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PRESENTATION

Operator

Good day, and welcome to today's Proximus Q3 2023 Results Conference Call. This meeting is being recorded. At this time, I'd like to hand the call over to Nancy Goossens, Head of Investor Relations. Please go ahead, ma'am.

Nancy Goossens - Proximus PLC - Director of IR

Thank you, and welcome, everyone. Thank you for joining us. We will start the webcast with an introduction by the CEO, Guillaume Boutin. We will be using the presentation that we have published this morning on the website. After this, we will turn to your questions. And for the Q&A, we are joined by the CFO, Mark Reid; the Residential segment lead, Jim Casteele; the Business segment lead; Anne-Sophie Lotgering; the Corporate Affairs lead, Ben Appel; and the CEO of BICS, Matteo Gatta. They will take your questions in a moment, but first, Guillaume will take us through the highlights of today. Guillaume, please go ahead.

Guillaume Boutin - Proximus PLC - CEO, MD & Director

Thank you, Nancy. Ladies and gentlemen, welcome to this webcast. And over the next 15 minutes, I will cover these topics on the usual ones. And let me start first with the highlights of this quarter.

We'll get into more details. But clearly, there are a number of things that I'm very pleased to announce today. To start with, the continued and very good customer growth with, in particular, mobile, postpaid closing another excellent quarter.

Secondly, resulting from the growing customer base and our pricing strategy, we achieved strong revenue growth for our domestic segment, up for the quarter by 4.3%. At the same time, our EBITDA trend starts to recover with a domestic EBITDA decline mitigated to minus 0.7% and minus 0.4% for the group EBITDA.

With the results outperforming our own expectations, we have improved the outlook for the year for our domestic operations. While for international segments, we expect the direct margin growth to be somewhat more moderated than we had anticipated. And as the last point, the free cash flow for Q3 was good, showing recovery from the declines in the first half of this year.

We are now 9 months in our bold2025 strategy, and I have been taking some major steps forward. For our Domestic segment, our results demonstrate our strategy is already delivering. Internationally, Telesign continues its growth trajectory and turning EBITDA positive a bit sooner than we expected. And with the announcement of the Route Mobile transaction, we'll be set to accelerate the growth for both CPaaS and Digital Identity.

As you know, for Domestic segment, the key factor in our strategy is the rollout of Belgium gigabit network. As you can see on the quarterly updated chart, we have been further expanding our fiber works, and our fiber machine is going full speed in no less than 133 Belgium cities and municipalities, bringing Belgium inhabitants the best technology available.

In view of making fiber accessible to all citizens and businesses in Belgium, we also welcomed the recent announcement of the regulator. The BIPT stated being ready to evaluate any fiber agreement between operators in Belgium spanning across all possible geographical areas.

By the end of September, we are nearing 1.6 million homes passed with fiber. On top of this, Fiberklaar and Unifiber have today [installed] fiber in the street for over 300,000 homes, meaning fiber is in the ground, but homes are basically waiting for the POPs to be activated. Our network filling rate is also nicely progressing, reaching 26% by the end of September.

In terms of active customers on fiber, we have been growing our base with 31,000 over the past 3 months. This brings the total now to 353,000, that is 60% higher than 1 year back. The success of fiber is also reflected in the strong migration rate of 70%.

Turning to mobile. I'm proud, Proximus was recognized for the quality of its network, especially since we are in the midst of mobile transformation with the redeployment of our mobile network. The RAN swap to Nokia and the mobile network consolidation is now reaching its cruise speed.

Staying in mobile, we are pleased to announce the signing of a mobile wholesale agreement with a new market entrant. This will, together with the preparation works for Residential segment, ensure the best position for us to compete in a changing market structure.

A quick word on the partnership with Google, which we are proud, as we are becoming Google's exclusive partner amongst operators for the distribution of the Google Pixel in Belgium.

This Wednesday, we announced also Clarence, the joint venture between Proximus Luxembourg and LuxConnect, the presence of Prime Minister, Xavier Bettel and the minister of telecom, Petra De Sutter, which is a key player in the data center sector. This is to offer unique disconnected server and cloud solutions to governments, [figurate] companies, international organizations and enterprises with the sensitive data in Europe. The creation of JV Clarence is the first step towards proposing the Google distributed cloud to our customers in Belgium and Luxembourg in 2024.

