Q1 2017 Results Conference Call

George A. Cope
President and Chief Executive Officer

Glen LeBlanc
Executive Vice President and Chief Financial Officer

April 26, 2017

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements made by BCE's President and Chief Executive Officer and Executive Vice-President and Chief Financial Officer during BCE's Q1 2017 Results Conference Call, as reflected in this transcript, are forward-looking statements. These forward-looking statements include, without limitation, statements relating to BCE's 2017 financial guidance (including revenues, adjusted EBITDA, capital intensity, adjusted EPS and free cash flow), BCE's 2017 annualized common share dividend and common share dividend payout policy, our network deployment plans and related capital investments, the synergies and other benefits expected to result from the acquisition of Manitoba Telecom Services Inc., BCE's business outlook, objectives, plans and strategic priorities, and other statements that are not historical facts. Forward-looking statements are typically identified by the words assumption, goal, guidance, objective, outlook, project, strategy, target and other similar expressions or future or conditional verbs such as aim, anticipate, believe, could, expect, intend, may, plan, seek, should, strive and will. All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws and of the United States Private Securities Litigation Reform Act of 1995.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on several assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from our expectations expressed in or implied by such forward-looking statements and that our business outlook, objectives, plans and strategic priorities may not be achieved. As a result, we cannot guarantee that any forward-looking statement will materialize and we caution you against relying on any of these forward-looking statements. The forward-looking statements contained in this transcript describe our expectations as of April 26, 2017 and, accordingly, are subject to change after such date. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statements contained in this transcript, whether as a result of new information, future events or otherwise. Except as otherwise indicated by BCE, forward-looking statements do not reflect the potential impact of any special items or of any dispositions, monetizations, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after April 26, 2017. The financial impact of these transactions and special items can be complex and depends on the facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way or in the same way we present known risks affecting our business. Forward-looking statements were made during BCE's Q1 2017 Results Conference Call for the purpose of assisting investors and others in understanding certain key elements of our expected financial results, as well as our objectives, strategic priorities and business outlook, and in obtaining a better understanding of our anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes. The forward-looking statements made during BCE's Q1 2017 Results Conference Call for periods beyond 2017 assume that the economic, market, operational and financial assumptions as well as the material risk factors described in this transcript will remain substantially unchanged during such periods.

Material Assumptions

A number of economic, market, operational and financial assumptions were made by BCE in preparing certain forward-looking statements contained in this transcript, including, but not limited to:

Canadian Economic and Market Assumptions

- *Gradual improvement in economic growth, given the Bank of Canada's most recent estimated growth in Canadian gross domestic product of 2.6% in 2017, representing a 50 basis-point increase from an earlier estimate of 2.1%*
- *Modest employment growth, as the overall level of business investment is expected to remain soft*
- *Canadian dollar expected to remain at or around near current levels. Further movements may be impacted by the degree of strength of the U.S. dollar, interest rates and changes in commodity prices.*
- *A higher level of wireline and wireless competition in consumer, business and wholesale markets*
- *Higher, but slowing, wireless industry penetration and smartphone adoption*
- *Wireless industry pricing discipline maintained*
- *Soft media advertising market expected, due to variable demand, and escalating costs to secure TV programming*

Assumptions Concerning our Bell Wireless Segment

- *Maintain our market share of incumbent wireless postpaid subscriber activations*
- *Continued adoption of smartphone devices, tablets and data applications, as well as the introduction of more 4G LTE devices and new data services*
- *Higher subscriber acquisition and retention spending, driven by higher handset costs and more customer device upgrades, reflecting a higher number of off-contract subscribers due to earlier expiries under two-year contracts*
- *Higher blended ARPU, driven by a higher postpaid smartphone mix, increased data consumption on 4G LTE and LTE-A networks, and higher access rates from price increases*
- *Completion of the LTE network buildout to 99% of the Canadian population and expansion of the LTE-A network coverage to approximately 87% of the Canadian population, including Manitoba*
- *Ability to monetize increasing data usage and customer subscriptions to new data services*

- *Ongoing technological improvements by handset manufacturers and from faster data network speeds that allow customers to optimize the use of our services*
- *No material financial, operational or competitive consequences of changes in regulations affecting our wireless business*

Assumptions Concerning our Bell Wireline Segment

- *Positive full-year adjusted EBITDA growth*
- *Continued growth in residential IPTV and Internet subscribers*
- *Increasing wireless and Internet-based technological substitution*
- *Residential services household ARPU growth from increased penetration of multi-product households and price increases*
- *Aggressive residential service bundle offers from cable TV competitors in our local wireline areas*
- *Continued large business customer migration to IP-based systems*
- *Ongoing competitive repricing pressures in our business and wholesale markets*
- *Continued competitive intensity in our small and mid-sized business markets as cable operators and other telecom competitors continue to intensify their focus on business customers*
- *Growing consumption of OTT TV services and on-demand streaming video, as well as the proliferation of devices, such as tablets, that consume vast quantities of bandwidth, will require considerable ongoing capital investment*
- *TV unbundling will not materially accelerate the downsizing of TV packages by customers*
- *Realization of cost savings related to management workforce attrition and retirements, lower contracted rates from our suppliers, reduction of traffic that is not on our network and operating synergies from the integration of MTS*
- *Softer wholesale financial performance due to a CRTC decision in October 2016 that significantly lowered capacity-based billing rates for aggregated wholesale high-speed Internet access services*
- *No other changes in regulations affecting our wireline business having material financial, operational or competitive consequences*

Assumptions Concerning our Bell Media Segment

- *Higher year-over-year revenue, reflecting further CraveTV subscriber growth, The Movie Network's national expansion that began in March 2016, and growth in outdoor advertising supported by acquisitions and new contract wins*
- *Operating cost growth driven by higher TV programming and sports broadcast rights costs, as well as continued investment in CraveTV content*
- *Continued scaling of CraveTV*
- *Ability to successfully acquire and produce highly rated programming and differentiated content*
- *Building and maintaining strategic supply arrangements for content across all screens and platforms*
- *Increased revenue generation from monetization of content rights and Bell Media properties across all platforms*
- *TV unbundling and growth in OTT viewing expected to result in moderately lower subscriber levels for many Bell Media TV properties*
- *No material financial, operational or competitive consequences of changes in regulations affecting our media business*

