



## Press release

# Telenet partners with Fluvius to realize the ‘data network of the future’, creating a separate fully funded infrastructure company

*The enclosed information constitutes regulated information as defined in the Royal Decree of 14 November 2007 on the obligations of issuers of financial instruments admitted to trading on a regulated market. Inside information.*

**Mechelen, July 19, 2022 – Telenet BV, a wholly owned indirect subsidiary of Telenet Group Holding NV (“Telenet” or the “Company”) (Euronext Brussels: TNET), and Fluvius System Operator CV (“Fluvius”) have entered into a binding agreement about gradually evolving their hybrid fiber coaxial (“HFC”) network infrastructure in their combined footprint to the ‘data network of the future’, including Fiber to the Home (“FTTH”) technology, as announced earlier this morning. Both companies’ ambition is to provide speeds of 10 Gbps across the entire footprint in time, for which there is a clear roadmap. We refer to this morning’s separate joint press release for more information.**

**A fully funded 5.0x levered NetCo, leading to improved network ownership economics for Telenet**  
Telenet and Fluvius will create a new self-funding independent infrastructure company (“NetCo”), contributing their existing HFC and fiber assets as well as developing new build fiber assets in the future. Fluvius will also contribute the long-term emphyteutic lease (*erfpacht*), covering approximately one-third of the footprint in Flanders owned by Fluvius and through which Telenet has been able to offer fixed services to end customers. This lease agreement will therefore cease to exist as of closing. As a consequence, Telenet’s pro forma net debt will decrease by around €0.5 billion, leading to a reduction in pro forma net total leverage<sup>1</sup> by approximately 0.4x at the closing of this transaction in early 2023. Moreover, it will result in improved network ownership economics for Telenet as opposed to current rental economics under the long-term lease ending in 2046.

NetCo will carry a net total leverage of close to 5.0x as of incorporation, equivalent to approximately €2.4 billion of net debt, resulting from both Telenet’s and Fluvius’s intragroup financing contributions. As Telenet

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<sup>1</sup> **Net total leverage** is defined as the sum of loans and borrowings under current and non-current liabilities minus cash and cash equivalents (“Net Total Debt”), as recorded in the Company’s statement of financial position, divided by the last two quarters’ Consolidated Annualized Adjusted EBITDA. In its statement of financial position, Telenet’s USD-denominated debt has been converted into EUR using the June 30, 2022 EUR/USD exchange rate. As Telenet has entered into several derivative transactions to hedge both the underlying floating interest rate and exchange risks, the EUR-equivalent hedged amounts were €2,041.5 million (USD 2,295.0 million Term Loan AR) and €882.8 million (USD 1.0 billion Senior Secured Notes due 2028), respectively. For the calculation of its net leverage ratio, Telenet uses the EUR-equivalent hedged amounts given the underlying economic risk exposure. Net total leverage is a non-GAAP measure as contemplated by the U.S. Securities and Exchange Commission’s Regulation G.

will fully consolidate NetCo in addition to its current consumer, B2B and media operations, there is no further change to Telenet's consolidated leverage post-closing.

**Open access network with a market-leading network penetration rate and well positioned to attract additional strategic and/or financial partners**

Telenet will have a 66.8% stake in NetCo with Fluvius owning the remaining 33.2%. As such, Telenet will fully consolidate NetCo in its financial accounts. NetCo is intended to be a multiparty partnership, i.e. open to further partnering with both strategic and/or financial partners to develop this 'data network of the future'. Given NetCo's strong fundamentals as further detailed below, the asset is well positioned to attract additional strategic and/or financial partners.

NetCo intends to operate a fully open access network and will provide non-discriminatory access to it, providing wholesale access to Telenet and other telco operators, and is expected to enjoy a market-leading network penetration rate of close to 60% from the start. This is driven by Telenet's existing 2.0 million customer relationships and the incremental traffic already generated by existing wholesale partners, hence generating revenue and attractive cash flows as of day 1.

**Fully funded investment plan with an ambition to cover 78% of Flanders with FTTH by 2038**

As announced separately this morning, NetCo will gradually evolve its current HFC network in the combined Telenet-Fluvius footprint to FTTH technology, intending to cover 78% of Flanders by 2038. This will be realized through a combination of own build and/or a potential collaboration with partners in the most strategic efficient way. At the same time, NetCo will focus on upgrading the existing HFC network with DOCSIS technology in areas where FTTH will not be deployed. NetCo has a clear roadmap to provide speeds of 10 Gbps for all customers across the entire footprint through a mixture of fiber and HFC. This will ensure that everyone in Flanders will be able to continue to enjoy the fastest possible Internet connection.

