



**BCE**

## BCE Q3 2022 Results Conference Call

**Mirko Bibic**  
President and Chief Executive Officer

**Glen LeBlanc**  
Executive Vice President and CFO

November 3, 2022

### **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 Q3 2022 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 2022 annualized common share dividend, BCE's network deployment plans and anticipated capital expenditures as well as the benefits expected to result therefrom, the expected completion of the proposed acquisition of Distributel and the benefits expected to result therefrom, Bell Ventures' planned investments in early-stage and growth companies, our goal to achieve our science-based targets for greenhouse gas (GHG) emissions reduction, the expectation that difficult economic conditions will persist in parts of our business through Q4 2022, the expectation that higher programming and broadcast rights costs combined with a choppy advertising market will continue to put pressure on our Bell Media segment, expected continued pressures from storm cleanup costs in our Bell Wireline segment in Q4 2022, the expectation that roaming will support ARPU growth for the balance of the year in our Bell Wireless segment, our overall resiliency to economic pressures, no further tax adjustments being anticipated in Q4 2022, our anticipated pension cash funding including expected contribution holidays for the foreseeable future, 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 November 3, 2022 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 November 3, 2022. 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 Q3 2022 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 Q3 2022 Results Conference Call for periods beyond 2022 assume, unless otherwise indicated, that the economic, market, operation and financial assumptions as well as the material risk factors described in this transcript will remain substantially unchanged during such periods, except for an assumed improvement in the risks related to the COVID-19 pandemic in future years.

### **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. As almost all public health restrictions in Canada have been lifted, pandemic-related effects on consumer demand are assumed to have dissipated. In addition, we have assumed:

- Slowing economic growth, given the Bank of Canada's most recent estimated growth in Canadian gross domestic product of 3.25% in 2022, representing a decrease from the earlier estimate of 3.5%
- Elevated consumer price index (CPI) inflation as the demand for goods and services is outpacing the economy's ability to supply them
- Tight labour market
- Slowing household spending growth as higher interest rates weigh on disposable income
- Slowing business investment growth due to higher financing costs, softening demand and moderating capacity constraints
- Higher interest rates

- Higher immigration
- The conflict between Russia and Ukraine affecting the Canadian economy through elevated food and gasoline prices
- 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 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 telecommunications solutions or alternative over-the-top (OTT) competitors
- The current advertising market is adversely impacted due to economic uncertainty resulting from inflationary pressures, increasing risk of recession and ongoing supply chain challenges
- 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 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 mobile phone net additions and growth of our prepaid subscriber base
- Continued strong 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
- Growth in mobile phone blended 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 to the continued adoption of unlimited plans
- Accelerating business customer adoption of advanced 5G, 5G+ and IoT solutions
- Improving wireless handset device availability in addition to stable device pricing and margins
- Realization of cost savings related to operational efficiencies enabled by changes in consumer behaviour, digital adoption, product and service enhancements, new call centre and digital investments and other improvements to the customer service experience
- No adverse material financial, operational or competitive consequences of changes in or implementation of 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:

- Further deployment of direct fibre to more homes and businesses within our wireline footprint
- 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, moderated by growing our share of competitive residential service bundles
- 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
- 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 operating efficiencies enabled by a growing direct fibre footprint, changes in consumer behaviour and product innovation, expanding self-serve capabilities, 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 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 expected to reflect continued scaling of our strategic audience management (SAM) TV and Bell demand-side-platform (DSP) buying platforms, as well as direct-to-consumer (DTC) subscriber growth
- Continued escalation of media content costs to secure quality programming, as well as the continued return to normal volumes of entertainment programming
- Continued scaling of Crave through broader content offering, user experience improvements and Crave Mobile
- Continued investment in Noovo original programming to better serve our French-language customers with a wider array of content on their preferred platforms
- Leveraging of first-party data to improve targeting, advertisement delivery and attribution
- 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 2022:

