



BCE

BCE Q4 2019 Results and 2020 Guidance Conference Call

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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 Q4 2019 Results and 2020 Guidance Conference Call, as reflected in this transcript, are forward-looking statements. These statements include, without limitation, statements relating to BCE's financial guidance (including revenues, adjusted EBITDA, capital intensity, adjusted EPS and free cash flow), BCE's anticipated capital expenditures in 2020, BCE's 2020 annualized common share dividend, BCE's common share dividend payout policy and expected dividend growth, our network deployment and capital investment plans, our expected cash pension funding and its expected impact on our cash requirements, BCE's financial policy targets and our intended progress towards meeting those targets, 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. These statements are not guarantees of future performance or events, 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 February 6, 2020 and, accordingly, are subject to change after such date. Except as may be required by applicable 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 February 6, 2020. 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 Q4 2019 Results and 2020 Guidance 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.

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

- *A steady rate of economic growth, given the Bank of Canada's most recent estimated growth in Canadian gross domestic product of 1.6% in 2019 and 2020*
- *Employment gains expected to continue in 2020, as the overall level of business investment is expected to grow but remain variable*
- *Interest rates expected to remain at or near current levels*
- *Canadian dollar expected to remain at 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 consistently high level of wireline and wireless competition in consumer, business and wholesale markets*
- *Higher, but slowing, wireless industry penetration*
- *Increased adoption of unlimited data plans and Smartpay installment payment plans*
- *A shrinking data and voice connectivity market as business customers migrate to lower-priced traditional telecommunications solutions or alternative over-the-top (OTT) competitors*
- *Advertising market expected to be impacted by audience declines*
- *Continued escalation of media content costs to secure quality programming*
- *Declines in broadcasting distribution undertaking (BDU) subscribers and increasing competition from the entrance of more subscription video on demand (SVOD) streaming services in the OTT market*
- *Ongoing linear TV subscriber erosion, due to growing cord-cutter and cord-never customer segments*

Assumptions Concerning our Bell Wireless Segment

- *Maintain our market share of incumbent wireless postpaid net additions*
- *Higher prepaid customer net additions*
- *Continued adoption of smartphone devices, tablets and data applications, as well as the introduction of more Fourth Generation (4G) long-term evolution (LTE) and LTE-Advanced (LTE-A) devices and new data services*
- *Expansion of the LTE-A network coverage to approximately 96% of the Canadian population, and launch of initial Fifth Generation (5G) service in urban centres across Canada as compatible smartphones become available*
- *Improvement in subscriber acquisition and retention spending, enabled by increasing adoption of installment payment plans*
- *Unfavourable impact on blended ABPU, driven by reduced data overage revenue due to the introduction of unlimited plans in 2019, and the impact of a higher prepaid mix in our overall subscriber base*
- *Increased adoption of unlimited data plans and installment payment plans*
- *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 retail Internet and IPTV subscribers*
- *Increasing wireless and Internet-based technological substitution*
- *Residential household average revenue per user growth from increased penetration of multi-product households and price increases*
- *Continued aggressive residential service bundle offers from cable TV competitors in our local wireline areas*
- *Moderating level of promotional activity to acquire new subscribers*
- *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 telecommunications competitors continue to intensify their focus on business customers*
- *Traditional high-margin product categories challenged by large global cloud and OTT providers of business voice and data solutions expanding into Canada with on-demand services*
- *Accelerating customer adoption of OTT services resulting in downsizing of TV packages*
- *Further deployment of direct fibre to more homes and businesses within our wireline footprint and fixed wireless to the home (WTTH) technology in rural communities*
- *Growing consumption of OTT TV services and on-demand streaming video, as well as the proliferation of devices, such as tablets, that consume large quantities of bandwidth, will require ongoing capital investment*
- *Realization of cost savings related to management workforce reductions including attrition and retirements, lower contracted rates from our suppliers, operating efficiencies enabled by a growing direct fibre footprint, changes in consumer behaviour and product innovation, new call centre technology that is enabling self-serve capabilities, and other improvements to the customer service experience*
- *No material financial, operational or competitive consequences of changes in regulations affecting our wireline business*

Assumptions Concerning our Bell Media Segment

- *Revenue performance expected to reflect BDU rate increases, strategic pricing on advertising sales and simultaneous substitution of Canadian advertising during the Super Bowl allowed by the Supreme Court ruling of December 2019 that overturned the Canadian Radio-television and Telecommunications Commission's (CRTC) 2016 decision*
- *Operating cost growth driven by higher programming costs, mainly due to continued investment in Crave content and sports broadcast rights*
- *Continued scaling of Crave and launch of Crave with French-language content*
- *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*
- *Monetization of content rights and Bell Media properties across all platforms*
- *Growth in OTT viewing expected to result in lower subscriber levels for many Bell Media video properties*
- *Acquisition of conventional network V along with related digital assets, including the ad-supported VOD service Noovo.ca, subject to regulatory approvals*
- *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 2020:

- Total post-employment benefit plans cost to be approximately \$300 million to \$320 million, based on an estimated accounting discount rate of 3.1%, comprised of an estimated above adjusted EBITDA post-employment benefit plans service cost of approximately \$265 million to \$275 million and an estimated below adjusted EBITDA net post-employment benefit plans financing cost of approximately \$35 million to \$45 million
- Depreciation and amortization expense of approximately \$4,450 million to \$4,550 million
- Interest expense of approximately \$1,100 million to \$1,125 million
- An effective tax rate of approximately 27%
- NCI of approximately \$65 million
- Total cash pension plan funding of approximately \$350 million to \$375 million
- Cash taxes of approximately \$625 million to \$725 million
- Net interest payments of approximately \$1,100 million to \$1,125 million
- Average number of BCE common shares outstanding of approximately 906 million
- An annual common share dividend of \$3.33 per share

Assumptions Underlying our 2020-2024 Estimated Cash Pension Funding

Our estimated cash pension funding during the five-year period from 2020 to 2024 is based on the following principal assumptions:

- Stable discount and inflation rates
- Return on pension plan assets of approximately 4% per year
- No change in funding regulations and actuarial standards
- Selective and minimal use of letters of credit
- No material surpluses resulting in large reductions in ongoing normal cost funding
- A stable number of employees

