BCE First Quarter 2021 Results 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 Q1 2021 Results 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 2021 annualized common share dividend, BCE's network deployment and capital investment plans, including its two-year increased capital investment program to accelerate broadband network and Fifth Generation (5G) footprint expansion, expected growth in our digital sales, expected resumption of mobile phone prepaid subscriber growth in the second half of 2021, our expected cash pension funding and potential contribution holidays on some or all of our defined benefit pension plans after 2021, the potential impacts on our business, financial condition, liquidity and financial results of the COVID-19 pandemic, the expectation that BCE's available liquidity and debt leverage ratio provide us with financial flexibility to support continued execution of our increased capital investment program and our participation in the upcoming wireless spectrum auction, 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 April 29, 2021 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. From time to time, we consider potential acquisitions, dispositions, mergers, business combinations, investments, monetizations, joint ventures and other transactions, some of which may be significant. Except as otherwise indicated by BCE, forward-looking statements do not reflect the potential impact of any such transactions or of special items that may be announced or that may occur after April 29, 2021. 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 2021 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.

Forward-looking statements contained in this transcript for periods beyond 2021 involve longer term assumptions and estimates than forward-looking statements for 2021 and are consequently subject to greater uncertainty. In particular, the potential for taking contribution holidays on some or all of our defined benefit pension plans after 2021 assumes that, at the relevant time, they will remain in funded positions with going concern surpluses and maintain solvency ratios that exceed the minimum legal requirements for a contribution holiday to be taken, which in turn assumes that market conditions will remain stable, with no significant declines in interest rates and investment returns. However, there can be no assurance that such going concern surpluses and solvency ratios will be achieved and maintained, with the result that our actual cash pension funding could materially differ from current expectations. Forward-looking statements for periods beyond 2021 assume, unless otherwise indicated, that the risks described below under "Material Risks" will remain substantially unchanged during such periods, except for an assumed improvement in the risk factors related to the COVID-19 pandemic and general economic conditions in future years.

Material Assumptions
A number of economic, market, operational and financial assumptions were made by BCE in preparing certain 2021 forward-looking statements contained in this transcript, including, but not limited to the following:

Canadian Economic Assumptions
Our forward-looking statements are based on certain assumptions concerning the Canadian economy, which in turn depend on important assumptions about how the COVID-19 pandemic will evolve, including the progress of the global vaccination rollout. Notably, it is assumed that broad immunity is achieved by mid-2021 in the U.S.; later in 2021 in Canada, other advanced economies and China; and in 2022 in other emerging-market economies. In particular, we have assumed:

- *Strong rebound in economic growth as the economy recovers from the significant impacts of the COVID-19 pandemic, given the Bank of Canada's most recent estimated growth in Canadian gross domestic product of around 6.5% on average in 2021, representing an increase from the earlier estimate of around 4%*

- *Improving consumer confidence as vaccinations roll out and restrictions are eased*
- *Strengthening business investment outside the oil and gas sector as uncertainty recedes*
- *Employment gains expected in 2021, despite ongoing challenges in some sectors*
- *Accelerating trend toward e-commerce*
- *Low immigration levels until international travel and/or health-related restrictions are lifted*
- *Prevailing low interest rates expected to remain at or near current levels for the foreseeable future*
- *Canadian dollar expected to remain at or 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.*

Canadian Market Assumptions
Our forward-looking statements also reflect various Canadian market assumptions. In particular, we have made the following market assumptions:

- *A consistently high level of wireline and wireless competition in consumer, business and wholesale markets*
- *Higher, but slowing, wireless industry penetration*
- *A shrinking data and voice connectivity market as business customers migrate to lower-priced traditional telecommunications solutions or alternative OTT competitors*
- *While the advertising market continues to be adversely impacted by cancelled or delayed advertising campaigns from many sectors due to the economic downturn during the COVID-19 pandemic, we do expect gradual recovery in 2021*
- *Declines in broadcasting distribution undertakings (BDU) subscribers driven by increasing competition from the continued rollout of subscription video on demand (SVOD) streaming services together with further scaling of OTT aggregators*

Assumptions Concerning our Bell Wireless Segment
Our forward-looking statements are also based on the following internal operational assumptions with respect to our Bell Wireless segment:

- *Maintain our market share of national operators' wireless postpaid net additions*
- *Continued growth of our prepaid subscriber base*
- *Continued adoption of smartphone devices, tablets and data applications, as well as the introduction of more 5G, 4G LTE and LTE Advanced devices and new data services*
- *Continued deployment of 5G wireless network offering coverage that is competitive with other national operators in centres across Canada*
- *Improvement in subscriber acquisition and retention spending, enabled by increasing adoption of device financing plans*
- *Unfavourable impact on mobile phone blended ABPU, driven by reduced outbound roaming revenue due to travel restrictions as a result of the COVID-19 pandemic, reduced data overage revenue due to continued adoption of unlimited plans and the impact of a higher prepaid mix in our overall subscriber base*
- *Increased adoption of unlimited data plans and device financing plans*
- *No material financial, operational or competitive consequences of changes in regulations affecting our wireless business*

Assumptions Concerning our Bell Wireline Segment
Our forward-looking statements are also based on the following internal operational assumptions with respect to our Bell Wireline segment:

- *Continued growth in retail Internet and IPTV subscribers*
- *Increasing wireless and Internet-based technological substitution*
- *Continued 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 medium-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 WTTP 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
Our forward-looking statements are also based on the following internal operational assumptions with respect to our Bell Media segment:

