Event transcript KPN Strategy Update 2025

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KPN Strategy Update 2025

Matthijs van Leijenhorst: Good afternoon, everyone and welcome to KPN's Strategy Update 2025. We are now at the midpoint of our Connect, Activate and Grow strategy, and today, we will share our progress so far and provide a vision of what KPN will look like in the future. Before I hand over to our CEO, Joost Farwerck, and CFO, Chris Figee, I would like to outline today's agenda. First, we will reflect on where KPN stands today. Then we'll update you on our infrastructure and transformation journey, followed by how we're unlocking customer value. Finally, we share with you our financial ambitions before moving to the Q&A.

Before we start the presentation, I would like to point out that today's presentation, just as this morning's press release, includes forward-looking statements and ambitions. Please note that these statements, as well as any other statements made during this presentation are subject to the safe harbor that was included in this morning's press release. Now, let me hand over to our CEO, Joost Farwerck.

Joost Farwerck (CEO): Hello everyone, and thank you for joining us. Two years ago, we introduced our Connect, Activate, and Grow strategy, a four-year plan to drive growth and transformation. And now that we're halfway through that journey, it's time to share the progress we've made and show how it sets the stage for our future. As a pure Dutch operator, we offer strategic simplicity, transparency, and minimal geopolitical risk. The resilient Dutch economy continues to outperform the eurozone, with inflation slightly higher, around 3% versus 2.1% due to strong domestic demand and wage growth. The Netherlands ranks amongst Europe's most digital-savvy economies, and a future-proof networks are ready to power the next generation of connectivity. And with best-in-class margins, strong cash flow visibility and disciplined capital returns, we lead among European incumbents.

Let's take a quick look at our achievements over the past two years. We are the market leader in fiber for both consumer and business. Our 5G network is recognized with the highest score worldwide. This year we launched Tower company Althio, and last year we acquired Youfone. By 2027, two-thirds of our energy will come from renewable sources. We serve over 4 million broadband and 15 million mobile users, and now hold the top spot in both segments. Security is of central importance to us and we invest heavily to protect privacy. Our customers are our top priority and we maintained industry-leading net promoter scores. All our achievements are made possible by team KPN. Over 10,000 professionals who drive innovation and connectivity across the Netherlands.

Our total workforce includes approximately 9,000 KPN FTE and around 1,500 flexible contingent workforce. Employee engagement is consistently high, reflecting strong commitment. And we invest in our people every year, giving everyone the opportunity to grow and prepare for the digital future enabled by our transformation programs. Our purpose is clear. We go all out to connect everyone in the Netherlands to a sustainable future.

As launched during our Capital Markets Day in 2023, our Connect, Activate and Grow strategy is built on three key pillars. One, we continue to invest in our leading networks. Two, we continue to grow and protect our customer base. And three, we further modernize and simplify our operating model.

And together, these priorities support our ambition to grow our service revenues and adjusted EBITDA by approximately 3% on average, and our Free Cash Flow by about 7% over the entire strategic period. ESG is at the core of our strategy. We have set clear ambitions to be nearly 100% circular by 2025, to have a zero-carbon emission fleet by 2030, and to be net zero by 2040. And supporting these ambitious targets, we've significantly reduced electricity consumption over the past decade despite rising data demand, and our efforts have earned us top ESG ratings.

And our ESG journey covers a lot more. We are fully committed to our mission for a better internet, fostering a much faster, greener and safer internet for everyone. And to that end, we've launched nation-wide campaigns about online shaming and online exclusion, supporting our belief that internet should be a safe and social place that connects and empowers people. All these efforts have translated into solid results. Service revenues and EBITDA are growing with industry-leading margins.

Operating Free Cash Flow remains strong, with further improvement expected in 2027 as Capex falls below 1 billion. In line with the plan, Free Cash Flow growth has been modest due to cash taxes, but is expected to step up in 2027 following the same Capex step down, and our return on capital employed is advancing towards the 15% target, confirming our long-term value creation model. And that's working. And as such, today we confidently reaffirm our mid-term ambitions.

Let's now have a look at our infrastructure.

KPN is entering a new phase of value creation driven by our strong infrastructure and digital transformation. We have shown we can monetize our fiber and 5G infrastructure, laying a solid foundation for growth. The next wave of value could come from our edge infrastructure, with industry-leading fiber, the best 5G network and the wide footprint of site locations, we're building a distributed platform ready to support the future of digital services; and this platform has launched a private network service, 5G Campus, and is ready to support new use cases such as AI as a service, advanced edge services and sovereign data processing. And this positions us and our infrastructure as a clear differentiator in the Dutch market.

Fiber is now the leading infrastructure in the Netherlands, holding 47% market share while copper and cable continue to decline. Nationwide coverage now exceeds 90%, with overbuild of estimated around 900,000 or around 15% of Dutch households at year end. KPN holds a clear lead in the Dutch fiber market, in Homes Passed and connected and in business parks through our joint venture Glaspoort. And this ensures that both consumers and businesses have access to the fastest, most reliable network. And this strong position sets us up for sustained growth and future proof connectivity.

We want everyone in the Netherlands to have access to high-speed connectivity. And over the past years, we've built a strong fiber foundation. Together with the joint venture Glaspoort, we now cover two-thirds of the country. And including call option agreements on small third-party fiber networks, our coverage is even broader. And with most of the country already covered by fiber, the next wave of fiber deployment will focus mainly on newbuild and overbuild areas. And with that, we're entering a new phase, shifting our focus from passing homes to connecting and activating them to deliver superior value and profitable growth.

And while we remain committed to expanding fiber coverage, this adjusted rollout means that our original target of 80% household penetration by the end of 2026 will most likely take longer. Fiber deployment will continue, but in a more sophisticated and capital efficient manner, aligned with our transformation programs and the planned Capex reduction to below 1 billion in 2027. Still, nationwide high-speed coverage remains a long-term ambition, and from 2030 onwards, we expect our fiber network to reach up to a maximum of 85% of Dutch households with fiber. The remaining households will be served by hybrid solutions such as high-speed copper, supported by fixed wireless access.

We are shifting towards connecting and activating homes, which is key to boosting penetration and ARPU. On the right, you see the trends. In fiber areas, we gained about eight percentage points market share one year after the first connection, and this keeps rising over time. Old fiber areas show where we can land, and this is how we turn coverage into profitability. As our fiber network matures, we are moving to a full fiber operating model to drive efficiencies. And by then, we are simplifying our architecture, rationalizing IT, automating networks, and digitizing customer interaction. And all of this enables us to run our operations much more efficiently and deliver first-time right services to our customers.

We lead in mobile connectivity with a stronger foundation than ever. With over 5000 sites, we deliver above 99% 4G and 5G coverage, and almost all are fiber connected. Our mobile network has been awarded with the highest score globally, and we've boosted capacity for gigabit speeds and introduce 5G Campus, I just mentioned, a private network service. And we also launched a 5G edge service based on a 14-millisecond latency. And looking ahead, we will monetize this strength by rolling out 5G standalone, shifting to cloud native by 2027 and expanding C-band coverage while simplifying our core for greater efficiency.

And across the Netherlands, we operate around 130 Metro Core locations, key assets in our distributed infrastructure. And by combining fiber, 5G and these Metro Core sites, we enable super-low latency, secure and decentralized connectivity. And this unlocks advanced use cases such as enterprise applications, real-time data processing, and AI-driven services. And by transforming these sites into strategic edge locations, we're unlocking new revenue opportunities for the coming years.

Let's now move to our transformation program.

