with them the evolution of our network from HFC to a combination of technologies, including HFC and fiber.

We are working toward a structural separation of our network, which would be open as our HFC network is today it enjoys a very high utilization, together with our wholesale access seeker North of 65% and is a very attractive investment for ourselves and Fluvius and potential other third parties.

The idea there is to first of all, maintain our position as the network of choice for both our consumer and enterprise customers to creative energy that is essentially fungible without further equity investments from its owners through a combination of debt and income from wholesale network access seekers this is very much possible and very much in-sight. But it's also very much in the vanguard these types of things.

We are of course open to and probably prefer, although this is not a deal-breaker to see this entity be off balance sheet be able to raise some debt and enable us as the public vehicle and the -- essentially to protect our capital and free cash flow profiles the architecture of this transaction would ensure that our dividend was well covered going forward. And you can see it through the combination of the objectives that we have both doable but also complex.

Hence, it has taken a while I will say we are well down the road, we have said in our last quarter that we expected to be able to share lot of light on the actual transaction in the fall, and it's still our objective to do just that

Erik Van Enden, Chief Financial Officer

There is no relationship between Liberty Global's objectives of the JV in the UK to just build fiber on their own. That is not our plan whatsoever. We have a very different topology, we have a very different cost to serve per home passed. And the transaction that we're pursuing is much more certainly over a similar timeframe, but the objective is for it to be accretive to the fundamental value of our business.

There is a significant arbitrage between the private market infrastructure investment climate and the public market valuations of companies like ours, which we intend to leverage in the context of this deal. That's a summary of where we are and what directionally what we're trying to put together. Once again I have quite a bit of confidence that that this is a smart deal for for ourselves and for potentially other participants and that's in a nutshell.

So if you need any clarity on that Roshan.?

Roshan Ranjit, Analyst

No, no, no that's good. I guess sort of just, you talked about an open access network. I mean is there again I guess the longer it potentially drags there is more, I guess more open networks available for alternative.

Erik Van Enden, Chief Financial Officer

They point of the gap, we already have a 1 gigabyte. We have a gigabit network in 100% or 99% of our network today. So to for it and access seeker to say, okay, I'm going to cherry pick a little fiber over here a little fiber over here a little time of year it's just not workable.

We still have a superior network advantage in 95% of our footprint, and that's going to. And so we're not under any pressure to do anything tomorrow. You can see from our underlying KPIs that network advantage and I think the execution operational excellence capabilities of our company are going to keep our underlying core business growing for some time.

This is all about keeping our the value of our business growing from 2025 to eternity. If we were all going to just (inaudible) in three or four years, we really would need to do anything I tell you the truth. We are very confident in the underlying performance of our business.

Unidentified Speaker

Even in the fiber areas where we're competing with fiber, which are not extensive at this point.

So you're right, we would like to get going and I feel like we're very close and we will certainly have something to say about it sometime in the next quarter.

Unidentified Participant

Okay, that's clear. Thank you.

Unidentified Speaker

Roshan I'll take your other question on the revenue evolution and Europe evolution. So to come with the conclusion. First, we continue to see ARPU expansion. But in the numbers that we also put in the management presentation there are two technical impact. First of all, and we mentioned that there is a reallocation of the part of the mobile revenues as a result of the one -- bundle. So sorry, but I mean is that one -- bundle reallocate the bigger proportion of the total bundle revenue to mobile, but of course is a bit of a negative impact on the fixed ARPU

So the 58.8 that we published for Q221 if you correct for the 0.9 million impact that is closer to 59 million. So that is first distortion and the second one, you can see that our Q1 ARPUs stood out from the graph. So it was boosted by one-off that we had in the video revenue in Q1. So, should take these two effects. So you will see that both for Q1 ARPU -- for the Q2 continues to expense versus last year 1.2% 1.3% to the typical 1 to 1.5 that we have and this continues to be driven by three factors that it's for now for long time has been boosting our ARPU growth first of all, an increase of the fully converged customers, so an increasing part of our customer base takes all the products with us.

Secondly, the up-tiering, especially in the broadband product line where we see the customers often join us on the basic product. But then quickly a trade up to the full 1 gig. And then thirdly, of course, also the price adjustments that we have been doing last year. So those three factors continue to fuel the ARPU expansion and it is really little bit distorted because of those technical adjustments

Unidentified Participant

Okay, that's great, thank you very much guys.

