



# BCE

## BCE Q1 2024 Results Conference Call

**Mirko Bibic**  
President and Chief Executive Officer

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Executive Vice President and CFO

May 2, 2024

### **CAUTION REGARDING 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 2024 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 revenue, adjusted EBITDA, capital intensity, adjusted EPS and free cash flow), BCE's 2024 annualized common share dividend, BCE's anticipated capital expenditures and network deployment plans, the cost savings expected to result from workforce reductions, our transformation initiatives and the benefits expected to result therefrom, anticipated stronger adjusted EBITDA growth in the back half of 2024, BCE's net debt leverage ratio target, 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, commitment 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 May 2, 2024 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. We regularly 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 May 2, 2024. 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 2024 Results Conference Call for the purpose of assisting investors and others in understanding certain key elements of our expected financial results, as well as our objectives, strategic priorities and business outlook, and in obtaining a better understanding of our anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes. The forward-looking statements made during BCE's Q1 2024 Results Conference Call for periods beyond 2024 assume, unless otherwise indicated, that the economic, market, operational and financial assumptions as well as the material risk factors described in this transcript will remain substantially unchanged during such periods.

#### **Material Assumptions**

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

#### **Canadian Economic Assumptions**

Our forward-looking statements are based on certain assumptions concerning the Canadian economy. In particular, we have assumed:

- Improving economic growth, given the Bank of Canada's most recent estimated growth in Canadian gross domestic product of 1.5% in 2024, representing an increase from the earlier estimate of 0.8%
- Easing, but still elevated, consumer price index (CPI) inflation as monetary policy works to reduce inflationary pressures
- Easing labour market conditions
- Growth in consumer spending driven mainly by strong population growth
- Business investment growth underpinned by the diminishing impact of past increases in interest rates, easing financial conditions and the overall growth of the economy
- Prevailing high interest rates expected to remain at or near current levels
- Population growth resulting from strong immigration
- Canadian dollar expected to remain 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 higher 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 telecommunications solutions or alternative over-the-top (OTT) competitors

- *The Canadian traditional broadcast TV and radio advertising market is experiencing a slowdown consistent with trends in the global advertising market, with improvement expected in the medium term, although visibility to the specific timing and pace remains limited*
- *Declines in broadcasting distribution undertaking (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 CTS Segment**

*Our forward-looking statements are also based on the following internal operational assumptions with respect to our Bell CTS segment:*

- *Increase our market share of national operators' wireless mobile phone net additions*
- *Increased competitive intensity and promotional activity across all regions and market segments*
- *Ongoing expansion and deployment of 5G and 5G+ wireless networks, offering competitive coverage and quality*
- *Continued diversification of our distribution strategy with a focus on expanding direct-to-consumer (DTC) and online transactions*
- *In the BCE 2023 Annual MD&A, we disclosed our assumption of moderating growth in mobile phone blended ARPU. We are now assuming declining mobile phone blended ARPU, due to a higher-than-anticipated level of competitive pricing pressure which intensified progressively in the first quarter of 2024, that has carried over from the seasonally more intense Q4 2023 selling period.*
- *Continuing business customer adoption of advanced 5G, 5G+ and Internet of Things (IoT) solutions*
- *Improving wireless handset device availability in addition to stable device pricing and margins*
- *Further deployment of direct fibre to more homes and businesses within our wireline footprint, but at a slower pace than during any of 2020 to 2023*
- *Continued growth in retail Internet and IPTV subscribers*
- *Increasing wireless and Internet-based technological substitution*
- *Continued focus on the consumer household and bundled service offers for mobility and Internet customers*
- *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*
- *Increasing customer adoption of OTT services resulting in downsizing of TV packages*
- *Growing consumption of OTT TV services and on-demand video streaming, 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 operating efficiencies enabled by our direct fibre footprint, changes in consumer behaviour and product innovation, digital adoption, product and service enhancements, expanding self-serve capabilities, new call centre and digital investments, other improvements to the customer service experience, management workforce reductions including attrition and retirements, and lower contracted rates from our suppliers*
- *No adverse material financial, operational or competitive consequences of changes in or implementation of regulations affecting our communication and technology services 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 digital revenue expected to reflect continued scaling of our Strategic Audience Management (SAM) TV and demand-side platform buying platforms, expansion of Addressable TV (ATV), as well as DTC subscriber growth, contributing towards the advancement of our digital-first media strategy*
- *Leveraging of first-party data to improve targeting, advertisement delivery including personalized viewing experience and attribution*
- *Continued escalation of media content costs to secure quality programming*
- *Continued scaling of Crave through optimized content offering, user experience improvements and expanded distribution*
- *Continued support in original French programming with a focus on digital platforms such as Crave, Noovo.ca and iHeartRadio, to better serve our French-language customers through a personalized digital experience*
- *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*
- *No adverse material financial, operational or competitive consequences of changes in or implementation of 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 2024:*

- *An estimated post-employment benefit plans service cost of approximately \$215 million*
- *An estimated net return on post-employment benefit plans of approximately \$70 million*

- Depreciation and amortization expense of approximately \$5,000 million to \$5,050 million
- Interest expense of approximately \$1,650 million to \$1,700 million
- Interest paid of approximately \$1,750 million to \$1,800 million
- An average effective tax rate of approximately 25%
- Non-controlling interest of approximately \$60 million
- Contributions to post-employment benefit plans of approximately \$55 million
- Payments under other post-employment benefit plans of approximately \$60 million
- Income taxes paid (net of refunds) of approximately \$700 million to \$800 million
- Weighted average number of BCE common shares outstanding of approximately 912 million
- An annual common share dividend of \$3.99 per share

Assumptions underlying expected continuing contribution holiday in 2024 in the majority of our pension plans

We have made the following principal assumptions underlying the expected continuing contribution holiday in 2024 in the majority of our pension plans:

- At the relevant time, our defined benefit (DB) pension plans 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 for applicable DB and defined contribution (DC) components
- No significant declines in our DB pension plans' financial position due to declines in investment returns or interest rates
- No material experience losses from other events such as through litigation or changes in laws, regulations or actuarial standards