The total investment for NetCo over the period is expected to be up to maximum €2.0 billion<sup>2</sup>, of which the majority will be addressed within the next eight years. NetCo will actively pursue opportunities to further optimize its network roll-out plan and associated CAPEX through a combination of own build and/or a potential collaboration with external partners. More than 50% of homes passed in NetCo's footprint are very economic to pass with FTTH at an estimated cost per premise of around €650<sup>2</sup>. This results in attractive returns given NetCo's market-leading penetration rate. The investment will be financed from NetCo's robust cash flow and additional intragroup financing facilities, including Telenet's €745.0 million proceeds from the recent tower divestment. As such, NetCo will be fully funded and there is no dependency on obtaining incremental external financing. The aforementioned CAPEX outlook assumes Telenet will continue to consolidate NetCo during the entire build period, whereas attractive NetCo economics should allow Telenet to attract additional strategic and/or financial partners, providing future optionality in terms of consolidation.

Furthermore, Telenet continues to focus on deepening and broadening its relationship with its customers, which is becoming increasingly important as a key differentiator in a competitive and more mature market. Network infrastructure is and remains important, but how Telenet handles its customer relationships will distinguish it from competition. To this end, the Company has invested in several innovative digital platforms in recent years.

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<sup>2</sup> Excluding termination capital expenditures

## Reset dividend floor of €1.0 per share (gross) during the build period, maintaining a consolidated 4.0x net total leverage target

In order to maintain a consolidated net total leverage of around 4.0x throughout the CAPEX-intensive build period, in line with Telenet's leverage policy, the board of directors has decided to reset the Company's shareholder remuneration policy, effective immediately. The consolidated 4.0x leverage target provides Telenet with additional financial flexibility for prospective value-accretive strategic opportunities going forward.

Over the 2023–2029 period, the board of directors decided upon an annual dividend floor of €1.0 per share (gross) to be paid annually in early May following shareholder approval at the statutory AGM in April. As such, the board of directors ensures a balanced approach with continued regular dividends whilst investing for future growth. After this build period, including 5G roll-out, the CAPEX intensity is expected to materially decrease and return to normalized historical levels, leading to substantial Adjusted Free Cash Flow growth and providing scope for significantly higher shareholder disbursements. At that point time, the shareholder remuneration plan will be re-evaluated by the board of directors.

Telenet intends to host a Capital Markets Day at the end of September 2022, discussing the outlook for NetCo and its consumer, B2B and media businesses in greater detail. Later this morning at 7:30am CET, Telenet will host an Investor & Analyst call on today's announcement. Additional details can be found below.

Telenet was advised by A&O (acting as legal advisor), Goldman Sachs International (acting as financial advisor), Deloitte (as carve-out, financial due diligence and tax advisor) and Arthur D. Little (as commercial advisor).

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### Investor & Analyst call

Telenet will host a webcast and conference call for institutional investors and analysts at 7:30am CET.

For details and webcast links, please visit <https://investors.telenet.be> or click on the following link to register [Register | Company Webcast BV \(popup.com\)](#).

**About Telenet** – As a provider of entertainment and telecommunication services in Belgium, Telenet Group is always looking for the perfect experience in the digital world for its customers. Under the brand name Telenet, the company focuses on offering digital television, high-speed Internet and fixed and mobile telephony services to residential customers in Flanders and Brussels. Under the brand name BASE, it supplies mobile telephony in Belgium. The Telenet Business department serves the business market in Belgium and Luxembourg with connectivity, hosting and security solutions. More than 3,000 employees have one aim in mind: making living and working easier and more pleasant. Telenet Group is part of Telenet Group Holding NV and is quoted on Euronext Brussel under ticker symbol TNET. For more information, visit [www.telenet.be](http://www.telenet.be). Liberty Global – one of the world's leading converged video, broadband and communications companies, innovating and empowering people in six countries across Europe to make the most of the digital revolution – owns a direct stake of 58.9% in Telenet Group Holding NV (including any treasury shares held by the latter from time to time).

**Additional Information** – Additional information on Telenet and its products can be obtained from the Company's website <http://www.telenet.be>. Further information regarding the operating and financial data presented herein can be downloaded from the investor relations pages of this website. The Company's Consolidated Annual Report 2021 as well as unaudited condensed consolidated interim financial statements and presentations related to the financial results for the three months ended March 31, 2022 have been made available on the investor relations pages of the Company's website (<http://investors.telenet.be>).

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