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PRESENTATION

Operator

Hello, and welcome to the Proximus Q2 2025 analyst conference call. My name is George. I'll be the coordinator of today's event. Please note that this conference is being recorded. (Operator Instructions)

I'd like to turn the call over to your host today, Ms. Nancy Goossens, Investment Relations Lead, to begin today's conference. Please go ahead.

Nancy Goossens - Proximus NV - Head, Investor Relations

Thank you. Welcome, everyone. Thank you for joining this Proximus results webcast. We will start with our presentation, and as usual, we will address all your questions after that.

The presenters of today are the CEO at Interim, Jan Van Acoleyen; the Group CFO, Mark Reid. And for the Q&A, we are joined by the Residential Lead, Jim Castele; by Renaud Tilmans for the B2B Telco part; and by the Corporate Affairs Lead, Ben Appel.

They will be taking your questions in a moment, but first handing over to Jan to take you through the highlights for today. Jan, please go ahead.

Jan Van Acoleyen - Proximus NV - Interim Chief Executive Officer, Member of the Executive Board

Thank you, Nancy. Good day, everybody. Thank you for joining us today.

Stijn Bijns, the new Proximus Group CEO, will be joining us as of September 1 and will be your host for the next round. But for today, I'll be taking you through the main takeaways from the second quarter, after which Mark will take over for a deeper dive.

As you have all seen in our published report this morning, Proximus continued its robust Domestic performance despite the intense competition. This is reflected in another strong financial quarter with both Domestic service revenue and EBITDA growing year over year.

Network leadership remains a key pillar of our strategy, with 5G coverage now above 80% and fiber in the street covering more than 45% of the Belgian homes and businesses. Regarding the fiber negotiations, we are pleased to announce that we have signed an MoU with Orange Belgium, covering a collaboration on fiber in Wallonia and the use of the HFC network in rural zones. For Flanders, significant progress was made during the second quarter, bringing us closer to the next step.

Regarding our Global segment, the part of our business faced accelerated headwinds in the CPaaS market, besides integration challenges that are impacting the go-to-market. This was only partially compensated by a successful delivery of OpEx synergies.

As a last point, thanks to the expected proceeds of the sale of Be-Mobile, we will have achieved our original divestment plan target of EUR500 million by 2027 already this year and have increased our ambition up to EUR600 million over the 2023-2027 period.

Now, handing over to Mark for a closer look and starting with the announced update of our full-year guidance for '25.

Mark Reid - Proximus NV - Finance Lead, Member of the Executive Committee

Thank you, Jan. So indeed, before diving into the drivers, let me walk you through the updated guidance we have given this morning for the full year of 2025.

First, on the Domestic segment, we have raised full-year 2025 Domestic EBITDA guidance from broadly stable to 2024 to an increase by up to 2%. This results from a combination of an improved revenue mix, with higher service revenue offsetting lower revenue from terminals and from cost improvement. This is why, from a total Domestic revenue perspective, we expect to remain broadly stable compared to the previous year. So no change there.

Regarding Proximus Global, the headwinds signaled in the first quarter continued and even accelerated. With the results over the second quarter and our estimate for the remainder of the year, we reviewed our EBITDA expectations downwards to a year-over-year decline by 5% to 10% in comparison to a 20% growth before, despite the successful implementation of cost synergies. I'll get into more detail in a few minutes to explain what the main drivers are and what our course of action is going to be.

The Domestic upgrade, combined with a lowered expectation for Global, brings us to an expected growth of up to 1% for the Proximus Group. This compares to around 2% previously. The group CapEx and organic free cash flow expectations for the year remain unchanged.

Moving to our key financial results. For the Domestic segment, we closed the second quarter with a solid 1.6% increase in service revenue offset by lower terminal revenues. This more favorable revenue mix drove higher margin, which more than offset the increase in OpEx. As such, we closed Q2 with Domestic EBITDA growing by 1.9%.

The Global segment, the direct margin was down 10.8% caused by the headwinds previously mentioned. This resulted in EBITDA decline of 5.4% despite strong cost control and synergy realization. This brings our group EBITDA to EUR491 million for the second quarter, an increase of by 1.2%.

Our CapEx for the first half was EUR542 million, and the free cash flow we ended the first half with EUR266 million in total. Excluding the proceeds from asset sales, the organic free cash flow was negative EUR5 million, a solid improvement year on year.

Let's have a look now at the operational results. The second-quarter operational performance was again robust, with very strong results for mobile postpaid adding 38,000 cards despite intense competition. The solid commercial performance was supported by the portfolio changes of the Proximus brand and attractive mobile joint offers, following the early changes for the B brand, Scarlet, and Mobile Vikings and the ongoing convergence strategy. Our convergent base continued to grow, adding 11,000 residential customers in the second quarter.