Financial Assumptions Concerning BCE
The following constitute BCE's principal financial assumptions for 2017:

- *total post-employment benefit plans cost to be approximately $320 million to $340 million, based on an estimated accounting discount rate of 4.0%, comprised of an estimated above adjusted EBITDA post-employment benefit plans service cost of approximately $250 million to $260 million and an estimated below adjusted EBITDA net post-employment benefit plans financing cost of approximately $70 million to $80 million*
- *depreciation and amortization expense of approximately $3,850 million to $3,900 million*
- *net interest expense of approximately $950 million to $975 million*
- *tax adjustments (per share) of approximately $0.01*
- *an effective tax rate of approximately 27%*
- *non-controlling interest (NCI) of approximately $50 million*
- *total pension plan cash funding of approximately $400 million to $450 million*
- *cash taxes of approximately $650 million to $700 million*
- *net interest payments of approximately $950 million to $975 million*
- *other free cash flow items, which include working capital changes, severance and other costs paid, preferred share dividends and NCI paid, of approximately ($25) million to ($150) million*

- *average BCE common shares outstanding of approximately 895 million*
- *an annual common share dividend of $2.87 per share*

The foregoing assumptions, although considered reasonable by BCE on April 26, 2017, may prove to be inaccurate. Accordingly, our actual results could differ materially from our expectations as set forth in this transcript.

Material Risks
Important risk factors that could cause our assumptions and estimates to be inaccurate and actual results or events to differ materially from those expressed in, or implied by, our forward- looking statements, including our financial guidance, are listed below. The realization of our forward-looking statements, including our ability to meet our financial guidance, essentially depends on our business performance which, in turn, is subject to many risks. Accordingly, readers are cautioned that any of the following risks could have a material adverse effect on our forward-looking statements. These risks include, but are not limited to:

- *regulatory initiatives, proceedings and decisions, government consultations and government positions that affect us and influence our business, including, in particular, those relating to mandatory access to networks, net neutrality, spectrum auctions, approval of acquisitions, broadcast licensing and foreign ownership requirements*
- *the intensity of competitive activity, including from new and emerging competitors, and the resulting impact on the cost of retaining existing customers and attracting new ones, as well as on our market shares, service volumes and pricing strategies*
- *the level of technological substitution and the presence of alternative service providers contributing to reduced utilization of our traditional wireline services*
- *the adverse effect of the fundamental separation of content and connectivity, which is changing our TV and media ecosystems and may accelerate the disconnection of TV services and the reduction of TV spending, as well as the fragmentation of, and changes in, the advertising market*
- *competition with global competitors, in addition to traditional Canadian competitors, for programming content could drive significant increases in content acquisition costs and challenge our ability to secure key content*
- *adverse economic and financial market conditions, a declining level of retail and commercial activity, and the resulting negative impact on the demand for, and prices of, our products and services and the level of bad debts*
- *the inability to protect our assets, including networks, IT systems, offices and sensitive information, from events and attacks such as cyber threats, and damage from fire and natural disasters*
- *the failure to optimize network and IT deployment and upgrading timelines, accurately assess the potential of new technologies, and invest and evolve in the appropriate direction*
- *the failure to continue investment in a disciplined and strategic manner in next-generation capabilities, including real-time information-based customer service strategies*
- *the inability to drive a positive customer experience resulting, in particular, from the failure to embrace new approaches and challenge operational limitations*
- *the complexity in our operations resulting from multiple technology platforms, billing systems, marketing databases and a myriad of rate plans, promotions and product offerings*
- *the failure to maintain optimal network operating performance in the context of significant increases in capacity demands on our Internet and wireless networks*
- *the failure to implement or maintain highly effective IT systems supported by an effective governance and operating framework*
- *the risk that we may need to incur significant capital expenditures beyond our capital intensity target in order to provide additional capacity and reduce network congestion*
- *the failure to generate anticipated benefits from our corporate restructurings, system replacements and upgrades, process redesigns and the integration of business acquisitions*
- *events affecting the functionality of, and our ability to protect, test, maintain and replace, our networks, IT systems, equipment and other facilities*
- *in-orbit and other operational risks to which the satellites used to provide our satellite TV services are subject*
- *the failure to attract and retain employees with the appropriate skill sets and to drive their performance in a safe and secure environment*
- *labour disruptions*
- *the inability to access adequate sources of capital and generate sufficient cash flows from operations to meet our cash requirements, fund capital expenditures and provide for planned growth*
- *uncertainty as to whether dividends will be declared by BCE's board of directors or whether BCE's dividend payout policy will be maintained*
- *the inability to manage various credit, liquidity and market risks*
- *pension obligation volatility and increased contributions to post-employment benefit plans*

- *higher taxes due to new tax laws or changes thereto or in the interpretation thereof, and the inability to predict the outcome of government audits*
- *the failure to reduce costs as well as unexpected increases in costs*
- *the failure to evolve practices to effectively monitor and control fraudulent activities, including unauthorized use of our content and the theft of our TV services*
- *events affecting the continuity of supply of products and services that we need to operate our business from our third-party suppliers and outsourcers*
- *the failure of our procurement and vendor management practices to address risk exposures associated with existing and new supplier models*
- *the quality of our products and services and the extent to which they may be subject to manufacturing defects or fail to comply with applicable government regulations and standards*
- *security and data leakage exposure if security control protocols applicable to our cloud-based solutions are bypassed*
- *unfavourable resolution of legal proceedings and, in particular, class actions*
- *unfavourable changes in applicable laws and the failure to proactively address our legal and regulatory obligations*
- *health concerns about radiofrequency emissions from wireless communications devices*
- *the inability to maintain customer service and our networks operational in the event of the occurrence of epidemics, pandemics and other health risks*
- *the failure to recognize and adequately respond to climate change concerns or public and governmental expectations on environmental matters*

We caution that the foregoing list of risk factors is not exhaustive and other factors could also adversely affect our results. We encourage investors to also read BCE's 2016 Annual MD&A dated March 2, 2017 (included in the BCE 2016 Annual Report), BCE's 2017 First Quarter MD&A dated April 25, 2017, and BCE's news release dated April 26, 2017 announcing its financial results for the first quarter of 2017 for additional information with respect to certain of these and other assumptions and risks, filed by BCE with the Canadian provincial securities regulatory authorities (available at Sedar.com) and with the U.S. Securities and Exchange Commission (available at SEC.gov). These documents are also available at BCE.ca.