We are driving a bold transformation across every part of our business; across the customer interaction layer, across the platform layer, and across the infrastructure layer. And our ambition is clear. First, to become the undisputed leader in customer experience. Second, build an autonomous core through AI-driven automation. And third, unlock the full potential of our network, turning into a smart, flexible platform for all users. And to make us faster, leaner and more sustainable, we are driving efficiencies across every layer. Customer engagement is shifting to digital, platforms are being simplified and, third, infrastructure is modernized. And the results are already here. More app usage, lower energy consumption, a leaner data center footprint and the indirect costs stabilizing this year after increasing in the previous years.

Looking ahead, we will accelerate our transformation to improve customer satisfaction and cut costs, and we have set clear goals in each. By 2027, half our customers use digital apps, while call centers will become increasingly automated.

IT sourcing becomes 30% more efficient supported by AI and infrastructure consolidation continues, cutting energy costs and copper phase outs. We are on track to switch off over 4 million copper lines this year; and by 2027, 90% of our copper lines in our fiber footprint should be gone. The copper switch off is expected to improve quality, reliability and cost efficiency, and these savings are expected to accelerate towards the end of the decade.

AI is at the core of our transformation and embedded in three ways. First, always on AI for seamless customer journeys. Second, AI-driven automation for smarter insights and security. And third, AI-powered operations for speed and resilience. By 2027, we aim to automate more than half of today's operational activities, resulting in lower costs and superior customer service. So to summarize, a lot is happening at KPN and the transformation is moving faster. Our goal is clear. A multi-year savings program targeting approximately 100 million net indirect Opex savings annually by 2030.

Let's now move to each of the business segments, starting with Consumer. Consumer is expected to deliver steady, low single digit growth, with about 1.5 service revenue CAGR expected through 2027, driven by our fiber expansion, our strong mobile propositions, and targeted upsell. Using multi-brand strategy, we address all market segments. KPN serves the mass market with premium quality and security, while Youfone and Simyo address the no-frills segment. Our fiber network keeps driving solid subscriber growth as customers choose secure, fast and high-quality connectivity. And as a premium brand, we deliver top speeds up to four Gbit/s and seamless, secure in-home experiences with easy set-up through the MijnKPN app.

High speed adoption is accelerating, with about half of new broadband sales at one Gbit/s and above, and with plenty of room to grow. Ongoing upsell and upgrades are fueling double-digit growth in fiber revenues. In mobile, our best-in-class network and multi-brand approach have helped expand our customer base. Unlimited is now the new standard for the KPN brand supporting ARPU. We stand out with targeted offers such as plans for kids and teens and loyalty features like MB Sharing. Premium value is added through high-end security and speed tiering, ensuring a safe and flexible experience.

The focus on innovation and customer centric features is expected to continue to drive subscriber growth across all our brands. And of course, our strategy remains centered around households with three clear priorities. Deliver the fastest and most reliable fiber and 5G networks. Redefine convergence with household 3.0. And thirdly, personalize every customer interaction. A key enabler is the combination of services for customers within the same household. Our Combivoordeel package launched this year February. Combivoordeel is a strategic investment in our base. It requires investments upfront, but as more customers adopt it, lower churn and more upsell will drive higher service revenues and EBITDA. And we're already seeing the first positive signs. ARPA is increasing, churn is reducing, customer satisfaction is rising and the household base is growing.

Let me now move to B2B. In 2023, we set clear priorities for our business segments to drive service revenues and grow profitability. And this approach has delivered consistent top line growth over the past two years. And by that, we were outperforming the broader market. Looking ahead, our strategy remains focused on protecting core connectivity with pricing and cost discipline. We expand in high growth areas like security, CPaaS and IoT, and we continue to strengthen our distribution partner network, always with strict margin focus.

As a result, we expect B2B to keep growing above the market at approximately 3% service revenue CAGR through 2027.

KPN is the trusted partner for SME and built on operational excellence, a strong brand and a top quality network. We lead in mobile and broadband with over 70% of our SME customers protected by extra secure internet. Our integrated KPN ONE solutions enables seamless cross- and upselling. And combined with our growing IT business, we are positioned as a unique one stop shop for entrepreneurs and mid-market clients. We drive growth through a strong multi-channel strategy with partners generating over half of SME service revenues. As app adoption accelerates, we expect robust online growth and we aim to unlock new revenue streams via strategic distribution agreements.

Turning to LCE. Our strategy is built on three pillars. First, protect and monetize our core connectivity by focusing on pricing discipline, quality, value added services and security. Second, accelerate growth in high potential areas. Our CPaaS business almost tripled in size, and our IoT base will reach nearly 14 million SIMs by the year end. And third, we operate with a lean, efficient model powered by digitalization, AI, and value steering. And these strategic priorities should drive consistent service revenue growth in LCE.

And for our largest customers, we delivered Tailored Solutions built on core connectivity, cloud, and cybersecurity. We are a trusted ICT partner in defense and security, with mission critical service revenues growing over 10% annually. And not only for our government but also for private organizations, we provide secure, reliable connections, for example, through NL-ix, our own internet exchange. And while partnership opportunities expand, we always stay focused on the value.

Turning to Wholesale. Our open access portfolio keeps growing with fiber expanding and mobile accelerating. In broadband, we are expanding our fiber footprint while facilitating the copper phase out and in mobile, growth mainly comes from our international sponsored roaming business and travel eSIMs. As many MVNOs leverage our existing roaming partnerships for seamless global services. Sponsored roaming has doubled over the past year and growth is expected to continue but on a slower pace.

Looking ahead, we expect around 4% wholesale service revenue growth through 2027. Investing in innovation is key to driving growth. And at KPN, innovation starts within our business segments; and this is further strengthened through strategic partnerships with leading technology innovators via KPN Ventures. And today, our portfolio spans around 23 companies. And through co-innovation, scale, and speed, we bring these benefits to customers across all our segments. And with that, I'll hand over to Chris for the financials.

Chris Figee (CFO): Thank you, Joost, and good afternoon, everyone. I will now walk you through our financial framework and our outlook.

Let me start by highlighting some of our key figures. We've delivered so far on nearly all our financial promises, reflecting strong execution across the board. Over the first half of our plan period, group service revenues have grown by 3% or more annually, with all segments contributing. While consumer growth has been softer than initially expected due to competition, both business and wholesale markets have outperformed expectations.

Our contribution margin decreased slightly, mainly driven by third party access costs from Glaspoort and from service revenue mix effects. Our indirect cost savings have been slightly below plan, primarily due to inflationary pressure on labor costs. While we have reduced our workforce by over 500 FTEs since 2023, our personnel expenses have increased by around 5%. And in spite of these inflationary effects, we've delivered more than 4% EBITDA growth on average, and our margins of around 45% remain best in class from a European perspective. Also excluding the contribution of Althio and IPR benefits, our EBITDA growth was still north of 3%.

Operational Free Cash Flow grew at a high single digit rate, and our margins remained very strong despite being in the midst of a fiber investment cycle, demonstrating our underlying strong cash conversion. The attractive operational Free Cash Flow profile did not yet fully trickle down into our Free Cash Flow, mainly due to higher cash taxes, which are driven by the consumption of our historical operating tax losses. Free Cash Flow growth so far was low single digit per annum in line with our CMD guidance. For the remainder of the strategic period, our focus is clear. Operational excellence with a strong emphasis on profitable growth. We are accelerating our transformation to drive down costs, targeting € 100 million net indirect Opex savings by 2030. And we see a Capex step down of about € 250 million in 2027.

Our main message here is that we are on track to reach our 3-3-7 ambition set in 2023 over the full period, also excluding the contribution from Althio. Total shareholder returns, including dividends and buybacks, are now targeted at about € 4 billion, up from around €3.8 billion guided in 2023, driven by the operational performance and IPR benefits. This implies a further distribution of almost € 2.2 billion over the next two years. Around 15% of our current market cap. And our return on capital employed remains very solid and industry leading. We aim for around 15% ROCE during the plan period, maintaining a 700 to 800 basis point spread over our cost of capital, and we are fully on track to reach that objective. So, in short, our strategy is working. KPN remains a healthy company with robust margins and a proven track record of operational delivery and value creation.