The resilience of our Residential unit in this evolved market structure is underpinned by the multi-brand strategy. Our brands Scarlet and Mobile Vikings deliver first line of defense against the fourth entrant and other low-end offers in the market. At the same time, we drive value by positioning

the Proximus brand in the premium segment. Thanks to the launch of our fiber-centric Flex+ offers back in the first quarter, the mobile data boost for standalone mobile offers in April, we managed to drive further commercial momentum.

Network leadership is at the core of our strategy, and we are very proud that we again got the recognition for it, winning the Ookla Speedtest for the fastest internet for the first half of this year. In mobile, we crossed another important milestone and now have over 80% indoor 5G coverage.

Across Belgium, we now have a total of 2.4 million fiber homes, meaning a coverage of over 40%. And including fiber in the street, we're even above 45%. Our network filling rate was stable compared to the previous quarter at 33%. At the end of June, we had activated 646,000 fiber customers, adding another 38,000 in the second quarter.

As Jan already mentioned earlier on, we made significant progress regarding the fiber negotiations. In Flanders, we have strongly progressed to reach an agreement in principle on the terms of a future collaboration to accelerate the deployment of fiber networks across Flanders. We are working closely with the BCA and BIPT in view of starting a market test in September.

What is more is that we have signed last night an MoU with Orange Belgium to expand the deployment of fiber and the access to multi-gig networks in Wallonia. The MoU covers nearly 1.4 million homes in the Walloon region of Belgium.

What is excluded from the MoU is the dense areas, counting about 450,000 homes, we will continue to deploy with fiber in standalone and which is already partly done. Regarding the mid-dense areas, our JV, Unifiber, will continue to deploy the early announced 600,000 fiber homes, so no change in the deployment. But Orange Belgium will onboard its customers on this network. In addition, Proximus and Orange Belgium will deploy 200,000 fiber homes split amongst the both of us in low-dense areas, and we will be onboarding our customers on each other's fiber networks.

Note that, from a financing perspective for Proximus, we are looking into different options with the aim to keep this investment off balance sheet. For the remainder of the rural areas, so another 600,000 homes, the MoU foresees the usage of HFC, with an option to use superior technology should that become available.

This brings a number of clear benefits as listed here on the slide. It will allow for much more efficient CapEx deployment, especially for the rural areas. It will enhance the fiber coverage versus our standalone plan and will bring fiber to around 70% of the Walloon region. Broader fiber means that we will also have the commercial benefits on a larger scale.

Clearly, the symmetrical commitments to onboard customers on the fiber networks, we are looking at very high utilization rates. We will also have a solution for the most rural areas of this part of the country, whereby we will be able to offer gigabit access to our customers. This will also enable copper decommissioning at a faster pace. So with this MoU, we have clearly taken a significant step towards a more efficient network deployment. We will keep you informed on further developments as we move into the next phases of this process.

As a final topic for Domestic, and this time in the business domain, one deal that I would want to spend a little time on is it's a really strategic win for Proximus NXT. It's the major contract we won together with Thales for the NATO. It's a great achievement of the team, putting Proximus NXT on the map as a key player for the digital transformation of defense, offering resilience and secure infrastructure.

Let's zoom now in on our Proximus Global segment. Despite the good progress that we have made in realizing cost synergies, thanks to a more optimal workforce and cost of sale benefits from optimized routing, we clearly also faced some headwinds. The initial slowdown indications we witnessed in the first quarter, more precisely in the CPaaS market, have accelerated and affected some segments strongly. We have especially experienced weakness in the SMS CPaaS market, with international one-time password affected the most. This, in combination with some operational integration headwinds that are impeding our margin synergy delivery, caused the downward revision of the EBITDA outlook for Global.

To enhance Global's performance, we have identified some key areas of focus going forward. For starters, to mitigate the impact of decreasing markets, we will accelerate the development of our growth products. Omnichannel is on the rise but, today, too limited to offset the headwinds. So we are intensifying efforts to overcome integration challenges and accelerate our transformation to omnichannel, with a particular focus on market communications through RCS.

In addition, we are going to maximize the cross-sell potential we have across global entities and refocus on more profitable customers and growing markets. And finally, we want to leverage signed partnerships with Global to drive more value. In this view, we have also announced organizational changes at Route Mobile, with Mr. Rajdip Gupta, Founder and Managing Director, reappointed as CEO. And in addition, a new Global CEO will be appointed soon.

Let's now review the Q2 results. Assuming you have seen the earnings release, I will proceed quickly from this part. Starting with our Domestic revenue, as illustrated in the chart, services revenue grew by 1.1% when including revenue from terminals and IT hardware. The total revenue showed a slight decline of negative 0.7%.

The second-quarter growth was mainly driven by a sustained strong increase in services revenue of the Residential unit. This, thanks to the January 2025 price indexation and the ongoing convergent customer growth, the growth was partially offset by a decrease in revenues from terminals, resulting from lower joint offer volumes.