Next, the transaction to buy a majority stake in Route Mobile is going as planned. Preparation activities have started, and we can confirm our expectation to realize synergies of at least EUR 90 million on an annual run rate basis. In a 3-year time frame, we estimate that the combination of Telesign and Route Mobile should generate total revenue of around USD 2 billion and align the EBITDA margin to best-in-class peers, meaning 13% to 15% margin and a cash conversion in the 50% to 75% range. Subject to obtaining all regulatory clearances and MTO completion, we reasonably expect the closing of the transaction to happen by the end of the first quarter of 2024.

Eventually, as part of our bold2025 strategy, we have also made good progress on the ESG front. We have recently published a dedicated webinar on ESG, which I invite you to have a look at. You will find the link on the slide showed on the screen.

Having covered the strategic part, let's move to the financial and operational results of the third quarter. I trust that you have already seen the numbers, so I will go through this part relatively fast.

And I'll start with our Domestic segment. So thanks to our network superiority, our multi-branding strategy and the success of our new mobile portfolio, we achieved another really good quarter in terms of customer growth, and this across all our main product groups. Especially for mobile, we have closed an outstanding quarter, adding 60,000 new mobile postpaid customers during the quarter.

Zooming on our residential units, the sustained strong commercial performance, further supported by price indexations, resulted in another strong revenue quarter, with total revenue up 5.5% and services revenue progressing to a 6.2% growth. The residential customer services revenue benefited from a strong interest in ARPC, up year-on-year by 6.1%, reflecting the effect of price indexations and the ongoing move from customers to convergent offers.

The combination of customer growth and pricing greatly supports our value management. The new pricing lending well and clearly supports the ARPC growth. At the same time, churn levels remain well under control. All in all, this is translating into a revenue uplift by over 6% for the residential services in general and plus 10% for the revenue from Convergent Services.

Our business unit also closed a very strong quarter, with revenue up plus 4.1%. We are especially pleased with the business services revenue, which pursued its positive trend in the third quarter, reflecting the strategic progress we have made in this area.

Taking a closer look at the business services revenue. You see that in particular, strong growth was realized for IT services, up by 10.2%, resulting from growing revenue in cloud, security, smart mobility and smart network services. Moreover, we continue to achieve good growth in Internet revenue, with ARPU up by 8%, while we managed to keep a stable customer base. This more than offset the erosion in legacy fixed voice.

And finally, our Wholesale unit, for which the year-on-year revenue decline is mainly the result of the ongoing decrease in interconnect revenue, however, with no meaningful impact on the margins.

This brings me to the total domestic revenue, for which we achieved a sustained strong growth, up by 4.3% for the third quarter. The main driver is services revenue, for which the growth further improved to a 4.6% increase.

Turning now to the domestic operating expenses. In line with our expectations, we still face significant inflationary cost effects on wages, electricity and other exposed cost lines. Moreover, the strong commercial momentum also drives the customer-related OpEx higher. But thanks to our ongoing cost efficiency program, we couldn't in part offset this, overall resulting in OpEx being up by 10.3% for the third quarter.

Let's take a closer look to the main moving parts, starting with the progress made on the plan to realize cost efficiencies. The execution of this is going as we expected, with also this quarter some meaningful cost savings across the 3 axes that we are targeting. This gives us great confidence in our ability to deliver the EUR 220 million of cost reduction over the 2023-2025 period.

In the middle, you see that the exposure to inflation impact of both wages and electricity is starting to come down. At the same time, the commercial success is also driving higher customer-related costs. So then just a few example, think of back-office costs related to fiber activations or higher sales commissions linked to the strong growth of customers. This brings me to the total domestic EBITDA, which was down by minus 0.7%, with the increase in direct margin almost fully offsetting the OpEx increase.

Turning to the International segments now. For BICS, the trend shows how they are cycling against an exceptional strong performance in 2022. This is especially the case of legacy voice. And besides a USD currency headwind, voice is impacted by the erosion of our international voice volumes and a change in destination mix, with a notable revenue decrease for 1 specific country, yet with limited impact on margin.

Currency effects aside, Telesign's business performance remained strong, achieving double-digit revenue and direct margin growth. Revenue and direct margin from Communication Services was positively impacted by strong performance of Telesign's largest U.S. customers, while the growth in the Digital Identity segment was driven by the expansion of the customer base outside of the U.S. With direct margin growing and OpEx year-over-year, the EBITDA of Telesign turned positive in the third quarter of 2023, totaling EUR 2 million.