We reaffirmed a 3% EBITDA CAGR ambition at group level, announced two years ago over the full plan period. And looking ahead, over the next two years, group service revenue growth is expected to moderate somewhat towards 2-2.5%, a trend already visible in the Q3 figures. And within the mix, Consumer is projected to grow around 1.5% annually. Business around 3% and Wholesale about 4%, supported by our international sponsored roaming business. Direct costs are expected to stay under pressure due to third-party access fees, service revenue mix effects, and inflation.

At the same time, our transformation programs are fundamentally reshaping our operating model, enabling us to structurally reduce indirect costs. As we said, via this multi-year transformation program in 2030, our indirect Opex will be about €100 million lower than today. For this year, we targeted EBITDA of at least € 2,630m, representing growth of around 5%. Obviously, our financial performance this year has partly benefited from IPR benefits, which are unlikely to recur next year.

For 2026, we'll provide you with a detailed outlook during the presentation of our full-year 2025 results. A disciplined approach to capital expenditure is central to our plan. Through 2026, Capex will be stable at around € 1.25 billion despite inflation. And in 2027, after completing the heavy lifting phase of our fiber rollout, we expect a significant step down of around € 250 million to below € 1 billion.

In recent years, we've operated with one of the highest Capex intensities in Europe, over 23% of our service revenues, excluding investment in Glaspoort. And by 2027, our Capex intensity is expected to normalize to around 17-18% of service revenues while maintaining fiber leadership. Please note that we manage our Capex not as a percentage of revenues, but as a nominal hard euro envelope each year. With EBITDA growth of 3% and the Capex step down in 2027, operating Free Cash Flow is set to grow by about 10% annually on average over the strategic period.

This strong cash conversion will lift operating Free Cash Flow margins from 24% today to approximately 30%, placing us amongst the top cash performers in Europe. Beyond 2027, Capex is expected to remain stable at around € 1 billion, with a clear focus on infrastructure leadership, customer enablement and simplification. Free Cash Flow CAGR is reaffirmed at around 7% for the entire strategic period, driven by EBITDA growth and Capex step down.

Let's look at the key moving parts. Cash taxes are set to increase as we utilize our deferred tax assets. This will result in a step up in cash taxes of around € 80 million in 2026 and a further € 80 to € 90 million in 2027. After that, cash taxes will align with P&L taxes. Interest expenses are expected to remain broadly stable, assuming, of course, no significant change in the shape and level of the yield curve.

Working Capital is expected to remain steady over the plan period, though of course periodical fluctuations may come from time to time. For next year, keep in mind that we won't benefit again from the IPR settlements. Excluding our IPR, Free Cash Flow is still expected to grow low single digit in line with our CMD guidance, driven again by EBITDA growth and partly offset by step up in cash taxes. In 2027 as capital intensity normalizes to € 1 billion, we expect a material inflection in Free Cash Flow. This supports a 7% CAGR over the 2023 to 2027 period. Later in this presentation, I'll share some more details on cash flows beyond 2027.

We continue to have a strong balance sheet. At the end of September, our leverage ratio stood of two and a half times fully in line with our self-imposed ceiling, and we expect this ratio to improve to 2.4 times by year end, supported by increased Free Cash Flow generation in Q4. Credit rating agencies continue to recognize our solid financial position reflected in investment grade ratings, in a stable outlook. We plan to maintain a net debt to EBITDA ratio below two and a half times in the short term.

Looking ahead, as major fiber investments wind down and capital intensity declines, we may consider gradually raising the leverage ceiling after 2027, whilst remaining fully aligned with a strong investment grade profile. This financial flexibility enables us to continue our policy of, in principle, distributing all Free Cash Flow to shareholders while still investing in growth and preserving strategic optionality. In short, our healthy balance sheet supports long term value creation.

Let's turn to our outlook and financial ambitions. We reiterate again our 2025 outlook as we already confirmed at our Q3 results last week. Looking further ahead, we also reaffirm our mid-term ambitions for the period 2024 to 2027. Sustained service revenue growth, continued growth in EBITDA, sustained Free Cash Flow generation and Capex maintained below € 1 billion in 2027. For the next two years of the plan period, this implies annual service revenue growth between 2% and 2.5%, EBITDA growth of about 3% per annum on average over the next two years based on the 2025 EBITDA excluding IPR benefits.

Most of this growth will likely come in 2027, as cost measures planned for 2026 take full effect. A Free Cash Flow growth in 2026 of about 2-2.5% based on a 2025 cash flow, again, excluding the IPR upgrade, and a big step up in cash flow growth in 2027, fully in line with the guided Capex step down. Looking beyond 2027, we expect mid-single digit Free Cash Flow growth driven by strong fundamentals and disciplined execution. This ambition aligns with today's Free Cash Flow growth, normalized for changes in Capex, interest and taxes. And beyond 2027, KPN will enter a new phase of sustainable growth, with capital intensity stabilizing at around € 1 billion.

Free Cash Flow rests on solid foundation, mainly EBITDA growth from service revenues and cost discipline, stable Capex and interest payments, and normalizing taxes at an effective rate of 23%. This positioned us for consistent mid-single digit cash flow growth well into the future, fully aligned with a strong investment grade profile. And there's more. Consolidating our joint venture Glaspoort at the end of this decade, as roughly 1% of incremental Free Cash Flow growth from the end of this decade onwards. Organic deleveraging from EBITDA growth will allow to absorb the impact of full consolidation, which is about 0.3 times leverage. So the bottom line is, KPN is well positioned for healthy, sustainable Free Cash Flow growth, giving us flexibility to invest for shareholder returns and continued balance sheet strength.

Our shareholder distribution policy is simple. We return all the Free Cash Flow we generate to our shareholders. Today, that means 7% annual dividend growth with the remainder through share buybacks. In 2025, this translated into approximately € 690 million in dividends and € 250 million in share buybacks completed in July. We feel very confident in the Group's ability to deliver a sustained Free Cash Flow growth. And as Free Cash Flow grows, it's natural for our dividend to step up as well. That's why in 2026, we are increasing the share of Free Cash Flow distributed via dividends to about 80%, a level that is still strongly covered and leaves room for buybacks.

This shift brings an immediate uplift in dividend per share of around 10%, targeting the dividend per share to about € 0.20 in 2026 on a declared basis, and a further uplift of 25% to around € 0.25 per share in 2027. Through this, we doubled the committed DPS growth over the plan from 7% to 14%. And looking ahead, this also means that over the 2026 to 2030 period, we expect to return approximately € 6 billion to dividends and share buybacks to our shareholders, equal to about 40% of our current market cap. In summary, our capital allocation policy remains clear, disciplined, and focused on shareholder value. With that, let me turn back to Joost for some final remarks.

Joost Farwerck: Thanks, Chris. Let me briefly summarize the key takeaways. First, our mission for a better internet is at the core of everything we do. Our focus shifts from infrastructure expansion to connecting and activating households, and we expect to cover up to a max of 85% of the Netherlands with fiber by 2030 with hybrid speed solutions for the remainder. We reaffirm our 3-3-7 financial framework and we confirm the Capex step down in 2027, unlocking strong cash conversion. Our transformation is accelerating, targeting around € 100 million in indirect net Opex savings over the next five years.

