



# Orange Belgium Q3 2019 Financial Results

October 23, 2019



# Disclaimer

This presentation might contain forward-looking statements about Orange Belgium in particular for 2019. Although we believe these statements are based on reasonable assumptions, they are subject to numerous risks and uncertainties, including matters not yet known to us or not currently considered material by us, and there can be no assurance that anticipated events will occur or that the objectives set out will actually be achieved. Important factors that could cause actual results to differ from the results anticipated in the forward-looking statements include, among others: the economic situation in Europe and more specifically in Belgium, the impact of price adjustments on the customer base resulting from competitive pressure, the evolution of the customer base, the effectiveness of Orange Belgium's convergent strategy including the success and market acceptance of the voice and data abundance plans in the business segment and of the Orange Internet & TV offers, of the Orange Belgium brand and other strategic, operating and financial initiatives, Orange Belgium's ability to adapt to the on-going transformation of the telecommunications industry, regulatory developments and constraints and the outcome of legal proceedings, risks and uncertainties related to business activity.

# Section one

## Q3 2019

### Highlights

# Q3 2019 Key achievements

Mobile contract excl. M2M

**2.5 m**

+5.8% yoy



Belgium

Convergent customers

**233 k**

+50.3% yoy

**Love**

Belgium

Net additions

Mobile contract excl. M2M **+ 32 k**

Convergent customer **+ 17 k**

Belgium

**14.6%**

of total postpaid mobile base is convergent



Belgium

Revenues

**€334.3 m**

+2.5%\* yoy



Retail service revenues

**€221.8 m**

+7.1%\* yoy



EBITDAaL

**€83.6 m**

+1.1%\* yoy

eCapex

**€39.3 m**

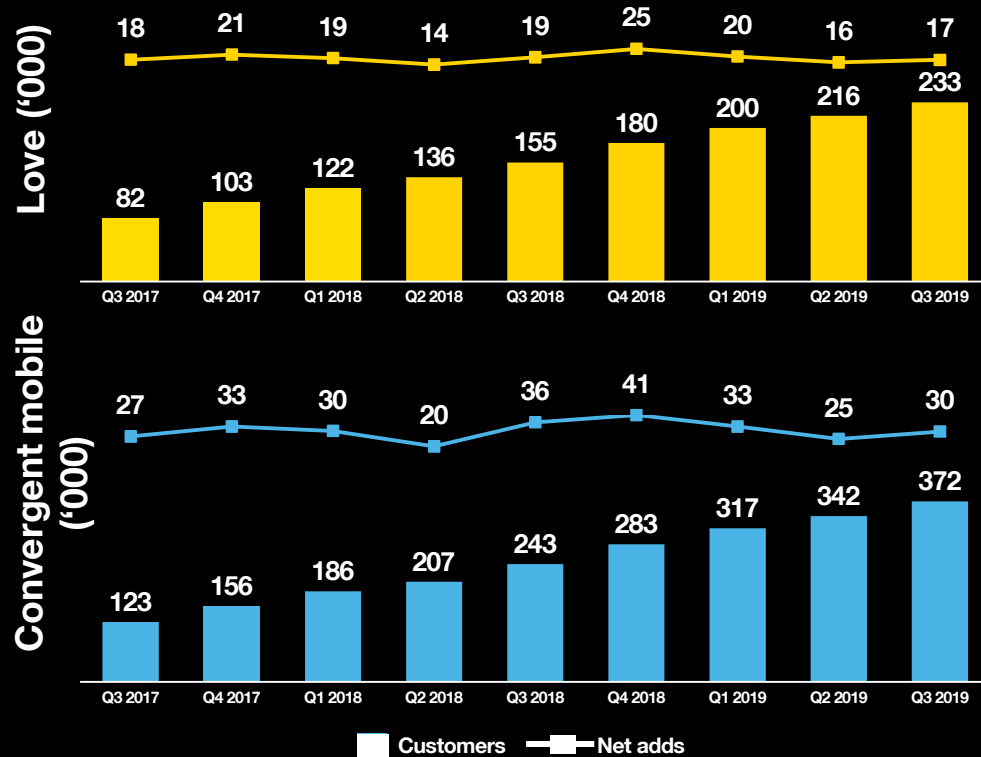
+18.2%\* yoy

\*based on 2018 comparable figures

# Section two

# Operational Results

# Convergence: continued success with 17k new Love customers



**+17k**

Love customer net adds,  
9.7% yoy

**50.3%**

Love customers yoy  
variation

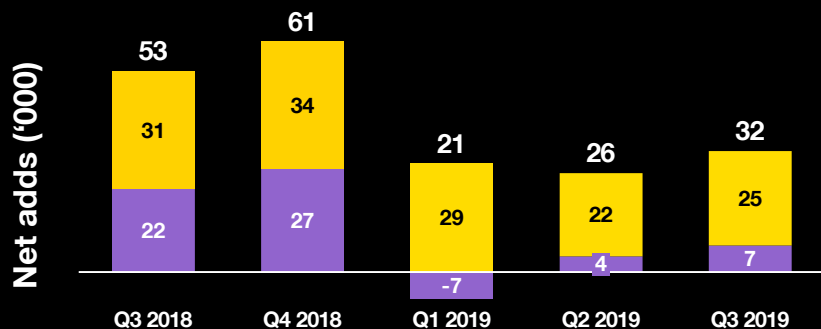
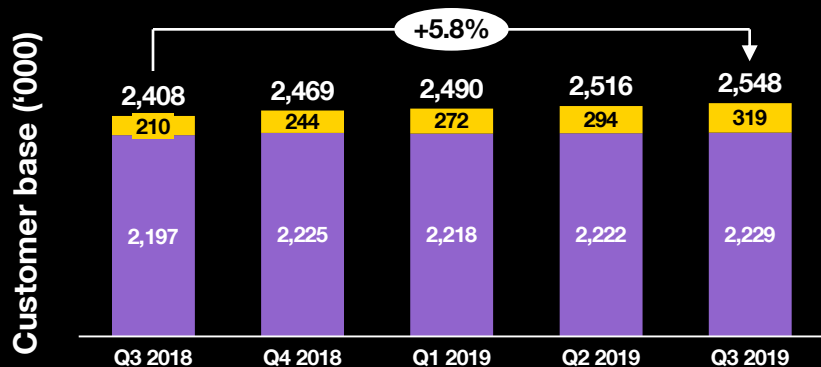
**1.6**

SIM cards per convergent  
customer

**14.6%**

of total mobile base is  
convergent (Q3'18: 10.1%)

# Mobile postpaid: Commercial momentum remains solid in Q3'19 despite competition's high promotional activity



■ B2C mobile convergent  
■ Mobile only + B2B mobile convergent

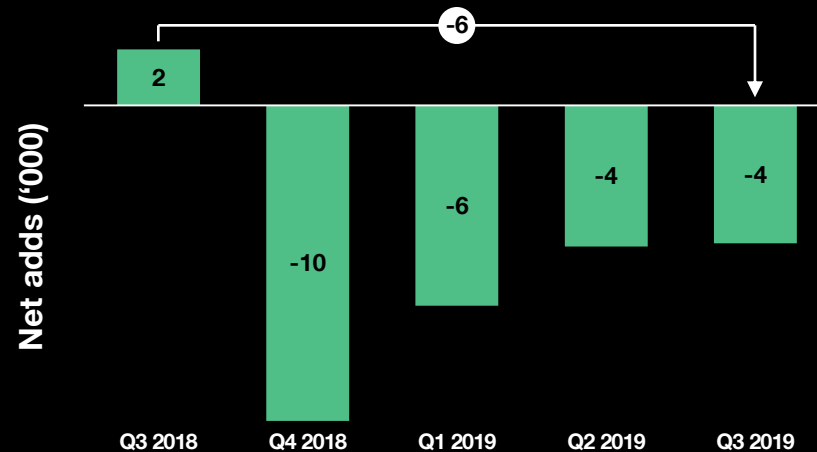
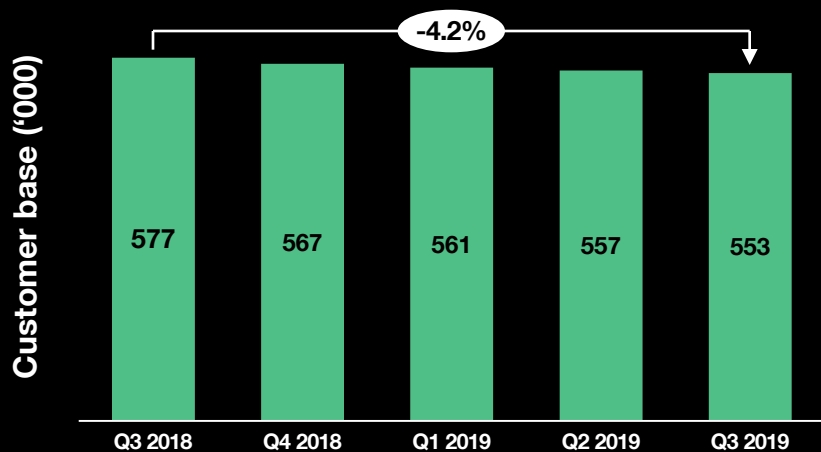
**82%**

Contract customers /  
total base (Q3'18: 81%)