- *Overall revenue is expected to reflect a gradual economic recovery in 2021 combined with subscriber revenue growth and strategic pricing on advertising sales. However, revenue performance is expected to continue to be negatively impacted by the effects of the COVID-19 pandemic on many sectors of the economy.*
- *Continued escalation of media content costs to secure quality programming, as well as the return of sports and entertainment programming; however, in the short term, savings can still be expected due to production delays, shortened sports seasons, and possible cancellations from the ongoing COVID-19 pandemic*
- *Continued scaling of Crave through broader content offering and user experience improvements*
- *Investment in Noovo news and more French-language original content to better serve our French-language customers with a wider array of content, in the language of their choice, on their preferred platforms*
- *Enhanced market-leading attribution through our Strategic Audience Management (SAM) tool*
- *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*
- *Continued monetization of content rights and Bell Media properties across all platforms*
- *No material financial, operational or competitive consequences of changes in regulations affecting our media business*

Financial Assumptions Concerning BCE
Our forward-looking statements are also based on the following internal financial assumptions with respect to BCE for 2021:

- *Total post-employment benefit plans cost to be approximately $300 million, based on an estimated accounting discount rate of 2.6%, comprised of an estimated above adjusted EBITDA post-employment benefit plans service cost of approximately $275 million and an estimated below adjusted EBITDA net post-employment benefit plans financing cost of approximately $25 million*
- *Increase in depreciation and amortization expense of approximately $200 million to $250 million compared to 2020*
- *Interest expense and payments of approximately $1,050 million to $1,100 million*
- *An effective tax rate of approximately 27%*
- *NCI of approximately $60 million*
- *Total cash pension and other post-employment benefit plan funding of approximately $350 million to $375 million*
- *Cash income taxes of approximately $800 million to $900 million*
- *Average number of BCE common shares outstanding of approximately 905 million*
- *An annual common share dividend of $3.50 per share*

The foregoing assumptions, although considered reasonable by BCE on April 29, 2021, 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 2021 financial guidance, are listed below. The realization of our forward-looking statements, including our ability to meet our 2021 financial guidance targets, 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: the COVID-19 pandemic and the adverse effects from the emergency measures implemented or to be implemented as a result thereof, as well as other pandemics, epidemics and other health risks; 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; the intensity of competitive activity including from new and emerging competitors; 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; changing viewer habits and the expansion of OTT TV and other alternative service providers, as well as the fragmentation of, and changes in, the advertising market; rising content costs and challenges in our ability to acquire or develop key content; the proliferation of content piracy; higher Canadian smartphone penetration and reduced or slower immigration flow; regulatory initiatives,

proceedings and decisions, government consultations and government positions that affect us and influence our business; the inability to protect our physical and non-physical assets 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, 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; the complexity in our operations; the failure to maintain operational networks in the context of significant increases in capacity demands; the risk that we may need to incur significant capital expenditures to provide additional capacity and reduce network congestion; the failure to implement or maintain highly effective information technology (IT) systems; the failure to generate anticipated benefits from our corporate restructurings, system replacements and upgrades, process redesigns, staff reductions 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 and shortages; 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; the failure of our vendor selection, governance and oversight processes; 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 or whether the dividend on common shares will be increased; 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; 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 stakeholder and governmental changing expectations on environmental matters; and health concerns about radiofrequency emissions from wireless communication devices and equipment.

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 2020 Annual MD&A dated March 4, 2021 (included in BCE's 2020 Annual Report), BCE's 2021 First Quarter MD&A dated April 28, 2021 and BCE's news release dated April 29, 2021 announcing its financial results for the first quarter of 2021 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 "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 section 7.2, Non-GAAP financial measures and key performance indicators (KPIs) in BCE's 2021 First Quarter MD&A for more details.

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PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to the BCE Q1 2021 Results Conference Call.

I would like to turn the meeting over to Mr. Thane Fotopoulos. Please go ahead, Mr. Fotopoulos.

Thane Fotopoulos – Vice President – IR

Thank you, Donna, and good morning to everyone. Also joining me on the call today are Mirko Bibic, BCE's President and CEO, and our CFO Glen LeBlanc.

Before we begin, as usually I'll draw your attention to our Safe Harbor statement reminding you that today's slide presentation and remarks made during the call today will include forward-looking information and therefore are subject to risks and uncertainties. Results could differ materially. We disclaim any obligation to update forward-looking statements, except as required by law. Please refer to the company's publicly filed documents for more details on assumptions and risks.

With that, over to you, Mirko.

Mirko Bibic – President and CEO

Thanks, Thane. Good morning everyone.

In every successive quarter since the onset of COVID, BCE has delivered sequential quarterly improvement in our operating results and Q1 was no exception. Although the pandemic's effects are still present, we achieved both consolidated revenue and Adjusted EBITDA growth for the first time since Q4 of 2019. This is an important milestone that speaks to the stability and resiliency of our operations, our ability to operate effectively under challenging conditions, the strength of our leading broadband networks and services, and our management team's focused execution.

We continue to grow broadband market share, adding a leading 108,468 total mobile phone, mobile connected device, retail Internet and IPTV net subscribers this quarter, an increase of 51 percent over last year, and with $940 million of free cash flow generated this quarter we have the financial flexibility with $6.5 billion of available liquidity to drive both our national investment strategy and BCE's higher common share dividend for 2021.

Now for a quick update on the progress we're making in advancing our strategic priorities in 2021.

Our broadband investment acceleration program is in full swing with over $1 billion in new capital spent in Q1. We equipped another 148,000 locations with either direct fibre or Wireless Home Internet technology this quarter, and another 370,000 are currently under construction, keeping us on track to reach 6.9 million total homes and businesses passed by the end of this year.

As part of our overarching goal to advance how Canadian's connect with each other and the world, we've also made several announcements recently to expand broadband connectivity to more rural and remote areas of Canada. These include a partnership with the Government of Quebec that will see direct fibre rolled out to 31,000 locations in 100 underserved communities, and an initiative enabled by the CRTC's Universal Broadband Fund to bring faster Internet to more than 10,000 in Yukon and the Northwest Territories, including Inuvik, which just became the first all-fibre community in the Arctic Circle.