This brings me to the group results. And this slide sums it up for the group with a strong performance of Domestic in the third quarter driving the group revenue and direct margin increases. Overall, the group EBITDA decrease was limited to minus 0.4%.

Turning to the group CapEx. Over the first 9 months, we invested EUR 904 million, and we remain well on track for our full year projection of around EUR 1.3 billion. In line with what we announced, own fiber build is coming down from its peak in 2022, while the CapEx to connect and activate our fiber customers is going up. Moreover, the mobile network consolidation led by Mwingz is ongoing, with CapEx spending following the pace of the mobile site consolidation.

Brings me to the free cash flow. The adjusted free cash flow for the third quarter was EUR 64 million positive. Bring us to a minus EUR 35 million over the first 9 months of the year. As shown on the graph, the main driver for the lower free cash flow is phasing in VAT and income tax payments, in part offset by positive business working capital. In Q3, we also had (higher) equity injections for EUR 30 million.

With increased attention to financing costs, just a quick reminder that almost all existing debt is at a fixed rate, and bonds maturing in 2024 and 2025 are hedged at low rates, in line with the current average funding cost of around 2%. With its well balanced debt maturity profile, the debt is spread out over a reasonable period of time and not concentrated in a particular year or short time frame.

With the good results so far, we are confident of raising our domestic and group guidance. For the full year 2023, we expect our domestic revenue to be up between 3.5% and 4%, while domestic EBITDA decline will be limited to around minus 2%. For the group EBITDA, we are also improving the 2023 outlook to a year-on-year decline of around minus 2%.

Our international segments, BICS and Telesign, we are mitigating our direct margin expectations for the year 2023 to growth between 4% and 5% for the 2 companies combined, excluding the currency effects. As a final point on this slide, I'm pleased to announce that the Proximus' Board of Directors has approved the payment of the interim dividend over the result of 2023, [an amount] of EUR 0.50 cents per share, in line with our 3-year remuneration policy.

To conclude with the topics I covered earlier and summarized on this slide, we believe we are extremely well positioned for the growth ambitions we have set in bold2025. With this, I have covered my introduction, so we can now turn to your questions. Thank you.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions) Our first question comes from Nicolas Cote-Colisson from HSBC.

Nicolas Cote-Colisson - HSBC, Research Division - Head of European Telecoms Equity Product, Telecoms, Media and Technology

Yes. Sorry, can you hear me now?

Operator

Yes, we can.

Nicolas Cote-Colisson - HSBC, Research Division - Head of European Telecoms Equity Product, Telecoms, Media and Technology

Okay. Sorry about that. So you called for a regulatory framework on fiber co-investment. Now you've got it, or at least you have the go ahead to discuss with the competitors. But now, what is the plan? Because I can see a vested interest for one of your competitors to work with you in Wallonia, but much less so in Flanders given Flanders had its own plans. And a lot of customers, too. So I'm just wondering, where is the opportunity for Proximus with co-investment in Flanders? And more generally, what do you think are the implications from a CapEx point of view? Is it a case of lower CapEx for you or same CapEx for more deployments? Just asking what is your preference, what the priority ahead with your discussions with peers. And I may have a follow-up on Telesign.

Guillaume Boutin - Proximus PLC - CEO, MD & Director

Thank you, Nicolas, for the question. So obviously, I cannot share a lot of details as we speak because the discussion just started. I think, as I said, we are pleased that the 2 deals are closed. The first blocking point of not being able to start discussion was the closing of the take private's move on Telenet and the closing of the discussion between Route and Orange. Those 2 events are now behind us. So we can start discussion, and indeed, BIPT say that he was not opposed, and we're welcoming those discussions as well.

So now we have started. We need some time to conclude. And no, I cannot comment, but there is opportunities both in Wallonia and both in Flanders to get to a framework, which will be positive for all parties, positive for Proximus, positive for other partners, but also positive for society. I think we can also bring some societal benefit to those discussions, which is quite important, also for our regulators.

So that's where we are today. I cannot comment too much on it, as you can imagine, but discussions have started. BIPT gave us 6 months to make significant progress. I hope we'll be able to indeed make significant progress, but I think we are all very motivated to get there.

Nicolas Cote-Colisson - HSBC, Research Division - Head of European Telecoms Equity Product, Telecoms, Media and Technology

And do you think it's more a matter of a lower CapEx in total or more faster build up?

Guillaume Boutin - Proximus PLC - CEO, MD & Director

You can imagine that it's a factor of a lot of different elements, but -- and we know. I will give you more clarity on that when we can present the deal.