The most valuable part of the Residential revenue, customer service revenue, is growing by 2.5%, with convergent revenue up by 5.4% year on year. The ARPC continued to show positive evolution, growing 1.8%, including the price indexation and the benefit from a continued increase in convergent customers and fiber upselling.

Turning to the business unit, for B2B, the total revenue declined by 4.4%, essentially due to a decrease in low-margin products revenues post the very strong first quarter. I remind that we had a record high level of IT product revenues in the previous quarter, which illustrates the high volatility of this part of the revenue. Yet remember, this is with limited impact on the direct margin.

Taking a closer look at the B2B revenue from services, the second quarter included sound growth from IT services, growing 1.7% year on year, driven by growth in smart mobility services and workplace. Fixed data revenue remained rather stable, with a mix of growing revenue from fixed internet offset by lower revenue from traditional data connectivity.

Despite the competitive intensity, the B2B unit maintained a solid mobile base and sees its mobile revenue decline sequentially moderating, following the annualization effect from large customer loss in 2024, including value management actions. Fixed voice continues a steady decline due to a lower customer base, while the ARPU benefit from indexed pricing.

For the wholesale business, we have achieved a sustained growth in fixed and mobile services up by 6% for the second quarter. This partially offsets the decline from low-margin interconnect revenue. The year-on-year revenue declines reflect the further continued volume erosion in traditional messaging.

For the Domestic OpEx, we report for the second quarter 2025 an increase of 1.3%, which is a further slowdown compared to the previous quarters. This year-on-year increase was mainly impacted by wage indexations and other inflationary effects, higher customer-related OpEx, and strategic transformation issues. This is partially offset by cost efficiencies.

This brings me to the Domestic EBITDA, which grew for the second quarter by 1.9%, as you can see on the chart, resulting from a good growth in direct margin, partially offset by higher workforce OpEx.

Turning now to Proximus Global, for which we closed the second quarter with a revenue decline of 18.8%, with the revenue pressure largely on low-margin business, the direct margin was down 10.8% or 8% decline on a constant currency basis. For the product group communications and data, direct margin was down 14.8% year on year on a pro forma basis. As explained before, this was due to increasing headwinds in the CPaaS SMS market, facing significant volume erosion and price competition. Despite the lower revenue in P2P voice and messaging, the direct margin was up by 1.7% year over year, driven by an optimization of the direct margin mix.

Successful realization of the cost synergies drove Global OpEx down 14.1% year over year on a pro forma basis, which partially offsets the direct pressure from -- on direct margin. The resulting Global EBITDA decreased by 5.4% year over year on a pro forma basis, which represents a decline of 3.2% at a constant currency basis.

Regarding the group CapEx, we closed the first half of the year with EUR542 million, and we remain well on track for the outlook we have given for the year at about EUR1.3 billion. Compared to the same period last year, CapEx is lower, mainly due to the cyclicity of TV content contract renewals. Fiber-related expenditures increased year over year, driven by the consolidation of Fiberklaar, while investments related to connecting and activating customers have decreased.

This brings me to the free cash flow for the first half of the year. As illustrated on the chart, the organic free cash flow for the first half of 2025 was negative EUR5 million, strongly improving from one year back, thanks to the growing EBITDA, favorable year-over-year impact from working capital, and lower cash CapEx. Our reported free cash flow includes the proceeds from the sale of our data center business and Luxembourg mobile towers.

This brings me to the next topic. As a last point before turning to your questions, the disposal program of non-core assets, which we launched to support a free cash flow throughout the high investment period, is progressing very well. In the second quarter, Proximus Group completed the sale of Luxembourg towers for a final purchase price of EUR111 million, and we announced the agreement to sell Be-Mobile at the enterprise value of EUR170 million. As such, we achieved our ambition to divest EUR500 million of non-core assets by 2027, more than two years earlier than planned.

As we now also have initiated the sales of a range of real estate -- think amongst other technical buildings we no longer need -- we raised the total expected proceeds. Our total asset disposal program is now expected to bring EUR600 million by the end of 2027.

This closes my presentation. I will now turn the line open to your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Michiel Declercq, KBC Securities.

Michiel Declercq - KBC Securities (Budapest Branch) - Analyst

Yes, hi, and thanks for taking my question. The first question would be on the Global business. Quite a big surprise, of course, in the outlook as this would imply a further decrease in EBITDA in the second half of this year. So I'm just wondering, can you give a bit more color on why this sudden shift or this acceleration towards SMS has happened and do you see this as a structural thing? Or do you think it will further accelerate going forward? And if you could maybe also comment on how much SMS is now of the total compared to other OTT services that you're providing.