I'll turn now to Wireless.

Bell's 5G network is on course to cover more than 50 percent of the population by year end nationally. However, success in 5G and IoT leadership depends on multiple ingredients beyond coverage. It's about delivering the fastest speeds, the lowest latency and flexibility that could only be achieved through extensive cell site fibre-ization and slicing of the network, and leveraging network points of presence such as central offices for multi-access edge computing that supports product development. Bell is also the largest B2B provider in Canada, benefiting from deep relationships with the biggest Canadian companies that we can service almost anywhere in the country, so those are the multiple ingredients ensuring that Bell will be the leader in 5G.

Although the full benefits of 5G technology won't be realized until mid-band spectrum is available, and the partnership ecosystem evolves, we're already launching new services that are taking full advantage of the unprecedented speed and capacity of 5G now. These include the industry's first mobile 5G hot spot and our innovative TSN and RDG 5G view apps that offer new interactive new ways to watch sports.

We're also more generally delivering a better customer experience at every level, driving improved satisfaction, loyalty and retention, and another leading performance among national carriers for a sixth consecutive year in the most recent report from the CCTS, which showed a 17 percent drop in the number of complaints by Bell customers.

We made progress in diversifying our channel mix and expanding digital channel capabilities. Digital sales in Q1 were up more than 200 percent versus last year and will grow further over time as we continue to improve online tools and functionality.

This past quarter we introduced some new self-serve features online and via the MyBell and Virgin Mobile MyAccount apps, which included dynamic call routing, the ability to change a rate plan or upgrade a device, as well as in-app chat features for Bell, Virgin and Lucky wireless customers.

Let me turn now to slide 4 of our presentation.

Corporate responsibility is an integral part of our six strategic imperatives that inform all of Bell's policies, decisions and actions. Bell's ESG commitment supports this purpose, driving our unparalleled investments in broadband network infrastructure and service innovation, unmatched environmental leadership, investments in our teams and communities, and adherence to the highest financial, operational and data governance standards, all overseen by our board at the Corporate Governance Committee.

Our networks and services are important enablers of Canada's clean economy with the power of 5G mobile connections poised to be a major factor in helping multiple sectors reduce emissions. Bell is an acknowledged leader in the green economy, recently becoming the first communications company in North America to achieve ISO 50001 certification for our energy management system and announcing our objective to achieve carbon-neutral operations in 2025. I'm happy to report that Bell was again named one of Canada's Greenest Employers, the only national communications provider to be ranked for a fifth straight year.

And of course, through Bell Let's Talk, we're supporting mental health action in communities throughout Canada, helping over 1,100 organizations since 2010, with funding commitments now totalling more than $120 million with an ultimate target of at least $155 million by 2025.

We're undertaking meaningful actions to foster a more diverse workplace, including new targets for BIPOC representation in Bell's senior management team of 25 percent by 2025 and 40 percent of all new graduate and student hires in the same timeframe.

BCE is also a member of the 30% Club and a signatory to the Catalyst Accord 2022 which aim to increase the proportion of women serving on Canadian corporate boards to at least 30 percent. At our annual shareholders meeting later this morning, we expect to exceed that objective.

All this to say that ESG is an important focus area for us. Strong environmental, social and governance practices contribute to driving better operating results and creating shareholder value, and given who we are and the role we play in our industry, we'll continue to build on that leadership position.

Over to slide 5 and our operating metrics for Q1; I'll start with Wireless.

This quarter we modified our subscriber results reporting to align to many of our large North American peers as the Canadian industry evolves towards 5G. Specifically, we're now disclosing mobile phone and mobile connected device metrics separately. For comparability, we've restated our 2020 quarterly Wireless subscriber metrics to reflect these changes. This change reflects our strategic focus on higher value smartphone loading and the associated margin and economics in terms of lifetime value and EBITDA growth, while also enhancing the transparency of our disclosure.

Wireless customer activity was strong in Q1 despite ongoing COVID restrictions. Subscriber loading showed good year-over-year growth, postpaid churn remained low at 0.89 percent and ABPU continued to recover. We delivered 33,000 mobile postpaid net additions this quarter, up 31,000 over last year.

In terms of connected devices, we realized strong net additions of 74,000 or 51 percent higher year-over-year, reflecting increased demand for Bell IoT solutions including connected car subscriptions.

In prepaid, despite lower year-over-year churn, our customer base decreased by 31,000 net subscribers. Lower market activity reflected a slowdown in immigration and international travel to Canada during the pandemic as well as reduced retail store traffic, resulting in 27 percent fewer gross additions compared to last year. That said, we grabbed considerable market share over the past couple of years because of Lucky Mobile which has higher than average ARPU and I see prepaid growth resuming in the back half of this year.

Lastly on Wireless, blended ABPU decreased 3.4 percent. This of course reflects the industry-wide pressure on roaming associated with travel restrictions and lower data overage revenue as customers continue to subscribe to higher data threshold and unlimited plans. Notably, around 60 percent of existing customers who have migrated to unlimited have upgraded to higher rate plans which sets us up well for the mass commercialization of 5G.

Let's turn to Wireline.

We added 21,000 total new net Internet customers which compares well to last year's exceptionally strong result when we experienced a surge in demand as consumers began to work and spend more time at home.

If we look at Internet net additions within our fibre footprint specifically, it paints an even stronger picture. We delivered 37,000 retail residential Internet net additions in our FTTH footprint. That's up an impressive 43 percent over last year.

As our broadband footprint advantage keeps expanding, we being to see almost immediately a favourable impact on both subscriber growth and Internet revenue, which drew a very strong 12 percent in Q1; it's the reason we're so confident in our accelerated capital investment plan.