The foregoing assumptions, although considered reasonable by BCE on May 2, 2024, 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 2024 financial guidance, are listed below. The realization of our forward-looking statements, including our ability to meet our 2024 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 negative effect of adverse economic conditions, including a potential recession, elevated inflation, high interest rates and financial and capital market volatility, and the resulting negative impact on business and customer spending and the demand for our products and services; the negative effect of adverse conditions associated with geopolitical events; regulatory initiatives, proceedings and decisions, government consultations and government positions that negatively affect us and influence our business including, without limitation, concerning mandatory access to networks, spectrum auctions, the imposition of consumer-related codes of conduct, approval of acquisitions, broadcast and spectrum licensing, foreign ownership requirements, privacy and cybersecurity obligations and control of copyright piracy; the inability to implement enhanced compliance frameworks and to comply with legal and regulatory obligations; unfavourable resolution of legal proceedings; the intensity of competitive activity and the failure to effectively respond to evolving competitive dynamics; the level of technological substitution and the presence of alternative service providers contributing to disruptions and disintermediation in each of our business segments; changing customer behaviour and the expansion of cloud-based, OTT and other alternative solutions; advertising market pressures from economic conditions, fragmentation and non-traditional/global digital services; rising content costs and challenges in our ability to acquire or develop key content; high Canadian Internet and smartphone penetration; the failure to evolve and transform our networks, systems and operations using next-generation technologies while lowering our cost structure, including the failure to transition from a traditional telecommunications company to a tech services and digital media company and meet customer expectations of product and service experience; the inability to drive a positive customer experience; 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 implement an effective data governance framework; the failure to attract, develop and retain a diverse and talented team capable of furthering our strategic imperatives and high-tech transformation; the potential deterioration in employee morale and engagement resulting from staff reductions, cost reductions or reorganizations and the de-prioritization of transformation initiatives due to staff reductions, cost reductions or reorganizations; the failure to adequately manage health and safety concerns; labour disruptions and shortages; the risk that we may need to incur significant capital expenditures to provide additional capacity and reduce network congestion; service interruptions or outages due to network failures or slowdowns; events affecting the functionality of, and our ability to protect, test, maintain, replace and upgrade, our networks, information technology (IT) systems, equipment and other facilities; the failure by other telecommunications carriers on which we rely to provide services to complete planned and sufficient testing, maintenance, replacement or upgrade of their networks, equipment and other facilities, which could disrupt our operations including through network or other infrastructure failures; the complexity of our operations and IT systems and the failure to implement or maintain highly effective processes and IT systems; in-orbit and other operational risks to which the satellites used to provide our satellite TV services are subject; 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

or the dividend on common shares will be increased by BCE's board of directors; the failure to reduce costs and adequately assess investment priorities, as well as unexpected increases in costs; the inability to manage various credit, liquidity and market risks; the failure to evolve practices to effectively monitor and control fraudulent activities; 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 impact on our financial statements and estimates from a number of factors; pension obligation volatility and increased contributions to post-employment benefit plans; our dependence on third-party suppliers, outsourcers and consultants to provide an uninterrupted supply of the products and services we need; the failure of our vendor selection, governance and oversight processes, including our management of supplier risk in the areas of security, data governance and responsible procurement; the quality of our products and services and the extent to which they may be subject to defects or fail to comply with applicable government regulations and standards; reputational risks and the inability to meaningfully integrate environmental, social and governance (ESG) considerations into our business strategy and operations; the failure to take appropriate actions to adapt to current and emerging environmental impacts, including climate change; pandemics, epidemics and other health risks, including health concerns about radio frequency emissions from wireless communications devices and equipment; the inability to adequately manage social issues; the failure to develop and implement sufficient corporate governance practices; the adverse impact of various internal and external factors on our ability to achieve our ESG targets including, without limitation, those related to greenhouse gas emissions reduction and diversity, equity, inclusion and belonging.

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 2023 Annual MD&A dated March 7, 2024, BCE's 2024 First Quarter MD&A dated May 1, 2024 and BCE's news release dated May 2, 2024 announcing its financial results for the first quarter of 2024 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 [Sedarplus.ca](http://Sedarplus.ca)) and with the U.S. Securities and Exchange Commission (available at [SEC.gov](http://SEC.gov)). These documents are also available at [BCE.ca](http://BCE.ca).

Officer during BCE's Q4 2023 Results and 2024 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 revenue, adjusted EBITDA, capital intensity, adjusted EPS and free cash flow), BCE's dividend growth objective and 2024 annualized common share dividend and dividend payout ratio level, BCE's anticipated capital expenditures and network deployment plans, the cost savings and other benefits expected to result from workforce reductions, as well as estimated related severance payments, our transformation initiatives and the benefits expected to result therefrom, the expectation of stable adjusted EBITDA margin in 2024, the expected financial impact of the Best Buy Canada transaction, the expected timing and completion of the proposed acquisition of the Canadian out-of-home media business of OUTFRONT Media Inc. and the benefits expected to result therefrom, the projected level of our net debt leverage ratio in 2024, 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, commitment 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 8, 2024 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. We regularly 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 February 8, 2024. 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 2023 Results and 2024 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. The forward-looking statements made during BCE's Q4 2023 Results and 2024 Guidance Conference Call for periods beyond 2024 assume, unless otherwise indicated, that the economic, market, operational and financial assumptions as well as the material risk factors described in this transcript will remain substantially unchanged during such periods.

### **Material Assumptions**

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#### **Canadian Economic Assumptions**

Our forward-looking statements are based on certain assumptions concerning the Canadian economy. In particular, we have assumed:

- Slowing economic growth, given the Bank of Canada's most recent estimated growth in Canadian gross domestic product of 0.8% in 2024, down from 1.0% in 2023
- Easing, but still elevated, consumer price index (CPI) inflation as the effects of past interest rate increases work through the economy
- Easing labour market conditions
- Muted growth in household spending due to slow labour income growth, high debt-servicing costs and weak consumer confidence
- Soft business investment growth due to slow demand and still-elevated borrowing costs
- Prevailing high interest rates expected to remain at or near current levels
- Population growth resulting from strong immigration
- Canadian dollar expected to remain 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 higher 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 telecommunications solutions or alternative over-the-top (OTT) competitors
- The Canadian advertising market is experiencing a slowdown consistent with trends in the global advertising market, with improvement expected in the medium term, although visibility to the specific timing and pace of recovery remains limited
- Declines in broadcasting distribution undertaking (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 CTS Segment**