- An estimated post-employment benefit plans service cost of approximately \$255 million
- An estimated net return on post-employment benefit plans of approximately \$50 million
- Depreciation and amortization expense of approximately \$4,700 million to \$4,750 million
- Interest expense of approximately \$1,125 million to \$1,175 million, instead of \$1,075 million to \$1,125 million
- Interest paid of approximately \$1,175 million to \$1,225 million, instead of \$1,125 million to \$1,175 million
- An average effective tax rate of approximately 25%, instead of 27%
- NCI of approximately \$60 million
- Contributions to post-employment benefit plans of approximately \$150 million
- Payments under other post-employment benefit plans of approximately \$75 million
- Income taxes paid (net of refunds) of approximately \$800 million to \$900 million
- Weighted average number of BCE common shares outstanding of approximately 911 million
- An annual common share dividend of \$3.68 per share

#### **Assumptions underlying expected reductions in contributions to our defined benefit pension plans**

Our forward-looking statements are also based on the following principal assumptions underlying expected reductions in contributions to our defined benefit 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
- 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 unforeseen events such as through litigation or changes in laws, regulations or actuarial standards

#### **Assumptions underlying our GHG emissions reduction targets**

Our GHG emissions reduction targets are based on a number of assumptions including, without limitation, the following principal assumptions:

- Implementation of various corporate and business initiatives to reduce our electricity and fuel consumption, as well as reduce other direct and indirect GHG emissions enablers
- No new corporate initiatives, business acquisitions or technologies that would materially increase our anticipated levels of GHG emissions

- *Our ability to purchase sufficient credible carbon credits and renewable energy certificates to offset or further reduce our GHG emissions, if and when required*
- *No negative impact on the calculation of our GHG emissions from refinements in or modifications to international standards or the methodology we use for the calculation of such GHG emissions*
- *No required changes to our science-based targets pursuant to the Science Based Targets initiative (SBTi) methodology that would make the achievement of our updated science-based targets more onerous*
- *Sufficient supplier engagement and collaboration in setting their own science-based targets and sufficient collaboration with partners in reducing their own GHG emissions*

*The foregoing assumptions, although considered reasonable by BCE on November 3, 2022, 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 2022 financial guidance, are listed below. The realization of our forward-looking statements, including our ability to meet our 2022 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 adverse effects of the COVID-19 pandemic, including from the restrictive measures implemented or to be implemented as a result thereof, and the adverse effects of the conflict between Russia and Ukraine, including from the economic sanctions imposed or to be imposed as a result thereof, and supply chain disruptions resulting therefrom; adverse economic and financial market conditions, including from inflationary pressures, rising interest rates, increasing risk of recession, the COVID-19 pandemic and the conflict between Russia and Ukraine; 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 disruptions and disintermediation in each of our business segments; changing customer behaviour 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 including, without limitation, concerning the conditions and prices at which access to our networks may be mandated and spectrum may be acquired in auctions; the inability to protect our physical and non-physical assets from events such as information security attacks, which risk may be exacerbated by the conflict between Russia and Ukraine, unauthorized access or entry, fire and natural disasters; the failure to implement effective data governance; the failure to evolve and transform our networks, systems and operations using next-generation technologies while lowering our cost structure; the inability to drive a positive customer experience; the failure to attract, develop and retain a diverse and talented team capable of furthering our strategic imperatives; labour disruptions and shortages; the failure to maintain operational networks; service interruptions or outages due to legacy infrastructure and the possibility of instability as we transition towards converged wireline and wireless networks; the failure by us, or by other telecommunications carriers on which we rely to provide services, to complete planned and sufficient testing, maintenance, replacement or upgrade of our or their networks, equipment and other facilities, which could disrupt our operations including through network failures; the risk that we may need to incur significant unplanned capital expenditures to provide additional capacity and reduce network congestion; the complexity of our operations; the failure to implement or maintain highly effective processes and information technology (IT) systems; 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; 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; 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; 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, and the inability to generate anticipated benefits from acquisitions and corporate restructurings; the failure to evolve practices to effectively monitor and control fraudulent activities; pension obligation volatility and increased contributions to post-employment benefit plans; unfavourable resolution of legal proceedings; the failure to develop and implement strong corporate governance practices and compliance frameworks and to comply with legal and regulatory obligations; the failure to recognize and adequately respond to climate change and other environmental concerns and expectations; 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; and internal factors, such as the failure to implement sufficient corporate and business initiatives, as well as various external factors which could challenge our ability to achieve our environmental, social and governance (ESG) targets including, without limitation, those related to GHG emissions reduction and diversity, equity and inclusion.*