In TV, we added 11,000 net new IPTV subscribers, 8,000 higher than last year, representing our first quarter of year-over-year growth in two years. This improvement can be attributed to strong Bell Fibe TV and Virgin TV performance and lower customer churn, particularly in our fibre footprint. That's a very positive result in a mature Canadian TV market, and it speaks to the pullthrough impact and strong symbiosis between broadband Internet, content and digital media.

Satellite net customer losses decreased for a sixth consecutive quarter, improving more than 7 percent versus last year, and we continued to see a reduction in home phone customer deactivations, resulting in 17 percent

fewer net losses. And as I've mentioned in the past, any time the rates of decline slow for these high-margin services, it's accretive to cash flow.

Over at Bell Media now.

Although total advertising revenue was down year-over-year due to COVID impacts on radio and out-of-home, TV advertiser demand continued to recover with a full quarter of major league sports, our Super Bowl broadcast which was the third highest in Canadian history, continued strong specialty news performance and the significant gains in prime time viewership and ad sales at our French language conventional network Noovo. Taken all together, this drove a 3.5 percent increase in TV advertising revenue in Q1. That's a very encouraging result that should strengthen as we're beginning to lap last year's COVID impacts.

TSN and RDS remain the top English and French language specialty pay TV channels in Q1, and building on our celebration of women leaders at Bell, TSN made history just last month with the first all-female broadcast of an NBA game.

Consistent with our digital first strategic focus, we made progress on growing our streaming distribution platforms and digital advertising markets. Crave enjoyed standout performance with its best quarter since the final season of Game of Thrones, adding 139,000 new subscribers in Q1 to surpass 2.9 million total customers. That's up 12 percent over last year.

Digital revenues increased 16 percent in Q1 and now represent 17 percent of total Bell Media revenue, and that's up 14 percent from last year.

Going forward, we're expanding our digital ad inventory and modernizing our traditional distribution platforms to ensure they have the capabilities to enable dynamic ads on video on demand, and ultimately on live TV. We want our entire ad inventory, both digital and traditional, to be more dynamic and addressable. Offering targeted advertising capabilities and leveraging data insights from across Bell for advertisers will enable us to take a bigger slice of the ad spending pie on any platform we operate, from Fibe TV to Alt TV and Virgin TV, to Bell Streamer, to the traditional TV channels and the CTV AVOD app, all the way potentially to Crave. Repatriating digital ad dollars back into Canada is a good thing for our economy, consumers and certainly for Canadian broadcasters.

And in support of this objective, yesterday we announced a new partnership with AT&T Xandr to create Canada's first self-serve omni-channel advertising platform for TV and digital that will deliver increased automation functionalities and leverage data to facilitate new and easier media-buying capabilities. The new platform will enable Canadian advertisers to run scaled targeted campaigns using premium inventory over multiple platforms and channels. It's a great addition to Bell's strategic asset management suite of data-enabled and privacy compliant tools and offers markets and advertisers the ability to identify, understand and connect with the right audiences.

On that, I'll hand the call over to Glen for a review of our Q1 financial results.

Glen LeBlanc – Executive Vice President and CFO

Thank you Mirko, and good morning everyone. Let me begin on slide 7.

A very positive start to the year as we have achieved consolidated revenue and EBITDA growth despite ongoing COVID impacts on our business. All Bell operating segments delivered meaningfully better performance trajectories that drove a 1.2 percent year-over-year increase in revenue. This translated into an EBITDA increase of 0.5 percent as higher margin wireless roaming and media advertising revenues have not yet recovered to pre pandemic levels.

Despite higher EBITDA, net earnings were down 6.3 percent. This was due to severance costs recorded in Q1 for workforce reductions undertaken earlier this year, notably at Bell Media, as well as higher depreciation expense driven by growth in capital assets and accelerated depreciation of 4G network elements as we transition to 5G.

We invested over $1 billion in capex this quarter. This year-over-year increase is consistent with our two-year plan to accelerate more than $1 billion of investment on wireline broadband networks and mobile 5G.

Despite the notable step up in capital expenditures, free cash flow increased 54 percent over last year to $940 million. The year-over-year improvement can be attributed to the timing of tax installment payments in 2021 as well as a temporary, favourable change in working capital that is expected to reverse over the remainder of this year.

Let’s turn to slide 8.

Q1 marked the return to positive top line growth for Bell Wireless. Total revenue was up 3.2 percent. This was driven by 20 percent higher product revenues due to increased sales of premium smartphones that reflects our strategic focus on higher value mobile phone subscribers, as well as stronger online consumer electronic sales at the source.

Direct channels drove a significant portion of the year-over-year volume growth and accounted for one-third of total consumer and small business sales in Q1 compared to just 15 percent a year ago.

Although year-over-year service revenues declined with a decline of 2.1 percent, it did improve sequentially this quarter. Roaming and data overage remain headwinds, which is not a surprise to anyone.

Normalizing for the $62 million COVID-driven reduction in mobile roaming in Q1, service revenue was actually up 1.9 percent. So, a very positive indicator of when borders reopen and travel resumes.

Despite the loss of the high-margin roaming and overage revenue, EBITDA was right on the cusp of positive growth this quarter, decreasing by only 0.5 percent, which represents a notable improvement from the 3 percent decline we reported last quarter.

Moving to slide 9, Bell Wireline had its best top line performance of the past two years, delivering year-over-year growth of 1.5 percent, which yielded a 2.1 percent increase in EBITDA on higher margin of 44.2 percent. This result was driven by both higher service revenues which grew approximately 1 percent and a 14 percent increase in product revenue driven by higher sales of data equipment to the government sector.

Bell Residential had a standout performance in Q1, growing revenue nearly 4 percent. This was a result of an impressive 12 percent year-over-year increase in Internet revenue, reduced seasonal service suspensions and an improved rate of voice decline as fewer customers are disconnecting home phone service during this pandemic.