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

- Increase our market share of national operators' wireless mobile phone net additions
- Increased competitive intensity and promotional activity across all regions and market segments
- Ongoing expansion and deployment of Fifth Generation (5G) and 5G+ wireless networks, offering competitive coverage and quality
- Continued diversification of our distribution strategy with a focus on expanding direct-to-consumer (DTC) and online transactions
- Moderating growth in mobile phone blended average revenue per user (ARPU), driven by growth in 5G subscriptions, and increased roaming revenue from the easing of travel restrictions implemented as a result of the COVID-19 pandemic, partly offset by reduced data overage revenue due, among others, to the continued adoption of unlimited plans
- Accelerating business customer adoption of advanced 5G, 5G+ and Internet of Things (IoT) solutions
- Improving wireless handset device availability in addition to stable device pricing and margins
- Further deployment of direct fibre to more homes and businesses within our wireline footprint, but at a slower pace than during any of 2020 to 2023
- Continued growth in retail Internet and Internet protocol television (IPTV) subscribers
- Increasing wireless and Internet-based technological substitution
- Continued focus on the consumer household and bundled service offers for mobility and Internet customers
- Continued large business customer migration to Internet protocol (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
- Increasing customer adoption of OTT services resulting in downsizing of TV packages
- Growing consumption of OTT TV services and on-demand video streaming, 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 operating efficiencies enabled by our direct fibre footprint, changes in consumer behaviour and product innovation, digital adoption, product and service enhancements, expanding self-serve capabilities, new call centre and digital investments, other improvements to the customer service experience, management workforce reductions including attrition and retirements, and lower contracted rates from our suppliers
- No adverse material financial, operational or competitive consequences of changes in or implementation of regulations affecting our communication and technology services 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 digital revenue expected to reflect continued scaling of our strategic audience management (SAM) TV and demand-side platform (DSP) buying platforms, expansion of Addressable TV (ATV), as well as DTC subscriber growth contributing towards the advancement of our digital-first media strategy
- Leveraging of first-party data to improve targeting, advertisement delivery including personalized viewing experience and attribution
- Continued escalation of media content costs to secure quality programming
- Continued scaling of Crave through optimized content offering, user experience improvements and expanded distribution
- Continued support in original French programming with a focus on digital platforms such as Crave, Noovo.ca and iHeartRadio, to better serve our French-language customers through a personalized digital experience
- 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
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#### **Financial Assumptions Concerning BCE**

Our forward-looking statements are also based on the following internal financial assumptions with respect to BCE for 2024:

- An estimated post-employment benefit plans service cost of approximately \$215 million
- An estimated net return on post-employment benefit plans of approximately \$70 million
- Depreciation and amortization expense of approximately \$5,000 million to \$5,050 million
- Interest expense of approximately \$1,650 million to \$1,700 million
- Interest paid of approximately \$1,750 million to \$1,800 million
- An average effective tax rate of approximately 25%
- Non-controlling interest of approximately \$60 million
- Contributions to post-employment benefit plans of approximately \$55 million
- Payments under other post-employment benefit plans of approximately \$60 million
- Income taxes paid (net of refunds) of approximately \$700 million to \$800 million
- Weighted average number of BCE common shares outstanding of approximately 912 million
- An annual common share dividend of \$3.99 per share

#### **Assumptions underlying expected continuing contribution holiday in 2024 in the majority of our pension plans**

We have made the following principal assumptions underlying the expected continuing contribution holiday in 2024 in the majority of our pension plans:

- At the relevant time, our defined benefit (DB) pension plans 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 for applicable DB and defined contribution (DC) components
- No significant declines in our DB pension plans' financial position due to declines in investment returns or interest rates

- *No material experience losses from other events such as through litigation or changes in laws, regulations or actuarial standards*

*The foregoing assumptions, although considered reasonable by BCE on February 8, 2024, 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 2024 financial guidance, are listed below. The realization of our forward-looking statements, including our ability to meet our 2024 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 negative effect of adverse economic conditions, including a potential recession, elevated inflation, high interest rates and financial and capital market volatility, and the resulting negative impact on business and customer spending and the demand for our products and services; the negative effect of adverse conditions associated with geopolitical events; regulatory initiatives, proceedings and decisions, government consultations and government positions that negatively affect us and influence our business including, without limitation, concerning mandatory access to networks, spectrum auctions, the imposition of consumer-related codes of conduct, approval of acquisitions, broadcast and spectrum licensing, foreign ownership requirements, privacy and cybersecurity obligations and control of copyright piracy; the inability to implement enhanced compliance frameworks and to comply with legal and regulatory obligations; unfavourable resolution of legal proceedings; the intensity of competitive activity and the failure to effectively respond to evolving competitive dynamics; the level of technological substitution and the presence of alternative service providers contributing to disruptions and disintermediation in each of our business segments; changing customer behaviour and the expansion of cloud-based, OTT and other alternative solutions; advertising market pressures from economic conditions, fragmentation and non-traditional/global digital services; rising content costs and challenges in our ability to acquire or develop key content; high Canadian Internet and smartphone penetration; the failure to evolve and transform our networks, systems and operations using next-generation technologies while lowering our cost structure, including the failure to transition from a traditional telecommunications company to a tech services and digital media company and meet customer expectations of product and service experience; the inability to drive a positive customer experience; 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 implement an effective data governance framework; the failure to attract, develop and retain a diverse and talented team capable of furthering our strategic imperatives and high-tech transformation; the potential deterioration in employee morale and engagement resulting from staff reductions, cost reductions or reorganizations and the de-prioritization of transformation initiatives due to staff reductions, cost reductions or reorganizations; the failure to adequately manage health and safety concerns; labour disruptions and shortages; the risk that we may need to incur significant capital expenditures to provide additional capacity and reduce network congestion; service interruptions or outages due to network failures or slowdowns; events affecting the functionality of, and our ability to protect, test, maintain, replace and upgrade, our networks, information technology (IT) systems, equipment and other facilities; the failure by other telecommunications carriers on which we rely to provide services to complete planned and sufficient testing, maintenance, replacement or upgrade of their networks, equipment and other facilities, which could disrupt our operations including through network or other infrastructure failures; the complexity of our operations and IT systems and the failure to implement or maintain highly effective processes and IT systems; in-orbit and other operational risks to which the satellites used to provide our satellite TV services are subject; 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 or the dividend on common shares will be increased by BCE's board of directors; the failure to reduce costs and adequately assess investment priorities, as well as unexpected increases in costs; the inability to manage various credit, liquidity and market risks; the failure to evolve practices to effectively monitor and control fraudulent activities; 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 impact on our financial statements and estimates from a number of factors; pension obligation volatility and increased contributions to post-employment benefit plans; our dependence on third-party suppliers, outsourcers and consultants to provide an uninterrupted supply of the products and services we need; the failure of our vendor selection, governance and oversight processes, including our management of supplier risk in the areas of security, data governance and responsible procurement; the quality of our products and services and the extent to which they may be subject to defects or fail to comply with applicable government regulations and standards; reputational risks and the inability to meaningfully integrate environmental, social and governance (ESG) considerations into our business strategy and operations; the failure to take appropriate actions to adapt to current and emerging environmental impacts, including climate change; pandemics, epidemics and other health risks, including health concerns about radio frequency emissions from wireless communications devices and equipment; the inability to adequately manage social issues; the failure to develop and implement sufficient corporate governance practices; the adverse impact of various internal and external factors on our ability to achieve our ESG targets including, without limitation, those related to greenhouse gas (GHG) emissions reduction and diversity, equity, inclusion and belonging.*