The terms "adjusted EBITDA", "adjusted EBITDA margin", "adjusted EPS", "free cash flow" and "dividend payout ratio" used in this transcript are non-GAAP financial measures and do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other issuers. Refer to the section "Notes" in BCE's news release dated April 26, 2017 announcing its financial results for the first quarter of 2017 for more details..

CORPORATE PARTICIPANTS

George Cope
President and CEO

Glen LeBlanc
Executive Vice President and CFO

Thane Fotopoulos
Vice President - IR

CONFERENCE CALL PARTICIPANTS

Richard Choe
J.P. Morgan – Analyst

Jeffrey Fan
Scotiabank – Analyst

Simon Flannery
Morgan Stanley – Analyst

Aravinda Galappatthige
Canaccord Genuity – Analyst

Rob Goff
Echelon Wealth Partners – Analyst

Phillip Huang
Barclays – Analyst

Adam Ilkowitz
Citi – Analyst

Batya Levi
UBS – Analyst

Greg MacDonald
Macquarie Capital Markets – Analyst

Drew McReynolds
RBC Capital Markets – Analyst

Maher Yaghi
Desjardins Securities – Analyst

PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to BCE First Quarter 2017 Results Conference Call.
I would now like to turn the meeting over to Mr. Thane Fotopoulos. Please go ahead.

Thane Fotopoulos – Vice President – IR

Thank you, Wayne. Good morning to everybody on the call. Joining me this morning, as usual, are George Cope, BCE's President and CEO, as well as Glen LeBlanc, our CFO.

As a reminder, our first quarter results package, updated 2017 financial guidance targets, and other disclosure documents, including today's slide presentation, are available on BCE's Investor Relations web page.

In addition, for today, because our Annual General Meeting that will be taking place later this morning is in Ottawa, we will be ending the call a few minutes earlier than usual, so we will take as many questions as time permits, after George and Glen have completed their formal remarks.

Before we get started, I want to draw your attention to the Safe Harbor statement on Slide 2.

Information in this presentation and remarks made by the speakers today will contain statements about expected future events and financial results that are forward-looking and therefore subject to risks and uncertainties. These forward-looking statements represent our expectations as of today and, accordingly, are subject to change. Results may differ materially. We disclaim any obligation to update forward-looking statements, except as required by law. Factors that may affect future results are contained in BCE's filings with both the Canadian Securities Commissions and the SEC, and are also available on our corporate website.

So, with that, over to George.

George Cope – President and CEO

Good morning, everyone. Thank you for joining us. We turn now to the presentation.

The Company had a 2.9% service revenue growth in the quarter, and as people would have seen this morning, driving a 2.4% increase in BCE's Adjusted EBITDA. I think it is worth calling out, though, that we were impacted also by about $35 million of one-time regulatory impacts, so really quite a strong financial quarter considering that impact to our EBITDA on a year-over-year basis.

Wireless continued to have excellent financial performance, as can be seen in the metrics, and strong Wireless postpaid growth. Our continued disciplined focus in the marketplace drove 37,000 Internet and IPTV net adds, and we enjoyed our 11th consecutive quarter of Wireline Adjusted EBITDA growth. We announced the continuation of our fibre roll-out, with an announcement in the first quarter of a plan to build out the City of Montreal, and our Media business had, actually, quite a reasonable quarter, with one impact, which Glen will address, which was the Super Bowl simsub decision that had an impact on the EBITDA of our Media business. And, most importantly, strategically, in the quarter, as we had forecasted, we were able to close successfully the MTS acquisition.

We will just quickly look at the MTS acquisition. Strategically, for us, it moves our ILEC footprint now to 73% of Canadian households, or 11.2 million of the 15.4 million households in the country. Also, if you look at household starts in Canada, at about 200,000 a year, that is about 150,000 household starts in our footprint now, and of course, therefore, over a five-year-period, we will be close to 12 million households covered. We

have 3.7 million Internet subscribers today, so quite a broadband opportunity for us going forward with this acquisition.

We turn to looking at the scale we have been able to achieve by adding MTS to our organization. We have picked up about 700,000 Wireless, Internet and IPTV subscribers. We have become the number one Wireless provider in the province of Manitoba. We have added 6.6% to our Internet base and almost 8.0% to our IPTV customer base. We expect the transaction will be free cash flow accretive this year, and Glen will address that in his presentation. We also have increased our synergies, as we reported earlier, from an expected $50 million to $100 million, and those have been driven by completion of our due diligence, which showed additional opportunities, and I will just call out one particular area.

Being a national carrier, of course, we can now move traffic that would have, up until now, been on our competitors' networks, which will now be on the Bell network. A good example, we have already moved all of the MTS Wireless customers who would have roamed on our largest competitor in Canada now roam on us, and that was done within the first few weeks of the integration.

Overall, the network traffic moving between Wireless and Wireline will generate about $25 million of the synergies within the first 12 months.

In total, of course, the transaction, being cash flow accretive, will continue to drive our industry-leading free cash flow margins, continuing to contribute the capital required for our fibre build and dividend growth strategy.

Turning to Page 7, service revenue growth of $127 million in the quarter was actually the highest absolute dollar growth in the history of Bell Mobility, and that was driven through the subscriber growth and the continued increase in strong average revenue per customer. We saw an uptick in usage year-over-year on our LTE subscriber base of 37%, and the speed that we are bringing to the marketplace is clearly now driving usage, and that continues to drive an increase in ARPU, increase in revenue, and, as you can see, an increase in net adds, up 38% year-over-year. Churn would have been flat year-over-year if not for the remaining-removal of a corporate customer that we had talked about in the fourth quarter. That customer had an ARPU of about $30, but did impact our churn on a year-over-year basis. We generated simple free cash flow margin in the Wireless of 38% in the quarter, really quite a strong financial result for the organization.