**81%**

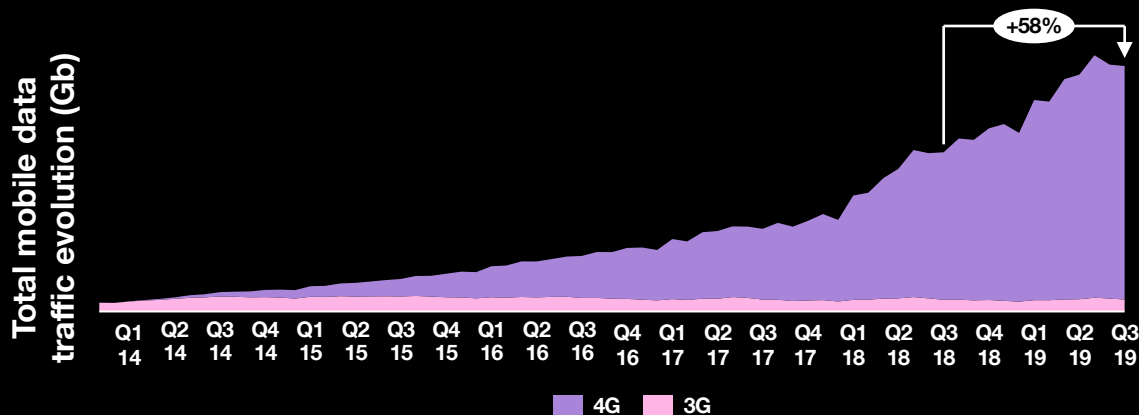
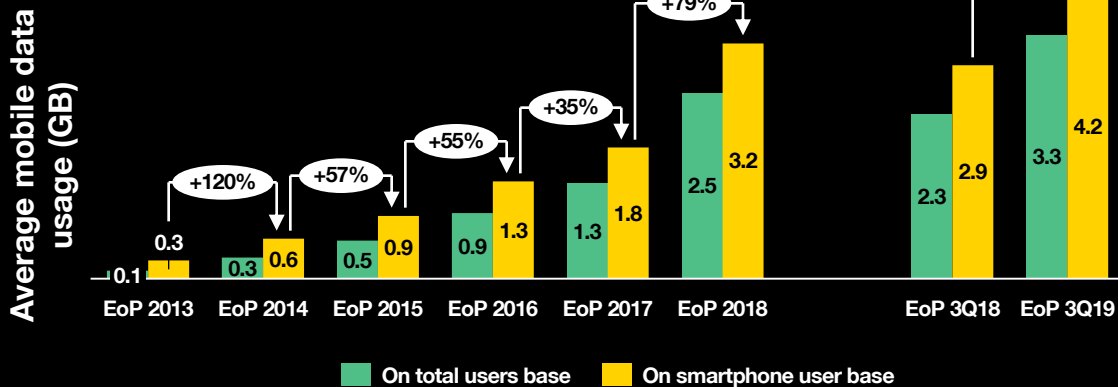
Smartphone penetration  
(Q3'18: 77%)

# Mobile prepaid: Orange Belgium maintains a good performance in a declining segment





# Mobile: Unlimited plans catalyst for data usage growth in Belgium



**4.2 GB**

Average mobile data usage (smartphone), +42% yoy

**2.5m**

Mobile data active users, +9% yoy

**81%**

4G users/Total base (Q3'18: 77%)

**95%**

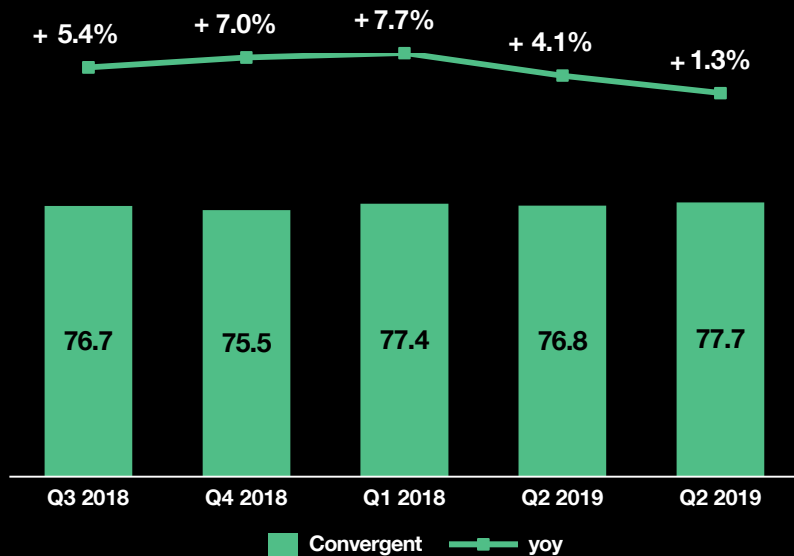
% 4G in total traffic (Q3'18: 93%)