Operator

The next question comes from the line of Joshua Mills calling from Exane. Please go ahead.

Unidentified Participant

Hi guys, thanks so much for taking the couple of questions from me. And the first one there is just coming back on what John was saying about the fact that your plans for full EVs and built in Belgium somewhat different to the UK situation I was just wanted to understand if you were to compare your network today in your

Unidentified Participant

So advantage in terms of broadband speeds to Virgin, what gives you the confidence that infrastructure is so much more future proof then the guys in the UK seem to think and if you were to decide to go down the roots of replacing in these parts of the infrastructure with fiber as they have done. What kind of headline costs would it be, you can say told that this morning it's about 120 here as a line in the UK, I suspect, might be a bit more expensive in Belgium.

And then my second question hopefully a bit shorter is, I think for the second half of the year, you're talking about as well as some of these and COVID related impacts at more to commercial investments in effect weighing on the EBITDA great. So, has there been a change in the competitive intensity in the market that's making you guide for that or do you just think there is an opportunity for you to invest more in Moshe. Thanks.

Unidentified Speaker

I just to do the second one first. I think it is certainly in the latter hypotheses which is that we were a bit quiet in and I think everyone was in Q2 of last year. So going forward, in the second half we invested significantly more than in the first half in terms of Mac and pack and the continued development of our new product and product portfolio.

In the second half of this year, we do feel li.ke we need to continue the momentum that we have behind one and one up and so far our communication and that's been very brand-centric and we'll be moving more towards transactional support for one and went up. And so it's really a question of of investing more and in above the line, but also in transactional cost, because we're also targeting higher and higher sales and even potentially a little bit more flux in the second half.

I mean the flux in the market overall is quite low and I think that's. I don't know if that's something you're seeing in other markets as well. But I think coming out of the back of various lockdowns pandemic related issues for consumers and businesses alike that thinking about changing your broadband TV providers. Probably not. First on your list of things that you want to do right about now.

So the fluxes low, we think we still as I said before, have a very strong network advantage as you see the average download speeds ticking up even further than they were before. And we got a lot of confidence in this

Unidentified Speaker

In this new FMC proposition, which really decouples TV from mobile and broadband. So it's a case of making -- when the sun shining and maintain the momentum in the marketplace on your first question I still elaborate on some more on the differences, certainly you're right in pointing out that cost per home passed in the UK due to the duct is quite a bit lower than it is here. I mean we're really talk the average we're talking about in Belgium is EUR1,000 per home passed.

There are certainly areas in fact, up to 60% of the areas are served by either -- suicide attachments or bull attachments which are significantly less than that but it is a bigger decision, if you will, in Belgium to overbuild existing 1 gig HFC with fiber plus quick weather right now, it is absolutely necessary but it's certainly something that we see being increasingly a big part of our mix going forward and we also see 5G being a part of our mix as well.

So 5G is also potentially a way to bypass very expensive fixed line construction I was just in the North of Minnesota few weeks ago and very well served by 5G to WiFi modem stack in the cabin that I was occupy. So the other thing is that the UK is not 1 gig end-to-end yet, we're already halfway to the promise land, if you will, the fiber that's being built in Belgium to the best of my knowledge today is -- they're building it to 1 gig and because it's still lack scale there aren a lot of specific products available for our competitors to leverage their fiber build

And in fact from on a speed basis and a performance basis, they're just catching up to the status quo of Telenet, so it is a very different set of circumstances in the UK, it's virtually at parity the cost to go from, where they are today to build more HFC event 2.5 gig or 4.0 as opposed to building fiber. So it's kind of a no-brainer in there

Unidentified Speaker

Situation. The bigger decision that UK was how much outside of my footprint do I want to build. And if you, once you cross the Rubicon there and you said, okay, well. I might as well build the whole thing then the decision to build it with fiber induct that you already have access to is, is not a big leap from there.