Nicolas Cote-Colisson - HSBC, Research Division - Head of European Telecoms Equity Product, Telecoms, Media and Technology

So if I may, just a follow-up on Telesign and eventually, Route Mobile. Because -- thanks for mentioning details in the slides. So you said 11 countries. Maybe can you precise a bit more whether it's all about competition authorities' approval that you are looking for? Or is there anything else we should be aware of? And also out of the 11 countries, how many are they in Europe and Africa? Because this is where maybe the regional overlap is the greater. And then I'll stop, just a very last one, just on the price paid. I think you're well aware that the market on CPaaS and the peer performance in terms of share price since July has been quite bad. So would you have any capacity to revisit some of the terms of the trade? Or at least, could you reconsider the size of the PTO?

Guillaume Boutin - Proximus PLC - CEO, MD & Director

On the approval process, I think this is only a regulatory approval process. I think it's really going well. And most of the countries have already been secured *[*e.g. filed & ongoing]*. I think we are still waiting for 2 of them now. So I think we -- it's really going according to plan.

And then, of course, there is a CFIUS approval process, which sometimes is the one that takes the longest time. But also there, we are seeing some positive signal that we can go and get cleared quite rapidly. So I think there is no really blocking point for a closing date before end of Q1 next year on the regulatory approval process on the MTO or PTO, but we call it MTO here.

So the tender offer. I think the terms of the contract are for us, the right items. You reflect the value of both companies, both the value of Telesign and both the value of Route Mobile. So I don't want to change the terms of the contract. We are very happy with the terms of the contract. And as you know, all the prep works -- because, as you know, because I just said it in the presentation, the prep works are going quite well, and we are extremely confident to confirm the level of synergies that we envisage for the combined entity. So it's really going according to plan. The more we look at the 2 companies and the business opportunities, the more we are very pleased about the move we made.

Operator

We'll now take our next question from David Vagman from ING Belgium.

David Vagman - ING Groep N.V., Research Division - Research Analyst

First, on the -- and regarding also related to the new fiber framework potentially and the BIPT being more open for cooperation between regulator. Regarding the fiber JV and in particular Fiberklaar, can you contractually stop or massively shrink the rollout at Fiberklaar. As it seems to me, it's becoming actually less relevant. So -- and okay, notwithstanding what could be the outcome of your negotiation with the other operator.

And then on Digi, can you explain the strategic rationale of the MVNO deal or the pricing compares to, let's say, what Digi could have obtained from a national roaming agreement with an official price? And then maybe a few words on the sale of the towers, what kind of price level can we expect for the tower sale.

Guillaume Boutin - Proximus PLC - CEO, MD & Director

On your first question on Fiberklaar, I think I cannot comment on that. I think we -- what we know is that we are doing, we are full speed. We have continued to accelerate. And on the development, we want to continue to invest using our 3 engines, Proximus, Unifiber and Fiberklaar. And of course, we are opening discussions with our friends of Fiberklaar also involved with the other parties. But there is 2 different discussions here. There is a discussion around finding a framework that could be good for everyone.

But at the same time, we are still investing and delivering the products we had foreseen with our partner, Fiberklaar, to be delivered in the months and quarters to come. Overall, if you take the products that are not yet activated, but already in the streets, we have covered more than 30% of -- 3-0 of Belgium, and that will reach close to 33%, 34% by the end of the year. So the speed of putting fiber in the streets will not decelerate, but at the same time, we will have discussions to make it a better project for everyone. But -- that's where we stand at the moment.

On Digi, deal rationale is always better to have a commercial agreement compared to having an agreement that is forced by regulation. That was the idea of striking a deal with Digi during summertime. I think I was not the only one around the table, all operators were willing to get that deal, but we managed to convince Digi to sign with us because first, we have the best network. Second, we have also those assets to be -- to be offered to them. I think you referred to the pylons, which was also quite an important element in the discussion with them.

In terms of pricing, that agreement is market conformed, nothing different from what does already exist on the market with other partners of Proximus. So there is no specific discount to them as it comes to the agreements we stretch for the access to our mobile network.

David Vagman - ING Groep N.V., Research Division - Research Analyst

And on the price to be obtained from the pylons, can you say anything?

Mark Reid - CFO

Yes, David. I mean, look, we're not going to disclose the value, but it's not meaningful at the Proximus group level in terms of free cash flow number. So I think that's probably the best way to think about it.