*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 8, 2024 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 [Sedarplus.ca](https://www.sedarplus.ca)) 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).*

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## **CORPORATE PARTICIPANTS**

**Mirko Bibic**  
*President and CEO*

**Curtis Millen**  
*Executive Vice President and CFO*

**Thane Fotopoulos**  
*Vice President - IR*

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**Tim Casey**  
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**Stephanie Price**  
*CIBC World Markets – Analyst*

**Aravinda Galappathige**  
*Canaccord Genuity – Analyst*

**Jérôme Dubreuil**  
*Desjardins Securities – Analyst*

**Sebastiano Petti**  
*J.P. Morgan - Analyst*

**Simon Flannery**  
*Morgan Stanley – Analyst*

**Drew McReynolds**  
*RBC Capital Markets – Analyst*

**Maher Yaghi**  
*Scotiabank – Analyst*

## **PRESENTATION**

### **Operator**

Good morning, ladies and gentlemen. Welcome to the BCE Q1 2024 Results Conference Call. I would now like to turn the meeting over to Mr. Thane Fotopoulos. Please go ahead, sir.

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### **Thane Fotopoulos – Vice President – IR**

Thank you Matthew. Good morning everyone and thank you for joining our call. I'm here as usual with Mirko Bibic, President and CEO of BCE, and our CFO Curtis Millen.

You can find all our Q1 disclosure documents on the Investor Relations page of the BCE.ca website, which we posted earlier this morning.

Before we begin, I would like to draw your attention to our Safe Harbour statement on Slide 2, reminding you that today's slide presentation, and remarks made during the call 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 BCE's publicly filed documents for more details on our assumptions and risks.

With that, I'll now turn the call over to Mirko.

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### **Mirko Bibic – President and CEO**

Thanks Thane and good morning everyone.

Backed by the Bell team's consistent execution, leading networks and products, and cost discipline, we effectively navigated a dynamic competitive environment and sluggish economy to achieve operational results in line with our internal plan for the quarter.

As expected, and as we profiled in our quarterly budget at the start of the year, revenue was down slightly year over year. This was the result of a favourable one-time revenue adjustment at Bell Media in Q1 2023 that did not repeat this year, and some marginal revenue loss at The Source as certain stores began their transition to Best Buy Express which we discussed in the past. Normalizing for these two items, revenue was basically flat this quarter.

Notably, adjusted EBITDA and margin for Q1 were higher than forecasted. BCE's margin expanded 0.8 percentage points to 42.7%, demonstrating the team's focus on driving operational efficiencies across the organization, realigning costs to address near-term competitive and economic pressures and effectively balancing growth with profitability in a highly competitive marketplace.

In terms of operating results, fibre continues to be on a roll. We are gaining share in all our markets because we have a superior product with a symmetrical speed advantage over cable, which drove our best Q1 retail Internet net additions in 17 years, and contributed to a 22% year-over-year increase in households subscribing to mobility and Internet service bundles where we have fibre.

On Wireless, we did a great job striking the right balance between volume growth and economics in a very competitive wireless market. This is evidenced by strong growth in total gross mobile phone activations, which increased 25% over last year, together with healthy consumer service revenue growth of 4%, reflecting our focus on premium brand customer loadings and careful price plan management.

Of note, our industry is delivering the highest quality services at decreasing prices despite persistent inflation. The latest Stats Canada data shows that the price of all goods and services, in aggregate, across the Canadian economy has increased 2.9% over the past year, while the cost of cellular and Internet access services have declined 26.2% and 15.5% respectively. This downward trend was also corroborated by this week's Federal government annual price study.

And we're continuing to bring more affordable wireless options to Canadians. Bell recently entered into a retail partnership with Loblaw to launch "No Name Mobile" in No Frills grocery stores across Canada, which is being powered by PC Mobile and will run on Bell's network.

In Business Enterprise, we're continuing to invest in new IT products and services to significantly advance our capabilities in the growth vectors I've been talking about recently — namely cloudification, security, and managed automation. This growth strategy has accelerated with our acquisition of FX Innovation last year and partnerships with ServiceNow, Google, Microsoft, AWS and Palo Alto Networks. You can see that in our results. In fact, when excluding the favourable acquisition impact of FX Innovation, our business solutions services revenue grew 12% organically this quarter.

Building on this, we recently announced new partnerships with Microsoft to bring Bell's voice network to Microsoft Teams and with SentinelOne, a global leader in AI-powered security, to provide advanced data protection services for Canadian businesses. And just a couple of weeks ago, we announced the launch of Google Cloud Contact Center AI, a cutting-edge suite of AI solutions for contact centre transformations that enables intelligent customer and agent experience leveraging generative AI-infused technology. These are the latest building blocks in strengthening Bell's position as a tech services leader for enterprise customers in Canada.

Turning to media. We have weathered near-term pressures relatively better than peers as evidenced by positive year-over-year advertising revenue growth for Bell Media this quarter. Underpinning this result are Bell Media's leading assets and focus on live sports content. And, more importantly, we're the only Canadian media company that's pivoting to digital at scale, which is reflected in the impressive 72% increase in digital ad revenue in Q1. This strong performance was fuelled by Bell Media's programmatic advertising marketplace where growing customer usage of our expanded SAM TV sales tool led to a doubling of revenue this quarter, as well as by ad-supported subscription tiers on Crave and our Addressable TV functionality.

And investments to sustain this strategic shift to digital are continuing with an expanded distribution footprint for Crave on Amazon Prime Video, where initial sales have been very strong, and the recent launch of 10 FAST channels spanning news, sports and entertainment.

Turning to Slide 5. We added 45,247 new net postpaid mobile phone subscribers, up 4.5% from last year, which represents our best Q1 performance in 6 years. This is a strong result considering the competitive environment where we balanced market share with economics, demonstrating our network quality and distribution and brand strength, rather than promotional discounting, to drive subscriber acquisition.

This disciplined approach can be seen in our ARPU result, which remained stable year over year. A great outcome, especially in light of the more aggressive pricing we saw in market during the quarter.

Further expansion of our 5G customer base is also helping to support ARPU. At the end of Q1, 56% of all postpaid customers were on 5G-capable devices, up from 44% last year.