And beyond 2027, we expect mid-single digit Free Cash Flow growth driven by strong fundamentals and disciplined execution. So, we remain fully committed to our shareholders returning all Free Cash Flow through growing dividends and buybacks. We're delivering on our strategy with disciplined execution, fiber leadership and attractive shareholder returns, positioning us for sustainable growth well into the future. And with that, we now welcome your questions. Matthijs.

Questions and Answers

Matthijs van Leijenhorst: Yeah. Thank you Joost and Chris. Please note before we start the Q&A that the presentation will be available or is now available on the website. We will now open the floor for the Q&A session. Please, as always, limit your questions to two. Moving to you, operator.

Operator: Thank you, Matthijs. Ladies and gentlemen, we will start the question-and-answer session now. If you would like to ask a question, you may do so by pressing star one on your telephone. Thank you. The first question is from Keval Khiroya of Deutsche Bank. Please go ahead. Your line is open.

Keval Khiroya (Deutsche Bank): Thank you for taking the questions. And I have two, please. Firstly, you've pushed out the target to cover 80% of homes with fiber and the Capex spend out to 2027 remains the same, implying fiber rollout costs per premise are higher. Can you talk a bit more about what you're seeing on fiber rollout costs, and also how much of the billion euro of annual Capex from 2027 on, is still on fiber?

And then secondly, slowing down the fiber rollout means you avoid early overbuild of the altnets in some areas, but you still have copper customers in the areas covered by the altnets. How do you think about the vulnerability or not of your retail and wholesale copper base in your altnets footprint? Thank you.

Joost Farwerck: Thank you, Keval. I will start and then hand over to Chris. Like I said in my presentation, we will continue fiber rollout, but at a more moderate pace. And that's very important because we have to slow down the rollout to connect our fiber rollout system more to the transformation programs and the copper switch off. So it's very important for us to slow down, to improve the Fiberco steering, to improve customer processes, etc. And we're already seeing a coverage of 90% fiber in the Netherlands. Altnets already stopped selecting new areas.

We don't stop. We continue. But we think it's more healthy for the company to go to a slower pace and end up north from 80% in five years from now. And I think that's the most healthy strategy for KPN; smarter and prudent approach and all kind of small projects to finalize the switch off of number exchange areas for the copper decommissioning. So that's important. We step down € 250 million in Capex in 2027.

That's mainly fiber Capex of a total of, I would say, 550. But there's also a lot in customer equipment as well. So we will still keep on investing in fiber in the years to come. And we do a step down of 250.

Chris Figee: Yeah. On the fiber side, I would say the land grab phase has stopped. So we can take a moderate pace in rolling out. We have more HC rather than HP orientation, I think as well. And we'll connect it more to our copper switch off. And that all is aligned. And then from a technical perspective, that means you start doing smaller projects more precise in the country, more granular, so less large countrywide building programs. And that also enables us to increase our cost reductions related to that.

On your question, what does it mean for your Capex. Our fiber Capex going forward will be around € 150 to € 200 million a year. And I think, what's the rest of the € 1 billion look like? Think about € 150 to € 200 on fiber, € 150 to € 200 on remaining broadband related backhaul, some remaining copper service tickets or what have you. € 100 million will be linked to mobile, typically, every year. We do spend about € 200 million or something, € 250 on customer-related Capex, both for business and consumer. € 200 million to € 250 million in digitization and the remainder tends to go into network optimization.

The other question was, what do we do with the customers in those fiber areas and how do you protect churn. It's mostly around convergence. We have a strong convergence program. Joost talked about the Combivoordeel proposition that is really aiming to reduce churn, and I think we're seeing the benefits from that in the last Q3 and Q2. We saw churn gradually coming down. So basically, protecting your base in these areas where other altnets are present is all about convergence Combivoordeel and speed upgrades where we can.

Joost Farwerck: And perhaps to add because you also asked on our position in copper areas. We have a very interesting proposition in those areas, combining two copper lines. So bonding two copper lines for one household and adding fixed wireless access on top of that. So we're developing new high-speed services for the non-fiber areas. And some of these are very rural areas. So we're confident that we can also serve our customers in non-fiber areas in the coming years.

Keval Khiroya: That's clear. Thanks.

Operator: Thank you. And our next question is from Polo Tang of UBS. Please go ahead.

Polo Tang (UBS): Hi. Thanks for the presentation. I've got two questions. The first one is, if you're getting € 100 million in new savings and you're building out your fiber footprint at a slower pace, why have you not increased your Free Cash Flow guidance? Can you maybe just talk about what some of the offsets might be?

And the second question is really just on content and TV. How important a differentiator is TV for your broadband business? And can you remind us what exclusive content KPN has? And what do your competitors have that is exclusive? Thanks.

Chris Figee: For the question, we have a net savings program of € 100 million. We're slowing down our fiber. I mean, the slowdown of fiber is fully embedded, of course, in the € 1 billion Capex guidance going forward. So I just gave you the rough breakdown of what the € 1 billion consists of. I think against the net indirect Opex savings is an upward pressure on direct costs. So direct Opex that has to do with a couple of things. It's traffic and roaming related costs.

It is to a large extent its content costs. It is a bit of business mix. And importantly, it's the increase of cost allocated to us through Glaspoort. So you see that the Glaspoort allocated costs are increasing about € 25 million to € 30 million every year, almost 1% of EBITDA growth. So basically 1% EBITDA growth is allocated towards Glaspoort that we own 50%. But as long as we do not consolidate, that only shows up below the EBITDA line, not above. So these numbers are all excluding Glaspoort consolidation. If you add Glaspoort consolidation, suddenly the EBITDA will jump up significantly and at some point starts to add growth. So basically, the completing element of the equation, if you wish, is direct Opex. And that increase is mostly driven by some content cost, inflation on direct costs, some product plus activation cost, but mostly the Glaspoort allocation.

Joost Farwerck: Polo, on our content strategy in my words, six years ago, seven years ago, we were doing less on infrastructure quality and we were doing less on content compared to the main competitor. And nowadays we are running the best network in the Netherlands, and we're at least on par when it comes to the content proposals. So for us, it's not that we want to own exclusively content, but in Combivoordeel in households, it's very important that we facilitate our customers in the most easiest way to content. And that's done in Combivoordeel. You can select whatever you want, swap from one to the other. The choice is broad. So we are an aggregator and we facilitate content to the households. We don't want to own it exclusively.

Polo Tang: Thanks.

Operator: Thank you. And our next question is from Joshua Mills of BNP Paribas. Please go ahead.

Joshua Mills (BNP Paribas): Hi, guys. Thank you for taking questions. I just wanted to firstly dig into the Free Cash Flow growth on slide 42. It looks like the mid-single digit CAGR by the end of 2030 includes a contribution from Glaspoort. And could you confirm how much that's going to be? And do I understand that that's equity Free Cash Flow that will be consolidated once you buy Glaspoort in? Or does it include anything like dividend payments from Glaspoort? Related to that, it does look like the mid-single digit Free Cash Flow growth between 2027 and 2030 is a bit back-end loaded. So if you could give a bit of colour there. And then finally, all in the same question, what would be CAGR for Free Cash Flow if we just looked at the green bars, so for KPN standalone be? Thank you.

Chris Figee: Well, just on the Free Cash Flow, if you take a look at the 2024 to 2027 period, so the current plan period, our Free Cash Flow growth is driven obviously by EBITDA growth and a few big moving parts. Obviously, we start to pay more in interest. Over the entire period, our interest expense is going up by about € 30 million. Over the entire period, we pay a lot more taxes as we burn through the net operating losses towards 330 million. And obviously, at the end of the period, the Capex step down of 250. Interestingly, if you look at the delta in taxes, the impact of the using of net operating losses is almost of equal size as the Capex step down. It just happens earlier. So that means the underlying Free Cash Flow growth over the current planned period, if you were to normalize for all these effects is around 5-5.5%. So if you normalize for interest rates, the operating losses that we use and the Capex step down and you CAGR it out, you're looking at about 5-5.5% Free Cash Flow growth over this period, which is what KPN roughly delivers.