*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 2021 Annual MD&A dated March 3, 2022 (included in BCE's 2021 Annual Report), BCE's 2022 First, Second and Third Quarter MD&As dated May 4, 2022, August 3, 2022 and November 2, 2022, respectively, and BCE's news release dated November 3, 2022 announcing its financial results for the third quarter of 2022 for additional information with respect to certain of these and other assumptions and risks, filed by BCE with the Canadian provincial securities regulatory authorities (available at [Sedar.com](https://www.sedar.com)) and with the U.S. Securities and Exchange Commission (available at [SEC.gov](https://www.sec.gov)). These documents are also available at [BCE.ca](https://www.bce.ca).*

## **CORPORATE PARTICIPANTS**

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## **PRESENTATION**

### **Operator**

Good morning, ladies and gentlemen. Welcome to the Q3 2022 Results Conference Call and Webcast.

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, Donna, and good morning, everyone, and thank you for joining our call.

With me here today are Mirko Bibic, BCE's President and CEO; and our CFO, Glen LeBlanc.

You can find all our Q3 disclosure documents on the Investor Relations page of the bce.ca website, which we posted earlier this morning.

Before we begin, I want 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 our publicly-filed documents for more details on our assumptions and risks.

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

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

Thank you, Thane, and good morning, everyone.

The Bell team's continued execution excellence and customer-centric approach, combined with our unmatched leading broadband networks, yielded a record 401,132 total broadband wireless and wireline net customer activations in Q3. Our disciplined focus on balancing market share growth and financial performance delivered healthy consolidated revenue growth of 3.2 percent despite an ad recession causing pressure in media advertising and some continued pressures in the B2B sector.

Adjusted EBITDA grew a more modest 1.2 percent, as we absorbed \$38 million in exceptional storm-related costs and inflationary pressures, while also funding record subscriber acquisitions.

Hurricane Fiona, which devastated Canada's Atlantic region and Eastern Quebec in late September, was the biggest storm to ever hit anywhere in Canada, and our team stepped up like never before. Our preparations ensured our core networks remained largely operational, but the damage to our infrastructure in the field was unprecedented. A huge thank you to our field, network and wireless operations teams who worked tirelessly to keep our customers connected. I also want to acknowledge every Bell employee who supported our storm efforts; whether you're a part of service and restoration, managing customer inquiries, welcoming people in our stores to charge phones, or news crews covering the story, your focus on preparing and delivering for customers is greatly appreciated, and I'm so proud to be part of this dedicated and talented team.

Without question, this event underscores how much Canadians value fast and dependable connections. This is why Bell has been investing in our networks to build a communications infrastructure that is among the best and most reliable in Canada, if not the world. In fact, a study recently commissioned by the CWTA shows that Canada's network operators outpaced international peers in capex in 2021, investing \$168 per subscriber compared to a G7 and Australia average of only \$87, but we are not standing still.



As you know, we continue to push ahead with our historic capex acceleration program, having invested close to \$3.5 billion so far this year. We remain firmly on pace to reach \$5 billion in planned capex for 2022. By the end of the year, 80 percent of our midterm broadband Internet build-out plan comprising 10 million residential and business locations will be completed and 5G+ service will be available to 60 percent of the addressable population, offering the best data speed and lowest latency of any Canadian network provider. Both PCMag and Ookla recognized Bell's 5G mobile network as Canada's fastest in their latest reports. Such third-party recognition reinforces Bell's network leadership and the value of our unprecedented generational investments, which will continue to drive socio-economic benefits to Canadians while supporting substantial free cash flow generation for years to come for our investors.

A quick look now at Bell's Wireless operating results in Q3.

It was another standout performance with our highest ever number of total mobile phone net additions, which increased 64 percent over last year to more than 224,000. This drove strong revenue growth of 7.4 percent and 7.8 percent higher adjusted EBITDA, demonstrating that our consistent focus on higher value mobile phone loadings, customer base management, and acquisition cost discipline continues to pay off.