At Bell Business Markets, while overall results continue to reflect reduced telecom spending by large enterprise customers, and volume declines in the SME sector because of COVID, we saw improvements in the year-over-year rates of revenue and EBITDA decline.

Let’s move over to Bell Media on slide 10.

Further sequential improvement this quarter as revenue declined 5.2 percent compared to 10 percent in Q4. Although TV advertising revenue was up 3.5 percent in the quarter, reflecting stronger sports and news specialty performance as well as incremental contribution from Noovo, out-of-home and radio advertising have been much slower to recover. Subscriber revenue reflected strong Crave streaming growth, but overall

remained relatively stable year-over-year. However, growth is expected to strengthen during the course of the year due to the flow-through of contract renewals with some of the Canadian TV distributors.

Operating costs decreased 4.5 percent, driven mainly by lower cost of revenue because of TV production shutdowns and delays, as well as labour savings and a temporary waiving of Part I and Part II fees by the federal government due to the pandemic.

Consistent with year-over-year decline in advertising this quarter, which is a very high revenue flow through impact, EBITDA was down 7.7 percent.

Let's turn to adjusted EPS on slide 11. This details the key components of adjusted EPS, which was $0.78 per share for Q1 as COVID-related impacts continue to moderate throughout most of Q1.

Higher EBITDA as well as lower net interest expense and pension financing costs contributed favourably to adjusted EPS, but were effectively offset by the increased depreciation and amortization expense I mentioned earlier, and lower year-over-year tax adjustments.

Turning to slide 12, despite the ongoing financial impacts of COVID and higher year-over-year capital spending, which I previously mentioned, free cash flow increased 54 percent to $940 million. We ended Q1 with $6.5 billion of available liquidity and a steady debt leverage ratio providing us with very good financial flexibility as we continue to execute on our capital acceleration investment strategy and we head into wireless spectrum auction in June.

Free cash flow was exceptionally high this quarter as a result of higher cash and working capital due partly to the slowdown in commercial activity that we began to experience in the latter stages of Q1 2020 as the COVID crisis began.

This quarter's results also reflect an expected decrease in cash taxes due to the profiling of installment payments in calendar 2021.

That said, as the pace of capex picks up with the increased construction activity during the spring and summer months, and as working capital reverses course with increased customer activity, free cash flow growth will moderate, consistent with our guidance target for the year.

Lastly, a quick pension plan status update and an important milestone that I wanted to highlight regarding our funded position.

For the first time ever, and despite a persistently low interest rate environment, all of BCE's major defined benefit pension plans are in a surplus position on a solvency basis, with the largest of those plans being Bell Canada at over 105 percent.

More recently, we've been able to take contribution holiday on one of our smaller plans. This bodes well for the opportunity of taking contribution holidays on our larger defined benefit plans in the near future.

The thought of a contribution holiday five years ago wasn't even on the horizon. Fast forward to today with all plans more than fully funded, it is reasonable to assume that a contribution holiday is imminent.

To wrap up on slide 13, we are extremely pleased by the operational execution delivered by the Bell team in Q1 with consistent, steady improvement that continues to build momentum back into every part of the business, which sets us up very nicely for the balance of the year.

With this promising start to the year and the strengthening financial profile across all operating segments, I am reconfirming all of our guidance targets for 2021. On that, I'll turn the call back over to Thane and the operator to begin the Q&A.

Thane Fotopoulos – Vice President – IR

Thanks, Glen. Before we do start the Q&A period, I just want to remind participants that due to some time constraints this morning because of our annual general meeting, shareholders meeting which is taking place shortly after this call, please limit yourselves to one question and a brief follow-up so that we can get to as many in the queue as possible. Thank you for that.

Donna, we're ready to take our first question.

QUESTION AND ANSWER SESSION

Operator

Thank you. We will now take questions from the telephone lines.

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

Jeffrey Fan – Scotiabank – Analyst

Thank you. Good morning Mirko. Good morning Glen. Perhaps the big question that we've been getting a lot in the past week is related to the Rogers and Shaw, and I guess the revelation that BCE was involved. Mirko, I just want to give you maybe an opportunity to address that at a high level, if you will. Perhaps the rationale and whether there is a next best option.

Then a very quick follow-up, perhaps for Glen. Q1 revenue and EBITDA grew year-over-year even with the difficult competition. I'm just wondering if that was ahead of your expectations going into this year and whether there's any colour that you can give on guidance. It's a wider range than usual and I know you didn't change your guidance, but do you have any colour that you can give, given the stronger-than-expected start? Thanks.

Mirko Bibic – President and CEO

Thanks, Jeff. Good morning and thanks for the question. I will keep it high level given the nature of the issue.

Let me start by saying I feel—and I've said this since I became CEO—I feel good about our current asset mix and we're well positioned to win in a converged era. In fact, our fibre and 5G networks, 5G IoT, MEC use cases, the revenue opportunities are going to come with that. I'm really excited about our digital shift in Media and the digital ad spend monetization that we'll be able to generate and monetizing big data insights. I think that's important to mention.

I have also said consistently since I became CEO, because I've been asked this, that we will always look at opportunities that come up and capitalize on the opportunities that make sense for our shareholders.

The transaction that you referred to in your question, Jeff, it came up, we looked at it and we decided not to proceed.

I'm not going to add really anything beyond what's already in the public domain. Some of the reasons for why we didn't proceed have been reported on, and at this point it's not our deal. The merging parties have a regulatory process they go through first instance, and while they're doing that, like I've also said, we'll continue to build and we'll continue to position ourselves to be a formidable competitor.
I'll leave it at that, Jeff.

Jeffrey Fan – Scotiabank – Analyst

Thanks.