For us it's a bigger, it's a bigger decision from a capital allocation standpoint, but structurally, we believe there is a very strong way forward. Given our market, our utilization and our market share today. If we were sitting at 30% market share this would be a very difficult decision sitting at 65% market share within already open network and a wholesale a scale wholesale access client and already on the network, it makes it a lot easier to evolve our network to much more fiber-rich environment and to compete more aggressively or from a network standpoint and to maintain our position as a superior network experience.Thank you. That's maybe you could just want to point clarification that the kind of thousand euros align the reference is that the cost of building fiber from scratch you're talking about? or would that be a similar cost if you were trying to retrofit say I can existing cable I? just want incentive send it is actually any meaningful saving for during the latter or if it might start from building again from scratch.

There are some assets that can be certainly assets that can be used some existing fiber assets some no locations and these kinds of things. We haven't really, I don't think allocated a granularly the benefits of those things into the very generic thousand euros per home passed assumption.

Unidentified Participant

All right. Okay, thanks very much.

Operator

The next question comes from the line of Emmanuel Carlier calling from Kempen. Please go ahead.

Emmanuel Carlier, Analyst

Hi, good afternoon. two questions from my side. First of all on subscription sales. So it's good to see that from, let's say, flat you moved it up towards 1% growth and how do you expect this and subscription sales number to evolve going forward is the 1% growth rates that kind of sticking one or do you believe you could further improve it, and if so how? And then secondly, if you look at valuation levels versus peers you're trading at a big discount sales side price targets of

Unidentified Speaker

Above the current share price level. What do you plan to undertake to get the stock towards fair valuation, which you, for example, consider buybacks would you maybe also consider to disclose a little bit more information on the ventures those assets like document, -- if I look at some peers of them getting fairly high evaluation of those or anything else. Thank you.

Unidentified Participant

Well on the subscription revenue profile. We certainly anticipate continuing to growing we we are outperforming as we said, our expectation in terms of uptake and the ratio of one up customers to one customers. The underlying USP of the one FMC proposition is unlimited mobile unlimited fixed and that 4G and WiFi are one thing. And as a customer, you don't have to, you shouldn't have to worry about what platform you're on or blowing any caps or anything like that is very powerful and we were getting good net-net it is going to be a positive influence on our subscription sales. We also were as we speak, we're going live with our 2021 rate adjustment.

And although it's low-ish on the back of COVID year at 1% it's probably going to be stronger than that in future in the near term as we look at 2022 and 2023 given the likelihood of more robust -- growth but so it is our intention to underpin the consumer subscription growth going forward we're also in our B2B business getting good uptake in SOHO on our added value click products which are all about higher ARPUs from the SOHO universe by delivering and more rich and supportive customer experience same day service enhance security package, et cetera e-commerce support bundled in together for a more premium price.

So that's a good result there. So anyway, that is our intention to continue to grow and will be more explicit about that what we move. What we are putting some of these transactional opportunities -- transformational opportunities

Unidentified Speaker

Behind us over the next two or three months, and we can be a lot more explicit about how we see things growing in terms of the stock price differential. Of course, we are all frustrated about the increasing gap between target price and sort of the -- media sort of yield profiles where we should be our share price the most important thing we need to do is for the fall to list on the capital allocation decisions that will be made over the next couple of months, the scale M&A in the South, the Netco opportunity and of course we've already mentioned the tower -- potential tower -- transaction where I can update you that we are very, very far down the road if not almost complete on prepping the asset for a potential transaction.

So the -- will lift on those things and I believe that with the underlying performance of the business and absolute clarity on the network and infra play as well as winter lose on the transaction I believe that the overhang and causing differential should subside. If it doesn't, then I don't know what you do, I think short-term any additional sort of capital management decisions i.e. buyback or special dividends or anything that not sure that those things are going to move the needle the next three months if we had all those other things done the decks will clear and everybody understood the fact that these transformational accretive and accretive -- a big execution requirement for our company, but they're generally value accretive -- extremely value accretive, if we get the right I think if we were already there. Then maybe we would look at other forms of managing our capital and try to stimulate closing the gap between target price and where we're sitting today

Unidentified Speaker

So, anymore those rooms.

Unidentified Participant

Yes, sorry.

Erik Van Enden, Chief Financial Officer

No, I was just going to add I mean, obviously, I mean we've been talking a lot to investors. Over the last year, year and a half and to John's point I think there are two things that always come out as key concerns are key actions for us to kind of unlock the value of the stock in the business.