The foregoing assumptions, although considered reasonable by BCE on February 6, 2020, 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 2020 financial guidance, are listed below. The realization of our forward-looking statements, including our ability to meet our 2020 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, spectrum auctions, the imposition of consumer-related codes of conduct, approval of acquisitions, broadcast licensing, foreign ownership requirements, and control of copyright piracy
- the intensity of competitive activity, including from new and emerging competitors, coupled with the launch of new products and services, and the resulting impact on the cost of customer acquisition and retention, as well as on our market shares, sales volumes and pricing strategies
- the level of technological substitution and the presence of alternative service providers contributing to the acceleration of disruptions and disintermediation in each of our business segments
- subscriber and viewer growth is challenged by changing viewer habits and the expansion of OTT TV and other alternative service providers, which 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
- rising content costs, as an increasing number of domestic and global competitors seek to acquire the same content, and challenges in our ability to acquire or develop key content to drive revenues and subscriber growth
- the proliferation of content piracy impacting our ability to monetize products and services, as well as creating bandwidth pressure

- *higher Canadian smartphone penetration and increased device costs could challenge subscriber growth and cost of acquisition and retention*
- *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 physical and non-physical assets, including networks, information technology (IT) systems, offices, corporate stores and sensitive information, from events such as information security attacks, unauthorized access or entry, fire and natural disasters*
- *the failure to transform our operations, enabling a truly customer-centric service experience across a constantly evolving profile of world-class products and services at all points of interaction, while lowering our cost structure*
- *the failure to continue investment in next-generation capabilities in a disciplined and strategic manner*
- *the inability to drive a positive customer experience in all aspects of our engagement with customers*
- *the complexity in our operations resulting from multiple technology platforms, billing systems, sales channels, 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, staff reductions, process redesigns and the integration of business acquisitions*
- *events affecting the functionality of, and our ability to protect, test, maintain, replace and upgrade, 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 environment*
- *labour disruptions*
- *our dependence on third-party suppliers, outsourcers and consultants to provide an uninterrupted supply of the products and services we need to operate our business, deploy new network and other technologies and offer new products and services, as well as to comply with various obligations*
- *changes to our base of suppliers or outsourcers that we may decide or be required to implement*
- *the failure of our vendor selection, governance and oversight processes established to seek to ensure full risk transparency associated with existing and new suppliers*
- *security and data leakage exposure if security control protocols affecting our suppliers are bypassed*
- *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*
- *the inability to access adequate sources of capital and generate sufficient cash flows from operating activities 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, whether the dividend on common shares will be increased, 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*
- *new or 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*
- *the unfavourable resolution of legal proceedings and, in particular, class actions*
- *new or unfavourable changes in applicable laws and the failure to proactively address our legal and regulatory obligations*
- *the failure to recognize and adequately respond to climate change concerns or public and governmental expectations on environmental matters*
- *health concerns about radiofrequency emissions from wireless communications devices and equipment*
- *the inability to maintain operational networks and provide services to customers in the event of epidemics, pandemics or other health risks*

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 Safe Harbour Notice Concerning Forward-Looking Statements dated February 6, 2020 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](https://www.sedar.com)) and with the U.S. Securities and Exchange Commission (available at [SEC.gov](https://www.sec.gov)). This document is also available at [BCE.ca](https://www.bce.ca).

The terms "adjusted EBITDA", "adjusted EBITDA margin", "adjusted EPS", "free cash flow", "dividend payout ratio", "net debt" and "net debt leverage ratio" 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 "Accompanying Notes" in BCE's Supplementary Financial Information – Fourth Quarter 2019 dated February 6, 2020 for more details.

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PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to the BCE Q4 2019 Results and 2020 Guidance Call. I would now like to turn the meeting over to Mr. Thane Fotopoulos. Please go ahead, Mr. Thane Fotopoulos.

Thane Fotopoulos – Vice President – IR

Thank you, Alana, and good morning to everyone on the call. Joining me this morning, for the first time officially as President and CEO of BCE, is Mirko Bibic, and also here with me, as usual, is our CFO, Glen LeBlanc.

As a reminder, our Q4 results package, 2020 financial guidance targets, and other disclosure documents, including today's slide presentation, are available on BCE's Investor Relations webpage.

However, before we get started, I want to draw your attention to our Safe Harbour 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.

For additional information on such risks and assumptions, please consult BCE's Safe Harbour notice concerning forward-looking statements dated February 6, 2020, filed with both the Canadian Securities Commission and with the S.E.C., which is also available on our website. These forward-looking statements represent our expectations as of today and, therefore, are subject to change. We disclaim any obligation to update forward-looking statements, except as required by law.

So, with that, I will hand it over to Mirko.

Mirko Bibic – President and CEO

Thanks, Thane, and good morning, everyone. I am very honoured to be on the call with you all today in my role as President and CEO of this amazing company, and I want to thank my predecessor, George Cope, for his leadership since 2008, and for putting in place such a foundation for Bell's future success. We have the right assets to lead the next wave of communications innovation in Canada. As the world moves to increasingly rapid connection and the unlimited service potential of 5G, IoT and artificial intelligence, Bell is well positioned to stay out front.

As you know, we have updated our six strategic imperatives to frame every action we take to capture future growth opportunities in a converging wireless/wireline world. In many ways, these imperatives are consistent with our winning strategy over the past 10 years, overseen by a seasoned leadership team, but with an even stronger focus on the customer experience and recognizing the importance of all Bell team members in delivering our future success.

It all begins with building the best networks. With significant capital investment over the past decade, networks have again become Bell's critical competitive advantage.

In 2020, we will continue to expand our all-fibre connections, we will open up Wireless Home Internet to even more small communities, and we will build on our 4G LTE lead by launching the next generation of wireless with mobile 5G. These next generation networks will be the launch pad to drive market share and revenue growth with new innovative integrated services, including IoT, smart home products, as well as business solutions, like virtual network services, all delivered over the fastest Internet, the best Wi-Fi, and the highest quality mobile networks, and we will continue to deliver the content consumers want on the platforms of their choice. We will support our network advantage, innovation services and compelling content by simplifying, personalizing and

improving the end-to-end customer journey. Our mission, to make it easier for customers to do business with Bell.