Over to Wireline. It was another strong RGU quarter. We delivered our highest Q1 retail Internet net additions since 2007, up 13.9% versus last year to 31,078. In particular, we saw very strong market share growth in Quebec. Moreover, where we have fibre, our bundle sales continue to grow and exceed our internal budget targets. In Q1 alone, new customers subscribing to mobility and Internet service bundles increased 39% year over year.

It was also another good quarter for Bell IPTV, which added 14,174 net new subscribers, 30% higher than last year. This strong performance reflects the pull through benefit of fibre Internet, our TV product leadership and

our strategy of making content available where the consumer demands as evidenced by our Fibe app streaming service, which delivered its highest number of Q1 activations since launch.

And rounding out our Wireline subscriber results, home phone net losses improved 6.3%, reflecting fewer customer deactivations as that customer base gets smaller over time.

Also note that starting this quarter, we are no longer reporting satellite TV subscribers as that business is not financially material in the overall context of BCE.

Lastly, turning to Bell Media. As I already mentioned, total advertising revenue was up year over year on the strength of digital, marking our first quarter of growth since Q4 2022. Although Q1 was better than we anticipated, the ad market improvement is expected to be uneven.

Digital revenues increased 33% and now comprise 41% of Media revenues compared to 29% last year. Underpinning this strong result was strong growth in usage of our programmatic ad marketplace as well as continued expansion of our Crave direct-to-consumer streaming subscriber base.

TSN and RDS maintained their number one rankings in Q1, thanks in part to this year's Super Bowl, which had record ad sales and viewership, underscoring the value of premium content to advertisers.

CTV also remained Canada's top network in winter, while on the French-language side, Bell Media led all competitors in the entertainment and pay specialty market, and Noovo continued to grow market share with full-day audiences increasing 4% over Q1 of last year.

In summary, our performance this quarter reflects a focused company in the midst of transition with financial results for Q1 that were on plan. We remain laser focused on day-to-day execution to serve our customers, grow subscribers profitably and to prudently manage costs as we said we would at the beginning of the year.

On that note, I would now like to turn the call over to Curtis who will provide more details on our Q1 financial results.

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### **Curtis Millen – Executive Vice President and CFO**

Thank you Mirko and good morning everyone.

I'll begin on Slide 7 with BCE's consolidated financial results.

Adjusted EBITDA was up 1.1%, which drove an 80-point margin improvement on the back of a 2% reduction in operating costs. Total revenue was down 0.7%. Adjusting for the one-time retro benefit at Bell Media last year and loss of revenue from The Source this year, revenue was flat.

We have actioned a number of cost and efficiency initiatives, including a sizeable workforce restructuring that remains on track to generate in-year savings of \$150 to \$200 million for 2024. Of this total, only a small amount was realized in Q1. As these opex benefits ramp up progressively in successive quarters and are fully realized, we anticipate stronger EBITDA growth in the back half of 2024.

Despite higher EBITDA, net earnings declined in Q1, reflecting a large severance charge related to the workforce restructuring, as well as a non-cash, mark-to-market equity derivative loss due to the decrease in BCE's share price this quarter. Consistent with our guidance assumption for the year, adjusted EPS was down versus last year. This was the result of higher financing costs, increased depreciation and amortization expense due to a higher capital asset base, and over \$50 million in gains from the sale of land in Q1 of 2023 related to our real estate optimization strategy.

In line with our plan to reduce capital investment by \$500 million in 2024, capex was down \$84 million this quarter. The year-over-year quarterly stepdown in spending will be more pronounced for the rest of the year, as we advanced spending in Q1 given favourable construction conditions this winter.

Our Q1 free cash flow was flat compared to last year, reflecting higher EBITDA, lower capex and a related positive change in working capital attributable due to lower supplier payments. These factors were offset by the timing of cash tax instalments and severance paid to employees who departed the company in Q1.

Turning to Bell CTS on Slide 8. Service revenue was fuelled by some of the highest Q1 mobile phone and retail Internet net subscriber loadings in years, which drove both wireless and residential Internet revenue growth of 3%. We also saw continued business solutions strength supported by our acquisition of FX Innovation. When excluding the favourable impact of that acquisition, business solutions revenue still grew a strong 12% organically. A great result that speaks to our market momentum in the key growth areas of cloud-based computing, managed automation and security solutions.

However, overall revenue performance in the quarter was moderated by aggressive wireless rate plan pricing and higher residential service bundle discounts, reflecting a more intense competitive market environment compared to last year.

Wireline product revenue was down notably this quarter, decreasing 34.5% as sales volumes normalized following an exceptional year in 2023 due to the global supply chain recovery. CTS EBITDA grew 1.7%, yielding a 45.5% margin. That's an increase of 70 points over last year, and the direct result of our focus on cost management and disciplined customer growth.

Over to Bell Media on Slide 9. Total advertising revenue was up 1.6%. This performance, which was better than peers, can be attributed in large part to Bell Media's diversified asset mix, which comprises Out of Home and radio properties that returned to growth this quarter; premium programming such as live sports content; and strong execution of our digital-first media strategy.

Notwithstanding the advertising improvement, total media revenue was down 7.1% and EBITDA decreased 11.4%, due mainly to a one-time retroactive subscriber fee adjustment in Q1 2023. Excluding this one-time item, Q1 EBITDA was up 15% over last year.

Notably, opex was down 6.2% in Q1 mainly on restructuring cost savings and lower TV programming costs. However, content costs are expected to increase in future quarters with the normalization of content deliveries from the major US studios now that the Hollywood strikes have been settled.

Turning to Slide 10. Our balance sheet is healthy with \$4.7 billion of available liquidity, and pension plan solvency surpluses totalling close to \$3.9 billion at the end of Q1. Our debt maturity schedule also remains well structured with an average term to maturity of approximately 13.2 years and an after-tax cost of debt that remains below current interest rates at around 3.2%.

In February, we took advantage of opportune market conditions to tap the US public debt markets, raising the Canadian equivalent of approximately \$1.9 billion, which effectively completed our refinancing requirements for 2024 maturities. Our leverage ratio remains manageable at 3.6 times adjusted EBITDA.

We updated our internal target leverage policy to 3 times adjusted EBITDA. We believe this new target objective is reflective of our operational size and strengths, an optimized cost of capital, and is aligned with the expectations of stakeholders. While currently in excess of this level, it is consistent with a strong balance sheet, ample financial flexibility and investment grade credit ratings.