David Vagman - ING Groep N.V., Research Division - Research Analyst

Okay. Okay. And a very quick follow-up on the -- sorry, on the fiber, the new agreement. Could it also encompass your copper network? Could you -- I mean, or even you moving to the HSE network of Telenet, could we see like broader deals than just fiber?

Guillaume Boutin - Proximus PLC - CEO, MD & Director

I'm really sorry, but I won't be able to comment on copper, coax, fiber, everything has been discussed. We'll see where we go and where we land. But we need some time, so I'm going to have to ask you to be a bit patient. We want to go fast, but we've seen this some time before, we can come back to some deals to be discussed.

Operator

And our next question comes from Roshan Ranjit from Deutsche Bank.

Roshan Vijay Ranjit - Deutsche Bank AG, Research Division - Research Analyst

Great. I've got 3, please. Firstly, on B2B, the IT services had a material growth improvement this quarter. Anything in particular this quarter? I know you sounded out that segment around cloud. But is that something that's sustainable going forward? Are we just at the start of the ramp-up? And then you could say that would be useful, please?

And secondly, thanks for the extra detail on energy. Can I check, in terms of the tailwind for '24, are we looking at a high-single-digit energy tailwind for the EBITDA contribution, based on similar volumes in '24 versus '23? If you could confirm that or give any details, that will be useful. And just following up on Digi, any discussions around fixed access? Has that started? Or are we still waiting to see that?

Anne-Sophie Lotgering - Proximus PLC - Enterprise Market Lead

Hello, Anne-Sophie here. Thank you very much for the question. So on B2B, indeed, we've seen good IT services growth in Q3. And that's driven by actually all of the different customer value propositions we have within IT. So security, smart networking. But also cloud, as you highlighted.

As you probably saw also recently in the press, we unveiled the launch of our JV in Luxembourg with LuxConnect and Proximus Luxembourg called Clarence, which stands for clarity and transparency, which enables our customers to benefit from the Google distributed cloud environment in a very safe and compliant manner. This offer will be available in 2024. But what we see already is revenues in cloud based on the existing offers that we already have today, which, as you know, is a hybrid cloud offering, therefore, enabling us to provide different cloud types depending on what data would be hosted where.

In terms of moving forward on expectations, there's just one thing I'd like to highlight. Some of our growth, as you could see from the slide from an IT perspective is products. And there, I don't see the same type of year-over-year growth for Q4. Because as you remember, last year, we had a very high comparable base because we were seeing the beginning of the supply chain issues being resolved. So we had a very high -- it remains less relevant because, as you know, our strategy is to develop our recurrent managed services, and products is just one-shot services. So I hope that answers the question.

Unidentified Company Representative

I think the...

Roshan Vijay Ranjit - Deutsche Bank AG, Research Division - Research Analyst

I just want to follow-up on -- sorry, are you saying that the IT services 10% growth is sustainable into Q4?

Anne-Sophie Lotgering - Proximus PLC - Enterprise Market Lead

I'm saying that part of that growth is product. And for the product, which is one-shot revenue, we will likely not see the same type of growth. Because of a very high comparable base, the quarter of the year previous.

Guillaume Boutin - Proximus PLC - CEO, MD & Director

On the -- you'll take the energy question, then. I think there is a lot that Digi needs to do before launching. Also, we need the mobile platform to be ready for them by the -- by mid next year. So probably the first priority of Digi. They made some announcements also that they wanted to consider also being a commercial operators -- commercial operator, and look at what could be a fiber strategy for them. I think this is what we have read. I think they also have to learn the specificities of the major market as it comes to rolling out fiber. So I think they also do -- need to do their homework. And at some point, they will probably engage into discussions with the different partners. But we are not yet at that stage. I think there is a lot to be done for Digi in Spain, Portugal, Belgian mobile, that's totally a lot to be achieved. But of course, our network is open, and we have the best network around fiber. So we see how it goes.

Mark Reid - CFO

Ranjit, yes. And I think the last question on power. So yes, we were expecting -- as you saw from our hedge perspective, we're in pretty good shape. So I think in a middle digit, maybe just getting into the high digit would be a reasonable number to expect.

Operator

Thank you. We'll now take our next question from Joshua Mills from Exane BNP Paribas.