**+58%**

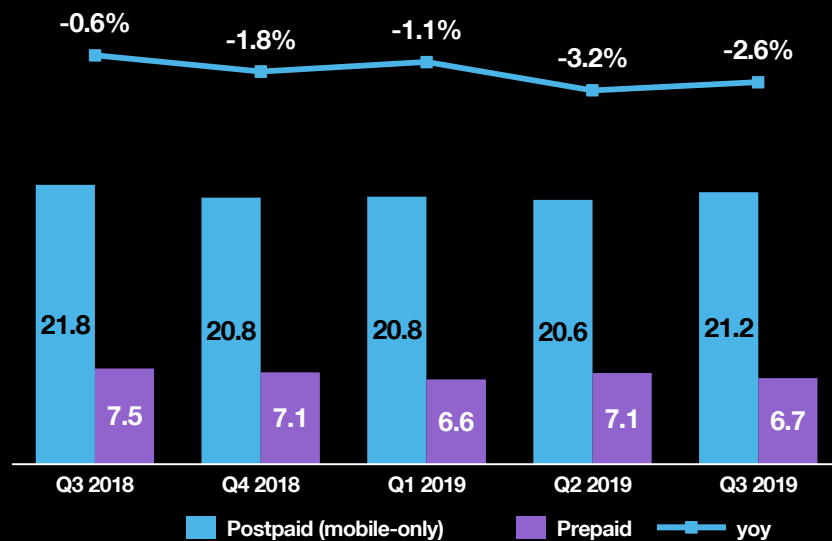
Total mobile data traffic yoy increase

# B2C convergent ARPO continued to grow while mobile-only postpaid ARPO contracted

Quarterly B2C convergent ARPO (€)



Quarterly mobile only ARPO (€)



# Regulatory update

## Cable Regulation

### Key service aspects of 2018 decisions implemented

- Single installer started in Q3'19
- Broadband only launched in July 2019

### Cost model – Wholesale pricing:

- Consultation draft published on July 5 and ended on September 6
- Final decision: expected in Q1 2020
- Orange Belgium's comments:
  1. The Company is pleased that the regulators have confirmed their intention to establish true and fair competition in Broadband and TV markets. The regulators have applied the "Cost +" methodology which should lead to wholesale prices more in line with the real infrastructure costs;
  2. Orange Belgium's response focuses on avoiding unjustified wholesale price increases and on ensuring that the cost base for some cable operators is not overestimated.

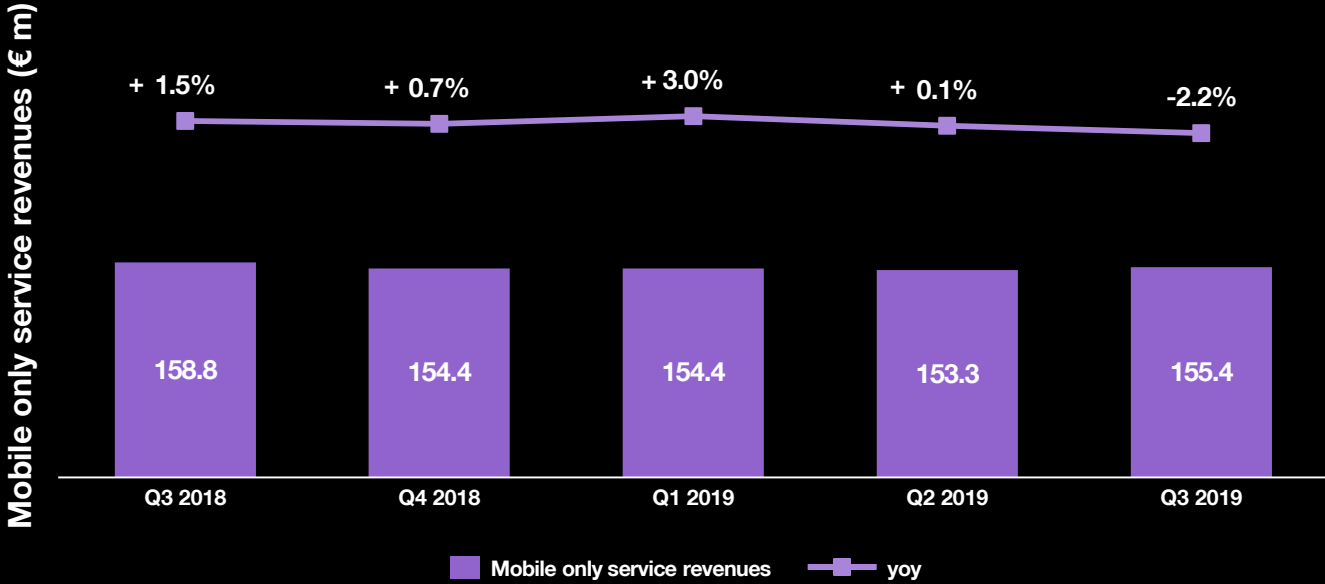
## Spectrum and 5G auction

- The Royal Decrees regarding the allocation of the 700, 1400 and 3400-3800 MHz band and the renewal/reallocation conditions of the 900, 1800 and 2100 MHz bands were not finalised
- The BIPT launched a consultation regarding the 26 GHz band and regarding various other (minor) spectrum related matters
- Low probability that an auction for any of the before-mentioned spectrum bands takes place before H2 2020
- The new Brussels government indicated that new developments on 5G will be done with respect for the precautionary principles. However, it is unclear if this implies they will approve the earlier agreement to increase the EMF limits to 14.5 V/m
- The new Flemish government agreed that it will put priority on the development of 5G services.