To wrap up on Slide 11. We remain confident in our proven ability to deliver under any circumstances, backed by the best networks and products, our digital transformation journey, consistent operational execution and cost discipline. With Q1 consolidated financial results that met our internal plan, I am reconfirming all of our financial guidance targets for 2024. I will now turn the call back over to Thane and the operator to begin the Q&A portion of the call.

## **QUESTION AND ANSWER SESSION**

### **Thane Fotopoulos – Vice President – IR**

Thanks Curtis. Before we start, I want to remind everyone that due to time constraints this morning because of our AGM that is taking place right after this call, to please limit yourselves to one question and a brief follow-up, so that we can get to as many in the queue as possible. With that, Matthew, we are ready to take our first question.

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### **Operator**

The first question is from Tim Casey from BMO Capital Markets.

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### **Tim Casey – BMO Capital Markets – Analyst**

Mirko, could you talk a little bit about margins as they flow through the quarter because it looked like you had some pretty good cost control. But in light of your comments that the benefits of the restructuring, not really in the numbers yet. How should we think about that kind of cadence through the rest of the year?

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### **Mirko Bibic – President and CEO**

Thank you, Tim, for the question, and good morning. I'm going to pass it over to Curtis to answer for you.

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### **Curstis Millen – Executive Vice President and CFO**

A. As you said, it's two-faced, so I do think the team did a pretty good job of driving margin expansion in Q1, as you mentioned, in this competitive pricing environment. And you're correct. So the workforce restructuring is underway. It's not complete, but we haven't seen much of a benefit yet in Q1. So the estimate on our side is that as we continue to kind of finish that project, we'll continue to ramp up some cost savings over time.

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### **Mirko Bibic – President and CEO**

And I'd add that there's a bit of a separate issue but related to managing the business carefully and with a particular focus on margins. We talked last -- on the last call about some of the transformation initiatives that have been underway for a couple of years, and that will not stop that are intended to drive results right now, but keep improving as we go on and it's largely about digitizing and automating and we were going to continue to accelerate that transformation, whether or not it's moving all core consumer products to a single ordering and billing architecture, improving the customer experience through digital platforms, things like virtual repair and customer self-install using Generative AI as best we can to offer better offer and rate plan personalization, all these things. We're going to continue to do (inaudible) to have a very, very sharp focus on margins.

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### **Operator**

The next question is from Maher Yaghi from Scotiabank.

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**Maher Yaghi – Scotiabank – Analyst**

Mirko, I wanted to ask you a general view on wireless in Canada. We've seen churn ramp up really significantly over the last couple of quarters. More and more customers are BYOD and are taking advantage of the very strong offers you guys are making in the marketplace. Longer term, what's your view if churn remains elevated like this? How that will impact your overall wireless margins and the cost to operate in that business? And more specifically, can you discuss what's causing that earning elevation? Is it specific to any provinces and how you're doing in Quebec in wireless?

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**Mirko Bibic – President and CEO**

Okay. Thank you for the question. Actually, it's a really good question -- the churn issue is -- I mean, I said this last quarter as well, I believe that it's concerning for sure. And because of that, it remains an area of focus. But before I dive into kind of giving you specific answers to the elements of your question, just take a step back, right, on how we are operating in this highly competitive wireless marketplace. We delivered our best postpaid results for Q1 in 6 years in a lower-price environment, where we continue to drive consumer wireless service revenue growth at 4%, better product margins.

And what that tells you is that as we execute, we're not overspending to deliver the results that investors expect of us. So we're going after the right loadings. The majority of our wireless loadings are on the Bell brand. And at the same time, we've seen very strong flanker growth on Virgin Plus. So we are managing all the levers very well. And we're going after the bundled household, which is something I highlighted in my opening remarks, that's because with a bundled household, we get better churn result and better lifetime value.

So back to the specific elements of your question now. I think you've identified it. Right now, in the near term and in the near past, you've seen a customer that is feeling the pinch from a struggling economy and is shopping for deals. You have kind of aggressive price activity by certain of our competitors in the marketplace. So that's encouraging consumers to switch from -- amongst those carriers. So those carriers are basically swapping customers, and I'm not sure anyone is particularly winning. So that's why we're saying we're going to take a different approach, which is to focus on the premium loadings and on the household bundles.

Over time, you asked me about in the long term, we're going to continue doing what we're doing. So it's the premium product, premium loading strategy. It's the household bundling. It's better personalization, continuing to drive a better customer experience, which has been a core focus of ours for the last 4 or 5 years. And I think it's working. You can see it again in the latest CCTS results.

And the last thing I'll say as we have, by far, the best Internet product in the marketplace, customers who are choosing fiber churn at a lower rate, customers who are on gig-plus speeds are churning at a lower rate and customers who are buying gig-plus speeds and mobility from us are turning at a lower rate. So that's how we're going to continue to manage this.

So on the Quebec market, thank you for that. I didn't reference that in my opening statement as well in my opening remarks as well. So we're deploying -- everything that I said, we're certainly executing the same playbook in the province of Quebec and seeing the results. And fiber is on -- fiber in Quebec has been the star of the show for Q1. Our fiber Internet net additions were like very, very strong in the province of Quebec. And there's been -- we've punched through now in terms of creating a general consumer awareness that fiber is better than cable. And that comes through the promotional work that we've been doing, both in terms of advertising and in terms of pricing. Our distribution has been quite strong. So when you have the better product, very strong distribution, a very focused strategy on winning household and you're communicating that. And again, I'm going to go back to customer experience. Our NPS results in the province of Quebec have improved significantly, and then you're seeing that in our subscriber results. So again, Quebec on fiber Internet, the star of the show this quarter.

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**Operator**

Our next question is from David Barden from BofA Securities.

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**David Barden – BofA Securities – Analyst**

I guess if I could just start the -- I noticed in the release, you guys have changed your assumption for ARPU growth for 2024 from decelerating growth to a decline. And yet in the first quarter, you were able to hold ARPU flat year-over-year. We noticed that it does seem that pricing activity in the market has relented a little bit. So could you talk about kind of how you expect the pricing environment to maybe evolve over the course of the year that would get you to that kind of assumption of negative ARPU growth? And then if I could just do a quick follow-up, which is -- it's a weird time in the world to be raising leverage targets, Mirko. Could you talk about why now is the right time to stop trying to get to 2% to 2.5% and why 3% is now the goal line?

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**Mirko Bibic – President and CEO**

On ARPU, it's just a reflection of the fact that we're in the lowest pricing environment basically in the history of wireless in Canada. And so what we're -- that's kind of what you're getting from us in terms of the release with ARPU on the references to ARPU. And we've got a very dynamic pricing environment. It's influxed, it's still too early to make a call fully on the direction of ARPU. I think you have seen some stabilization on pricing in the past couple of weeks as you've mentioned. But we don't know how long that's going to last.