First of all to get to a sustainable top line growth, which of course, we are building this year, right. We have an outlook for top line growth. We had it last year as well. I think if the pandemic, we know not have been there. We would have demonstrated last year as well. But that is one clear objective that we have and that we are executing as we speak and pretty much of the intention to build it also beyond 2021.

So there is, the first one, the top line growth and then secondly, the clarity over over investments in fiber in 5 G with the strategic files. So, very much. And I think many of you have written about that is really your research notes today that there is a huge overlaying overhang from the conversations which fully piece we have to clarify that. But we do believe if we solve those two things that should unlock the stock.

Unidentified Participant

Thank you. And maybe one additional question related then, do you plan to provide a bit more disclosure on all the kinds of JVs you have because some of them probably have quite a decent like Darko.

Unidentified Speaker

We'll take that as feedback in and I think maybe in the context of couple of some form Capital Markets Day at the end of the year. We'll definitely have a segment on ventures, I mean we do, we do have a lot of ambition around these ventures and we have some other things in the pipeline. Also I mean theoretically, we're talking about these ventures being double digit plus percentage of our revenue profile in three to five years.

So they are significant, they are all we think poised for success anybody based in Belgium would know, the power of its me and and as well, so it's is a very strong potential growth assets, which would give us a lot of optionality.

Erik Van Enden, Chief Financial Officer

Yes, I will talk about more in the Capital Markets. EBIT, clearly the ambition is to grow these ventures at scale. And we have the, we have the Smith, also in terms of the content business with the participation that we took in recently that is another pillar of the strategy. And again, of course, these things have to grow. So some of them are not yet material, but over time it will become

Unidentified Speaker

And that is very much part of our long-term revenue growth trajectory. So very relevant in digital probably talk about it more in detail in that upcoming Capital Markets Day.

Unidentified Participant

Yeah. Thank you. It's just because if you look at DocuSign for example it's not fully comparable, but these companies trade at 25 to 30 times. So, but over to you. Thank you.

Operator

The next question comes from the line of -- David Wright calling from Bank of America. Please go ahead.

Unidentified Participant

Hello, guys and thank you for taking the questions on this super busy day I guess, John, just to come back a little more conceptually and following on from me questions from other analysts on the potential for further replacement I guess, when we look at the UK deal ultimately the numbers supported but it is a net investment that chosen to do because I guess ultimately down the line -- is a superior technology right get with not just the download, but more critically I think in this day, I know it's look load potential.

So is it the case with cable, do you think that fiber is modern assets when on just the one is a function of the economics. So maybe the UK they can just press the button now and push the capital whereas perhaps for you guys or the cable operators. It's more about building further closer deeper into the network and just gradually moving the business over to next you to do rather than having any material CapEx outlay is that the way we should start think about cable that it is a technology that is phased out over time. It's just going to depend on the economics after the speed -- out just conceptually your ideas on that.

Unidentified Speaker

Well HFC requires capital as well to evolve to get from 200 megabits per second to 500 megabits to a gig I mean we spent, I can't give an exact number, but it's getting to the giga network. There was a substantial investment over three or four years to get to 10 gig using HFC symmetrical 10 gig using HFC which is the objective of the US cable operators and is in development with chip manufacturers like Broadcom and everybody today would also be a very substantial investment.

Hence, in the UK, they see it as essentially a parity almost investment

Unidentified Speaker

So if fiber is a lower operating cost per one and more sustainable competitively more attractive to wholesale access seekers you're obviously going to go for the fiber.

So in our case, we also have choices to make about whether we invest in the continued evolution of the HFC towards 10 gig or we switch horses essentially for a portion of our network and the portion is to be determined to fiber to the presence, we're not neophyte when it comes to fiber to the presence, we've been building enterprise fiber to the presence now since I think the last 6 years, 6 or 7 years.

So we know what it takes to do it, we know what it cost to do it we know the cost to operate it so we believe that all things being equal, that the evolution of our network will include three technologies which is fiber to the premise HFC significant portion of HFC where fiber to the premises is not sensible more economical for anyone and even beyond that

5G to wide by solutions or direct 5G solutions in certain situations.