And then a second question would be on the Residential mobile. Again, a strong quarter, and it looks like you fully offset the impact from Digi in the first quarter. Just wondering, now that they launched a new commercial offering June 1, do you maybe see an impact of that again, looking in the month of June specifically? Those would be my questions.

Mark Reid - Proximus NV - Finance Lead, Member of the Executive Committee

Michael (sic - Michiel), thank you for the question. Let me take the first one.

So I think we started to see some of this effect on the SMS market, where effectively some of the big OTT players, big enterprise customers, were starting to move some of their engagement traffic to other channels. And so we started to feel that that accelerated in Q2 and effectively is one of the major impacts in terms of our shift in guidance.

I think when we look at it in terms of the rest of the year, those structural elements and some of the integration challenges that we've put are fully now reflected in our guidance at the end of 2025. And I think where we think about this, in the structure of Proximus Global, we always were aware that this was happening. And although it's happened a little faster than we expected, Proximus Global has the assets, the products, and portfolios

to manage this transition away from traditional A2P SMS to omnichannel, RCS, WhatsApp, email, the likes. And so I think we're well positioned to do that.

The scale of the businesses we haven't disclosed, but as you can imagine, it's slightly bigger on the SMS side than the omnichannel part of our business. But we're fully focused on capturing the growth of the RCS, email, the WhatsApp channel, and we have the products and portfolios to do that. And so that's fully part of the Proximus Global's strategy. And we're taking swift action in terms to be able to capture that. So I think that's the way I would think about it.

And as I said, we've reflected the latest trends in our outlook for the year, and we're confident in terms of the guidance we've given. But we understand that it was a swift change of direction, but part of that was rapid change in SMS.

So that's where we are on that first question. Jim, you want to take the --

Jim Castele - Proximus NV - Consumer Market Lead, Member of the Executive Committee

Michiel, thank you for the question. So Jim answering here. So the impact of the new offer of Digi launched June 1. So the EUR3 offer is extremely limited on our commercial performance. But of course, we will closely monitor the market as we always do. But we haven't seen an impact of that new offer on the market.

Michiel Declercq - KBC Securities (Budapest Branch) - Analyst

Yeah, thank you for the answers.

Operator

David Vagman, ING.

David Vagman - ING Groep NV - Analyst

Yes. Good afternoon, everyone, and thanks for taking my question. First one on Proximus Global. So I estimate the new guidance implies a 20% drop in EBITDA in H2. So can you say whether the 2026 targets for Global are basically at risk, either in terms of timeline or basically cutting the guidance, because of this faster shift to SMS, this intermediation, difficulty on the integration side? And is there a risk of a goodwill write-down? So that's my first question.

Then secondly, could you clarify the organic free cash flow message beyond 2025 as communicated in your Q2 2024 for the average 2025, 2027, and then 2028 to 2030? It seems you're thinking the consensus has been overestimating free cash flow in the medium term. So maybe you can give more granularity on CapEx or other elements that are not properly modeled. And maybe as a follow-up to that, how do the MoU signed with OBEL and then the change at Proximus Global impact these free cash flow guidance? Thank you.

Mark Reid - Proximus NV - Finance Lead, Member of the Executive Committee

David, let me take the first one. In terms of 2026, as I said, the first Q2 results have been a slight disappointment. But again, we have been very swift in terms of taking action, in terms of refocus that -- in terms of the refocus of the team to accelerate what was already in plan in terms of recapturing some of that shift from SMS to RCS. The teams are very rapidly continuing the progress of that platform and the sales into that channel. So I think in that sense, we're going to pivot fairly quickly on there.

In terms of some of the integration challenge, we can get into that if needed. But again, we've taken some actions in terms of the overall organization and some of the other integration challenges. In terms of -- certainly on the top line, we are very, very focused and have implemented some turnaround plans there. So that's in terms of what we've done.

In terms of how you see that going into 2026, again, we believe that the ambitions that we set continue to be achievable. Again, we're going to appoint a new Proximus Global CEO, and that person, he or she will come in in very short order. And we expect them to be able to give you a better view of that in due course. So that's where we are on Proximus Global.

In terms of organic free cash flow, David, I think last year, we gave a very clear disclosure in terms of our free cash flow. What we said -- and again, you can go back and look at that; we haven't updated it since then -- in terms of -- we also said at that time, the fiber deals are incredibly important components of that free cash flow. And clearly, we're still very much in the discussions. We made a significant step forward today, I hope you agree, in terms of realizing those fiber collaboration deals.

And so effectively, from our perspective, take a look at those free cash flow disclosures from last year. And then as we get to the point where we can disclose the fiber deals are finished, we'll be able to exactly give you better guidance, as we've been saying, certainly for the last couple of quarters. So that's where we are. I don't think we've changed our position at all. I think it's very clear if you look at our free cash flow disclosure from last July, on the basis of that point in time, that's where we were. And I think consensus can look at those and do the maths on our free cash flow over those period of time. That's that one.