Our Wireless network investments continue. At the end of the quarter, we had 98% of the country covered with LTE and we were at 74% on LTE Advanced, and as we exit 2017, 87% of the country will have access to LTE Advanced services. We also just last week announced, as the first carrier in North America to deliver Quad Band speeds. So, combining four different spectrums together, combined with what is known as 256 QAM technology, will give subscribers speeds, on average, of between 22Mbps and 174Mbps, and speeds actually up to as much as 750Mbps. We already have 650 sites deployed. The new Samsung Galaxy S8 and S8+ product enables this technology to work, so we will clearly have the fastest Wireless network in the country and in North America with the roll-out of this handset and this new technology. As I have reported before, 95% of our cell sites now have high-speed fibre backhaul, so there is no bottleneck there, and as we look through 2017, we will, through this year, exit the year with the fastest Wireless network in all major cities in the country.

Turning to the Wireline, in the quarter, we added 37,000 Internet and IPTV net adds. The Internet net adds were 15,000 in total; 24,300 net adds in our IPTV footprint. On the IPTV side, we added 22,400 net adds, clearly seeing it maturing, as our footprint expansion is not as aggressive as it had been in the past, and absolutely seeing some of the TV subscription OTT substitution. We will address the OTT substitution market in the coming weeks with a new innovative product for the marketplace, which the street will hear about over the next four to six weeks.

Turning to our investment in fibre, just an update for our investors. In the quarter, we announced an $850 million investment to deploy fibre in the City of Montreal. That is 1.1 million businesses and homes. A positive from an investment perspective, this is a unique build, as it will be 90% aerial and only 10% buried, versus Toronto, which has a much more buried versus aerial ratio, relative to the Montreal situation. In terms of Toronto, we are on track. We will have the majority of the city completed by the end of this year, so we will have the ability to mass market fibre in the Toronto market as we enter 2018.

Here are just a few metrics for our investors who have been asking us. In the quarter, about 40,000 subscribers were added to our fibre footprint. If we are in the line where I hope we will be, we should be close to about a million customers on our fibre footprint by the end of the year. At this point, over 60% of those customers have over 300Mbps services. By the summer, 80% will have 300Mbps+ services and 100% will be over a 150Mbps, we are seeing an average ARPU on that customer base of about $125, and that is a blend of those who would have TV Internet, some would have triples, some would have simply even TV with Internet in their bundling. So, that is where we are in terms of the fibre, but a very positive quarter and we can see the momentum, and there is absolutely no doubt in our mind that the launch of fibre in Toronto will be a game-changer for our Company going forward.

Turning to Media, a reasonable quarter, continued to be number one in conventional TV. Also, from a sports perspective, saw a 13% increase in viewership at TSN, driven by the success of the Toronto Raptors, and also, on the tennis side, you can see a 45% increase year-over-year. So, some strong results there. Continuous growth on CraveTV. I will turn it over to Glen and he will take you through some of the financial impacts of the Super Bowl for us in the quarter.

With that, let me turn it over to Glen.

Glen LeBlanc – Executive Vice President and CFO

Thanks, George, and good morning everyone. Let me begin with a quick summary of our Q1 financial results, on Slide 13.

We had a very solid start to the year, reflecting the Bell's team's consistent execution of our focused commitment to deliver profitable subscriber acquisition, control our costs and invest in advanced broadband networks to drive future growth. Although the MTS acquisition was completed on March 17, MTS' financial contribution in Q1 was relatively small in terms of revenue and EBITDA and, therefore, immaterial to overall consolidated and operating segment results this quarter.

Service revenue grew a very respectable 2.9%, led by the accelerated top line growth in Wireless, higher year-over-year Wireline residential revenue in the quarter, which saw a notable step-up in the competitive intensity, and positive growth for Bell Media.

Adjusted EBITDA is also up a healthy 2.4%, yielding a higher year-over-year margin of 41.1%. This was achieved despite the $35 million George mentioned earlier in regulatory-related impacts absorbed in the quarter from wholesale Internet tariff-free rates, mandated customer refunds for cancelled services, and the loss of simultaneous substitution advertising rights for the Super Bowl.

Higher Adjusted EBITDA drove 2.4% growth in adjusted EPS to $0.87 per share, and a 17% increase in free cash flow, which grew to $489 million this quarter. The statutory EPS was down $0.04 over last year to $0.78. The year-over-year decline was mainly the result of higher severance, acquisition and other costs related to the MTS acquisition.

That does it for overall consolidated financial results, so let me turn to our operating segments, starting with Wireless on Slide 14.

As George detailed earlier, another excellent quarter of financial performance with service revenue that continued to trend higher, increasing 8.0% on the back of strong ARPU and postpaid subscriber growth. This drove Adjusted EBITDA growth of an impressive 7.5% and high service revenue margins of 47.7%, even as we spent $35 million on postpaid customer acquisition and retention, compared to last year.

This higher spend was principally the result of the sustained high level of market activity in the quarter, as well as higher handset prices that reflected a richer smartphone/device mix and the impact of the weaker Canadian dollar, which accounted for approximately 30% of that increase.

Lastly, in terms of cash generation, Bell Wireless continued to provide a strong contribution to BCE's consolidated free cash flow, delivering growth in Adjusted EBITDA less Capex of 13.9%, even as we continued to spend significantly on carrier spectrum aggregation and the deployment of small cell technology to further enhance our network leadership position.

Moving to the Wireline segment on Slide 15, we saw a notable improvement in Bell's Wireline service revenue performance trajectory in Q1, increasing 0.7% year-over-year, compared to a 0.3% decline last year. This represents our best results in almost two years and it was realized despite the significant competitive and regulatory pressures that existed in the quarter. Our Residential Services Unit lead the way, with a 6.3% year-over-year increase in household ARPU, driven by Internet and IPTV customer growth and pricing discipline.

Overall business market performance also improved, with lower year-over-year rates of revenue and EBITDA decline, supported by our Q9 acquisition. However, reduced customer spending by large enterprise customers on core connectivity, business service solutions and data products, due to the slow economy, continued to cause some variability in overall results, as did the lower CRTC mandated wholesale Internet rates, which negatively impacted our wholesale performance once again this quarter.