So we have more time, we do not have big parts of Belgium where we don't already have a very, very good network solution and those are the fundamental differences between us in the UK, but your hypotheses that it's more of an evolution, revolution for us is true. And like I said before, we do feel we have more time, we do feel that even if we do nothing we are going to be in a very strong position for a few more years here but I wouldn't back us to maintain that position forever the fundamentals we've got lot of conjoint research and we have experience in just a piece of glass versus a piece of coaxial cable as a competitive dynamic for consumers and businesses and that is not the defining feature that is not getting any satisfied customer on HFC network is not going to jump just because it's a piece of glass, there are business customers who may need more upstream capacity

Unidentified Speaker

But fiber some the word fiber as a universal sort of reason for right now we have two-thirds of the market price has one-third that's not switch around because they put glass in ground and we have HFC not in the near, not overnight.

So long minute answer but we're going there over time, but we're not feeling the pressure in the near term, but over the long term the economics of building an open access fiber network are accretive to the NPV of our company today I can tell you that

Unidentified Participant

I understand, it's an interesting debate that I think is going to be pretty intense over the next few months following the announcement today but thank you, John. Thank you.

Unidentified Speaker

There won't be a cable operator in Europe pondering these issues

Operator

The next question comes from the line of -- Rupen Davos calling from KBC Securities. Please go ahead.

Unidentified Participant

Yes, good afternoon. Just a follow on the future fiber plans I mean not specifically on your discussions with -- but I believe in June. There were some comes by the Flemish regulator of the energy market sort of opposing development of the fiber network as it appears that extra costs which lead to with take to energy bills. I just curious what your thoughts were on the regulators comments and you believe such positioning could represent some risk for your joint fiber project. That's the first question. Maybe second one after your answer.

Unidentified Speaker

Yeah, the short answer is no, because the structure that we're advocating structurally separate from both Fluvius and our sales essentially. So there is no vehicle for cross subsidization and that was the regulate is concerned

Unidentified Participant

So restructure around that. But we don't -- the issue.

Unidentified Speaker

And then the second one basically revolves around new entrant risk and there will be, if you have events lined up in the next few months, which will give an indication whether there will be new entrants I believe one party has come forward certain emissions in the residential market. But I was curious what your view today has changed much on the new entrant risk versus when it was first topic. Looking back to 2019 and maybe some of your thoughts on the conditions included in the latest regulatory proposal are also helpful.

Unidentified Participant

I believe there is some controversy around the national roaming obligation that I'm unsure whether that could still change before its final. Thank you.

Unidentified Speaker

I feel like if there was momentum towards a fourth entrant that we would have heard something I mean that they the thing you're referencing So whether it the company from (inaudible) 30 mesh Yeah, it was division of that a company with $12 million in revenue and and losing million to EBITDA.

So this is not for the faint hearted there are more SIM and Belgium then dogs and cats put together I mean there it's a very highly penetrated and market You can see what's happening with the MVNO they're all getting smaller so just jumping in and spending a couple of 100 million to get in the game.

I don't think is that attractive, it's not were put my money if I was looking for ways to get return on investing in telecom so I'm not really overly concerned about fourth operator in the mobile sector I think there will be opportunities to partner with people who may have that aspiration particularly for specialized industrial solution, which is I think the game that city measures in and I think you are more likely to see that kind of thing.

But the consumer market is you know it's a bonafide and I know I don't I know why anyone would want to start. Even with the field tilted heavily in their favor I don't know why anybody would want to start from zero customers or from the small MVNO because the biggest MVNOs in Belgium is like second MVNO Mobile Vikings they haven't really added any subscribers in the last three years.

So not much opportunity there.

Unidentified Participant

Okay and then maybe some of your comments on the conditions as it is, they are today I think the Parliament approved the bill already, but still some conditions still unclear. I think the national roaming obligation Yeah I think you could share on that.

Unidentified Speaker

There is opposition to the fourth Operator. Not just from the M&O but also from the regions and also from So there are certain environmental concerns also on adding

Unidentified Speaker

In other platform to three existing ones which will just increase emission and electricity usage and everything else, and you have a kilo in the South and in Brussels with fairly strong at least negative control kind of positions in the Coalition Government's there So right now my understanding is that will be region and Brussels are not in favor of the fourth solution.