We achieved these results against the backdrop of declining wireless prices even as the Canadian economy faces rampant inflation. According to latest Stats Canada data, the price of all goods and services in aggregate has increased approximately 7 percent over the past year and 11.6 percent since the beginning of 2020, while the cost of cellular services has declined 3 percent and 25.7 percent, respectively.

In residential wireline, fueled by a growing fibre footprint, we continue to gain a significant share of Internet subscriber growth. We added 95,036 new net fibre customers in Q3. That's up 33 percent over last year and our best-ever result, driving strong residential Internet revenue growth of 8 percent. These results are a direct reflection of the differentiated value of fibre-based Internet services that provide the fastest, dedicated symmetrical speeds that cable cannot match. By the end of the year, five million homes will qualify for symmetrical speeds of at least three gigabytes. That is the broadest multi-gig broadband footprint anywhere in North America

And in September, we announced an agreement to purchase Internet reseller Distributel. This acquisition will further strengthen our competitive position and support Bell's Internet growth strategy, particularly in the value segments of the residential and SMB markets.

Turning to Media now.

We continue to see good momentum across our streaming distribution platforms and digital ad markets, which enabled us to take share in a TV ad market that is currently facing some significant pressures. Growing customer usage of Bell Media's SAM TV advertising sales tool platform, which more than doubled bookings in Q3, together with a 29 percent increase in Crave direct to consumer subscriptions, contributed to strong 40 percent growth in digital revenues this quarter.

I'd also give a quick update on some recent ESG developments.

Clean50, a national sustainability organization, named Bell its inaugural GHG reductions champion for achieving meaningful greenhouse gas emissions reductions and recognized Bell's solar cell site initiative as one of the most innovative and inspiring sustainability projects undertaken in Canada in the last two years. Additionally, our science-based targets for GHG emissions reduction were approved by the Science Based Targets initiative, positioning Bell as a corporate leader in the transition to a low-carbon economy.

By reducing GHG emission across our operations, we are continuing to take action to help fight climate change and improve our energy performance. One way we're tackling direct emissions is through the electrification of our vehicle fleet and the shift away over time from fossil fuel-based transportation. To date, we've installed over 200 EV charging stations to power our growing fleet of electric vehicles.

I'm going to turn now to Slide 5 of our presentation for a review of some key operating metrics.

First off, Wireless. We added 167,798 new net postpaid mobile phone subscribers, which is up 46 percent over last year. This record Q3 result can be attributed to greater foot traffic as retail stores returned to full operation; continued 5G momentum; immigration growth; strong business customer demand; increased focus on bundling wireless with residential Internet service; as well as our lowest-ever Q3 churn rate, which improved three basis points over last year to 0.9 percent.

Our ARPU was up 2.2 percent, which is our sixth consecutive quarter of year-over-year growth. This was supported by higher roaming revenue that is now at 114 percent of pre-COVID levels. Roaming should continue to support ARPU growth for the balance of the year, and beyond roaming, we remain focused on driving sustainable ARPU growth via our 5G monetization strategy. With only 35 percent of postpaid subscribers currently on a 5G capable device, and the vast majority of them taking premium unlimited data plans, we see good runway for continued growth.

As for mobile connected devices, net additions increased 49 percent over last year to 49,044, driven by higher demand for all of our IoT solutions.

Let me turn now to Bell Wireline.

It was an outstanding quarter for Bell Internet, with 89,652 retail net additions, our best result in 17 years as we leveraged our rapidly-growing fibre footprint, strong brands, fastest symmetrical speeds, and network reliability, and as I mentioned earlier, we had our best-ever Fibe performance for fibre net additions.

We also added 38,093 net new IPTV subscribers, which is up 20.4 percent, and that's on the strength of our multiple brand customer segmentation approach and a more active back-to-school period versus last year.

Taken altogether, total retail residential net customer additions, including satellite and local phone, were 56,314 this quarter, which is up 70 percent or 23,000 higher than last year. This represents our strongest results since 2005, and really is a testament to the Bell team's execution and our extensive network investments.

I'll turn now to Bell Media again.