And then the last one was MoU. So again, on the MoU and OBEL, today, I mean, I think, again, as we said, it's a significant step forward in the South. Again, we're still -- it's in MoU stage, and we still have to discuss extensively with the regulator. So I'm sorry, but we're not going to be able to disclose an awful lot more than what is in the earnings released today on the MoUs and certainly not the impact on free cash flow.

We will absolutely, as we've promised, come back once those deals are signed. And I hope you understand the commercial sensitivity of that. We have to get them in full and final legal form and get the regulatory approval before we can give you the full detail on the impacts on free cash flow. I hope you understand.

Operator

Dhruva Shah, UBS.

Dhruva Shah - Ubs Inc - Equity Analyst

Morning. Yeah, it's Dhruva Shah from UBS. Thanks very much for taking the questions, and congratulations on the MoU in the South. Look forward to seeing that update with the market test in September. Appreciate you're not going to give too much more color there. So I have one question on Global and then another on the Domestic market.

So just starting off with Global. Any more color you can give us in terms of what the integration challenges you're facing in the go-to-market strategy would be great there. And in terms of the direct margin synergy delivery, what's kind of holding you back there, that'd be great. And just to clarify, are you still confident on the EUR100 million synergy target then? So that's on Global.

And then separately on Domestic, there's been a number of press reports suggesting that Digi have expanded their fiber rollout outside of Brussels and are exploring the fiber rollout in other regions. So just keen to get your take on how quickly Digi really are rolling out fiber and how meaningfully they're expanding their footprint throughout the rest of Belgium. Thank you very much.

Mark Reid - Proximus NV - Finance Lead, Member of the Executive Committee

Good. Thank you for the questions.

So on Global, let me give you a little flavor on the integration challenges that we've seen. I mean, you clearly were aware of some of the management changes that went on in Q1. And as you know, when that happens, that in itself has some integration. Some integration, it takes some time to get that momentum of certainly some of the material management changes that we saw in Q1.

In terms of some other ones, and it goes back to your synergy, in terms of the cross-sell synergies, again, we put three very successful organizations together in December. And when you do that, and again, we obviously had a significant ambition on cross-sell. And that, again, when you put those three organizations together, we've seen some delay in ability and execution of effectively getting at the cross-sell. So that's another example.

In terms of our mission, we clearly believe those cross-sell synergies continue to be realizable, but it's just going to take a little bit more time. And again, as we get the Proximus Global CEO in place, I'm sure he or she will clearly start to articulate when we could see those synergies.

And maybe the last one, operationally, again, you saw us sign some very nice deals for partnership across Proximus Group, but also Proximus Global. And again, it's another example where these are fantastic deals. They're progressing, but the ramp-up on some of these partnership deals does take a little longer. So I think that's three examples where we've seen some integration challenges.

But frankly, they're all eminently fixable. And again, as we've been going through the Q2 and seen some of the headwinds, we are refocusing, double down our efforts in terms of certainly recapturing the synergy value, the ramping up the partnerships. And you've clearly seen us take some action on management to give ourselves some very clear leadership in that direction.

So I think that's where we are on those questions. Jim, do you want to take Digi one?

Jim Castele - Proximus NV - Consumer Market Lead, Member of the Executive Committee

Yeah. So Dhruva, thank you for the question.

So when it comes to the commercially available fiber footprint of Digi, it's extremely limited. So as you know, we've been deploying fiber for several years now. For us, it's really important that the same conditions apply to everybody when you deploy fiber. Next to that, our strategy has always been to make sure that we migrate our customers as soon as possible to that best technology, which means that we can drive customer satisfaction. And we see that very much in our NPS scores for customers on fiber.

So this is really, really working. All our three brands -- Proximus, Scarlet, and Mobile Vikings -- are activated on our fiber network, of course, with a different value strategy behind it. But so that's where we are. Digi, in terms of commercially available footprint, very limited. Important that the same rules apply to everybody, and our fiber strategy is really delivering great results.

Dhruva Shah - Ubs Inc - Equity Analyst

Thank you, both, very much.

Operator

Roshan Ranjit, Deutsche Bank.

Roshan Ranjit - Deutsche Bank AG - Analyst

Afternoon, everyone. I have three questions, please.

Firstly, on the Domestic side, Mark, you said that there was a good performance this quarter, given the backdrop. I think over the last week, we've seen a bit more confidence from your peers in Belgium. Do you think there could be scope for a bit more of a price increase in the market, given the kind of step back we have taken over the last 12 months, to kind of prepare for the new entrant launch? It seems they maybe haven't got as much traction as previously thought. I know you guys don't split out the segmentation, but have you seen a mix shift within your three brands?

Secondly, on the FTTH build, we saw a bit of a step-up this quarter. Is this to do with the Fiberklaar integration now? What kind of run rates you would we be thinking of in the coming years for the fiber build?