Unidentified Participant

All right thank you.

Operator

The next question comes from the line of David Vagman calling from ING. Please go ahead.

Unidentified Participant

Yes, good afternoon everyone and thanks for taking my question I've got two on the new offer one so first on the its profitability impact. So all those one and when compare to You heard back book and the we go back in particular the multi-SIM and our audit work in term of acquisition of new client visit migration of client basically and then the second one So, still on the one its commercial impact do you see an acceleration of let's say one to client net add in June, July, and what is exactly your marketing strategy.

So, are you going for just new client or retention of clients we might you might lose or are you proactively contacting existing clients. Thank you.

Unidentified Speaker

I'll just quickly answer the second part of your question and then let Eric go through the economics of the offer itself at this stage we are targeting new and what we say we would say at an at risk customer base for individual migration So what you're asking is, are we doing sort of mass migrations and right sizing base of customer which may impact ARPU negatively and the short answer is we're not doing that at this time we are selectively migrating customers and customers are self migrating.

We would expect there to be customers that go up and there will be customers that go down, but because our strategy is around customer intimacy and we know that one of the things that makes customer volatile is paying for things that they don't use or don't want at least giving them the flexibility

Unidentified Speaker

To opt out of things is important and in, the one -- in the one we know there is huge pressure on fixed-line bundles, for example, and in the one product suite, essentially the fixed line is free. So -- if you want to think about it, you can have it can not have it's up to you but the price doesn't change.

Unidentified Participant

We will ultimately be doing some mass migrations, but not until we get through the first phase of the launch, which is for the most part, a positive flow through on ARPU. One of the things about we go is we had the 2 SIM we go, we had 5 -- We go so we had some sales out there that we're passive. So moving to one we have maybe a few less sims but the Sims that we have in one configuration are all being used. So what we're seeing is, if you compare our -- pre-one individual customer ARPU and these are ARPUs that are up around EUR100 our FMC ARPU is is closer to EUR100 and then it is to our average ARPU, which is EUR59 we're actually seeing the ARPU of our mobile sim customer base into one configuration increasing and offsetting any loss of sales. I hope that all made sense.

It does. So I think we're very happy with the profit, of course, we're only three months in the launch. So in some way through some of the early days, but we are very happy with the ARPU of one in one up in the sense that it's very close to we go, and you go. But of course we have to remember that one and one -- is addressing a broader customer base and just a fully converged -- customers that we already had. That is exactly the reason why we launched it because we also wanted to make sure that people want 2P or 3P also have the right products, so the comparison base is more than just we go, it includes also 2P and 3 P and if you compare it against that ARPU, it's super close.

So it's, very good. So we see that we are happy with the ARPU levels. What we are seeing is, first of all, strong tier mix and so what I just explained at the very beginning in response to -- question. We do continue to see that solid tier mix, especially on broadband. So the

Unidentified Speaker

It's also the case one up So, the proportion of one up versus one customer is really solid. Secondly, as we also discussed earlier, the tax rate of TV this is strong and probably above our expectations if we're almost and then third one on the mobile side, we do see that indeed as no of course every SIM is being one do you have a churn is going down a little bit, but again that that is just a part of the other product.

So really happy with where we in terms of one and one up ARPU.

Unidentified Participant

Thank you.

Operator

The final question today comes from the line of David calling from Berenberg Please go ahead.

Unidentified Participant

Hey Everyone and Cindy brands from Berenberg I've got two questions please. Firstly, just back on the fiber to do.

Operator

Unfortunately, it does look like David's line has just disconnected.

Unidentified Speaker

And I think then. Operator, we will provide an take David's question offline separately So I guess, since we have no other questions waiting in the queue I think we can conclude today's earnings call, I would like to thank all of you for having joined to this call Despite an extremely busy reporting day should you have any further follow-ups Feel free to address to either part myself and in the meantime, as always You can also find our latest road show and conference schedule on our Investor Relations website.

So we look forward to meeting you again after the summer to catch up on our strategy and our financial profile going forward. So, thanks for joining and have a good day and bye-bye.

Operator

Thank you for joining today's call. You may now disconnect your lines Host please stay connected