As I mentioned, advertiser demand slowed in Q3 due to the economy and ongoing supply chain issues in certain key consumer good verticals, and that impacted traditional TV and radio advertising sales. However, given Bell Media's broad mix of assets and consistently top-ranked properties, the year-over-year decline in total advertising was contained to only 2 percent.

Notwithstanding this backdrop, digital revenues continued to accelerate, as I mentioned earlier, growing 40 percent over last year, and that now represents 31 percent of total Bell Media revenue, up from 22 percent last year. This was supported by growth in Crave subscriptions and the strong increase in SAM TV bookings that I referenced earlier.

CTV remained Canada's most-watched conventional network in Q3, expanding its lead with a 29 percent increase in audience market share, while Bell Media's English language entertainment specialty channels also had a strong showing, finishing the broadcast year with five of the top 10 properties, including the top three spots for CTV Comedy, CTV Drama, and Discovery.

On the French language TV side, Noovo continued to gain viewership, outpacing its French language TV competitors with market share prime time audiences up 4 percent, and RDS was once again the top-ranked sports TV channel, benefiting from record audiences for F1 racing and a strong start to the NFL season.

Before I hand the call over to Glen for a financial overview of the quarter, I wanted to end by saying that I have great confidence in our long-term outlook. That confidence is underpinned by our investments in leading long-life infrastructure assets that will support meaningful growth opportunities and cost reduction across the business, the strength of our products and services, and consistent strong execution by the Bell team within our well-defined and clearly-articulated strategy. Although no company obviously is completely immune to the risks of a recession, we do have a very stable and diversified business that generates consistent and substantial cash

flow. We have a strong balance sheet and cost discipline, and all of that enables us to offset economic pressures as they arise.

Glen, over to you.

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**Glen LeBlanc – Executive Vice President and CFO**

Thank you, Mirko, and good morning, everyone.

Our Q3 financial results highlight our consistent execution excellence and leading asset mix across all Bell operating segments.

Total BCE revenue grew 3.2 percent, which delivered a 1.2 percent increase in adjusted EBITDA. Our results this quarter included the cost impact of Hurricane Fiona, as well as ongoing inflationary pressures, particularly on fuel, utility, and labour costs, which, in aggregate, totaled \$38 million. Normalizing for these exceptional costs, adjusted EBITDA growth would have been 2.7 percent.

Despite higher EBITDA, net earnings and statutory EPS were down year over year, but this is mainly due to the non-cash mark-to-market equity derivative losses from a decline in the BCE share price during the quarter. Additionally, as part of our multi-year post-COVID plan to consolidate real estate space that I detailed last quarter, we recorded a further asset impairment charge this quarter as we continued to vacate some leased properties. However, adjusted EPS was up 7.3 percent, benefiting from a \$80 million tax provision reversal from the resolution of uncertain tax positions related to the MTS acquisition. As a result, we now expect an effective tax rate of 25 percent for the full year of 2022, down from our previous expectation of 27 percent. No further tax adjustments are anticipated in Q4.

Lastly, despite a \$153 million increase in capital expenditures consistent with our broadband acceleration program, free cash flow was up 13.4 percent, reflecting the timing of cash tax instalments, lower pension funding due to our strong solvency position of our defined benefit pension plans.

Turning to Wireless on Slide 8, another strong quarter in a long line of strong quarters.

Service revenue was up 7 percent, driven by our focus on high-value 5G subscriber growth; strong year-over-year mobile connected device growth and continued recovery in roaming, with a Q3 amount at approximately 114 percent of pre-COVID 2019 levels.

Despite consumers holding onto their handsets longer and a sustained high level of pre-owned device activations, equipment revenue increased 8.6 percent year over year, reflecting a higher sales mix of premium mobile phones.

Due to the flow through of high-margin service revenues and our disciplined and targeted response to competitors' promotional offers, wireless EBITDA grew a very healthy 7.8 percent, which delivered a 20 basis point margin increase to 44.2.

Let's move now to Slide 9.

Wireline reported its first quarter of positive top-line growth in almost two years, with total revenue up 1 percent. This was led by residential Internet revenue, which increased 8 percent on the combined impact of strong subscriber growth, including higher year-over-year business activations and higher ARPU.