As you know, cost discipline has become a core competency at Bell. We will take it to the next level, enabled by the continued deployment of fibre, utilization of new technologies and incremental service improvement, which will deliver meaningful operational efficiencies and productivity gains across the organization.

But, none of what I just outlined can be accomplished without people. This is why we now have a new imperative to recognize how important our team is to Bell's success. Our company is recognized as a leading workplace and we are focused on making it even better going forward.

Before diving into our detailed Q4 review, I did want to take a step back to comment on our overall operational execution and how well positioned we are to win.

I can confidently say that we are managing the shift to unlimited wireless data plans better than our peers, while still maintaining our competitiveness. This is evidenced by our subscribers and ABPU performance that reflects our distribution and brand strength, sharp focus on customer-based management, and a strong growth in operating profitability. We grew wireless EBITDA 9.1% in 2019, while delivering a record number of gross activations. This, combined with improved postpaid customer churn, drove a 7.4% increase in total net subscriber additions to 515,000, our best annual result in 14 years.

With respect to fibre, the strategy is working. We delivered strong retail Internet and IPTV subscriber growth of 5% in 2019. Our 136,000 new net Internet subscribers, up 16.5% over last year, are due to steady expansion of our direct fibre and Wireless Home Internet footprints. Our fibre build program is now 53% complete, with over 5.1 million homes and businesses able to access the fastest Internet speeds in the market today of 1.5 Gbps. With technology evolution, like 10G-PON, those speeds will just get faster over time. We also have 250,000 locations equipped with fixed wireless technology that is bringing high-speed Internet speeds to Canada's underserved communities that are two times faster than before.

This positions us very well to keep growing broadband market share and Internet revenue, which you all know yields very attractive EBITDA and cash flow margins. For 2020, we are targeting broadband capex spending, including demand capital which is comparable to 2019, at around \$2 billion.

At Bell Media, our market-leading brands, content and streaming services, together with a sharp focus on cost control, delivered strong financial performance in 2019, with cash flow growth that we redirected to capital investments in our broadband networks. The landmark ruling by the Supreme Court this past December overturned the unfortunate CRTC decision banning simultaneous substitution during Super Bowl broadcasts. We are very happy that advertisers once again had exclusive access to Canadian viewers this past weekend, during one of the most watched sports events of the year.

I would like to take you back to wireless for a moment, because we are laser-focused on being Canada's 5G leader. With wireline infrastructure that includes high-speed fibre already deployed to 88% of our cell sites, central offices that become data centres for mobile edge computing in a 5G world, a rapidly growing small cell footprint in urban markets, a network sharing arrangement, and 30MHz of 3.5 GHz flexible use spectrum, no one is structurally better positioned than Bell to deliver true 5G in the most timely and capital-efficient manner possible, and to capitalize on the revenue growth opportunities that await. With the right regulatory environment supporting all facilities-based operators, there is no reason why Canada cannot have the best, most advanced 5G networks in the world, like we do today with LTE networks.

As you read in our press release this morning, Bell is ready to deliver initial 5G service in urban centres across Canada as next generation smartphones become available, and we will continue to be ready to launch true 5G service once flexible use 3.5 GHz spectrum becomes available, after the federal government's auction later this year.

Partnering with us for 5G is Nokia, whom we have chosen as Bell's first 5G network equipment supplier. Nokia has quickly become a leading international vendor of 5G network solutions, with more than 60 commercial 5G contracts with wireless carriers worldwide.

I think it is important to highlight that our wireless capital intensity during the 5G build cycle is only expected to increase to a range of 9% to 10%, and can be comfortably accommodated within a stable consolidated capital intensity ratio of approximately 16.5%.

It bears emphasizing, however, how important it will be to have public policies and a regulatory framework that support continued investments and focus on value, speed, access and coverage. An environment that focuses, instead, on access to our mobile networks and grants the low-cost access to our wireline networks will inevitably lead to significant cuts in investments by Bell and by others in the industry, and this will harm Canadians and the Canadian economy going forward.

Now, I will turn to Slide 5 for some quick highlights on Q4.

Overall, we are quite pleased with our operating results. We grew our market share of wireless, Internet and IPTV subscribers, with 181,000 total net new customer additions, in a seasonally busy and intensely competitive quarter. More impressively, this was achieved without sacrificing our consolidated EBITDA margin, which increased 1.2 percentage points to approximately 40%. We also generated wireless EBITDA growth of 7.4%, the best reported result among peers, while also delivering our highest ever wireless gross additions in a fourth quarter. For Bell Media, another great quarter, to cap off an excellent year, with strong revenue, adjusted EBITDA and cash flow growth.

Turning to Slide 6, and some operating metrics by segment.

I will start with Bell Wireless. Continued healthy postpaid growth, with 122,000 net additions, which were up 21% over Q4 of last year, when excluding the federal government contract. This strong result was achieved despite a higher number of switchers, driven by aggressive holiday offers from our competitors that we chose to match selectively.

On the prepaid front, gross additions were up 43% on the strength of Lucky Mobile and our Dollarama distribution agreement, which drove 2,000 net additions, a good result in an exceptionally strong year of subscriber growth, while some of our competitors have seen substantive declines in that segment. Blended ABPU declined only 0.4%, compared to last year, despite the impact of unlimited plans on data overage revenue and a growing mix of customers on installment plans. So, really effective repricing management by the Bell Mobility team.

Moving to Bell Wireline. Continued good momentum on Internet, with 36,000 retail net additions, which were 10% higher than last year, and we added another 60,000 FTTH subscribers this quarter, bringing the total number of direct fibre customers at the end of 2019 to more than 1.4 million. That is up 20% over the previous year.

On the TV side of things, we added 22,000 net new IPTV subscribers, a solid result given the already high rate of customer penetration in our current Fibe markets, increasing maturity of Alt TV, steady rate of over-the-top substitution, and persistently aggressive cable offers. We also continue to see nice year-over-year improvement in retail satellite TV and retail NAS customer losses, which were down 7% and 3.2%, respectively. Certainly, any time the rates of decline slow, that is important to us from a cash flow perspective.