So it's a bit related to the question that Maher asked me, which is we're going to continue to focus on the premium subscriber loadings and on the bundling in order to generate kind of good household revenue and improve the lifetime value of the bundled customer, that's how we're going to approach it. So I'd say a little bit of focus on service revenue, given that we're operating in a pricing environment that we can't fully control.

And on leverage, I'll turn it over to Curtis.

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**Curtis Millen – Executive Vice President and CFO**

Thanks, David for the question. As you noted, we did update our leverage target to 3.0. And as you say, it's an increase but frankly, we're at 3.6x. That, I would say, is a stale-dated policy, 3x leverage we think is appropriate. It does reflect strong investment-grade credit ratings. And the other thing I'll note is at the time we instituted that original policy, we had a significant pension deficit. And we're now looking at a pension surplus that is north of \$3 billion. So we think it's appropriate for our size and strength.

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**Operator**

Our next question is from Aravinda Galappaththige from Canaccord Genuity.

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**Aravinda Galappaththige – Canaccord Genuity – Analyst**

So the main question is on Internet revenue growth. You've noted 3%, which seems a bit lower than I think the number that you've been citing in your presentations in the last couple of quarters. Maybe just talk to that element. I know that there were some price adjustments that happened in the beginning of the year. I'm not sure how exactly the timing of that plays out, perhaps it sort of steps up again in Q2, but I wanted to get some thoughts on that. And a quick follow-up, Mirko, on your Business Solutions organic growth number. Can you -- are you able to give us a sense of how much of a base we're talking about so we can assess the significance of it?

**Mirko Bibic – President and CEO**

A. So on -- thank you for that. On the Internet revenue growth, it's -- my answer is going to be along the same lines as a couple of answers I've already given, Aravinda, it's -- that net revenue growth reflects the impact of residential service bundle discounts as we pursue a household bundling strategy. We're also focused and I've been very, very transparent over many quarters about this next point. We are focused where we are underpenetrated in our fiber market share. We're going to be focused on loading the network and make sure that we get the share that we deserve given the superiority of our product.

And one of the geographies where we've traditionally been underpenetrated has been in the province of Quebec, and that is changing. So you're seeing the impacts of that strategy, which I've been very clear about for some time. But the bundled discounts that are having a temporary impact on revenue do drive better subscriber lifetime value, which I've also mentioned and it's improved retention long term. So it has a positive churn impact. So that's the story really on the Internet revenue growth. I'm very pleased. I'm pleased with the market share gains we're making. In the one province, I'm pleased with the market share that we've been able to achieve over time in the other geographies and I'm very happy with the success of the bundling strategy, which is something we've highlighted in our materials this morning. And the Business Solutions revenue, it's pretty significant. It would be over \$500 million annually.

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**Operator**

Our next question is from Stephanie Price from CIBC World Markets.

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**Stephanie Price – CIBC World Markets – Analyst**

I was hoping you could give us an update on the restructuring in terms of the timing of the cost synergies and how we should think about them rolling out through the year? Any upside you see as you continue the restructuring and...

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**Curtis Millen – Executive Vice President and CFO**

Yes. Stephanie, thanks for the question. So as mentioned in the prepared remarks, so we've executed a good portion of the workforce restructuring, but not all of it. We haven't captured much of anything in terms of benefits in Q1. So I'd say, it's a little bit lumpy, but grows over time. And given more than half has already taken place, I'd assume -- it's fair to assume that next quarter, we'll start seeing kind of a proportion and upside in that kind of space. And then as the program terminates across the end of the year, it continues to ramp up, if that's helpful for you.

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**Stephanie Price – CIBC World s – Analyst**

That is. And then just on the partnership with Google Cloud that was announced to power their AI contact centers. Just curious how we should think of opportunities around managed services for BCE? And maybe more broadly, how we should think about opportunities within the Enterprise business at this point?

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**Mirko Bibic – President and CEO**

Yes. So we're adopting a strategy in the enterprise marketplace where -- the innovative deployments that were - well, the innovative solutions that we're deploying internally to improve our business as part of our internal transformation, where we intend to go to market and generate revenue with our customers. So as we undertake our own pretty significant digital transformation, the expertise we're developing as a result of that, we are then

going to monetize with our large enterprise customer base. So the Google Cloud Contact Center AI is one perfect example of that. We're deploying that solution and that infrastructure internally at Bell to improve the customer experience, and we're also partnering with Google on a go-to-market basis.

So over time, that's going to -- that's an example of how we're going to continue to organically grow our Business Solutions revenues. And we have other examples and Service Bridge would be -- with ServiceNow is another very good example. The SentinelOne example from my opening remarks will be a third example. But that's now a significant part of the Bell Business Markets strategy.

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## **Operator**

Our next question is from Sebastiano Petti from J.P. Morgan.

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### **Sebastiano Petti – J.P. Morgan – Analyst**

Just one question on Business Wireless for a second, I mean, Mirko, you talked about some of the different levers that are perhaps from a competitive perspective, impacting maybe the consumer side, any update perhaps you can give us on what you're seeing from a business perspective, whether it's some lines being perhaps maybe some competition or maybe some lines being dropped because of workforce rationalization from some of your peers there in Canada?

And then separately, on the leverage target, let me add 3.6x today. Any view in terms of the glide path down to that 3.0 over time? And then one last housekeeping question. Mirko, I think you talked about 22% increase in bundled subscribers on the fiber and wireless where fiber is available. And I think, if I'm not mistaken, Quebec, I think you said 39% increase. Maybe you can update us on where those numbers were perhaps maybe a year ago as we kind of think about the success that you've seen in this converged bundle strategy over the last 12 months or so?

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### **Mirko Bibic – President and CEO**

Okay. So on the last question in terms of the bundle, the percentage increases in bundled households by geography, I'll probably leave that to Thane for another time. Thank you for the question, Sebastiano.

On business wireless growth, I think that was -- okay, so on wireless, in particular, your question around business wireless, I'd say in the big picture was one of the softer areas due to slower subscriber growth on the revenue side, and that reflects lower demand. And you kind of identified them in your questions in this channel, our customers are undertaking workforce rationalization programs of their own, also other cost rationalization initiatives, which are affecting price and that's a reflection of the general economic uncertainty. There's also been a leveling off in roaming due to lower travel, as you can imagine, as our customers look to control their own discretionary expenses and data overage continues to be something we're managing well but continues to be in decline, including in the business segment.