With respect to operating profitability, Wireline Adjusted EBITDA increased 0.4% on a 0.5% reduction in operating costs, even with $19 million in year-over-year regulatory impacts absorbed in the quarter.

Lastly, our Wireline Adjusted EBITDA margin expanded a further 20 basis points to an industry-leading 42.3%, yielding a best-in-class simple free cash flow margin, or flow-through margin, of 19%, which provides us ample operating leverage to self-fund our broadband fibre build-out going forward.

Turning to Slide 16, Media revenue was up 1.3% in Q1 on the strength of higher year-over-year subscriber revenues, which grew 10.1%. This was driven by the national expansion of The Movie Network, contract renewals with several large TV distributors, as well as the continued CraveTV and TV Everywhere growth. Advertising revenues were down 4.7% this quarter, mainly as a result of the declines in conventional TV and radio. Consistent with ongoing industry changes and consumer media viewing behaviour, the overall advertising market remains soft. Additionally, advertising demand in Q1 was impacted by the CRTC's decision to ban simultaneous substitution for the Super Bowl, which resulted in an estimated loss for us of around $11 million. This was partly offset by improved specialty sports and news channel performance, compared to last year, as well as continued strong growth in our outdoor advertising. Mainly as a result of the flow-through of the lost Super Bowl revenue, Bell Media's Adjusted EBITDA decreased 7.6%, or $11 million. Normalizing for this impact, EBITDA was flat year-over-year.

Slide 17 provides a breakdown of the parts of adjusted EPS for Q1, which was $0.87 per share, or 2.4% higher year-over-year. Higher Adjusted EBITDA contributed $0.04 to EPS growth. Also contributing to the higher EPS this quarter was lower year-over-year preferred share dividends, reflecting the impact of lower interest rates on rate resets and floating rate payments, as well as our higher other income that was driven by a pick-up in equity income from one of our minority interest investments, and mark-to-market foreign exchange gains on currency hedges. In addition to all of our U.S. dollar denominated spending for 2017, our U.S. exposure for 2018 has now been economically hedged through Q3 2018 at a blended rate of $1.30. These factors were partially offset by higher year-over-year depreciation and amortization expense, an increase in net interest expense, reflecting more long-term debt outstanding, due to our MTS acquisition. Moreover, there were no favourable tax provision adjustments this quarter, compared to $0.01 per share last year. Lastly, Adjusted EPS growth was impacted in Q1 by a higher share count, due to the issuance of 27.6 million new BCE common shares as part of the consideration for the MTS acquisition. This resulted in a dilution of approximately $0.01 per share this quarter.

Turning to 18, we generated free cash flow of $489 million this quarter, up 17% compared to last year, driven by higher Adjusted EBITDA, an improvement in working capital, lower severance paid, as last year's results reflected payments related to workforce restructuring initiatives undertaken at Bell Media and Bell Wireline in Q4 of 2015. We also took advantage of favourable market conditions and a sustained low interest rate environment during the quarter to successfully complete a $1.5 billion dual-tranche public debt offering on February 27, the proceeds of which were used to put in place permanent financing for the MTS acquisition. This brought down our weighted average cost to debt to 3.23% from 3.33%, while maintaining our average term to maturity of just over nine years. This quarter's free cash flow result also reflected a planned step-up in cash taxes, due mainly

to higher installment payments for 2017. However, this amount did not reflect the benefit of MTS' tax loss carry-forwards that we intend to utilize over the next few years, starting in Q2 of 2017.

Finally, turning to our updated financial guidance targets for 2017, as summarized on Slide 19, with the inclusion of MTS in our Wireline and Wireless operating results for essentially nine months this year, we are increasing both BCE's consolidated revenue and Adjusted EBITDA guidance for the full year 2017 to a range of 4% to 6%. This increased Adjusted EBITDA guidance also reflects the benefit of approximately $30 million in operating synergies for 2017. Obviously, the full $100 million of annualized run rate savings is going to take a few years to achieve.

Our adjusted EPS guidance for 2017 is being lowered to a range of $3.30 to $3.40 per share from the $3.42 to $3.52 per share previously, to reflect an approximate $0.04 non-cash charge for the amortization of fair value increment of the acquired MTS assets that related mainly to customer relationships, as well as the dilution of around $0.10 per share from the BCE common shares issued to MTS shareholders in March.

Lastly, as I outlined last May, when we announced the acquisition, MTS will be immediately accretive to BCE's free cash flow, benefiting from both sizeable operating synergies and tax losses, with a total estimated value of $300 million, of which $60 million will be utilized this year. However, we expect to incur cash severance and other MTS-related acquisition integration costs this year. This, in addition to our planned Capex spending in Manitoba, as well as higher cash interest payments for more than $900 million in MTS debentures, and short-term debt being assumed, will moderate MTS' overall contribution to BCE's consolidated free cash flow growth in calendar 2017.

As a result, taking all these puts and takes into account, we are increasing our free cash flow guidance for 2017 to the range of $3.375 billion to $3.550 billion. That is strong growth of approximately 5% to 10%, which fully supports our 5.1% dividend increase and our $4 billion capital investment program for 2017.

Slides 20 and 21 are for your reference. They summarize the key financial assumptions underpinning our revised guidance targets.

With that, I will turn the call back over to Thane and the Operator to begin our Q&A period.

Thane Fotopoulos – Vice President – IR

Great. Thanks, Glen. So, before we start the Q&A, I just want to remind participants of our time constraints this morning, so please keep your questions as brief as possible, so we can get to as many of you as we can this morning.

Wayne, with that, we can take our first question, please.

QUESTION AND ANSWER SESSION

Operator

Thank you. Please press star 1 at this time if you have a question.

The first question is from Richard Choe from J.P. Morgan. Please go ahead.

Richard Choe – J.P. Morgan – Analyst

Great, thank you. I just wanted to kind of get a little bit more colour on the competition from cable. It seems like it is been very robust in terms of the video and broadband side. Has that abated at all, and how should we think about video and broadband going forward, as you build out Toronto and Montreal?