Last, but not least, Bell Media. We maintained ratings and audience leadership in Q4, and we are also really excited about Crave. The strategy continues to work, with the number of subscribers up 14% year-over-year. We think it is, quite frankly, one of the best SVOD services anywhere, in terms of what is available from a content perspective. Just last week, we were proud to expand Crave to include French language content and we have made our Super Écran service available directly to consumers.

So, great operational execution and financial results delivered by the Bell team, not just in Q4, but throughout the year, which sets us up nicely going into 2020.

Finally, before turning it over to Glen, I will turn to Slide 7, and our dividend announcement this morning. Obviously, we are very pleased and proud to announce—and I am proud to announce, for the first time as BCE's CEO, a dividend increase for our shareholders of 5% to \$3.33 per share for 2020. It is our 12th consecutive year of a 5%, or higher, dividend increase, done within a targeted payout ratio of 65 to 75%. This is being supported by strong free cash flow growth, underpinned by stable absolute dollar capital spending in 2020, a pension plan that is fully funded, as well as a continued focus on subscriber profitability and cost discipline. Our unmatched collection of assets, including the best networks and the most innovative products, will serve as a springboard for continuing to deliver the kind of operating metrics and financial results that shareholders have come to expect from our team, as you see reflected in our 2020 guidance targets, that Glen will now take you through.

Over to you, Glen.

Glen LeBlanc – Executive Vice President and CFO

Thank you, Mirko, and good morning, everyone.

I am going to begin on Slide 9, with a review of our consolidated financial results.

The fourth quarter capped off a successful year, with revenue up 1.6%. This, together with the favourable impact of IFRS 16, which we have now lapped, and good overall cost management, drove 4.8% higher adjusted EBITDA and a 1.2% increase in margin.

Net earnings were up 12.6%, benefiting from the flow-through of the strong EBITDA growth, as well as the lower year-over-year non-cash impairment charges at Bell Media. Nevertheless, adjusted EPS was down \$0.01, compared to last year, due to the pickup of less equity income from our minority interest investments and the dilution from the higher number of common shares outstanding.

In terms of free cash flow, we generated close to \$900 million of cash in Q4, bringing the total for 2019 to just over \$3.8 billion, or 7% higher, compared to last year. Although Q4 free cash flow was down year-over-year, this result was expected given a step-up in capex spending, consistent with our plan for the year, and higher cash taxes due to the timing of installment payments.

Let us turn over to Slide 10, Bell Wireless. Continued strong financial performance, despite the dilutive impact of unlimited data plans, in what I would characterize as a relatively competitive—more competitive and active market this year. Revenue was up a solid 3.6% on a continued strong postpaid subscriber growth, a higher year-over-year prepaid revenue contribution, and increased sales of higher valued smartphones. Despite the sequential step-down in service revenue growth, quite pleased with our overall performance, demonstrating that we are managing the decline in data overage at a more measured pace, as Mirko mentioned earlier.

As well, as Mirko also pointed out, but it definitely bears repeating, adjusted EBITDA grew a strong 7.4%, yielding a 1.4 point increase in margin, that reflected responsible spending during the promotionally intense Black Friday and, of course, Boxing Week sales period.

So, truly another set of standout financial results that we expect will lead the Canadian industry this quarter.

Let us move on to our wireline segment on Slide 11. Similar performance trends as to Q3. Combined Internet and TV revenues were up a solid 2.4% year-over-year. However, growth was impacted by lower pay-per-view revenue due to a number of high-profile UFC events last year, as well as growing OTT competition. We also had to absorb some acceleration in residential service bundling discount and retention credits to match aggressive competitor promotions in the quarter.

We also saw a steep year-over-year decline in the rate of voice revenue erosion this quarter, as last year's results benefited from higher sales of international wholesale long distance minutes, which tend to be variable and have no real impact on wireline margin or EBITDA.

In business wireline, a softer quarter, as we lapped the revenue growth acceleration we enjoyed in the second half of 2018, which also included the acquisition of Axia. A decline in low margin data equipment, that can be rather lumpy on a quarterly basis, also moderated overall wireline revenue growth in Q4.

Regarding adjusted EBITDA, steady and consistent performance, with year-over-year growth of 1.5%. In terms of cash generation, Bell Wireline provided a strong contribution to consolidated BCE free cash flow in 2019, delivering growth in adjusted EBITDA, less capex, of 5%.

Over to Media, on Slide 12. Another strong quarter, capping off a great year, that saw Bell Media deliver positive revenue, adjusted EBITDA and cash flow growth. Revenue up 3.4%, this was driven by Crave subscriber growth over the past year, contract renewals with TV distributors, stronger year-over-year entertainment, sports and news specialty TV advertising sales, as well as higher revenue at Astral Out of Home. Adjusted EBITDA increased 16.5%, while operating costs were stable year-over-year, and higher costs for sports broadcast rights and Crave content expansion were offset by the favourable impacts of IFRS 16.

With that, I will move on to 2020 financial targets, so let us turn to Slide 13.

I believe the guidance we are providing builds on the favourable financial results, significant broadband investments and operating momentum we delivered in calendar 2019. Our targets for 2020 are underpinned by a positive financial profile for all three Bell operating segments that reflects our consistent and disciplined execution in a competitive marketplace.

With healthy projected adjusted EBITDA growth contributing significantly to higher year-over-year free cash flow generation, our financial foundation remains stable and strong, supporting a steady consolidated capital-intensity ratio of around 16.5% for 2020, as well as the 5% dividend increase we announced this morning.

Let us turn to Slide 14. We are targeting consolidated revenue growth of 1% to 3%. This range is consistent with previous years, reflecting healthy wireless subscriber growth, further Internet and TV market share gains, and a favourable media outlook, as we continue to responsibly manage the shift to unlimited wireless data plans and lap significant TV advertising revenue growth from 2019.

From a consolidated adjusted EBITDA, we are targeting growth of 2% to 4%, which again is similar to our 2019 guidance range, when normalizing for the favourable non-cash impact of IFRS 16. This also reflects about \$25 million in higher year-over-year non-cash pension expense. That is due to the unfavourable impact of the lower accounting discount rate at the end of 2019. Underpinning this steady growth is a strong contribution from Bell Wireless, where we will continue to balance subscriber growth with profitability, a positive residential wireline financial profile, and improving year-over-year rate of EBITDA decline in our Bell Business Markets Unit, and ongoing focus on cost reduction. Given this outlook, we expect BCE's consolidated adjusted EBITDA margin to remain stable year-over-year.