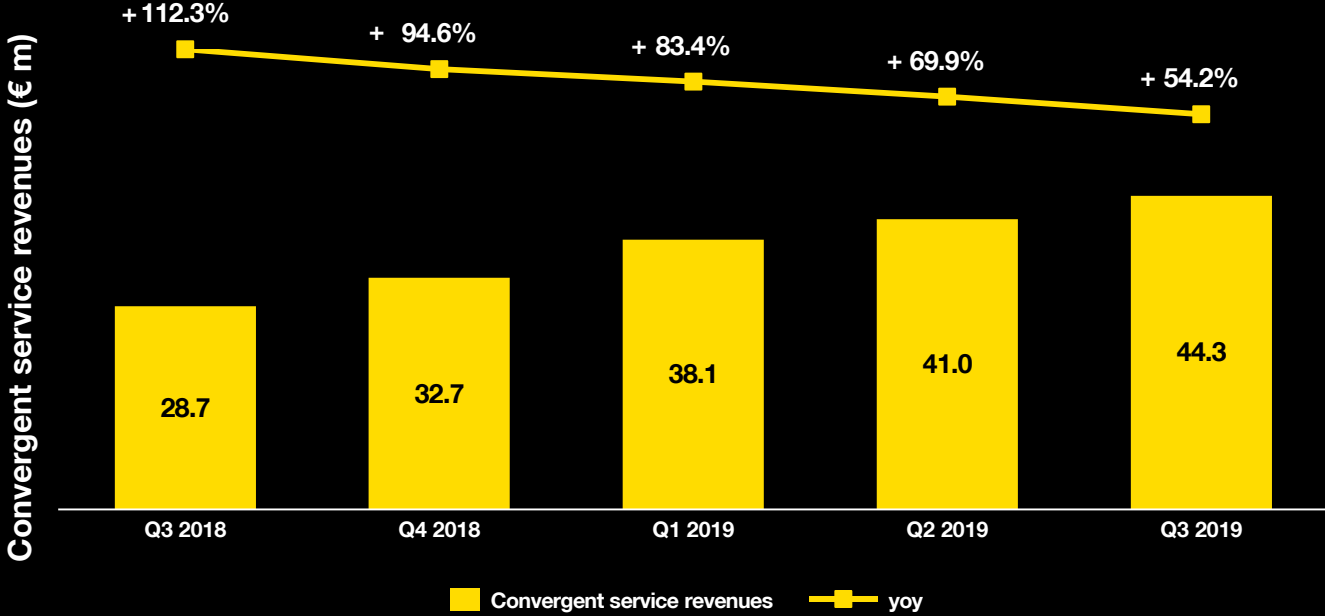
# Section three

# Financial Results

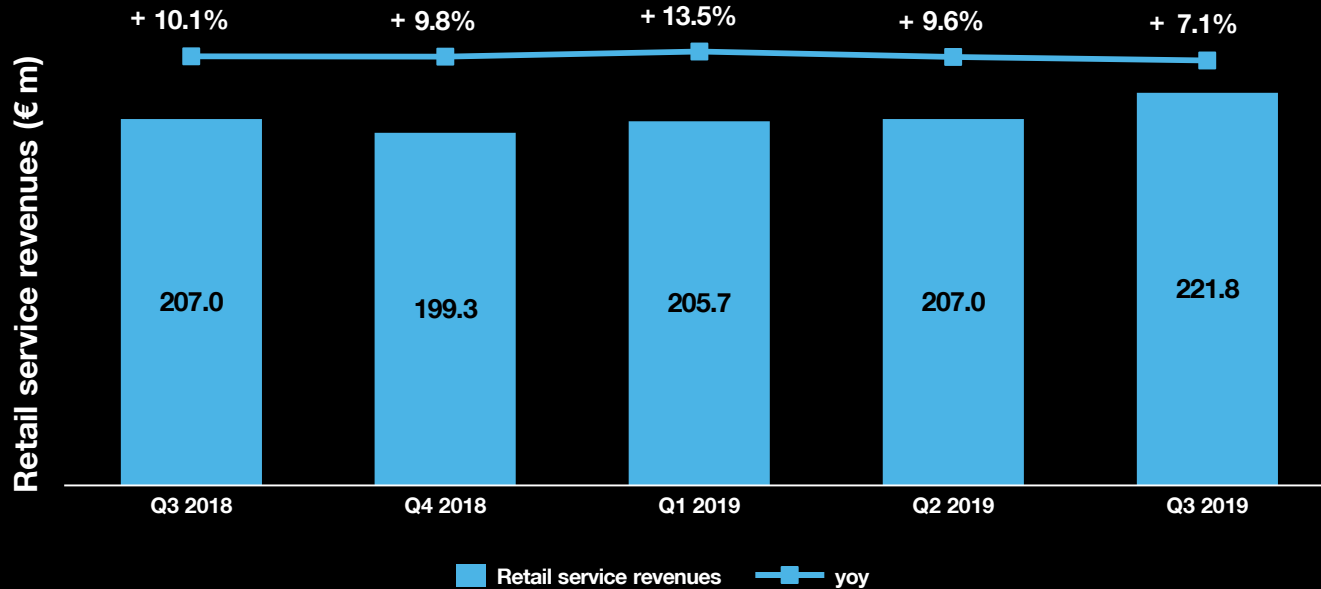
# Mobile only service revenues: slight decrease mainly explained by the lower mobile only ARPO (-2.6%) offset by a higher customer base (+0.5%)