And lastly, just going back to the free cash flow. You previously cited working cap as a bit of a drag near term. This quarter saw, I guess, the H1 '25 run rate better, more positive than, i.e., less negative than what we saw in H1 '24. Has anything changed on the working cap, or is it still the same message? Thank you.

Jim Castele - Proximus NV - Consumer Market Lead, Member of the Executive Committee

So Roshan, thank you for the question. So I will start with the first one.

So indeed, I think we have seen in Q2 a bit softer market environment on the low end of the market. I think if you see what we have been doing on the Proximus brand where we, in April, only touched the mid-end of the portfolio, so the EUR25 and the EUR30 products, where we increased value for money only on those products, which is a bit in line with your comment that, indeed, we try to push value in the market. It has always been the strategy of the Proximus Group from the start to try to keep as much value in the market as possible. So we continue to work on that strategy. I'm happy to see that other competitors are aiming for the same approach.

In terms of price increases, I think there, we typically do that in January. We have seen our competitors moving again in June and July as well. So also there, I think on the A brands, you continue to see a healthy movement to continue to drive value in the market as well. So I think that would be a bit where I am in terms of value management in the market.

When it comes to the segmentation mix within the brands, we have a bit the same approach as we had in Q1. So we didn't really see a big increase in churn or in movement in the market. So that has remained relatively stable. What we do see in acquisition that, indeed, people tend to choose a bit more the B brands than the A brands before, but it's not creating a fundamental shift within our customer base. So that would be a bit where I am in terms of the value of the mobile market post-launch of the fourth entrant.

Mark Reid - Proximus NV - Finance Lead, Member of the Executive Committee

Roshan, let me take you -- on the free cash flow, it's fairly straightforward. We had some inventory cash collection kind of upside. So I think I wouldn't take Q2 as a change of direction on working cap. I think our previous comments continue to stay.

On fiber build, we did have a nice quarter. I think with the way I would go for the rest of the year is more look towards a Q1 number on average between each of the quarters for the next couple of years. That gives you the help that you want. That's how I think about it. Does that help?

Roshan Ranjit - Deutsche Bank AG - Analyst

Yeah. No, that's great, guys. Thank you.

Operator

Paul Sidney, Berenberg.

Paul Sidney - Joh Berenberg Gossler & Co KG - Equity Analyst

Yeah. Thank you very much for taking the questions. I'll take two, please.

Firstly, on Global, I know we've talked about this a lot already, but just maybe phrasing the question in a slightly different way. The visibility for investors and analysts on the outlook for the Global business has historically been pretty low, and we've tended to rely on your guidance for that business. But how can you really give investors confidence that Proximus now has the necessary visibility and the outlook won't get any worse than the upgraded guidance you've given today? What level of prudence have you taken in the updated guidance, please?

And then just secondly, on Belgium, you've now signed MoUs with your largest competitors, rolling out fiber, and potentially, hopefully, getting access to HFS infrastructure. In your opinion, does this signal a shift in thinking from the Belgian operators? They're finally cooperating in terms of focusing on value, not trying to hit net ad targets or obsess about market share in postpaid mobile and broadband. I'd just be very interested to get your thoughts on those two areas. Thank you.

Mark Reid - Proximus NV - Finance Lead, Member of the Executive Committee

Yeah. Paul, let me take -- on Global, I think we've been trying over the last quarter to give more visibility. And I think we've given certain stats in terms of cash flow of what that business generates. I think we got a significant movement on this SMS market. We started to feel in Q1, and it accelerated in Q2, and certainly set specific segments of that SMS market on international and one-time password.

So I think it was a pretty rapid change. But I think what we've captured in our guidance is a level of confidence that we've got for the rest of the year. So we're confident we're going to get there. As I said, we have got a product portfolio that can capture the shift. I think we're doing everything we can to be able to have that product portfolio suite in the growth areas such as RCS, in terms of IoT, in terms of the protect products we've got available globally to capture that shift needed by the big OTT players.

So I think we continue to completely believe in this business. As I said, it is a business that is going through -- as you would expect, putting this business together, it does have integration problems. There again, we've very quickly pivoted in terms of what we're doing to rectify those integration problems. As I said, we've taken the management changes. In terms of the cross-sell, upsell, the sales folks are completely working towards sharing lease and accelerating that. And then again on partnerships, partnerships deals, it's not that we don't have partnership deals signed. They're signed. It's the ramping of them. So again, there's a much more close focus on getting those to ramp.

So I think we're confident we're going to get to that guidance at the end of the year. And then clearly, we do have the product portfolio to capture where this market is going. The SMS A2P business and certainly international one-time password maybe moved a little quicker than we thought. But it's not that we didn't realize this was happening. And again, we're very much strategically placed to capture where the movement of this business is going. So that's where we think on Global.