Glen LeBlanc – Executive Vice President and CFO

Good morning Jeff. It's Glen. Your question on Q1 revenue and EBITDA performance and any colour I can provide, look, we're very, very pleased to have had growth in both revenue and EBITDA. If we remember back, we are really lapping a quarter where there was minimal COVID impact in Q1 of 2020. It was really Q2 when we started to feel the extreme impacts of this pandemic, so to be able to deliver positive top line revenue growth and earnings growth, yes, we're extremely pleased and I wouldn't say it changes our outlook. We look to the next three quarters for the remainder of 2021 and we know we're going to face uncertainty and volatility during this pandemic and let's hope that each and every quarter our country begins to heal and our economy starts to perform better.

With that, I think the confidence in our operations and the performance of our company is underpinned by the fact that we actually provided guidance this year. Others may not have but we're very confident in our ability to continue to see sequential improvement and operational excellence and I think that's underpinned by firstly providing guidance, but more importantly reconfirming it today.

I think, Jeff, we're extraordinarily pleased with the first quarter and how we came out of the gate and the momentum we can carry into the rest of the year.

Jeffrey Fan – Scotiabank – Analyst

Great. Thank you.

Operator

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

Vince Valentini – TD Securities – Analyst

Thanks very much. Glen, first can you confirm the 12 percent Internet growth, that would all be service revenue, correct? None of the product revenue would be in that?

Mirko Bibic – President and CEO

Yes, correct.

Glen LeBlanc – Executive Vice President and CFO

Yes, that is correct, Vince. I'm just double-checking. No, you're right. That is all service.

Vince Valentini – TD Securities – Analyst

Okay. That's an amazing number. We can see what the subscriber growth is in Internet so clearly there's a pretty healthy ARPU gain there. Can you break that down a bit for us? Is there any particular skew by any region? Or any particular skew to pricing gain versus people tiering up, versus maybe just less promotional discounting that's flowing through that revenue number?

Glen LeBlanc – Executive Vice President and CFO

You did a pretty darned good job there, Vince. That's exactly it; it's all of the above. It's a little bit less promotional activity. I think we're truly seeing consumers realize the value of our products now in this pandemic and how important it is to have world-class Internet speeds and upgrading to better performance products. It is happening across our entire footprint wherever we're offering services.

Yes, we're extremely pleased with the 12 percent, but it is—I can't give you any more granularity than the areas that you hit on but it's all of the above.

Vince Valentini – TD Securities – Analyst

Good enough. Thank you.

Glen LeBlanc – Executive Vice President and CFO

Thank you, Vince.

Operator

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

Drew McReynolds – RBC Capital Markets – Analyst

Thanks. Good morning.

Mirko, I'd love to get your thoughts on the outcome of the wireless review while we have you here, and maybe as a follow-up, completely different, the digital transformation at Bell Media, you alluded to 17 percent of revenue now digital. Is there some kind of roadmap or kind of forward-looking digital contribution to revenue that you're willing to share? If not, just maybe talk to some of the key levers of driving that digital contribution higher. Thank you.

Mirko Bibic – President and CEO

Thanks, Drew. On the regulatory decision, everyone knows what our position has been quite consistently over time and including throughout this kind of last proceeding. The evidence and the facts on the ground easily would have supported a decision to stay the course with no MVNO mandates. I think it's important to say that.

But, that said, given the range of potential MVNO approaches that had been considered, the CRTC did at least lay out in the decision and approach that is in a sense consistent with our traditional facilities based policies.

A lot of details to work through, though, Drew, so we'll do that of course over time and we're going to continue to assess implications of the decision. Like what we said the first day, right out of the gate when the decision came out, as we do the regulatory work that we need to do, first and foremost we're going to continue to be focused on our customers and that's about delivering the highest quality networks but delivering a wide variety of plans and continuing to deliver ever-better customer experience so we can continue to generate the results that we're seeing.

On Media, I'm really, really pleased with how well we're pivoting towards a digital first approach to the business. Really, I can't really unpack at this stage for you, Drew, too much of the key drivers there. It's early stages but I think really it's about buttressing the suite of digital ad inventory that we can make available to advertisers and providing an easy-to-use one-stop platform for advertisers to engage with as they're developing their campaigns. We talk a lot about SAM, Strategic Asset Management. I think that would be the key driver right now of the success in the early days of our strategic pivot.

Drew McReynolds – RBC Capital Markets – Analyst

Okay, thank you.

Operator

Thank you. The next question is from Matthew Griffiths from BofA Securities. Please go ahead.

Matthew Griffiths – BofA Securities – Analyst

Good morning, guys. It's Matt sitting in for Dave. Thanks for taking the question. Just two if I could.

I was wondering if you could talk about some of the underlying trends in what you're seeing from Wireless service revenue and if we should expect going forward, leaving aside roaming—obviously everyone can make an assumption about when that will come back and how strong. But should we assume that service revenue growth is going to be driven going forward both by subscriber growth and by underlying ARPU growth?

Just secondly, on the comment, Glen, about the contribution holiday on the pension being imminent, is that—are you leading us to believe that this is a 2021 event? Is a holiday contemplated in the guidance range that you provided for free cash flow? Thanks.

Mirko Bibic – President and CEO

Glen, I'll start first on the Wireless question. You could supplement as you wish on that and then go into the pension question.

On the Wireless side, you can see that our focus on smartphone loadings is bearing fruit. You could see it in the results there with 33,000 postpaid net additions and up 31,000 year-over-year, and as we de-emphasize tablets we haven't walked away completely from tablets but we're focused on profitable tablets and the profitability of our tablet sales has gone up 90 percent year-over-year, so that's an impressive number.

The digital transformation is working, and while store traffic continues to be down pretty appreciably given the restrictions, you've seen the gross add numbers, they're up.