Let us turn to pension funding, on Slide 15. The funded status of our defined benefit pension plan remains strong and continues to move in the right direction. Despite a decline in discount rates in 2019, and supported by a strong 16% return on plan assets, the average solvency ratio across the aggregate of all BCE plans was over 100% at the end of last year. Given the strong valuations position, BCE's regular cash funding for 2020 remains unchanged at \$350 million to \$375 million. To put this into perspective, from a free cash flow point of view, we have contributed close to \$3 billion to our registered pension plans over the last five years.

With a favourable plan funded status, which has continued to strengthen in January, together with an attractive fixed income asset mix that serves as a natural hedge to lower interest rates, we can expect that the cumulative cash requirements to drop by more than \$1 billion over the next five years, even with no material increase in interest rates.

Let us move on our tax outlook, on Slide 16. The statutory tax rate for 2020 remains unchanged at 27%. Our effective tax rate for accounting purposes is also projected to be approximately 27%, as no tax adjustments are currently anticipated for 2020, compared to \$0.07 per share in 2019. We also expect cash taxes this year to be stable, \$100 million lower than 2019, at around \$625 million to \$725 million. This reflects the favourable year-

over-year impact of MTS tax losses that are now fully utilized, as well as cash tax savings enabled by the federal government's investment incentive program that allows for accelerated expensing of capital.

Over on Slide 17, summarizing our adjusted EPS outlook for 2020, which we project to be \$3.50 to \$3.60 per share, or 0% to 3% higher year-over-year. This reflects the strong underlying contributions from operations, driven by EBITDA growth across all Bell segments, together with a modest decrease in interest expense that reflects a lower cost of debt, partially offset by higher depreciation expense as more capital assets are put into service. Excluding tax adjustments, adjusted EPS is expected to grow a healthy 2% to 5% in 2020.

Over to Slide 18. Free cash flow is expected to grow 3% to 7%, which is similar to our 2019 guidance range, when you exclude the impact of IFRS 16. This growth reflects the strong flow-through of higher EBITDA, a modest step-down in cash taxes, while capex spending and pension funding are expected to remain largely unchanged year-over-year. This cash flow generation provides strong support for executing our business plan and our capital market objectives for 2020 that should deliver over \$1 billion of excess cash after the dividend payments, which will be deployed in a balanced manner on uses that include repayment of short-term debt and financing of strategic investments, such as wireless spectrum auction purchases.

Lastly, a few brief comments on our balance sheet and liquidity position. As we begin the year, we have access to \$2.6 billion of liquidity, together with a capital structure that provides good financial flexibility. Our investment grade credit ratings all have stable outlooks, and our net debt leverage ratio is projected to remain relatively stable year-over-year, notwithstanding the impact of any potential wireless spectrum auction purchases later this year. This ratio should begin to improve gradually towards the high end of our target range over the next several years, with steady growth in EBITDA and applying excess free cash flow to net debt reduction.

Also highlighted on the slide is BCE's favourable public debt maturity schedule that has an average term of 11.5 years, and an historical low after-tax cost of public debt of just 3.1%, and no maturities until the second quarter of 2021.

Finally, I would like to add that BCE's approximate \$1 billion annual U.S. dollar expenditure has been fully hedged well into 2021, effectively insulating our free cash flow exposure until that time.

To wrap up, industry fundamentals remain sound and BCE's financial strength and competitive position are as good as they have ever been, if not better. In 2020, we intend to build on that progress, consistent with the financial guidance targets announced today.

With that, Thane, I will turn the call back over to you.

Thane Fotopoulos – Vice President – IR

Great. Thanks, Glen.

Before we start the Q&A period, just to keep the call as efficient as possible, given the time we have left, please limit yourselves to one question and a brief follow-up, if you must, so we can get to everybody in the queue in the time we have left.

Alana, we are ready to take our first question.

QUESTION AND ANSWER SESSION

Operator

Thank you. If you have a question and you are using a speakerphone, please lift your handset prior to making your selection. If you have a question, please press star 1 on your telephone keypad. You may cancel your question by pressing the pound sign. Please press star 1 at this time if you have a question.

The first question is from Jeffrey Fan with Scotiabank. Please go ahead.

Jeffrey Fan – Scotiabank – Analyst

Thanks, and good morning. My first question is just on wireless. There is a lot of moving pieces going on in the industry and wanted to get your comments, Mirko, regarding just—I understand you are managing better when it comes to the transition. I am wondering if you can just comment a little bit on what the level of unlimited plan migration has happened within the base, maybe a little bit on overage exposure, and, as well, as you look out to the rest of the year, how service revenue growth might look compared to what we saw last year, and then I have a quick follow-up on a broader picture question.

Mirko Bibic – President and CEO

Okay. Thanks, Jeff. I will pick up where you started, which is we have shown another quarter where we have managed the base rather well. It is one of our core competencies, as you know, and we are showing that it is possible to deliver more service options to customers—in this case, particularly, unlimited plans—while remaining competitive, as you can see from our best ever Q4 gross additions, and at the same time delivering financial results that investors have come to expect, and that is because of how we are managing the transition over to unlimited, not force migrating every single customer over to unlimited plans, we have various landing spots where they can land. Ultimately, what that results in, Jeff, is a lower—significantly fewer subscribers on unlimited than some of our peers, because of how we are managing that base.

In terms of percentage of revenue which is overage, we are not sharing that specifically, for competitive reasons.

Jeffrey Fan – Scotiabank – Analyst

Okay, and then a follow-up just regarding your media. I know it is a relatively smaller segment, but with you in, I guess, at the leadership post, just wondering—because of the U.S. peers have been using SVOD services in a way that differentiates their wireless or broadband offerings, given your position in Canada with media, and particularly with Crave, what are your thoughts on that progressing as a potential tactic, or even a strategy?

Mirko Bibic – President and CEO

I like our assets and I like our integrated strategy, and right now—and I will leave it at this—being vertically integrated does allow us to segment customers and target each segment of the customer base with the right products. Whether that is Crave, which you referred to, which caters obviously, as you know, to over-the-top viewers, and linear viewers, as well, whether it is Alt, which gives customers who might otherwise cut the cord a nice landing spot, or whether or not it is Fibe, which is still the large majority of our TV subscriber base, having that breadth of product mix allows us to target customers with the right products. That is why being vertically integrated gives us that flexibility.