Joshua Andrew Mills - BNP Paribas Exane, Research Division - Research Analyst

A couple for me, please. The first would just be a follow-up on the fiber build. So I'd be interested to know at the moment whether you are -- how much of the fiber lines you're rolling on to actually already within cable networks or whether there's any way over the next few quarters before we get to an agreement on co-investment perhaps that you can focus to build on areas outside cable or where maybe the (inaudible) of goods. Just trying to understand whether that something you're already able to steer now as any potential deal to make the most of any synergies that could come.

Second question is just around the pricing environment. Could you just remind us the phasing you usually do with price increases? Obviously, we've seen it was 5%, 6% in January, 4% in July. What did your competitors do around your July price increase? And has there been any more price increases from them between July and now?

And then if I could sneak a final one in. I know if you've been talking about this before, but at what point do you expect wholesale revenues from Digi to start coming into your business? And can you give a very broad or rough estimate of how much of an impact that might have on revenue growth, perhaps in percentage terms?

Mark Reid - CFO

Just on the fiber point, I'll take that and give you kind of a broad answer. I mean, we plan fiber build well in advance, right? And so there's obviously the planning and timing of that. But -- but clearly, we have a machine that's matured and been working for 3 years now. So we're pretty sophisticated in terms of our ability to select the areas that make more sense for us. So I think that's the way I would think about it. in terms of our ability to plan and move to the most appropriate areas. Jim, do you want to take the price?

Jim Casteele - Proximus PLC - Consumer Market Lead

Joshua, on pricing in the Belgian market, what you typically see is that we approximately as we do our price increases in January. And Orange is doing the same also more towards January. Were still in a typically has the July time frame when it comes to price increases. And we have seen similar behavior this year. Of course, depending on the level of inflation, we have to adapt a bit that pricing strategy, which is what has happened this year with our July price increase due to the high level of inflation.

What we have foreseen for January if the level of inflation stays at what we think it will be for '24 should be enough for the rest of the year. But of course, as we already said as well last time, everything depends on how inflation evolves. And we will continue to manage our prices in that way. I think what is also important to understand is that we don't do just a price increase, but we do more wherever we can. We go for more strategy, where we ask our customers to pay a bit more, but you also get more value, typically more mobile data on the mobile side, but now also on fiber. In July, for instance, we have drastically increased the downstream and upstream certifications over fiber offers combined with the price increase on Flex Fiber. And we have seen that lands really well with our customers as well in terms of churn, as Guillaume also mentioned during his introduction.

Guillaume Boutin - Proximus PLC - CEO, MD & Director

On the question on Digi, I think, obviously, it will come when some customers will be running on our network, so not before the launch of Digi, that's for sure. And hopefully, it will be as minimal as possible. But I'm not hoping for a big wholesale value streams or revenue streams coming from Digi. We got -- but in case this is -- in case it happens, it will be not before the answer, so not before mid next year.

Joshua Andrew Mills - BNP Paribas Exane, Research Division - Research Analyst

Great. Can I maybe come back on that pricing question? Because one of the key points you're making in the presentation is churn's down. You've got decent net adds despite doing 2 price increases in 1 year versus the usual one. And what it sounds like, you're prepared to just on 1 as well. Do you think going forward, you might consider doing -- or the market might consider doing 2 price increases a year? Or is it more a case of actually you just put a bigger price increase in January, given the kind of NPS and lower churn you're seeing?

Jim Casteele - Proximus PLC - Consumer Market Lead

Your share pricing strategy is -- actually, you have 2 elements in the pricing strategy. And first, you have everything we do to manage the inflation and to make sure that our products are aligned with the inflation effect that you have on the market. But we also, from time to time, and that's typically every 3 to 4 years, we completely revamp our portfolio, and this is what we did in May on the Proximus mobile portfolio, where we moved to a completely new range with different price points that were not even linked with the inflation.

And that's also, like we already had in Q2 this year as well, this new portfolio is really delivering on the market in terms of competitiveness, but also in terms of answering customer needs with the right value at the right price point. So for me, managing pricing is on both elements. It's pure, of course, following the inflation that we have in the market, but also making sure that the portfolio stays healthy, competitive and answers customer needs.

Guillaume Boutin - Proximus PLC - CEO, MD & Director

And also, what you have to understand for the Belgian market, there is no contracts. There is not -- the thing that you can see in the market where your back book, kind of legacy price plans still running on our systems. So we are not exactly the same dynamics compared to what you could see in -- or that you can see in other geographies.