George Cope – President and CEO

Great. Thanks for the question, Richard. First of all, as I tried to give you a little bit of insight of what is happening in the fibre territory, and you can see quite strong results there. In terms of the quarter, yes, there were, clearly, as we indicated in some of the notes, very aggressive acquisition offers in the marketplace by our competitors, possibly positioning in advance of the technology advantages we will be bringing to the market, that is maybe what we have seen. We have seen a little mitigation or a change in some of those programs in the marketplace as we have entered into the second quarter, and saw some pricing changes in the marketplace as well as we enter into the second quarter. So, we will have to see how that bodes for results going forward. But, clearly, it was an aggressive quarter. Interestingly, for us, we saw gross adds actually up in some of those segments, but actually still had the net add results that we reported this morning, and we think that was some of the pricing in the marketplace. But, outside of that, very positive overall for the Company, with the direction we are in, and the results we are seeing where we are making the investments to set us up for the future. But thanks for the question.

Operator

Thank you. The following question is from Simon Flannery from Morgan Stanley. Please go ahead.

Simon Flannery, Morgan Stanley

Thanks a lot. Good morning. George, perhaps you could just update us on the MTS acquisition so far, the integration, and perhaps you could compare it with where you were at this stage on Bell Aliant, and given this deal, where do you think you are in terms of your assets? We have seen a lot of deal making in the U.S., more to come. Do you feel like you have what you need to be successful over the long term or might we see more acquisitions, more divestitures going forward?

George Cope – President and CEO

It is always hard to comment on M&A, but what I would say, from our perspective, it is now about executing on the strong asset pool that we have, from one vertically integrated, and two now, as I talked about, the footprint that we picked up as a result of MTS, which benefits not just our consumer business, but our B2B business, where off-net traffic before would have been, obviously, with a different carrier. So, that piece, strategically, I think we are well positioned with the assets that we have in the marketplace. That is not to comment on the future, but we know now it is about executing what we have here.

It is early days on the integration, but we have done a number of transactions, as people know, over the years, and probably, as a result, we have somewhat of a rhythm to what we want to happen. We are off to the races there, good strong start. I mentioned some of the early benefits already. The fact that in the first weeks we migrated the entire subscriber base to be on our network versus our competitor's picks us up some early synergies. There will be other benefits like that going forward, as wholesale agreements, that MTS would have obviously purchased its access from ZAYO in the past. As those contracts come due, of course, we will migrate them to Bell. Then, services, even in the province of Manitoba, that MTS may have purchased from other carriers, such as ZAYO, we will obviously make sure we supply those through Bell. So, those are some of the early benefits.

Of course, the other side, from our perspective, is to bring to Manitoba all the benefits of our Fibe TV product. Quite frankly, that product was, it is probably fair to say, not invested as robustly as our product portfolio has been, so we are bringing that to the marketplace. We will be taking LTE Advanced to that marketplace.

So, we are quite positive on the positioning, and in terms of delivering on the expense pieces, we are obviously 100% confident in that, because we have done this many times in the past.

Simon Flannery, Morgan

Great. Thank you.

Operator

Thank you. The following question is from Greg MacDonald from Macquarie Capital Markets. Please go ahead.

Greg MacDonald – Macquarie Capital Markets – Analyst

Thanks. George, I would like to jump back to video for a second, if I could. You made some comments on competition, and thanks for that. You also made some comments on an OTT product that you have prepared, or is coming, to address that risk. Is that to imply that there is a growth in OTT cord-cutting-type activity? Can you comment on what is happening overall in that segment?

Then, as well, on the satellite side, we have looked at sort of high 30,000 declines on subscribers on a per quarter basis. Could you comment on what the current urban versus rural mix is there? There could be some mix change as time goes on—we are assuming that you are losing urban customers—and I am wondering at some point do we get some stability or greater stability in that subscriber number as time goes on. Thanks.

George Cope – President and CEO

Yeah, let me start with the end of the question. I would agree with your view on that. I do not have it top of head, but certainly Thane would be happy to give a little bit of colour to you on some of that.

Clearly, as urban footprints have been more competitive with other services, ultimately, our satellite business, as I have said in the past, will be more in the rural markets, and at some point we would expect some stabilization of that, or at least a reduction in the rate of decline. We obviously are not seeing it yet, but you would think that is what would happen, and that would be—our expectations would align with yours on that.

In terms of the OTT, I will not comment much, other than—obviously, I mentioned it, so it is a fair question. We will enter that marketplace in a short period of time. There is clearly growth there. There are customers who are choosing OTT as the way they want to view video, and so we want to make sure we are playing in that. That is important for our TV product, it is important for our Media assets, and it is important to our drive towards Internet subscriptions. So, on all three businesses, for us, strategically, it fits, and of course it can even enhance our Wireless position, and so you will see us pursuing that market, and we will be coming back to the marketplace with some announcements in the coming weeks, to make sure we capture our growing market there, as well.

Greg MacDonald – Macquarie Capital Markets – Analyst

Thank you.

Operator

Thank you. The following question is from Maher Yaghi with Desjardins Securities. Please go ahead.

Maher Yaghi – Desjardins Securities – Analyst

Yes, thank you for taking my question. I want to follow up on what you just said, George. In light of the recent decision by the CRTC on net neutrality, can you discuss your views on future product development in Wireless, and does it change how you might see Wireless data buckets in the market? We have seen a move in many countries to launch unlimited plans. Does it make sense in Canada with its relative lower density and population?

George Cope – President and CEO

Well, let me just say the strategy we are going forward with will absolutely recognize the rules that were put in place in the country, so that is how our product roll-outs will look going forward. Clearly, a number of years ago, we had a Mobility TV product that we thought was unique in the world. It was impacted a number of years ago by, really, a confirmation of that decision just a couple of weeks ago. But, in terms of the new product roll-outs that we will see in the marketplace, such as the ones we are talking about, they completely align with all the broadcast rules in the country and the Internet rules in the country. Yet at the same time allow us to, we think, creatively address a growing marketplace in Canada for our BCE shareholders.

Operator

Thank you. The following question is from Phillip Huang from Barclays. Please go ahead.

Phillip Huang – Barclays – Analyst

Yes, thanks. Good morning. I just wanted to follow up on the fibre-to-the-premise build in Toronto. With the warmer weather, many of us living in the city have observed some construction activities from your service partners, including some of the prime neighbourhoods, with more traditional detached houses and yards. I assume that these neighbourhoods have buried infrastructure. So, I was wondering, you know, what is the reception from residents has been like for the construction, and whether the costs and time incurred so far are in line with your expectations. Thanks.