Other factors, speaking to the growth in Wireless, promotional intensity has been fairly rational in Q1. January and February were especially stable. I think handset discounting is acceptable, so a positive trajectory there; that's a good sign.

Where I see growth going forward, obviously roaming will come back. Immigration and population growth will continue when we get through this. There is pent-up demand and with that comes penetration growth. I mentioned the mobile phone strategy, 5G monetization on the horizon and prepaid as well. As I mentioned in my opening remarks, prepaid will come back as some of these other factors that I've mentioned improve as we get through COVID.

Glen, anything to add and then pension.

Glen LeBlanc – Executive Vice President and CFO

Good morning, Matt. Yes, I'll touch on the pension and contribution holiday that I alluded to earlier.

Look, as many on this call will know it's been probably 15 or 16 years I've been coming on these calls talking about the state of our pension deficit, whether that be at Bell Aliant or here at BCE and all of our plans. To reach this historic milestone where they're all fully funded was something that I wondered if I would ever see in my career.

When I say imminent I do not mean—I am not referring to 2021. It will not be this year. It is not in the targets or the guidance we've provided. But I see it now on our planning horizon, meaning in the next 12 to 24 months, so post 2021, this is now real and it's gone from being a sizeable cash flow burden of having to make special contributions into our pension plan for well over more than a decade to an opportunity that is going to present itself in our planning horizon.

Not this year, Matt, but it's pretty exciting after all of these years to see it literally on the horizon.

Matthew Griffiths – BofA Securities – Analyst

Thanks so much.

Glen LeBlanc – Executive Vice President and CFO

Thank you.

Operator

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

Aravinda Galappatthige – Canaccord Genuity – Analyst

Good morning. Thanks for taking my question.

I wanted to go back to the Internet revenue growth number. Obviously very impressive. You alluded to the upgrade cycle, the trend of subscribers tiering up in terms of the higher speed products. Just to sort of help us understand how much more running room there is with respect to that trend, Mirko or Glen. I was wondering if

you can talk about sort of the proportion of subscribers that perhaps have taken—that are still taking speeds under 50 or 25 Megabits per second, in particular your fibre customers that can obviously easily tier up to 100, even up to 500 Megabits per second. I wanted to get a sense of sort of that upside. Thank you.

Mirko Bibic – President and CEO

I'm not going to break down the tiering of our fibre customers on the various plans, but let me leave it at this, Aravinda. There is definitely an upside in having customers tier up from the plans they currently are on to plans all the way up to 1.5 Gigabits per second, and that would come with quite clearly an ARPU bump. We are focused on that.

Ninety percent of our Internet subscribers are on unlimited plans, so really the move is to encourage subscribers who are on plans below 1 Gigabit per second, let's say, to tier up to higher rate plans and therefore driver higher ARPU.

Glen LeBlanc – Executive Vice President and CFO

Aravinda, it's Glen. Just to build on what Mirko said, our fibre strategy is clear and that is advancing our network and our fibre-to-the-home footprint faster and 1.7 million total Bell fibre-to-the-home Internet subscribers at the end of Q1. That's up 17 percent year-over-year.

As we continue to make the necessary investment in rolling fibre out and to bringing world-class connectivity to our customers, naturally they're going to migrate to a better speed tier and that's where a big opportunity still remains for us, is to continue to roll out fibre and offer world-class internet speeds. I think there's a significant runway in front of us and why this fibre infrastructure investment is so critical.

Mirko Bibic – President and CEO

Fact is there's three components to it, right? There's the one that Glen just mentioned as we roll out more fibre, just a natural growth opportunity there, for our current fibre subscribers, encouraging them to migrate up to higher rate plans, and of course there's a cost side and just the customer experience churn and cost benefits that come, that we've talked about before with a broader fibre footprint.

Aravinda Galappatthige – Canaccord Genuity – Analyst

Thank you.

Operator

Thank you. The next question is from Diego Barajas from Morgan Stanley. Please go ahead.

Diego Barajas – Morgan Stanley – Analyst

Good morning. This is Diego Barajas filling in for Simon. Thank you for taking the questions. Just to follow-up on that fibre point, can you just speak to what penetration levels you're seeing in the fibre markets in year one and how you see that trending over time? Then on Wireless, you spoke to traffic being down materially in the stores but still has solid postpaid gross and net additions, and you also spoke to the direct channel. Can you just speak

to how you expect that direct channel or online sales, what percentage you see that making up over time and maybe any cost benefits there? Thank you.

Mirko Bibic – President and CEO

Okay, thanks. On the fibre question, again, when we enter a market and overlay fibre where we didn't have fibre before, so we might have had FTTN or ATM lower speed DSL technology—and by the way, the same thing goes with Wireless Home Internet—we're seeing rapid penetration gains. I'm not going to unpack that but you can see kind of the top line numbers, the subscriber gains that Glen shared with you, the top line revenue gains that we're seeing that Vince asked us about. Clearly the fibre strategy is working. We're taking strong revenue share. We're taking strong net add share quarter after quarter where we have fibre. It's the right thing to do to accelerate that plan and we announced that in February. I was confident then; I'm more confident than ever that this is the right strategy.

On the Wireless side and digital, we are a lot better than we were a year ago at direct channel sales, so that would be online, in the apps and through our call centres. Again, I pointed to the gross add increase year-over-year in my opening remarks. That's going to continue. I mean those direct sales are going to continue to be a growing portion of our overall sales and therefore our overall channel mix. It definitely comes with lower COA. It allows us to be more competitive. It does provide a better customer experience in the sense that those customers who want to deal with us in those channels can now do it easily, intuitively and they're a happier customer at the end of it. Then, of course, the customers who want to continue to deal with us through retail stores will continue to have that benefit because we're going to continue to lead in traditional retail store distribution. The omni-channel journey is going to be important to have seamless transitioning between channels is going to be top of mind for us.