And Jim's going to take the --

Jim Castele - Proximus NV - Consumer Market Lead, Member of the Executive Committee

So Paul, thank you for the question. So I think when it comes to the collaboration, I think it's more a signal that the different operators in Belgium, we understand that to deploy fiber in less dense areas, that collaboration is the only way to make this a financial viable approach. So I think I would more link it to that. It has nothing to do with our commercial strategies.

Now, of course, when it comes to the commercial strategy, I can only talk for the commercial strategy of the Proximus Group. And I think if you look at that, we have always balanced volume and value in the way we approach the market. I think it's also very visible in the way we have executed our multi-brand strategy since the launch of the fourth entrant on the Belgian market, and we will continue to do that going forward. But I can only speak for myself, of course.

Paul Sidney - Joh Berenberg Gossler & Co KG - Equity Analyst

I appreciate that. Thank you.

Operator

Joshua Mills, BNP Paribas Exane.

Joshua Mills - Exane SA - Analyst

Hi, guys. Thanks for the questions. I've got two, please. And I understand the first one is probably better to be asked to the incoming CEO. But in his absence, I just love if you could explain to us why the Global segment is important to Proximus going forward. Are there actually any synergies between owning these kind of businesses and the traditional telco business model you're running?

The reason I ask is, obviously, the previous CEO was very involved in mobile. You at one point talked about doing the telecom stack for senior groups to exit. But I note that in the press release, which you published in June, when some of these issues would have been known, the Board of Proximus was fairly vocal about the fact that they wanted to keep improving the international segment. So in light of these results and the uncertainty which has been delivered, do you think that there's scope for a reconsideration of Proximus as well on that front? So if you could answer that, it would be very helpful.

And then the second question, and it just goes back to the MoU signed with Orange Belgium today, and in particular, the decision to build and co-invest in 200,000 homes. Mark, I think at the beginning, you were saying that you would look at off-balance sheet financing for 100,000 of the homes that you build. Why is that the preferred strategy now rather than building on balance sheets, what's a relatively small part of the network? And I'm thinking back to the Fiberklaar joint venture, which you set up with EQT, only lasted a few years, you then bought them out at a significant premium. Why not just consolidate that network build onto your own balance sheets? Thanks very much.

Mark Reid - Proximus NV - Finance Lead, Member of the Executive Committee

Just let me take the first one, the Board. In terms of Global's strategy, the Board continues to be incredibly supportive of that strategy. Why? Because I think it gives us a growth pocket. Again, if you look back at the history of Proximus Global, we had BICS and Telesign as majority shareholders. We took them fully owned at a very nice multiple. And again, even if you do multiples today, that is incredible value creation, which we continue to not believe it'd be in our share price.

I think -- again, we think we did a very good deal with Route Mobile in terms of the cash paid and the reinvestment from the owners. And again, when we put all those businesses together, do they have synergies? Completely. And again, if you look at that business from a free cash flow contribution business, which we shared with you, I think, back in Q1 or maybe Q4, that business continues to throw off very meaningful cash, especially in a moment when we're spending, we continue to spend significant amounts of CapEx in fiber. So that continues to be the thesis.

In terms of -- again, we haven't changed our view -- and of course, I can't speak for the new CEO -- that we would look for monetizing this at an appropriate point in terms of once we get the synergies through, I think, value creation there is significant. And again, there's multiple, multiple options in terms of what that could look like. But that hasn't that hasn't changed either.

So I think the last trend, the last quarter results have been difficult for sure. And again, as I said earlier, the rapid change on the SMS market, international OTT, it's been difficult, but it's not something we didn't know about. And it's something that was always been our strategy in terms of being able to move to the other elements where these large enterprise customers are using to engage with their customers. And we have those platforms, we have those services, and we fully intend to be able to capture that growth as the traffic moves there.

So I think yes, difficult results in Q2, but absolutely continued belief in the strategy. And it's a very nice business adjacency for Proximus Group, and the longer-term value creation continues. Now, I can't speak for Stijn and he will undoubtedly have his own views, but we'll see when he arrives in September.

In terms of the Orange Belgium, the on-balance sheet, off-balance sheet, as I said, we said many times in terms of Fiberklaar, there was quite a significant motivation on Fiberklaar in terms of being able to get to a Fiberklaar ration deal with Liberty. That would have been significantly difficult with another party around the table. Again, we are -- we've made incredible steps to get close to a deal, but Fiberklaar having another party in this negotiation would have made it, in our view, and we've said that many times, would have made it very, very difficult.

On top of that, clearly there's benefits of Fiberklaar, and we've talked about that I think in the last call in terms of the synergy benefits, financing benefits, et cetera, et cetera, the operational benefits. And those are coming through in our numbers today, as I said in Q1. So Fiberklaar was a different reasoning and different thesis. And again, that for us was the right decision because we are very close now to this deal with Liberty and getting towards a market test, as we said in the release in September.