Now, in terms of how we are going to package various services with wireless and broadband, that is for the future, but right now we are going to keep on our plan of using the vertically integrated strategies to continue to segment the base.

Jeffrey Fan – Scotiabank – Analyst

Okay. Thanks, Mirko.

Operator

Thank you. The next question is from Richard Choe with J.P. Morgan. Please go ahead.

Richard Choe – J.P. Morgan – Analyst

Great, thank you. With the pressure from service revenue and wireless competition, should we still expect wireless margin growth, and how will you manage the margin versus the additions?

Then, as a follow-up to that, should we still expect growth in wireline EBITDA, or maybe more of a contribution as wireless gets a little bit tougher?

Glen LeBlanc – Executive Vice President and CFO

Good morning, Richard. It is Glen. I think our 2020 guidance today is indicative of our performance in 2019, and actually 2018, and you are looking at complete stability; 1% to 3% revenue, 2% to 4% EBITDA and 3% to 7% on cash flow is in line, normalizing for IFRS 16, to what was experienced this year. Without giving you specific guidance by our BUs, which we do not do, what I can tell you is, as I said in my opening remarks, we expect positive contribution from all three Bell segments on revenue, EBITDA and cash flow, ultimately feeding that guidance, that consolidated guidance. Our margin, I said in my opening remarks, I expect margin to remain stable.

So, in conclusion, yes, we expect wireline to continue to drive positive EBITDA growth and margins, and performance in wireless to be consistent to what you have seen this year.

Richard Choe – J.P. Morgan – Analyst

Great. Thank you.

Operator

Thank you. The next question is from Aravinda Galappaththige with Canaccord Genuity. Please go ahead.

Aravinda Galappaththige – Canaccord Genuity – Analyst

Good morning, and thanks for taking my question. I wanted to ask a question on the enterprise side of the business. You have alluded to strong business market profitability in Q4. Mirko, can you just talk a little bit about how you see 2020 playing out and some of the dynamics, both up and down, in that sector?

And a quick follow-up on the wireless side. We did see ABPU decline in Q4. Considering sort of the competitive environment in the market, as well as the overage factor, do you see some sort of price stability as we get to the middle to latter part of the year? Thanks.

Glen LeBlanc – Executive Vice President and CFO

I will jump in on the second part of the question and Mirko will handle the BBM part.

Wireless ABPU declined, as you mentioned, in Q4, approximately 0.4%. Really, the two factors driving that decline are the absorption of the unlimited plans, which ultimately results in lower data coverage, and of course we expect that will continue through calendar 2020, and remember, the success we are having on prepaid, it is been phenomenal, and we expect that similar success will continue through 2020. Obviously, that mix is going to impact your ABPU. The final part, I will remind you, is that the ABPU calculation does not include the equipment financing piece. So, if I normalize for that in a quarter, we are very close to 0%.

Mirko Bibic – President and CEO

Just a final point on ABPU, to what Glen has said, as well, is, taking everything into consideration, I think it is really important for investors to focus on total wireless revenue growth and just look at our performance in that regard.

As it relates to the enterprise segment, overall, we are quite pleased. We have had a strong 18-month run now. We are lapping strong results from the back end of 2018, and we are continuing to see improvement in the rate of EBITDA declines, all very positive, and fibre investment is really benefiting this segment, as well, so that bodes well. Look, transparency, the reprice continues to be a challenge, but we are managing it quite well.

Aravinda Galappaththige – Canaccord Genuity – Analyst

Thank you.

Operator

Thank you. The next question is from Vince Valentini with TD Securities. Please go ahead.

Vince Valentini – TD Securities – Analyst

Yes, thanks very much, and welcome aboard, Mirko, and congratulations on the new role. Two questions for you, if I could. Sorry, Thane. You can beat me up later.

Just on the this ARPU and ABPU thing—and I know your regulatory history and I know there is a big hearing coming up soon—do you not agree with what was written in the *Globe and Mail* recently, that some of the inflation that the policy makers seem to be worried about for consumers is driven by smartphone prices, as opposed to actually what you and other carriers charge for service, and if that is the case, should we not focus on ARPU versus ABPU? I am still not sure why you guys do not disclose that, because it makes it difficult for the regulators and politicians to see the figure if you are not even giving it to us every quarter. So, I would like your thoughts around that.

Then, the second one is just your big-picture thoughts on M&A. It is been a big portion of Bell's growth story during George Cope's tenure and curious if you still think that is possible or likely in the future. I am not talking about small tuck-ins, but is there any sort of transformative stuff that you think could happen over the next two or three years, or is it more just an organic story? Thank you.

Mirko Bibic – President and CEO

Thanks, Vince. I will address your question in a general sense and then turn it over to Glen for some more precise comments.

At the highest level, I 100% agree with you, that you cannot ignore the increases in the cost of handsets and the impact that that has on the consumer's pocketbook. I mean, you just cannot, because that is a big, big component of what the customer ultimately pays for, for wireless service.

By the same token—now, I am shifting gears a little bit, but you also cannot ignore—when you are looking at what consumers are paying, you cannot ignore the fact that when you walk into a store, whether or not it is a back-to-school or a Black Friday or Boxing Week, or at other times during the year, you are being offered \$400 gift cards or free Sonos players or free tablets, those add tremendous value to the customer, but they are not calculated in all the analyses that you read about when it comes to pricing. So, you have got to factor in the complete and total value that the customer gets, both in terms of promotions, in terms of the handset pricing that gets absorbed, and also speed, access, coverage, latency, it is all part of the mix.

Glen, if you want to comment on the ARPU versus ABPU.

Glen LeBlanc – Executive Vice President and CFO

Sure. Vince, as I know you will appreciate, my focus is always on cash generation, and I think one thing you have to focus on when looking at ABPU, is ABPU is your closest metric for cash, and we cannot lose sight of that. All that said, I can assure you that government officials and regulatory bodies are well aware of our ARPU, and we disclose that, and have discussions completely in line with what you laid out here today. Over time, as EIP becomes the majority of our loadings, we will start to see a convergence of our ARPU and ABPU, so I think it will fix itself with time. But, never lose sight of the flow of cash, I like to say, Vince.