Although our overall B2B results continue to reflect the effects of the global chip shortages and related spending delays on new services, the year-over-year rate of service revenue decline has stabilized. Total product revenue, however, was up 46 percent, and this can largely be attributed to the timing of sales to certain large enterprise customers and easier year-over-year comparisons, given that the data equipment supply issues began to intensify in Q3 of 2021.

Notwithstanding the increase in revenue this quarter, Wireline EBITDA did decline 1.2 percent. This was a direct result of \$34 million in costs absorbed because of Hurricane Fiona and ongoing inflationary impacts. Normalizing for these cost pressures, underlying EBITDA growth was quite respectable this quarter, increasing 1.4 percent.

Over to Media on Slide 10.

Despite a weaker advertising market this quarter, total Media revenues remained stable year over year. As Mirko said in his opening remarks, and it's worth repeating, that it is a testament to our diversified mix of media assets, including a growing contribution from digital platforms and consistently higher ratings for all of our TV properties.

Advertising revenue was down 2.3 percent, reflecting softer TV advertiser demand and a slow radio recovery from COVID due to ongoing macroeconomic uncertainty, as well as the non-recurrence of approximately \$15 million in revenue generated last year from the Federal Election, Euro Cup soccer, and the Tokyo Summer Olympics. The financial impact of these factors was moderated by a strong COVID recovery in our out-of-home; further gains in digital advertising, as Mirko mentioned; and a 2.2 percent increase in subscriber revenue from ongoing Crave streaming growth.

Although total Media revenue was flat year over year, EBITDA was down 15.3 percent. This result was expected, given our higher programming and broadcast rights costs associated with the return this year to regular sports broadcast schedules and the normalization of TV content deliveries. This return to a more typical pre-COVID cost structure and a choppy advertising market are expected to weigh heavily on Bell Media's EBITDA in Q4. That said, advanced advertising for the upcoming FIFA World Cup is exceeding our expectations, with revenue already up 50 percent from the 2018 World Cup. This success is a testament to the massive popularity and value advertisers place on premium sporting events.

Lastly, I'll finish on Slide 11.

With \$3.5 billion of available liquidity, a manageable debt leverage ratio of 3.2 times adjusted EBITDA, a historically low after-tax cost of debt of just 2.8 percent with an average term to maturity of 14 years, and a capital structure that has a substantially high portion of fixed rate debt, BCE's balance sheet is very healthy, helping to mitigate the impact of rising interest rates. Moreover, with the substantial pension solvency surplus totaling \$3 billion that has low sensitivity to interest rate movements, approximately \$1 billion U.S. dollar spending that has been economically hedged well into 2024, and a relatively low cycle for our majority of our revenues, BCE's free cash flow generation is strong, reliable, and well protected from market uncertainty.

With three quarters of favorable consolidated results already reported, sound industry fundamentals, and a competitive position that is better than ever, we are on track to deliver on our 2022 financial guidance despite some difficult economic conditions that are expected to persist in parts of our business through Q4.

On that, Thane, I'll turn it over to you and the Operator to begin Q&A.

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**Thane Fotopoulos – Vice President – IR**

Great. Thanks, Glen.

Before we start so that we can get to everybody in the queue that I see here, I'd please ask you to limit yourself to one question and a brief follow-up, if you must.

And on that note, Donna, we are ready to take our first question.

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## **QUESTION AND ANSWER SESSION**

### **Operator**

Thank you.

Your first question is from Maher Yaghi from Scotiabank. Please go ahead.

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### **Maher Yaghi – Scotiabank – Analyst**

Yes, good morning, guys.

I wanted to start maybe quickly on your Internet loading; very impressive in the quarter. You recently introduced 8-Gigabit symmetrical Internet speeds in the market. Are there any services that are requiring such high speeds?

And just in terms of competition, Comcast also announced in September that they have shown that DOCSIS 4.0 is capable of achieving speeds of up to 10 gigabytes in symmetrical capability. Are you concerned that this technology could help your cable peers close the gap here in Canada, and do you think they can do it in a cost-effective way.

And just a follow-up on the wireless, also very strong subscriber loading there, probably helped by immigration and students coming back to university. Are you expecting the strength to continue? Is it sustainable in your view, and just in terms of what you're expecting for 2023 and Q4?