So why we are such -- that ability to land price increases because the Belgian market is used to indexation. That's something we were repeating since a few quarters now, but we are used to that in Belgium. The market is used to that, and the market is also used to the fact that every 3 to 4 years, we change the way we approach our portfolio, either mobile or fixed. And so far, that strategy is really working. And I think we will continue to do that in the coming years.

And as Jim said, it will depend on the evolution of the inflation. So we've [bid] on both levers, revamping portfolios, but also indexing our offers depending on the level of the inflation. And that strategy worked in the past, worked this year, and will continue to be working in the years to come.

Operator

Thank you. We will now move to our next question from Siyi He from Citigroup.

Siyi He - Citigroup Inc., Research Division - VP

I have 2, please. The first question is really on your thoughts about Q4 and moving into 2024. Because in Q3, we have seen that the price increase seems settled down quite well. And your updated guidance suggests that you expect domestic EBITDA to be flat year-on-year. But into the Q4 -- into '24, I see that the (inaudible) still expect domestic EBITDA to decline, but yet you have better pricing power since -- and also there's some tailwinds. Just wondering if you could just walk us through, see what could be potentially the headwinds that could derail the trajectory that we've seen in Q3 and maybe into Q4 for '23.

And my second question is on the free cash flow. I understand that you don't guide for the free cash flow, but it seems like year-to-date, the free cash flow is around minus EUR 60 million. And just wondering if you can help us to understand what could potentially be the drivers that -- for the free cash flow to improve significantly in Q4 and how should we think about '24.

Mark Reid - DFO

Yes. Let me take -- sorry, the line was really bad, but let me try and answer what I think was the question. So as you saw, we upgraded our guidance for Domestic business. So we're -- as Guillaume said, we're very pleased with the momentum that we've had so far this year. Q4, from a revenue side, will be -- likely be slightly -- slightly weaker just because of the product revenue that we had very, very high last year. So that's how you could think of getting to the revenue guidance for full year.

On flow through to next year, I think we'll come back with guidance in February. But we set out Capital Markets Day guidance back in January of this year. And there's nothing that we've seen through this year that makes us think that we're anywhere but on that trajectory on the Capital Markets Day. So I think that's the way I would look at it at this point. We've -- we've had a successful year, and we'll come back to you with more exact guidance in February.

In terms of free cash flow, we're -- we've been negative first 2 quarters. We had a positive quarter in Q3. It's exactly where we thought we would be. We don't guide, as you said. And so again, I think we talked earlier in the year on consensus, I think, is broadly in the right direction, and that's what you should think. That okay? I'm sorry, I didn't really hear the full question, but hopefully that covered it.

Siyi He - Citigroup Inc., Research Division - VP

Yes, that's perfect.

Operator

Our next question comes from Kris Kippers from Degroof Petercam.

Kris Kippers - Banque Degroof Petercam S.A., Research Division - Co-Head of Sell-Side Equity Research & Senior Equity Analyst

I just have one remaining, but on the cost structure. If you look at domestic Q3 now, up 10%, of course, you indicated where this stands from. But could you just confirm that you are taking measures to ensure that the EUR 220 million of second wave savings you communicated at the Capital Markets Day, that is still in sync? Because if you look at the efficiency program, you mean your headcount is down by 30 FTEs, which is about 0.3% of your total, which is not a lot. But of course, I can presume that also the external employees have been cut. So if you could share with us your insights on that line would be helpful.

Mark Reid - CFO

Yes. No, it's a good question. I think we're fully on track with the efficiency program we talked about in the Capital Markets Day. I think we had around [EUR 60 million] for the full year. We are 75% of the way through that. And you're right in terms of your thoughts in terms of external workforce is down significantly year-over-year. We continue to focus on various other domain in terms of external third party where our self-service or digital transactions are deploying significant savings. We continue to reap savings on our legacy IT systems. And so there are various domains that are fully supportive of getting to the numbers. So we're completely on track for the -- the efficiency savings that we committed to in the Capital Markets Day.

Operator

Our next question comes from Nuno Vaz from Societe Generale.

Nuno Miguel Gontardo Vaz - Societe Generale Cross Asset Research - Equity Analyst

I have 3 questions remaining. Firstly, on the sort of sustainability of these price rises. Because they've been, from my understanding, been very much done more on the fixed side than the mobile side. Do you think you see this as sustainable long term, particularly if Digi's planning to launch a fiber offer? Or to launch a fixed offer?