Vince Valentini – TD Securities – Analyst

And on the M&A, Mirko?

Mirko Bibic – President and CEO

Oh, Vince, on M&A, I am not going to comment on M&A, until there is something to comment on.

Vince Valentini – TD Securities – Analyst

Thank you.

Operator

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

Maher Yaghi – Desjardins Securities – Analyst

Thanks for taking my question. I wanted to ask you, in terms of strategically positioning yourself in terms of capex for 5G, you are starting the roll-out, you are starting investment, you have invested a lot in the backbone, but now you are getting ready to get on to your last connections, but with the regulatory environment still fluid, I wanted to ask you how do you manage such a large investment when the regulatory environment is in flux like that. When you talk about the reduction in capex that could be a solution to overcome a potential negative outcome in a possible regulatory decision, what are we talking about? Can you quantify how much you can pull on your capex to offset a possible negative outcome in regulation?

Mirko Bibic – President and CEO

Thanks for that question. So, how we manage the investment given the uncertainty, we take a step back, and I have faith that the CRTC will base its decisions on the evidence on the record, and the evidence that is on the public record is rather compelling, that deciding in favour of mandating MVNOs would be the wrong thing to do. That is the first thing.

Two is the way you manage the risk, is you actually—you make judgment calls. The first build-outs will be in urban areas. What that means is you wait and see what the decision is going to be before you make any concrete plans to build out in the less dense areas, and that has an impact on rural areas, and it has an impact on suburban areas, as well. I mean, these are all the consequences of regulatory overhang. That is how you manage it.

I am not going to quantify the potential impacts on cuts in investments from regulatory decisions, because I need to see what the regulatory decision is going to be, but I can tell you that negative regulatory decisions will result in cuts in investments. We already saw it last summer and I hope we do not have to see it again, but that is just the way it works.

Maher Yaghi – Desjardins Securities – Analyst

Okay, and just my follow-up question. When you look at—I mean, you are in charge now and you are looking at the company, you have your new sets of priorities. When you look at the 5% dividend growth model, that George had and positioned the company to deliver on, what is your view on that 5% dividend growth model and how sustainable it is going forward?

Mirko Bibic – President and CEO

I am supportive, and yes.

Maher Yaghi – Desjardins Securities – Analyst

Okay, thank you.

Operator

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

Simon Flannery – Morgan Stanley – Analyst

Thank you. Good morning. Just staying on 5G, perhaps you could just talk a little bit about the Nokia deal today and are you planning to use multiple suppliers, and tie that in, perhaps, to the Huawei review. I think a lot of investors are just trying to understand what the timing of any decision from the government might be. We saw a decision in the U.K., perhaps you could just reflect on that, and if there was a similar decision in Canada, what the implications would be. Thank you.

Mirko Bibic – President and CEO

Okay. My announcement today is that Nokia will be the first provider of 5G RAN equipment in our network—I stress the word “first.” What I am trying to signal here is that we need to be able to work with many equipment suppliers today and in the future, and today that includes Nokia, it includes Huawei, it includes Ericsson, it includes Cisco. It is always prudent to have multiple supply sources and we are always looking for that flexibility.

We are still waiting for the government's decision on a security review, as you know, but, as we have shown this morning, we are ready to deploy initial 5G service, because we will always be competitive, and we are going to be doing this within our normal overall capex envelope and normal capital intensity ratio. I do not know when the government is going to decide. A couple things. We do want clarity on that, and we also we are eagerly awaiting the 3.5 GHz spectrum auction, so that Canada, frankly, can get going on launching real 5G in 2021.

Simon Flannery – Morgan Stanley – Analyst

Okay. Any comments on the U.K. decision?

Mirko Bibic – President and CEO

No. I mean, it is—no comment on the U.K. decision. What we are focused on is what Canada's decision is going to be.

Simon Flannery – Morgan Stanley – Analyst

Okay. Thank you.

Operator

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

Drew McReynolds – RBC Capital Markets – Analyst

Yes, thanks very much. Good morning. On the EBITDA growth guidance of 2% to 4%, Glen, you were alluding to it, and obviously that being pretty consistent with prior years. Mirko, you point to next level cost efficiencies, and certainly investors are used to a decade of some pretty impressive cost efficiency and cost reductions at BCE. So, could you just flesh out a little bit of what changes or what kind of incremental cost reductions and efficiencies are expected to flow through?

Then, a follow-up, completely different here. Could you just comment on the wireless competitive environment here through Q1, through the early part of February here? Thank you.

Glen LeBlanc – Executive Vice President and CFO

Good morning, Drew. It is Glen. As you alluded to, our EBITDA growth guidance is consistent to that of before. Of course, underpinning the EBITDA growth guidance is our success and our track record around cost efficiencies, and I believe that you will see that continue, certainly, under Mirko's leadership, much as it has in the past.

When we look at the investments we are making and the opportunities to reduce the way we serve the customer—the cost and the manner in which we serve the customer, as you have heard me say before, good customer service is cheaper. As we roll out fibre, we see cost efficiencies, and as we look at serving our customer better, eliminating challenges we have in our bill, eliminating troubles we have in our network, reduced calls to the contact centre, all of that delivers efficiencies, and as we look at the investments we are making, and we are ramping up to essentially rebuilding a 140-year-old copper network, and we are more than 50% done, as we look at more self-serve and more opportunities, I think the future is bright in cost efficiency. Actually, over time, as we fix platforms and we fix billing stacks, you get to a point where I think we can see an acceleration of cost efficiency.

Mirko Bibic – President and CEO

Yes, I agree with Glen. Cost efficiency remains one of our core strategic imperatives, so that is a very, very important signal, and it comes down to repeating a little bit what Glen said, but I am going to reiterate it because it is important. More fibre means fewer truck rolls, it means fewer calls. On things like unlimited plans, it means fewer calls. We are going to be leveraging technology, like artificial intelligence. We are going to be leveraging self-serve platforms. We are modernizing the core of our network. We are making services more on-demand, more one-touch. All those things result in cost savings. That is just to punctuate the point that Glen was making.