If you then look forward to the period after that, we assume something similar like that. The numbers we present are basically all of this mid-single digit numbers is about KPN. It's KPN delivering that growth. Glaspoort could add about 100 basis points of CAGR over that time period, but that's back-end loaded as we expect to consolidate Glaspoort towards the end of this decade, 2028, 2029, think about that year. But even if you were to strip out Glaspoort, KPN standalone, which is the bulk of it would still deliver, I would say, mid-single digit Free Cash Flow growth in line with what we delivered in the past. And obviously, looking forward, there's no detailed plan towards 2030. This is not a Nostradamus approach to cash flow forecasting. But if you look at the moving parts of our cash flow, if you look at what's reasonable, I think it's fair to say that KPN standalone will continue to deliver similar Free Cash Flow growth as we've done right now. And there could be a kicker of about 100 basis points CAGR at the end of this decade, as we consolidate Glaspoort. Is that clear?

Joshua Mills: Yeah. So you're saying that the green bars, the CAGR for the KPN standalone Free Cash Flow is still going to be mid-single digit, even if you don't buy in Glaspoort.

Chris Figee: Just on Glaspoort, the Glaspoort free cash – It's really the Free Cash Flow of Glaspoort not a dividend. So the consolidated Free Cash Flow. And Glaspoort will be cash flow positive around 2028, 2029. And really start to add real cash in 2030. So the bulk of it is really driven by KPN and Glaspoort is the kicker that could be happening at the end of the period.

Joshua Mills: Understood. Thank you.

Operator: And our next question comes from Andrew Lee of Goldman Sachs. Please go ahead.

Andrew Lee (Goldman Sachs): Yeah. Good afternoon, everyone. I wanted to follow up on quite a lot of the questions on the Free Cash Flow growth that you've guided out to 2030. Over the last couple of years out to 2030. I hear your points on the traffic and roaming costs and content costs, but can I just maybe challenge you a little bit on the mid-single digit Free Cash Flow growth? If we just build the blocks of what drives that growth, I think you're increasingly saying 2-2.5% service revenue growth. I know you won't explicitly guide on that now, but bear with me on this one. And then we typically get operational gearing in the sector, which adds another couple of percentage points to get to EBITDA growth and then further operational gearing to get to Free Cash Flow growth. Plus, you're doing this cost transformation program. It just seems to me that the traffic and roaming costs, that have to be a big acceleration and content cost also seems a bit of a strange drag in terms of explaining why you're getting to a mid-single digit Free Cash Flow growth. And a mid-single digit Free Cash Flow growth even when you include with the kicker, as you put it, the Glaspoort costs. Is there something else I'm missing, or is there something specific about the traffic and roaming costs and content costs that is disproportionate for KPN versus every other telco? Thank you.

Chris Figee: I think a couple of components. Roaming cost is one thing. Content cost is one thing. It's a bit of a margin mix, right? So some of the growth is to slightly lower margins that we take into account. It's acquisition cost in broadband that fits in there. And there's the Glaspoort allocation cost. So it's a sum of multiple things. I'm not sure whether we're different from others. I think Glaspoort element is unique. I think the other things are probably in line with what others have. But we've given you a reasonably conservative, feasible outlook for the mid-term based on historical trends in these direct costs that we've extended and extrapolated, including the known or reasonably predictable allocation of costs to Glaspoort.

And again, the moment you consolidate that business that suddenly comes back in and then you suddenly add about – I think the moment you consolidate Glaspoort, you probably add over € 100 million of EBITDA overnight consolidated to the group. So it's the historical trend on contribution margin. And it's roaming, it’s content. It's discounting and product plus. It’s a bit of revenue mix effects and Glaspoort allocation together that all feed into this. Numerically speaking, to give you one example, for 4% Free Cash Flow growth, you need to get around 2% EBITDA growth. If you get to 2.5% EBITDA growth, you quickly get to 5% Free Cash Flow growth. So that's kind of the – so the 5% Free Cash Flow growth is actually quite reasonable given the amount of EBITDA growth that you have to assume for that. I hope that gives you a little more color on the ingredients for modelling out towards 2030.

Joost Farwerck: The way we're building our plants on different building blocks, for us, it's very important to deliver on the plans every quarter and deliver on what we promise. To project where we are in 2030, is always more difficult than to project where we are next year. So mid-single digit. If we meet all the targets we have built in the plants, or we do better than that, then of course, we can do better. But we prefer to overperform than to surprise the market in a negative way. I think it's a good plan we built with different building blocks, and let's see if we can accelerate.

Andrew Lee: Thank you. Can I just ask a quick follow up? Obviously, your 3-3-7 plan out to 2027, you had identical service revenue growth outlook and EBITDA growth outlook. Do you expect to see a very similar service revenue growth and EBITDA outlook between 2027 and 2030 as well?

Joost Farwerck: Well, I think we both explained that looking forward from '27 to 2030, we expect top line to be lower than 3% on average for the whole KPN Group. But of course, it's very important there to give you more guidance in '26.

Chris Figee: Yes. I think it's – I mean, looking forward, next year, we said 2-2.5% service revenue growth to me in the medium term, 2% service revenue growth would be the lower end of what I find a reasonable expectation. Obviously, who knows what the world looks like in 2030. But in terms of reasonable assumptions, at least 2% to – but towards 2-2.5% service revenue growth should be feasible. And then EBITDA growth probably in line with where we are these years.

Andrew Lee: Thank you.

Operator: Thank you. And our next question is from Maurice Patrick of Barclays. Please go ahead.

Maurice Patrick (Barclays): Yes. Thanks for taking the question. Just one for me on the Capex side. So you've signaled you're likely going to stick around € 1 billion, just below € 1 billion Capex for the '26 through 30 period. Just curious to understand if there's any sort of view in there in terms of any projects which might shift the mix of Capex that you indicated. So things like, for example, I think you've been modestly densifying your wireless network with 5,500 sites now. Is there any sort of desire to kind of densify that further for growing capacity? Is there anything in there for sort of data center related projects? We talked a lot about sovereign cloud and how that might drive the Capex cycle. Curious for your thoughts on that.

And then just one very small follow-up. On Slide 21, when you talk about the ongoing copper switch-off, is it fair to assume that your 2030 guidance doesn't really assume the full benefit of the copper switch off, which will come beyond that? Or is that mostly baked into that guidance?

Joost Farwerck: Well, on the copper switch off, I mean, what we currently are doing is decommissioning through the Netherlands, and now we want to sweep fiber areas empty up to 90% in the coming years. That's a couple of years. We already explained to the market that we run like € 30 million Opex and € 70 million Capex still around copper. So there's savings to do there. And also important to understand that we will keep 15-20% of the network open, depends on where we land on the fiber rollout. And that will be an important component of the transformation program.

On the Capex mix, well, there's not a super capital-intensive program facing us. I mean, we're in the middle of rolling out fiber, which is super capital intensive. Almost 23% of our revenues we invest. So it's very important for us on a certain moment to go to a more decent level, but it's still 17% of Capex we do compared to our revenues.

And of course, we keep on investing in mobile, but we have an excellent mobile network, best in the world. The coverage is super good. You don't need 7,000 sites in the Netherlands. The Netherlands is a small flat country where we're in a good shape there, perhaps a couple of hundreds. In the transformation programs, we already invested a lot. That's all related to AI tools to new software. So especially in the digital customer layer, we have to invest a lot, but that's we're shifting a bit from capital-intensive investments to more less capital intensive. So that's an important shift, and that's why we can step down 250.