In terms of -- in the South, again, we said that multiple times, we didn't intend to take this on balance sheet, and that continues to be our view. It's a smaller amount, obviously, but still -- that's still our view that we will finance that off balance sheet once this deal is finalized.

So that's basically the long answer to your questions, hopefully.

Joshua Mills - Exane SA - Analyst

Thank you. And if I may -- if I could just take one follow-up. I think at the beginning, I know you're not going to give detailed numbers on this, but you mentioned that the majority of the messaging business at the moment is done on the legacy channels, i.e., SMS, WhatsApp, et cetera, just for helping us think about that in the model. If I look at slide number 20 -- where are we -- the slide showing the split of revenues between -- within your international business, and you break it down between communication and data and P2P voice and messaging. Are we effectively saying that it's the communication data section which includes the P2P SMS levels, so more than half of that EUR251 million or \$80 million direct margin is coming from SMS at the moment?

Mark Reid - Proximus NV - Finance Lead, Member of the Executive Committee

I said the majority of -- well, more than -- yeah, it's a significant portion of that communication data is the P2P SMS.

Joshua Mills - Exane SA - Analyst

All right. Thank you.

Operator

(Operator Instructions) Kris Kippers, Degroof Petercam.

Kris Kippers - Petercam SA - Senior Equity Analyst

Yes, good afternoon. Thank you for taking my question. First one, still coming back on the item that was not really mentioned in detail in the press release is indeed still the absence of any deal in the north of the country. Could you share with us more granularity on why it is taking again so much time and that you don't provide a clear timing now on this one?

And then a second question would be, again, I would say on something where I think there's still potential going forward. If you look at the number of people that were retired, we've now seen four quarters of about between 450 and 400 people leaving the company. However, if you see the rehiring there, it seems that there is a trend downwards going from 360 people in Q3 last year towards now 217. Is that a trend we can expect to continue going forward? And hence, some cost synergies could come increasingly from that. That would be my second question.

And then I've got perhaps a follow-up, but first these two ones. Thank you.

Mark Reid - Proximus NV - Finance Lead, Member of the Executive Committee

Sure, yeah. Thank you, Chris.

So in the North, again, if you read into the statement, well, actually, maybe why is it taking so long? Again, this is a -- as I just alluded to, in terms of having another party around the table, I think it would have been even more complex. But this is a large, complex deal. And clearly, Liberty and ourselves, we've had very good collaborative negotiations.

And as I said, we're very close to that, and we provided guidance that we are -- we've got a view to start a market test in September. So I think there is a date there. But again, it's -- we're negotiating a substantial deal. There is a lot of facets to that deal. And I said, we've -- we're close, but we obviously need to get to a point where we both believe that we've got the deal that works for us. And that's what you'd expect us to do. So that's kind of where we're at.

And I'll leave you on the question on timing to read the statements.

Kris Kippers - Petercam SA - Senior Equity Analyst

Sorry, Mark. And then just to put it clear, now negotiations are, of course, going towards a deal, a final closing with Orange. Would it imply also then that we would have a kind of situation whereby both could actually almost coincide in the end somewhere towards year-end or early next year because it's the same regulator --

Mark Reid - Proximus NV - Finance Lead, Member of the Executive Committee

Kris, there's guidance clearly given where we are on the South, given where we are on the North. These deals continue to be commercially negotiated. So I'm not going to give anything more than what we said in our press release. I think it's clear what we said. And so -- and I mean, just so you're very clear, we are working night and day to get these things done because we realize the importance of them. And so you can trust us that we will get this done as quickly as humanly possible.

On the retiree question, I think, again, I don't know, Jan, do you want to take that or --

Jan Van Acoleyen - Proximus NV - Interim Chief Executive Officer, Member of the Executive Board

I can take it very briefly. Thank you, Kris, for the question.

I think you see, indeed, that trend reflected in the numbers. I think we take every opportunity to look at workforce efficiencies, meaning that every hiring decision is a considerate decision. And indeed, we see in the coming years an outflow related to retirement, and we take to the maximum benefit without risking the customer satisfaction and the quality of our operations.

Kris Kippers - Petercam SA - Senior Equity Analyst

All right. Thank you very much.

Operator

Thank you, Mr. Kippers. As we have no further questions at this time, I turn the call back over to Nancy Goossens for any additional or closing remarks. Thank you.

Nancy Goossens - Proximus NV - Head, Investor Relations

Thank you. Thank you for joining. Thank you for your questions. Should there be any follow-up questions, you can obviously reach out to the Investor Relations team. Have a nice weekend, all. Bye.

Operator

Thank you. Ladies and gentlemen, that will conclude today's conference. We thank you for your attendance. You may now disconnect. Have a good day. Goodbye.

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