On the competitiveness in wireless, I think one of the things worth mentioning, in the early days of 2020, and particularly the early days of February, I think we like the early results of installment plans that we have seen on the Bell brand with our SmartPay program. That is ensuring upfront affordability for our customer and it helps us manage what were ever-increasing subsidy costs. So, that is a win/win all around, actually, for the customer and for ourselves.

We follow quite closely what one of our peers has recently done with his flanker brand and installments, and I have got two comments on that. One is, and you have heard us say this before, we will always remain competitive, and you will see something soon on that; and two, much like I said in Q3 of last year, I think, when we had to do some IT work to enable the Bell brand to be competitive on installments, we are going to be doing the same thing to enable the Virgin brand to be competitive on installments soon.

Drew McReynolds – RBC Capital Markets – Analyst

Okay. Thanks, Mirko.

Operator

Thank you. The next question is from David Barden with BofA Securities. Please go ahead.

David Barden – BofA Securities – Analyst

Hey, guys, thanks so much for taking the questions, and welcome and congrats, Mirko.

My questions, I guess, would be related to the handset side of things. Could you kind of talk about the subsidy expense profile that you absorbed in 2019, versus 2018, and, Glen, how you see that evolving in 2020, from a competitive versus kind of an EIP standpoint?

Then, a related question, if I could, which would be—just there is a debate in the lower 48 about a potential for handset super-cycle, and phones are getting older and customers are ready to make this big upgrade to a 5G iPhone, if that is what it turns out to be—what have you kind of assumed in your 2020 outlook for the handset upgrade rate and the velocity that comes with this next upgrade cycle? Thanks.

Glen LeBlanc – Executive Vice President and CFO

Hi, David. I will start off and then I will leave the handset super-cycle comments for Mirko. On the handset side of things, it is not news to anyone that as we watched more and more costly handsets enter the marketplace, that we have seen continued cost pressure in the ever-increasing subsidy expense of our business. I think that 2019 was no different, in that in the first half of 2019, we watched frothy promotions, which ultimately, at certain periods throughout the year, you see zero price handsets, and once again, despite the landed cost for them, they still find their way to zero.

I think what gives me some confidence looking into 2020, and managing of that ever-increasing subsidy cycle, is the idea of installment plans, and I think managed correctly, and what we are seeing, it is early days, but managed correctly, I think we have an opportunity here to provide customers choice, to separate the airtime packages from the equipment packages, and we can give customers the opportunity to choose the handset that meets their needs, and with \$0 upfront, finance it over a 24-month period. The win/win in that is, while giving customers what they want, I think we have an opportunity to mitigate that ever-increasing subsidy cost to our business and see significant earnings and cash flow opportunities. Albeit, it will slow transactions, which we—Mirko said earlier we have to focus on total revenue, because I think you will see the potential in EIP of transactions slowing, but that could lead to a significant opportunity in earnings and cash flow generation.

Mirko Bibic – President and CEO

On the handset cycle, look, I think the initial 5G handsets are likely to cater more to early adopters, and we have managed this before. We have managed the cycle from 2G to 3G, from 3G to 4G, and 4G to LTE Advanced, and we expect much the same here, certainly, in the early days.

David Barden – BofA Securities – Analyst

Okay, great, guys. Thanks for the comments.

Operator

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

Batya Levi – UBS – Analyst

Thank you. Two questions quickly. As you think about the competitive environment, do you think we can expect to see churn going back to year-over-year improvement this year?

And a clarification on the wireless capital intensity. Do you expect to reach 9% to 10% after the 3.5 GHz auction, or is there enough spending right now, as you prepare for the 5G network, that we will see that level early on in the year? Thank you.

Mirko Bibic – President and CEO

Well, the 9% to 10% on wireless capital intensity is for the entirety of the 5G build cycle.

Glen LeBlanc – Executive Vice President and CFO

Then, on your question on churn improvement, it goes to the comments I just made about EIP, and I believe, in a world where we see the installment plans starting to become a big portion, a significant portion of our loadings, I believe you will start to see a decline in churn. I mentioned that you will see a slowing of transactions, which ultimately can slow service revenues. It slows transactions, but managed properly, can improve EBITDA and improve cash flow.

The final point I will make on churn improvement is do not lose sight of the fact that it did—for BCE, churn did improve in 2019, three basis points.

Batya Levi – UBS – Analyst

Thank you.

Glen LeBlanc – Executive Vice President and CFO

Thank you.

Thane Fotopoulos – Vice President – IR

Last question, in the time we have left.

Operator

Thank you. The last question will be from Tim Casey with BMO Capital Markets. Please go ahead.

Tim Casey – BMO Capital Markets – Analyst

Thanks. Glen, could you tie your comments on subsidies and your measured roll-out of unlimited plans, or balanced roll-out, I guess is a better way, into the assumptions you have made for guidance? In other words, have you assumed that you will ramp up the intensity of uptake of unlimited plans in your guidance, and do you expect some material relief in expenses on the subsidy side from EIPs in your guidance? Can you help us sort of square up some of the assumptions you are making for us?

Glen LeBlanc – Executive Vice President and CFO

I would say the short answer to your question, Tim, in the short term, calendar year 2020, is no. We are not expecting a substantive shift in the subsidy reductions. Do I think that in the longer run this creates a great opportunity for the industry? Yes. Highly dependent upon that to deliver on the guidance in 2020? No. Do I think unlimited will ramp? Mirko has made numerous comments here today that our job, and what we have proven for a number of quarters here, is that we will take a balanced and managed approach to the data overage decline or the shift to unlimited, while giving customers what they want. So, I think a lot more of the same in 2020, of what you saw from us in second half of 2019.

Tim Casey – BMO Capital Markets – Analyst

Thank you.

Glen LeBlanc – Executive Vice President and CFO

Thank you, Tim.

Thane Fotopoulos – Vice President – IR

So, on that, I want to thank everybody for their participation today on the call, and I will be available throughout the day, as I usually am, for any follow-up and clarification. So, with that, have a good rest of the day.

Mirko Bibic – President and CEO

Thank you, everyone.

Glen LeBlanc – Executive Vice President and CFO

Thank you.

Operator

Thank you. The conference has now ended, please disconnect your lines at this time, and we thank you for your participation.