Chris Figee: Yeah. I think on the product side, the products to sell are all there. So when you look about 5G Campus, hybrid solutions, CPaaS solutions, the products we have ready to be sold so there's less product development Capex. You will see from time to time temporary emphasis. So at some point, there will be a revisit of our radio access network and it runs. So at some point, when you think about 6G, it's far out, but at some point, you think about that. At some point, you have to look through, Joost talked about our edge solutions, our data centers. We have 133 decentral locations that are very well suited for low latency and ultra-low latency solutions. You don't need to upgrade all of them, but 20 to 30 are probably eligible for an upgrade and then you take the rest more gradual.

So I would say, in the years within the € 1 billion, you may see shifts from time – windows of one to two years where you have different emphases and then going back again. And I think underlying gradually, I see more investment into, let's say, customer solutions, customer Capex and innovation for clients. And next to that, network shifts from time to time depending on which part of your network is subject to an upgrade or redevelopment.

Maurice Patrick: Okay. Just very quickly. So there's things like a potential RAN swap that does sit inside the € 1 billion number.

Chris Figee: Yes. It will all be done inside the 1 billion. That's something you can time well. So inside the € 1 billion envelope.

Maurice Patrick: Right. Thank you.

Operator: And we'll now take our next question from David Wright of Bank of America. Please go ahead.

David Wright (Bank of America): Yeah. Thank you. It's maybe a little apology here because I'm still a bit confused. Maybe my colleagues aren't. There's a lot of numbers being thrown around. Just to confirm, you said on ‘26 you could look for 2.5% Free Cash Flow growth, I think is what you said. But you also said an € 80 million step up in cash tax. I just wanted to just double check. Are there any other cash items playing in that, that allows you to get to that 2.5%? Because it just seems with that cash tax step up, it's a struggle to get there. Maybe I'm just confused. And then – the longer-term Capex guidance, I think you said historically that Glaspoort, when consolidated, could add €50 million or so of Capex. When you've said below a billion for the 2027 outlook, I assume, then that could shift back above a billion a little as you take Glaspoort on in ‘29-‘30. Is that reasonable? Thank you.

Chris Figee: Yeah. David, on next year in 2026, we said about – I think Free Cash Flow growth what I would do, I would take this year's guidance. I would take out the IPR benefits because that's a one-off. And then add about 2-2.5% Free Cash Flow growth for next year. In that indeed we will absorb a cash tax increase. So basically, what happens is that the cash income from EBITDA will significantly be absorbed by increasing taxes, and then we have to optimize interest rates, working capital around it to compensate for that. So, the numbers are aligned. If you take the 2025 outlook, take out the IPR benefits, add 2-2.5% growth, that's the bottom-line number. But in that is a sum of EBITDA growth and cash tax increase possibly a bit better on interest rate savings, possibly a bit better on what I call the category other and then there is working capital optimization that allows us or should enable us to get there.

David Wright: Would you mind just give us that – Could you just remind us of that one off impact just so we can literally get these numbers?

Chris Figee: About € 20 million. So basically, it's the IPR benefits in EBITDA minus the withholding taxes we pay on that. So about € 20 million.

David Wright: Got it.

Chris Figee: And then for Capex, Capex in ’29-‘30 be a bit above € 1 billion, possibly, but that's a relatively small amount. To us, running KPN in € 1 billion is a pretty sacrosanct number. So we'll do everything we can to stay within that envelope. And anything you ask us to solve, inside the € 1 billion. What the Glaspoort Capex is in 2030, it's hard to see. I think € 50 million is probably really at the higher end. But that is not embedded in the language we use to describe our Capex, so to speak. So basically, we're running towards or below a billion next year, run at a billion. And perhaps in 2030 it will be a little add-on from Glaspoort. But that should be a very manageable amount.

David Wright: And Chris, if I could just sneak in just a quick question, you mentioned about you could consider balance sheet recapitalization from 2027. What will be the factors that support that decision? Will it be the fiber build out is where you expect? Obviously, the operational performance. Is there anything else or do we just get to 2027, say, yeah, we're in line with guide. We can nudge up. And are we talking a quarter of a turn? Are you able to give any granularity on that? Appreciate it.

Chris Figee: Yeah, sure. Maybe one more point on Glaspoort. We will consolidate Glaspoort as soon if it's not cash flow negative. So, the trigger for consolidating Glaspoort is probably a cash-flow neutral to cash-flow positive. So, whatever Capex Glaspoort then brings in, it will be compensated by operating cash flow as well.

So basically, we will look at the free cash generation of Glaspoort as the trigger for consolidation. So, if at that point Glaspoort were to add a bit of Capex, it would in the end have to bring in a positive Free Cash Flow number. I mean, that's a trigger. So maybe that gives you a little bit more comfort on that effect.

On leverage look, after ’27, the way I look at KPN is we have a balance sheet full with very high-quality modern assets, a 5G fiber network. Our operating cash generation is then amongst the highest in Europe. Operating cash flow margins is about 30%. Cash return, So EBITDA minus Capex over EBITDA is about 60%. So you have a highly cash-generative business. By that, I think we would be able to run this business with a slightly higher leverage than we run today.

Organically, if you wouldn't do anything, if you just let the whole thing run its course just by the sheer increase of EBITDA, you would say our leverage ratio moves towards 2.1, 2.2 times at the end of this decade. That's how it models out. Consolidating Glaspoort will give about full consolidation about 0.3 times leverage. It will get you to 2.4. So then I think this group should run with leverage below three. That would be wise that we consider the investment grade, but with reasonable margin below three is what this business could sustain after the fiber rollout has peaked.

So when you have this high quality asset base, the massive amount of cash generation, this business could run with, I don't know what the number is, around 2.8-ish types of leverage, I think and that will give us a lot of flexibility to both absorb Glaspoort and be willing and able to invest and gives us some strategic and financial flexibility. And that, of course, assumes at that point that Glaspoort brings in net cash.

David Wright: That's awesome. Thank you.

Operator: Thank you. And we'll now take our next question from Ajay Soni of JPMorgan. Please go ahead.

Ajay Soni (JPMorgan): Hi, guys. Thanks for taking the questions. I've got two. The first is around mission critical. So we've heard this a lot from other telcos. So what are the size of these revenues now? And I think you mentioned 10% growth here. So how material is this to the overall group growth you're seeing?

And then the second question was just around the increasing of the leverage beyond 2027. You're just using the numbers you've just spoken about. At the end of 2030, you'd have a leverage of 2.4 times, let's say, which still gives you 0.4 turns of leverage to play with. What would you use the extra leverage for? Is it extraordinary returns? Is it other projects? A bit of guidance, that would be helpful. Thank you.

Joost Farwerck: Yeah. In our B2B organization, we have a group of people responsible for mission-critical services very closely connected to the government, businesses growing double digit and we're doing excellent. And we're selected as the main provider for the Ministry of Defense services, etc. And then we have a relationship that goes back very long. And we're investing to that part of the business as well. Current top line total revenues, roughly around €200 million. And we expect that for the coming years to grow on different levels.

Chris Figee: Yeah, Ajay, to the leverage, indeed, if the numbers that you predict are kind of right, if you have like 0.4 times like headroom, what would you be using it for? To me, the most important thing is, that we can safely say KPN will return all his Free Cash Flow to shareholders. Dividend remains really well covered. So there's very little hesitance on our side to return all our Free Cash Flow to shareholders. That's point one. Because there's balance sheet headroom either to invest, to grow, or to absorb some shocks. That to me, the first message I would like to give.

Second is, what would you use the headroom for? Well, the money would not be burning in our pockets. We'd be very careful how to spend it. Obviously, there is spectrum that would need to be acquired. The remainder could be around possible small bolt on investments. But let me reassure you, always and only when it's value creating and needs a return hurdle.