I won't give you an exact number but I will say, Diego, that year-over-year our total cash channel cost has gone down and that's largely a function of direct sales in the mix. Now, as retail stores reopen their mix is going to rebalance a bit, but direct sales are going to continue to be a meaningful component of that and growing.

Glen LeBlanc – Executive Vice President and CFO

Just to build on what Mirko said, Diego, just one brief comment. I've said it before and I continue to remind everyone again. Where we build fibre, we take a disproportionate share of net new additions. It is that simple. It's in every footprint where we build fibre, we have the opportunity to take share and that continues. So, although I won't share with you specifically what the penetration rate is in the first six to 12 months, it differs by region. What is important is we continue to take a disproportionate share of net new.

Thane Fotopoulos – Vice President – IR

Next question.

Operator

Thank you. Our next question is from Jérôme Dubreuil from Desjardins. Please go ahead.

Jérôme Dubreuil – Desjardins Securities – Analyst

Thanks for taking my questions. Two questions on ABPU growth. We saw a slight change in methodology for reporting subscribers. It's easier to see the impact on the subscriber front, but maybe if you can quantify the impact on the ABPU growth, possibly? Also, on the transition to unlimited, where are you in your plans to transition in terms of where you want to be?

Mirko Bibic, President, Chief Executive Officer

Glen, you want to start first on ABPU?

Glen LeBlanc – Executive Vice President and CFO

Sure. The ABPU growth that we've shown now has changed due to our reporting change and removing the connected devices or items like tablets from the ABPU calculation you would have seen historically.

If you look back, we restated all of calendar 2020 so that it is comparable so that the growth rates were not skewed by that. You'll notice that the ABPU jumped—I think, Thane, it's in the roughly $5 or $6 on an ABPU basis.

Thane Fotopoulos – Vice President – IR

Yes, it's about $7. It's about $7.

Glen LeBlanc – Executive Vice President and CFO

Seven dollars, excuse me. But all of that was restated so as to give you clear comparability.

Thane Fotopoulos – Vice President – IR

Jérôme, if you go to last year's supplementary versus this year's you can see the differences.

Mirko Bibic, President, Chief Executive Officer

And on overage, we continue to manage that nicely. Like I've said before, base management is something we're particularly good at; we're not force migrating customers. The unlimited plans are available, they're there for those who want them. It's there. With 5G, you have to get into—you have to take an unlimited plan. We see 60 percent of those, as I mentioned, who migrate to unlimited plans are migrating up, which is good. And we're well positioned for 5G. I think really for us the spike in transitions from capped plans to unlimited plans will happen when there is a spike in adoption of 5G handsets.

Glen LeBlanc – Executive Vice President and CFO

And as I said in my opening remarks when we look at ABPU, the fact that if you normalize for the sizeable impact roaming continues to have in that number, our service revenue number is positive and therefore a big impact on ARPU is the impacts of roaming.

Jérôme Dubreuil – Desjardins Securities – Analyst

Thank you.

Glen LeBlanc – Executive Vice President and CFO

You're welcome.

Operator

Thank you. Our next question is from David McFadgen from Cormark Securities. Please go ahead.

David J. McFadgen – Cormark Securities Inc. – Analyst

Great, thank you. You talked earlier about 60 percent of your customers have migrated to unlimited data plans. I was just wondering—actually, higher rate plans. I was just wondering where do you stand on the whole journey of getting your postpaid customers over to unlimited plans. I was just wondering if you can give us some idea as to 50 percent migrate over to unlimited plans, and just sort of some idea there.

Then secondly, on the pension plan hiatus, when you talk about a hiatus in funding in 12 to 24 months, I was just wondering could this be something material and really help your free cash flow to help you de-lever faster? Thank you.

Mirko Bibic – President and CEO

On the first question, again, with unlimited plans, very similar to the answer I gave to Jérôme. I have no set target in terms of the pace of migration to unlimited that we're seeking. I am actually trying to manage the data overage decline in the entire kind of portfolio of services we are providing. Now, of course, we do have to provide unlimited plans; it is a good consumer initiative. It positions us well for 5G, so that migration in terms of the Bell subscriber base, that migration will evolve naturally as customers migrate over to 5G.

I did say that it's positive, that when a customer migrates to unlimited 60 percent of those are on higher kind of rate plans, but there is—that's parking for a second the data overage impact. Really trying to manage the data overage decline. I think it's the right thing to do for our shareholders. That data overage is high flowthrough revenue. Other than providing the suite of plans and handsets that customers want, no set target. It will come when it comes, and it will come when 5G arrives for real.

Glen LeBlanc – Executive Vice President and CFO

Thanks, Mirko. I'll take the pension plan funding question.

The size of the prize is your annual current service cost. If you look at what it tends to be for us of all plans, it's in the $200 million to $250 million annually. Now, there's a monthly test and each plan has to be tested individually, so one plan could be in a contribution holiday state where another may not be, but the size of the prize is absolutely material. If we consider that if you were able to have all plans in a state of a contribution holiday, it could be upwards of $200 million to $250 million in any one calendar year.

Fingers crossed. For now we're just—we're extremely pleased that it's no longer requiring cash to be put into the plan and to think about that opportunity in the future is pretty exciting.

David J. McFadgen – Cormark Securities Inc. – Analyst

Okay. Thank you.

Operator

Thank you. There are no further questions registered at this time. I'd like to turn the call back over to Mr. Fotopoulos.

Thane Fotopoulos – Vice President – IR

Thank you, Donna. Thanks again to everybody for their participation on the call this morning. As usual, I'll be available throughout the day for any follow-ups or clarifications.

On that, have a great rest of the day and take care. Stay safe.

Mirko Bibic – President and CEO

Thanks 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 thank you for your participation.