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### **Curtis Millen – Executive Vice President and CFO**

Yes. And on leverage, you're right. So a 3.0 target leverage. Now ultimately, it's a matter of driving free cash flow growth, which we're focused on, right? You got there a handful of different ways, Sebastiano. So it's revenue growth as we leverage and monetize our fiber asset and bundling strategy, as Mirko alluded to. It's continued cost transformation leveraging digital transformation and ultimately, as capex comes down following our heavy fiber build period, we'll look to drive more positive free cash flow, delever and restart our payout ratio.

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**Mirko Bibic – President and CEO**

Yes. And on -- Sebastiano, just on Page 5 of our deck. So the 39% reference, it's mobility and Internet sales growth, like not Internet but sales growth, and that's overall, not just in any one particular province are net. It's not on Page 5, but the combined mobility and Internet bundle nets have increased 100% year-over-year. So it shows you the traction we're getting with that strategy.

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**Operator**

Our next question is from Drew McReynolds from RBC Capital Markets.

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**Drew McReynolds – RBC Capital Markets – Analyst**

Just 2 for me. Mirko, in your commentary, you alluded to the advertising kind of recovery, which is great to see, just being uneven. Can you just unpack that a little bit for us in terms of where kind of pockets of strength and weaknesses are and how Q2 looks for you? And then secondly, one of your competitors just commenting on still continued relative kind of robust wireless market expansion here in 2024. Obviously, we see that continuation in Q1. Just what are your expectations for the remainder of the year? And how is Bell doing to certainly improve its share of new to Canada population growth?

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**Mirko Bibic – President and CEO**

So I'll start with the second one. We do continue to see strong market expansion, and we're taking part in that quite successfully. And the way we're going to take advantage of that growth, whether it's new to category or new to Canada is through our very strong distribution. So we're quite pleased with the results we're seeing from the Staples partnership we have, which has been in place for a year now, and that continues to improve. The other Best Buy Express is going to start kicking in, in the latter part of this year, and we see that as being a high potential distribution channel.

And the other one that I mentioned, which is very recent with the no name mobile program, I think we're going to see some strong success there. And all of those, particularly the last one, I think, plays very nicely in terms of our desire to get bigger share or better share in the New to Canada category. And we've made strong progress in that segment.

We're not where I want to be. Again, we've been very transparent about that. But when we put our focus on something, we tend to execute really well. So you're seeing the building blocks being put in place and you're going to see us gather a more appropriate share in that segment.

And on the advertising market on the Media side, I think in terms of pockets of strength, really where we saw good growth was in radio advertising revenue and in the Out of Home segment as well was up nicely. TV advertising revenue, not as strong as the growth in Radio and Out of Home but certainly an improvement over what we've seen recently. And so when you put all those together, TV advertising, radio advertising, Out of Home, we saw growth for the first time in a while. So that's great. We're one of the only ones who've been able to pull that off.

It's hard on your question about what I see for Q2 and going forward. It's hard to answer. I don't want to dodge your question. It's just -- it's too choppy to call. On the conventional side, there are -- some challenges remain on the digital side. It's good. So we'll just keep managing it. And we've got to just continue to believe in the strategy that we put in place several years ago which is the hard pivot to digital. So having the very best content on all the platforms that customers actually want to use to view our content, and that's how we're going to drive growth in this business, and we're seeing the early green shoots. So I'm pretty optimistic.

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**Operator**

Our next question is from Simon Flannery from Morgan Stanley.

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**Simon Flannery – Morgan Stanley – Analyst**

I wonder if I could continue on the broadband theme. Could you give us a little bit more color on your fiber passings and where the pacing is going? Obviously, the capex is down, but I think you referenced a positive winter weather condition. So where are we looking at for passing this year? And give us some sense, if you could, of the loading upside that you still have with the penetration rates you're seeing in your mature markets? And how much room you have in some of these other markets to get there? And then fixed wireless is something that we've seen a lot in the U.S. and Rogers has been talking about recently. What are you seeing in the market in terms of competition from fixed wireless? And are you thinking more about expanding that beyond sort of more rural areas into parts of the country where perhaps you're not the wireline operator?

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**Mirko Bibic – President and CEO**

Thank you for that, Simon. So on fixed wireless first, we're not seeing any competitive impacts to our core Internet business from fixed wireless competition. As I've said in the past, and I firmly believe, I don't think the fixed wireless product is going to be a competitive substitute in urban markets where there is fiber, which is by far the superior technology and Tier 1 premium cable. I don't think it's going to be a product that hunts. We don't intend to increase the footprint of our fixed wireless product. We were the first to launch fixed wireless Internet at scale and it works well, as I've said before, in rural areas where there is no broadband option or low-speed broadband, and that's where we're going to continue to focus with our product.

And on fiber passings, the first question, we -- on our February call, we moved away from giving projections on an annual basis, and I'll stick with our plan now is to pass 8.3 million locations by the end of 2025. That was once a target of 9 million locations by the end of 2025. We've taken that down as a result of recent regulatory decisions and that's -- and as a result, we've also taken the capex down from -- by \$1 billion over 2024 and 2025.

So if you take capex down to that degree, you're going to take down your fiber passings targets. So 8.3 million remain -- we remain on track for that 8.3 million. And we'll get there over the rest of this year in 2025. And we still have a strong fiber penetration growth that we expect across our entire footprint. We're not where we want to be on market share yet. And that's from Manitoba all the way to Newfoundland.

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**Operator**

Our next question is from Jérôme Dubreuil from Desjardins Securities.

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**Jérôme Dubreuil – Desjardins Securities – Analyst**

Two for me. First one, I think we all know the answer, but the -- I think it would be beneficial to have it out there. Any chance that the dividend in 2024 is not what has been communicated for the rest of the year? And then the second question, are there assets that you think you might like that you might acquire that could help you -- maybe put you in a position to generate maybe accelerated sustainable top line growth?

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**Mirko Bibic – President and CEO**

So on further assets, I'm going to not comment just because any deliberations we have internally on those kinds of things are strategically and competitively sensitive. But I do appreciate the question. It's something that we deliberate strategically, you always think about things like that. So I understand and appreciate the question but just don't think we should answer it. And the dividend is as -- for 2024, the dividend is as stated -- as was stated in February. That's the dividend.

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**Thane Fotopoulos – Vice President – IR**

Good. Seen as though we are timing out, we need to transit to our AGM location. We will call it a day on the conference call. So thank you very much for your participation. As usual, the IR team will be available throughout the day for follow-up questions and clarifications. On that, have a great day.

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**Mirko Bibic – President and CEO**

Thank you, everyone.