And secondly, yeah, it could also be used to round off some shareholder distributions. But I think the Free Cash Flow return every year would really be the main part of our return to shareholders. But that's also pretty safe and secured.

Ajay Soni: Great. Thank you.

Operator: Thank you. And we'll now move on to our next question from Paul Sidney of Berenberg. Please go ahead.

Paul Sidney (Berenberg): Yes. Thank you very much for taking a couple of questions. Apologies. I did join the Q&A a little bit late, so apologies if there's any repetition. But just on fiber in terms of the rollout slowdown, and part of the driver of this slowdown seems to be what your competitors are doing, what were you seeing in the market. And I just wondered if you could maybe elaborate on what you're seeing and just how influential that's been on your decision to slow the rollout. And then just a quick one on return on capital. You've given very good granularity in terms of Free Cash Flow growth beyond 2027. But would you expect that ROCE metric to continue to rise beyond 2027 and get well above the 15% you're targeting in 2027?

Joost Farwerck: Yeah. Thank you. Well, six years ago, people told us that the max you can do in the Netherlands on fiber rollout is roughly 350,000 Homes Passed per year. We challenged that and together with the Glaspoort joint venture, we went up to a level of 600,000 to 700,000 in one or two years per year to get to the level of 70% coverage. So that is a huge operation, very well executed by our people. But it's also very important to go to a more moderate pace to get things better in control. And that comes to the quality steering, the customer first time right delivery, optimizing our operating model. You can't just push that forever. Also taking into account altnets stopped selecting new areas. Also taking into account 90% of the Netherlands is done. We now move to a more moderate rollout pace, smart and really connected to the transformation programs, copper switch off to facilitate that.

So I think it's optimizing value. We move from homes passed to really connect and activate. We passed 70% of the Netherlands, but a lot of these customers are still not on KPN or on a wholesale customer of ours. So there's a lot to do to activate more customers. And that's what we show somewhere in the presentations. Activations of 60% in the areas before 2019 to 40% in the areas where we recently built. So, there's also a lot to do to improve the penetration, because the whole business case on fiber is about penetration. All in all, in a more moderate pace, we will end up 80, north from 80.

We set the target on 85, somewhere in between, so I think it's the best strategy for the coming years also to get more control on our transformation programs.

Chris Figee: Yeah. And the question on return on capital, what could it do beyond 2027? First of all, we're pretty pleased with reaching 15%. So about 700 to 800 basis points above the cost of capital. So it's clearly consistent with – we continue to create value. And if you look at the moving parts beyond 2027, it's of course the continued Capex versus depreciation. I think we'll continue to invest a little bit more than we depreciate. So that extends our balance sheet a bit. So that's a bit of a negative maybe on return on capital in the short term. At the same time, as Joost said, we'll be getting more penetration on our fiber networks, getting more usage of our other networks, like in mobile. There's growth in Wholesale and in B2B growth in IoT, CPaaS, 5G Campus. So it's more about the usage of our assets. My estimate would be to stay north of 15% with some opportunity for some small growth. I don't see us immediately go to 20%. But a gradual increase of our ROCE from 15% gradually drifting upwards. That will not be impossible, but certainly consistent with creating value.

Paul Sidney: I just have a quick follow up on your answer. You mentioned the altnets, but what about VodafoneZiggo? What are you seeing in terms of their build out? And how concerned are you about what they're doing in terms of investment looking forward?

Joost Farwerck: Well, they announced some kind of a new strategy where they will launch higher speed connectivity via their own network by upgrading the network. And they mentioned 2 or 4 Gbit/s, if I'm not mistaken. That's probably not bad for the Dutch market in the first place, and something that's really a challenge for them. But that's up to them. And we follow our own plans. Mainly, we see one and four Gbit/s on our fiber network but that's symmetrical. So on their side is always upload max to 100, and download is a max two. And for us, it's confirmed, symmetrical up and down. So, at the end, like I always say, they're always welcome to talk to us, to join us on our fiber network.

Paul Sidney: That's very clear. Thank you both.

Operator: And our next question comes from Otavio of Bernstein. Please go ahead. Otavio, you might want to check on your audio if it’s muted. Otavio, your line is open. We'll now move on to our next question from Siyi He of Citi. Please go ahead.

Siyi He (Citi): Hello. Hi. Good afternoon. Thank you for taking my questions. I have two, please. And the first question is really on the combined discounts that you're offering to the consumers. I think in Q3 we've seen that ARPU in both mobile and fixed in consumers has been flattish and under a little bit pressure. And by the looks of it, as long as you're pushing the penetration of combined services, it seems that they're going to be some pressure on ARPU. I'm just wondering if you can help us to think in the coming quarters on the development of ARPU in consumers, and how long do you think investors will see some ARPU increase in consumers?

And my second question is on the fiber deployment. I think your mid-term target is 85%. I guess some of them you could consider to consolidate some of the existing fiber players in the market. I’m just wondering if you can talk about potential opportunities on that which could bring forward the fiber deployment before 2030. Thank you.

Joost Farwerck: Yeah. For us, the question in some cases arises buy or build. So sometimes there's a third-party fiber network available willing to sell to us. And then of course, we are willing to start negotiations. And that's also what we did in the past years. There's still a couple of opportunities out there in the market. And already for a very long time, we are waiting for a clear signal from our regulator about a deal between our joint venture Glaspoort and Delta Fiber, where the joint venture is trying to acquire 200,000 roughly 220,000 households from Delta. So yes, we are always interested in M&A when it comes to fiber assets. Of course, depends on the price, but it also in some cases depends on our regulator. And that's always a bit of a very long discussion here in the Netherlands at least.

On consumer, the whole Combivoordeel strategy of us is different than what the challengers do. That's more an acquisition strategy where you really try to push in the net adds growth. And we are now really investing in our customer base by Combivoordeel. And like we showed in the presentation, that's an upfront investment that will be shown later on. So, we have to be patient when it comes to this kind of a strategy because it's all about churn reduction instead of the acquisition numbers. And that's – well, I'm positive here because the first signals are good. Churn is going down.

ARPU is a bit on the pressure that also has to do with back book, front book migrations and all these additional services we're doing in Combivoordeel. So, we increased prices, but that's only visible for 1.5% while the increase was something like 3%. But that has to do with mainly the investments we do in our customer base and the back book front book movements related to that by the way.

Chris Figee: Yeah. On the Combivoordeel, the proposition is when you combine more, get more. So if your existing customer has multiple products, you get like combination of advantages. Like you get free Netflix or other services. So, as Joost said, it’s really aimed at your base, at loyalty, at churn, not to acquire customers. Obviously, in the first years, that will cost us. I mean, think about, for example, we said in Q4, I would expect fixed service revenue growth in Q4 to be 0.4% and there's like 80 basis points to like drag from this amount of money.

Next year, that will probably continue. It's embedded in the 1.5% consumer service revenue growth. So the 1.5% is including the Combivoordeel, the Combi advantage, the Combi benefit program. So the net number is 1.5% for consumers as a whole. But I would think that fixed as such will probably grow about 0.5 percentage per quarter. And then you could see gradual movement probably improving in the second half of next year into '27 when the churn benefits start to outweigh actually the annual spend. But it's a situation where the investment goes first, the benefits come later.

So, to me, the key is think about the fixed side of things to grow about 0.4-0.5% with 80 basis points to 1% drag on reported service revenues, but it's embedded, included in the 1.5% guidance for consumer for next year. And I would expect in '27, you would see the churn benefit to gradually outweigh the cost of the program.

Siyi He: It's very clear. Thank you.

Operator: Thank you. And our next question is from David Vagman of ING. Please go ahead.