Thank you.

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

Maher, thanks for the question. Let me start first with the wireline question on fibre.

Here's the way I look at it. Our best networks' value proposition clearly is standing out. It's been doing so for a while, but particularly stood out in Q3, and we think that that will continue. It's clear to me that multi-gig speeds and network reliability really are at the forefront of the purchase decision, Maher. Sixty-two percent of consumer fibre-to-the-home activations in September for Bell were on multi-gig speeds, and it's even higher on the Bell brand, so those are big numbers, so what that shows to me is that there's a clear demand for multi-gig services because symmetrical upload and download actually does matter.

Consumers realize that, and they understand the benefits of fibre, and if you think about our footprint, by the end of the year, this year, which we're only two, three months away, we'll have seven million fibre locations, all of them will be capable of delivering gigabit symmetrical upload and download speeds, five million capable of three gigabytes, and over one million capable of eight gigabytes, and that's just at the end of this year alone, and we've got strong growth in all territories, and basically, we're at a point, it's pretty clear that the traditional telco technology disadvantage is gone and it's now a sustainable advantage, which is going to persist for a long time, and I think cable's going to be catching up for quite a long time, and then you asked me about that and your reference to the Comcast 8-Gigabit trial.

That's a trial, and it's speeds delivered in the laboratory environment, and when we look at it, we don't see true symmetrical multi-gig DOCSIS path. The true symmetrical DOCSIS path is quite unclear, and it's going to take a while, and even then, I don't think they're going to come close to our upload speeds, and it's going to be an expensive proposition either way, so you've got to decide do you do a fibre overlay, which is expensive, or

determine a DOCSIS path, which is uncertain, so again, that just comes back to the fibre advantage is a sustainable long-term one.

On wireless, I think it's been strong for the entire industry. You see our results are very strong. They're record results. I think you're going to see healthy growth across the entire industry, and I do think it will continue, and I don't say that in a cavalier manner. Just look at the kind of tailwinds that are operating in everyone's favour. There's immigration, and the Federal Government's indicated that's going to continue to grow over the foreseeable future.

We've got, in the near term here, strong consumer roaming, and we're seeing roaming pick up in business. We've got very healthy increases in network usage. A big one is the 5G upgrade cycle; probably should have started with that one. We still only have 35 percent of subscribers with 5G devices, so there's a lot of room for growth there, and 5G customers, I mean, I say this all the time, they use twice as much data and they spend more, and we're seeing strength in all channels, so I think there's continued room for momentum there.

Hope that answers both of those questions, Maher.

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**Maher Yaghi – Scotiabank – Analyst**

Yes, yes. Thank you very much.

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**Thane Fotopoulos – Vice President – IR**

Next question, please.

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**Operator**

Thank you.

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

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**Vince Valentini – TD Securities – Analyst**

Thanks very much. Hopefully I can sneak in a clarification before my big question.

Glen, the \$38 million, any chance you can break that apart between what was actually storm, which is obviously nonrecurring, and what was just the inflationary pressures?

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**Glen LeBlanc – Executive Vice President and CFO**

Good morning, Vince. Sure.

The total cost, as I mentioned, \$38 million. About \$34 million of that impacts our Wireline business; about \$4 million Wireless. If I broke it down by storm and inflation, \$19 million is storm. The vast, vast majority of that is related to Fiona. Then unfortunately, there'll probably be additional cost flow into Q4, as we're still doing tree clearing and cleanup from that devastating storm that hit Atlantic Canada.

Of the \$19 million that's inflationary, it's really split between fuel and utility as about half of that, and labour in about the other half, as we've had to put through higher than typical wage increases and we've had some collective bargaining agreements related to our unionized labour workforce come to an agreement, so that's a pretty good breakdown, Vince, of how that \$38 million...

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**Vince Valentini – TD Securities – Analyst**

Oh, no, no, that's more than what I expected, Glen.

Thank you, and just a bigger-picture question, probably for Mirko.