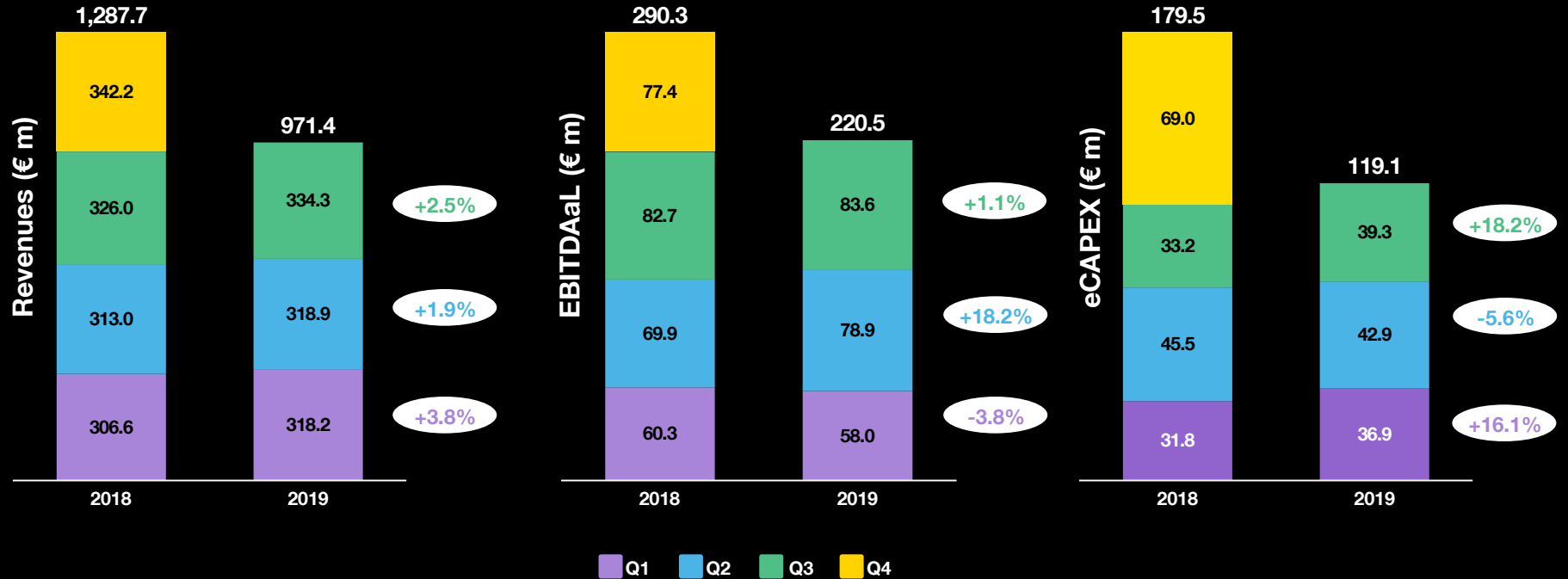
# Convergent service revenues: sustained growth