George Cope – President and CEO

Yeah, great question. You are right, we are very, very active in Toronto right now. Obviously, there are neighbourhoods that are buried versus aerial. I would say the customer reception has exceeded our expectations. When we notify people that we are in the neighbourhood and we are doing fibre, and "Would like us to just even do a pre-connect?" a much higher percentage of customers are saying, "Yes, we want the pre-connect." I think there are recognition that if you can get glass to your premise or fibre to your home, you do not want to be in a home that does not have that capability, and so we are seeing that.

In terms of our costs and the work, yes, it is a lot of work and it is costly, but it is consistent with what we have shared with you in terms of guidance. As I mentioned, our goal is to end 2017 and have the majority of the city completed, although we will have work to do into 2018, as well. We will have enough critical mass to begin mass advertising that product. Obviously, we are selling it now in areas where we are building. You are correct, that in Canada, the spring, summer and fall seasons are really important to those builds, because it is a little tougher obviously with buried when you are dealing with the winter.

Phillip Huang – Barclays – Analyst

So, even though, if I am not a customer, you are coming to my door—you are seeing, basically, a lot of people just saying, "Yes, come and do the work," anyway?

George Cope – President and CEO

Extremely high. Yeah, we are very pleased. It does not mean you become a subscriber at that moment, so I want to make sure I caveat that with investors, but it does mean the home has the capability, and people are wanting us to do it, and I want to say everyone is, but clearly—we had an expectation and it is above that internal expectation at the moment, which is good news, because over time it helps us save capital. We do not have to go back, then, to that home.

Phillip Huang – Barclays – Analyst

Great. Thanks very much.

Operator

Thank you. The following question is from Batya Levi from UBS. Please go ahead.

Batya Levi – UBS – Analyst

Great, thank you. Looking at your guidance, you finished the quarter at the high end of your prior guidance, excluding MTS. I just want to ask if there is any upside to the legacy footprint within the new guidance.

Then, just one question on the OTT. Strategically, will you use this product as a retention tool or do you think about it more extensively, and if you could provide some colour on the returns on your fibre investment under an OTT model versus linear TV?

George Cope – President and CEO

Okay, let me—I probably will not be able to answer all those to that level of details, but what I would like to do is maybe defer some of the questions on the OTT until we are in the marketplace, but let me just back up.

There is clearly a cord-cut and cord-shave marketplace. I think we have seen that not just in Canada, but in North America, and given that we are the leading TV provider in the country and the leading media company in the country, we want to make sure we are playing in that space, in the footprints that we provide TV marketplace today, and so you will see us doing that going forward.

Frankly, in terms of whether or not people will migrate from one product to another, that is an harder call, other than to say if there are customers who are cutting the cord from our TV service or another TV service, part of the strategy around this approach will clearly be to make sure we are in the marketplace, to have an offer for that customer.

Then, Glen, the first question?

Glen LeBlanc – Executive Vice President and CFO

Yeah, on your guidance, obviously, I cannot provide any further specificity or insight into guidance, but what I will say is the new guidance we provided today truly is reflective of the acquisition we made in MTS, and we are very, very pleased to be able to provide that guidance and demonstrate 4% to 6% revenue and EBITDA growth and free cash flow growth that shows the accretiveness of that transaction of 5% to 10%, but beyond that, cannot give you any more guidance specificity.

Batya Levi – UBS – Analyst

Okay. Thank you.

Operator

Thank you. The following question is from Jeff Fan from Scotiabank. Please go ahead.

Jeff Fan – Scotiabank – Analyst

Thanks. Good morning. Just a few follow-ups. First, on the ARPU with respect to your fibre-to-the-premises, if I heard you correctly, George, I think you said $125 is the ARPU that you are getting in on the fibre-to-the-home customers, I am wondering if I heard that correctly, and if you can just compare that to what you are getting currently in some of your fibre-to-the-node ARPU, to see what that difference could be.

The other question is related to your guidance. If I take a look at your free cash flow, certainly, it is accretive on a total dollar basis. I am wondering if it is still accretive if you look at it on a per share basis.

Then, on the tax losses, Glen, you said you are going to utilize those in the next couple of years. So, how do we think about how you are going to use that tax loss? Is it essentially something that you have that you can use to help you satisfy the dividend growth strategy, given that it is a pretty significant amount, and perhaps give us a little bit on how might you are actually using in 2017 of that $300 million. That would be helpful. Thanks.

George Cope – President and CEO

Thank you for one question. Glen, why do not you answer the questions and I will deal with the last bit of it.

Glen LeBlanc – Executive Vice President and CFO

Sure, Jeff, yeah, you rattled off a lot there, so I will start with the tail end of that, on the tax losses. I had mentioned that there is $300 million of tax losses. We will use those over the next 24 months, but $60 million of it will be used in calendar 2017, and I am not going to give further guidance beyond that, but we will use them in 24 months, $60 million in calendar 2017. Free cash flow guidance, you asked on that. On a per share basis, yes, it is accretive on both an absolute and a per share basis.

George Cope – President and CEO

Other than that, I think it clearly helps drive our dividend growth, because it is a tax cash savings over time, so that is clearly helpful.

Then, in terms of the ARPU, really, what we did is share the fibre ARPU that we are getting to the household and the—we are not going to disclose the other numbers for competitive reasons. It really was to make sure investors understood the speed that our customers are using, which is clearly a very high number in terms of the base, that literally 80% will be at 300Mbps and 100% at 150Mbps by the summer, and that we are seeing, obviously, quite positive conversion to the fibre footprint.

Jeff Fan – Scotiabank – Analyst

So, $125 was the fibre-to-the-premises ARPU that you are getting today?

George Cope – President and CEO

Yes, that is correct.

Jeff Fan – Scotiabank – Analyst

Great. Thank you.

George Cope – President and CEO

Remember, that is a mix. You could have people in there that have triples, you could have people in there that have doubles. You could even have someone in there that has a single, who has simply chosen, you know, a full Internet package or has chosen a TV package, but, generally, of course, that would be rare.