David Vagman (ING): Yes. Good afternoon, everyone, and thanks for taking my question. The first one is maybe just a clarification, because you've already partly answered my question. But on the 85% coverage by 2030, could you explain or give a bit more clarification on how you intend to get these additional 15% over five years' time? Is it all organic? And by that, I mean, KPN, do you have in mind some M&A? Is it also Glaspoort, which is about to expand its footprint? And then does it imply basically also that you get some overbuild with Delta Fiber? So that's my first question.

Second question, and sorry to come back on Glaspoort and on the contribution to the Free Cash Flow growth by 2030. I would have expected Glaspoort to contribute a bit more given that you have wholesale cost, I think, by 2027, you guided of € 150 million. And I would have thought that the Capex of Glaspoort would have come down really significantly after the rollout.

Joost Farwerck: Yeah. We said we're going to a more moderate rollout pase when it comes to fiber. Very much needed to get the operational quality higher. So, we will get to the 80%, but later in time. If it's going to be 85% without any M&A, I don't think so. So, organically, we will roll out to at least 80% up – north from 80%. But if we would really hit for the number 85%, we probably need some small M&A. But we would like to set ourselves a firm target where you have to work on.

Chris Figee: Yeah. On Glaspoort, on your question, when you look at the Capex profile and the rollout profile of Glaspoort going forward, '27 will be the last year for Glaspoort on the retail rollout. So the peak will be next year and some retail rollout remainder in '27. In 2028, we expect Glaspoort to do some fiber rollout in business parks, some more fiber to the business and business park fiber. And then there afterwards, scale down reasonably quickly. That means that in principle, if you were to consolidate that, the EBITDA contribution of Glaspoort would quickly be € 100 million plus.

But still, Capex in '28, mostly around the B2B program that they're running, and B2B is mostly around business parks, and those tends to be relatively high cost per HP connections. So that means that Glaspoort really in 2028 will probably still be cash flow negative, will be cash flow positive in 2029, and a lot more positive in 2030. So that's kind of the cash flow profile of Glaspoort, mainly to do it in 2028. I'd expect them to continue to invest or to finish the program around the B2B side, which is quite capital-intensive. Obviously, we're in continued discussion with them to see how we can accelerate and fast track, but this is the base plan. If we can do faster, obviously, we won't hesitate. But this is the base plan for Glaspoort, which means they'll probably be cash flow positive really in '29 and significantly cash flow positive in 2030.

David Wegman: Okay. Thanks very much.

Operator: Thank you. And the final question is from Otavio of Bernstein. Please go ahead.

Otavio Adorisio: Sorry about the hassle. My question is a follow-up from the previous one. We'll start from Glaspoort. You gave a lot of details about the impact on consolidations. The main impact will be on the debt Glaspoort is basically having on the books. Could you tell us how much you would pay for the equity? And you will be increasing the gearing. You said that anyway, your cash flow will be better quality by then. But have you already engaged with the agencies if they will be happy with 2.8x roughly net debt to EBITDA going forward?

And moving to the second one, on the Opex, you effectively gave a lot of visibility in terms of the cost cutting between 2025 and 2030 on the €100 million savings on the indirect Opex. My question is that how much of this is already embedded on the '27 guidance? And how much will be delivered between 2027 and 2030?

And the third one is on the targets for 2030. You provide tons of numbers. But my question is about how you're going to achieve these numbers, a bit of granularity on the KPI’s. It looks that you are also confident on winning market share from the cables, but it's very likely that VodafoneZiggo will continue repricing. They're not happy to losing a line. So do you have embedded in your guidance any potential repricing on the broadband market, potential from Odido? And what about wholesale? There is any loss you project to the ultimate or gains? Because it looks to me that on your wholesale segments, you effectively project wholesale new customers coming in rather than losses on the wholesale side. Thank you.

Chris Figee: Yes. On the first question on Glaspoort, on the consolidation, we basically will buy the consolidating share. So there will be no equity out for consolidation. There's the one remaining share, which is the price of one share. So that would not require any additional investments. It's the one consolidating share.

On leverage, look, when you look at our leverage today, I think we're on the safer end in the rating agency bandwidth. That also what we understood talking to them. I would say, if you want to stay below 3x with a certain buffer, we'd stay safely in the investment-grade range. I mean, already today, we're on the safer end of our range today. So I think a moderate increase as we discussed, should be well absorbable and achievable within the current rating band.

Maybe on the third question, look, we give one number, right? It's the Free Cash Flow. There are lots of moving parts in there, but the Free Cash Flow, what we think we can get. And obviously, these might be compared to the current expectations, some number moving towards a bit to the left, some number moves a bit to the right. But I think the continuation of mid-single-digit Free Cash Flow growth is feasible, giving various scenarios and permutations on the numbers.

Do we think there will be repricing in broadband? Who knows? It might be. At this point, that's not in the card. So we don't project or plan for repricing of broadband. I don't think there's any necessity to it because pricing in the Netherlands is in line with European markets. We've done some studies, even the Ministry of Economic Affairs has done work against that and showing that interest – the broadband pricing in the Netherlands really is average compared to the rest of Europe.

Losing wholesale to allnets, that's relatively limited. At this point, you've obviously noticed that there are some line losses in broadband, which really has to do with the repricing of the Tele2 brand from our main customer. We'd expect that to be ending in the first quarter of next year. And then when you assess the overlap between what I say the copper base that we – the overbuild risk to our wholesale portfolio is relatively small after that. I mean there are some overlap, but we think that's probably be able to – we can counter that with a combination of growth in fiber, annual indexation, a mix effect shifting from copper to fiber, that whole set of developments could probably counter any – the risk of altnets in wholesale.

So to me, first – could there be repricing in broadband? We can never rule anything out, but it's not in the plans. And certainly, we don't intend to initiate that, and we think there's no need when you look at pricing in the country. And wholesale, as I said, there's a line loss we've gone through. It’ll probably go through in Q1 next year. But after that, it feels like that actually could be stabilizing quite neatly and the amount of remaining overlap is actually limited.

Joost Farwerck: Yes. On the Opex savings you mentioned, it's gradually growing in. It's typical Opex savings in one year– the real effect is the year after. It's almost doubled then. So take 2025 – no, let's take last year, we saw the indirect costs increasing, and that's because CLAs went up due to inflation, all kind of costs went up. So it was a cost uplift of almost 5-6% – we have to fight against that first and then step down, and that's what we do this year. So this year, we will be more flat on the cost, and that's already saving a lot to equalize that - all these price increases we see a headwind. And the effect of that will be better next year because of this year, we do like 300 FTE reduction, but that's also done in the last six months of the year. So next year it is for the full 12 months.

So typically, a program like this will be a first step down of 10, 15 feasible, first flat and then 10, 15. Well, if we do very good 20 perhaps. And then we go faster on the cost savings because of the effect as well and also because of the programs we run are coming more to an end.

Otavio Adorisio: And very quick on Glaspoort. You only buy one share. So effectively the remaining will be a minority. So this minority will have any put option to sell at some stage? And I guess they want to be served. They will be paid in dividends Glaspoort to these minorities?

Chris Figee: Yes. There is no put option. So basically, it's a call option. And I think our co-shareholder is in it for the long term to enjoy the yield that this business gives. And then the plan is for the dividends of Glaspoort to be equal to the cash flow that it generates. Possibly think about how you use the debt on that balance sheet. But the whole thing of dividend of Glaspoort would be definitely equal to the cash it generates.

Otavio Adorisio: Thank you very much.

Matthijs van Leijenhorst: Okay. Thank you all for your questions. Joost, Chris, thank you. That concludes today's session. In case of any questions, do not hesitate to reach out to the Investor Relations team. Thank you all.

[END OF TRANSCRIPT]