# Retail service revenues: another quarter of solid growth



# Orange Belgium Group: Q3 2019 key financial results

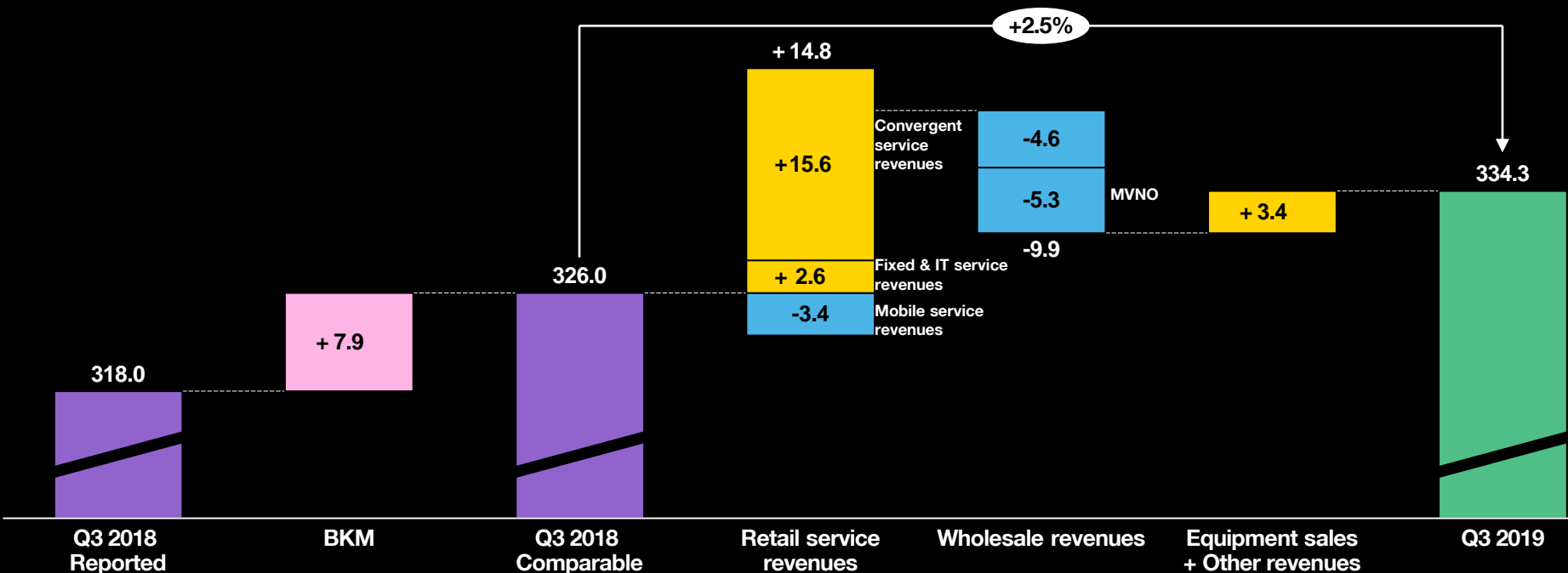


- Q1'18, Q2'18 and Q3'18 EBITDAaL on a comparable basis
- Q3'18 Revenues and eCapex on a comparable basis



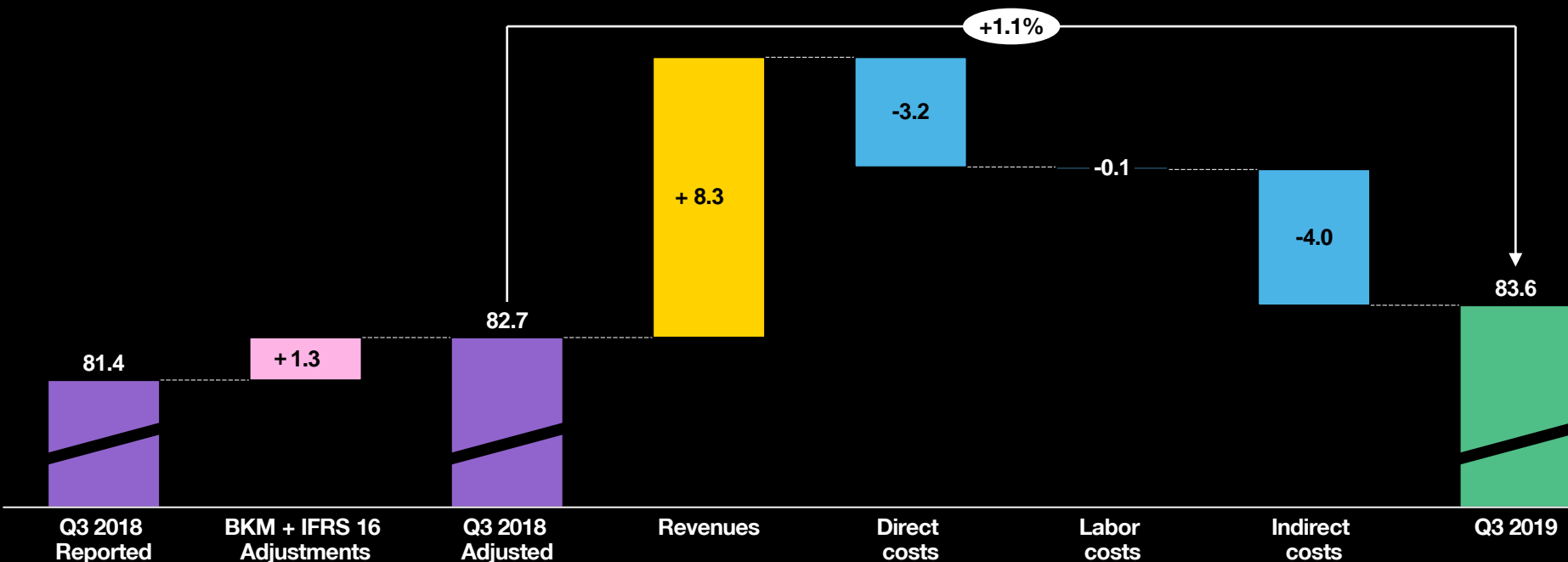
# Revenues driven by increase in retail service revenues and equipment sales, despite lower MVNO revenues