Jeff Fan – Scotiabank – Analyst

Great, that is helpful. Thanks.

Operator

Thank you. The following question is from Aravinda Galappatthige from Canaccord Genuity. Please go ahead.

Aravinda Galappatthige – Canaccord Genuity – Analyst

Good morning. Thanks for taking my question. I just wanted to touch on the TV platform. Obviously, you are going to face, potentially, tougher competition a year down road as your cable competitor launches X1. From that perspective—obviously, you have talked about the improvements to your IPTV platform, the Home Hub, the strong Wi-Fi power, etc., but I was wondering, you know, what can we expect in the next 12 to 24 months. As you look at sort of the improvements on the interface side, functionality side, are you satisfied with the enhancements that have been envisaged, and what are your options on that front? Thanks.

George Cope – President and CEO

Yeah, thanks for the question. As we have said in the past, our Restart TV, our Trending on TV, the only one with a total Wireless set-top box for TV, the Netflix on it, all the product differentiations we have on Fibe TV, a number of those will be even be maintained with the competitive response that we see coming; and, second, we expect to have the superior TV product in the marketplace next year, even with the competitive offer, and we will be making product announcements to that effect over the next coming months. But, clearly, it would be premature to announce those now and allow the competitive marketplace to get ready.

Aravinda Galappatthige – Canaccord Genuity – Analyst

Thank you.

Operator

Thank you. The following question is from Drew McReynolds from RBC Capital Markets. Please go ahead.

Drew McReynolds – RBC Capital Markets – Analyst

Thanks. Good morning. George, a big-picture question, shifting to Wireless—obviously another good quarter for you. On the technology side, you did highlight some of the Quad Band technology rolling out. We are seeing in the U.S. some question about whether superior network technology is really moving the needle with consumer demand and market share, just with T-Mobile doing what it is doing in the U.S. I know it is a different environment up here, but you do seem to have that network leadership. Can you just talk to does that still drive consumer demand and network performance, and can you kind of rank that relative to things like customer service, distribution, price, etc.? Thank you.

George Cope – President and CEO

First of all, the other three you mentioned are core. If you do not have the distribution and service, you have other issues, and, clearly, our financial results and our metrics, they are supporting the right results there.

In terms of the network, it is very clear for us. We are just continuing to see the financial results that drive the rational for the investment in these networks. Canadians use these devices the better speed, and that probably—I have indicated a 37% increase in usage. Probably, you would have seen there—it looks like, in quarter, we had a more significant increase in average revenue per customer than our largest competitor, and we think that is driven by the superior network offering that we have in the marketplace.

If we look at the demand for video, which is going to continue to really grow in Wireless, when you get into speeds of 22 Mbps to 174 Mbps—and most days, for those that are on line using a Bell Mobility phone in some of the markets, you know you are getting 60 Mbps to 80 Mbps now on your handset. So, as a result, people are using the product more and more. We think that the key differentiator for us is that we attract customers who are heavy users. Therefore, it is obviously, a valuable subscriber base. Also, it is going to continue to be a positioning for us, with what our technology team has done on carrier aggregation, it is really quite remarkable, and it has positioned us in Toronto, Montreal, Vancouver, Halifax, and other major cities, to have the fastest Wireless network, and we think that is going to make a difference, and particularly with the backhaul we have done, we think that is really important strategically.

We do not talk about it a lot, but since you have asked the question, as we roll out fibre—of course, the fibre-to-the-home that we are doing, we think sets us up really nicely as technologies evolve to smaller and smaller cell sites. People talk about 5G. The fact that we will have all of those areas laid with fibre, I think at some point will help amortize back into our Wireless costs, or help amortize the fibre costs, I guess is another way to think about it, but it is really early days there for that.

Hopefully, that is helpful.

Drew McReynolds – RBC Capital Markets – Analyst

Yes, thank you.

Operator

Thank you. The following question is from Adam Ilkowitz from Citi. Please go ahead.

Adam Ilkowitz – Citi – Analyst

Thank you. On the Wireless side, I just wanted to ask about gross adds share. Obviously, you were up 7.7%, I think it was on the postpaid side. The competitor was up a little bit more so far this quarter. I was wondering if you are seeing any share shifts, besides the market expansion that we are seeing. Thank you.

George Cope – President and CEO

It is hard to know. We would have to see everyone's reporting. We do not—our prepaid to postpaid migrations do not count in our gross adds. I think one of our other companies does count them in their gross adds. You have just got to be careful there. We tend to look at service revenue growth in the quarter, just for us, are we driving a fair share of that growth? I think we did. In fairness, we think so did our competitor who has reported, and now it just remains to be seen as other companies report. So, we are pleased with where we were in the quarter, thought we had the right balance, and, obviously, a tremendous leverage from a financial perspective, seeing the network growth that we are seeing.

Adam Ilkowitz – Citi – Analyst

Thank you.

Thane Fotopoulos – Vice President – IR

Wayne, I see there is one last question in the queue, so that will be our last question, given our time constraints this morning.

Operator

Thank you. So, the last question is from Rob Goff from Echelon Wealth Partners. Please go ahead.

George Cope – President and CEO

Good morning, Rob.

Rob Goff – Echelon Wealth Partners – Analyst

Good morning and thank you for taking my question. My question would be on the Wireless side, where we have seen consistent market outperformance. Is that, in part, being driven by device per account, and is technology actually driving that device per account?

George Cope – President and CEO

Yeah, you know, it is interesting. We have talked about this before, and we understand there is a difference between the U.S. and Canada. Clearly, the multiple device growth is happening. I think many on the phone, if you are in Canada, you may have two devices, one business, one personal. Certainly, if you look at the population between 24 and 35, a lot of that population in the employment base now carry two devices. So, that is clearly adding some subscriber growth in the Canadian marketplace, and I guess that is different by market, but I think that has been a benefit to all carriers in Canada. Is that helpful?

Rob Goff – Echelon Wealth Partners – Analyst

That is great. Thank you.

Thane Fotopoulos – Vice President – IR

I will be available later today, following our AGM, for any follow-ups and clarifications. So, with that, have a good rest of the day, everybody. Thank you.