And then related to this question is the second question on the -- from my understanding, BIPT is also doing a market review on your reference offers. And looking at the way these reference offers are calculated based on long-term cost, it seems that they've considered a sort of low inflationary environment and low interest rate environment. Is there any chance for you to push back on this to sort of explain what to -- sort of make your case that the interest rates have increased significantly? There's a lot more inflation. So the reference offers for fiber should be higher? Because from my understanding, these reference offers will be valid for more than 5 years.

And then final question just on costs, because we saw -- you mentioned a significant increase on commercial -- or customer-related costs. I understand this is a bit to do with momentum on your net adds. But it doesn't seem there's been such a significant improvement from last quarter to justify this big increase. So I was wondering if you could give us a bit more clarity on that.

Jim Casteele - Proximus PLC - Consumer Market Lead

This is Jim from Consumers. So on your question on price rises. So like we explained, we work on 2 axes when it comes to price increases or price management, the indexation and then new portfolios. I think it's also important to understand that, of course, we manage prices over the whole range of our portfolio. So we don't necessarily look only at mobile. But you look at our mobile offers or convergence offers or fixed only offers. And then based on that, we look at the market situation. And based on that, we decide what are the best ways to manage our prices.

So we're going to continue to do that going forward. And I'm not worried that the way we've been doing this over the last probably 10 years, as Guillaume says, that the next years are going to be fundamentally different. I think we're going to be able to continue to do the price management like we've been doing it so far.

Guillaume Boutin - Proximus PLC - CEO, MD & Director

On the BIPT question, I think there is a discussion that will obviously happen, but the discussion will probably happen after the 6-month period where we try to find an agreement in the rollout of the network for the low-dense part of the country. And this is going to be the discussion that will be probably happening once we get to that point. So nothing to be discussed soon. We see -- work with our partners to try to find a solution and then discuss at the same time with the BIPT, that's the way it works for the next month, I think. On the cost side, you want to take it?

Mark Reid - CFO

So I think the way to think about it on the cost side, I think on the customer side, I think it's not only cost this year, but it's also the phase-in cost last year. So I think we've got a slight year-over-year specificity in Q3 where phasing has been a little different. But there's absolutely -- so that's 1 part of the overall customer costs in Q3. But clearly, also the commercial momentum in both residential and enterprise has increased overall SAC and MAC acquisition costs. And also kind of activation costs. So that's the way I would think about it.

As we start to get into Q4, again, I think you'll see that normalizing as we're getting back to a more kind of normalized run rate there. And clearly, also from a cost perspective, overall, we start to normalize against some of the inflationary wage indexation items that are still reasonably high in Q3. So we feel, again, completely in control of that, and it's going to start to moderate as we get into Q4 and into 2024.

Operator

(Operator Instructions) Our next question comes from Konrad Zomer from ABN AMRO.

Konrad Zomer - ODDO BHF Corporate & Markets, Research Division - Analyst

I have a question about your adjusted free cash flow, and I'm trying to understand the moving parts a bit better. Minus EUR 99 million in the first half, plus EUR [60 million] in the second. So 9 months, you're about down EUR 35 million. And I seem to remember at the interim stage that you talked about roughly EUR 120 million for the full year, including the EUR 143 million from the sale of your headquarters. I know you don't give guidance on adjusted free cash flow. So just wondering, is that a calculation you're still comfortable with? And what is the likely trend in your equity injections in your fiber JV? Is that trend a bit more or a bit less given what happens in the market?

Mark Reid - CFO

So on adjusted free cash flow, I think you're completely right. So I think if you do the math you just did and you add in the Q4 impact of the headquarter sale, again, we don't guide, but you're getting the right math.

In terms of -- sorry, what was the second question? It was on the equity injections, yes. So I think in Capital Markets Day, we provided some guidance in terms of the level of equity injections for 2023. So again, that's right in line with what we expected. And part of that is taking place this year already. So that's already in the free cash flow.

In terms of, again, forward-looking equity injection, again, we haven't guided on that. But again, you can assume that there'll be a direction of travel that is somewhat related to the direction of travel of new build for the joint venture. So that's the way I would give you direction on how to think about it.

Operator

(Operator Instructions) And if there are no further questions at this time, I'd like to hand the call back over to Nancy for any additional or closing remarks.

Nancy Goossens - Proximus PLC - Director of IR

Saying a big thank you for your questions. Should you have any follow-up questions, you can reach out to Adrien or myself. Thank you. Bye.

Operator

Thank you. This concludes today's conference call. Thank you for your participation, ladies and gentlemen. You may now disconnect.