Revenues evolution (€ m)



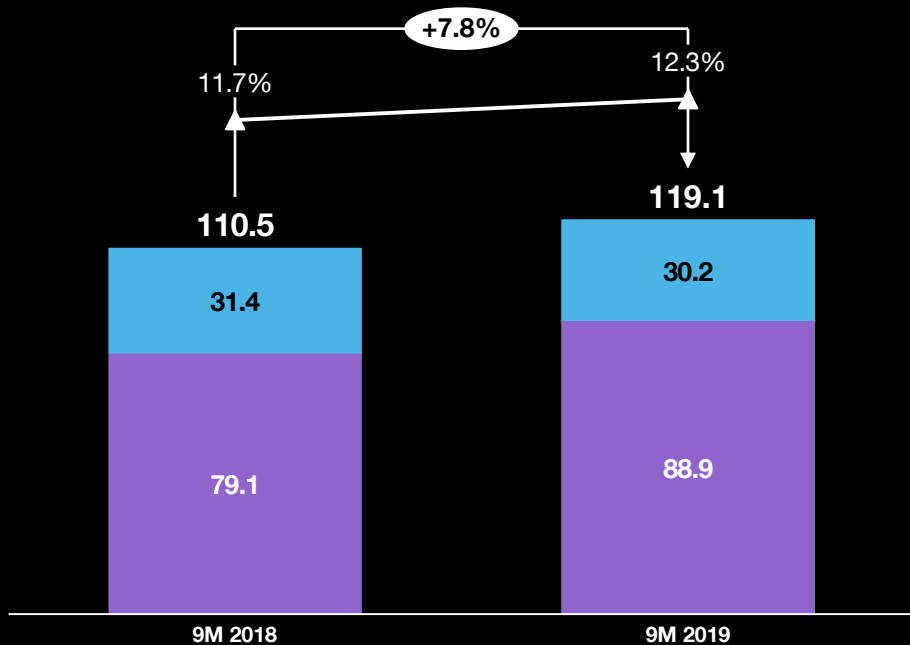
# EBITDAaL increased thanks to higher retail service revenues, sustained efficiencies as well as continuous improvements in the cable operations

EBITDAaL evolution (€ m)



# Network and IT spend brought forward to Q3'19 and will have no impact on full-year eCapex

eCapex (€ m)



Net debt

**€248.4 m**

Net debt/EBITDAaL

**0.9x**

■ Cable capex incl. CPE, IT & Network, etc.

■ Core capex

▲ Total capex to total revenues ratio

## Cable operations continue to improve in YTD 19

|                             |                  | <u>Variations</u> |
|-----------------------------|------------------|-------------------|
| <b>Revenues:</b>            | <b>€77.4 m</b>   | <b>+77%</b>       |
| <b>EBITDAaL:</b>            | <b>€3.5 m</b>    | <b>+€18.5 m</b>   |
| <b>eCapex:</b>              | <b>€30.2 m</b>   | <b>-4%</b>        |
| <b>Operating cash flow:</b> | <b>- €26.7 m</b> | <b>+€19.6 m</b>   |

# Section four

# 2019 guidance

# 2019 guidance

|                 | 2019 Guidance          | Q1'19  | Q2'19  | H1'19   | Q3'19  | 9M'19   |
|-----------------|------------------------|--------|--------|---------|--------|---------|
| Revenues growth | Slight growth vs. 2018 | +3.8%  | +1.9%  | +2.8%   | +2.5%  | +2.7%   |
| EBITDAaL        | €285-305 m             | €58.0m | €78.9m | €136.9m | €83.6m | €220.5m |
| eCapex          | Stable vs. 2018        | +16.1% | -5.6%  | +3.3%   | +18.2% | +7.8%   |

## Outlook

- Further uptake of the postpaid and convergent Love customer base
- Focus on operational efficiency
- MVNO revenues are expected to decline by €25m in 2019
- International call impact: €8.5m on adjusted EBITDA compared to 2018
- Brand fee starting in May 2019: -€10m
- IFRS 16: very little impact on EBITDA after lease (EBITDAaL)

# Section five

## Q&A



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