I think you'd admit that your Internet additions in Q3, which were phenomenal, were partially driven by a bit more aggressive promotional activity than we've seen from you guys typically, probably for good reason, leaning in on the good network and the problems that your competitor was facing in the quarter. But I just wondered: are you happy with the blend of sort of ARPU and margins plus volume that you gained so that you just keep up the current pace, or should we view Q3 as a bit unusual because of the outage and the ability to lean in on promotions?

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**Mirko Bibic – President and CEO**

Well, first of all, I am quite happy with the balance of all those things, Vince, and I wouldn't interpret the record results as being singularly driven by a competitor's network outage in early July. Actually, the momentum's been there for quite a while, and as the footprint grows, you're going to see the momentum continue.

On the promotional intensity, yes, it's a bit higher in Q3, but to me, that's not unexpected given our share gains, and on terms of kind of managing margins, don't forget that we kind of have a double benefit with the fibre build, as we—or triple benefit, however you want to put it. As we grow the footprint, share swings our way and we get the benefit of embedded cost reduction by having better fibre network where the cost support and service costs are much less, as you know, and ultimately, our share gains don't have to be at the expense of industry profitability, if you think about it.

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**Vince Valentini – TD Securities – Analyst**

Fair enough. Thank you.

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**Operator**

Thank you.

The next question is from Stephanie Price from CIBC World Markets. Please go ahead.

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

Hi. Good morning.

I was hoping you could comment on the fibre rollout and talk about the competitive environment that you're seeing against cable peers here. Is there any update on how we should be thinking about fibre share gain?

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**Mirko Bibic – President and CEO**

I guess the short answer is we're taking significant share of market growth in every area where we have fibre; so even just kind of high macro answer, for us, 89,000 total Internet net additions, which is very high, 95,000 fibre net additions, so we're continuing to see big growth where we have fibre and customer losses where we have copper networks where the speeds just don't keep up with customer demand, so it comes back to my first answer to Maher. I think speeds do matter, and upload and download speeds do matter for subscribers, and when you get asked, or when I get asked, well, are there any services—actually, I'm not answering the question,

and I didn't answer it. Are you seeing services that need eight gigabytes, I think he asked me, but I get asked that all the time.

Multi-gig does matter, and you can't think of things as one user, one session in the home, and therefore, anything can work on a hundred-meg pipe. It's very rare that you have one user, one session in the home. In fact, most households have multiple family members and everyone using things at the very same time, and more and more and more devices are being connected at the same time, so these things do matter. So again, it's a bit of a macro answer, but you're going to see share gains swing to us where we have fibre.

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**Glen LeBlanc – Executive Vice President and CFO**

Yes, and just adding to that, Stephanie, we made a decision a number of years ago to accelerate our broadband investment, and I think it's truly paying off. The results speak for themselves. We set a record for the highest fibre Internet additions in our history, and I think that speaks volume to the strategy is working. Where we have fibre, we take share.

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

Thanks, and just a follow-up here on bundling. It looks like wireless and wireline bundling offers have picked up across both Bell and Virgin. Hoping you can share some early learnings from that.

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**Mirko Bibic – President and CEO**

Yes, so one of the cross-sell, or the bundling cross-sell, of mobility to Internet and vice versa is actually one of the key drivers of competitive success in the communications industry today, so I mean, that's part; our focus on that in the last couple of years is bearing fruit, and that's how you can compete in this industry. For us, it's focused on high-quality loadings, focus on the Bell brand, whether or not it's wireless or wireline. We've made major investments in digital channels and in self-install capabilities, and one of the other elements of the strategy and our execution has been that cross-sell, and if you have a large installed base that you can cross-sell to, whether it's one side to the other and vice versa, you're in good shape, and if you own your own networks, you're in good shape, so those are the kind of two things: high-quality networks, owner economics, and the ability to cross-sell to an installed base of customers.

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

Thank you.

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**Operator**

Thank you.

The next question is from Jérôme Dubreuil from Desjardins Securities. Please go ahead.

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**Jérôme Dubreuil – Desjardins Securities – Analyst**

Yes, thanks for taking my questions, and congrats for the strong loading in the quarter.

However, you did mention in your prepared remarks, you talked about a bit of difficult wireless prices. We got 5G, and we'll see what happens with competition in Canada. What would or could make wireless pricing turn around in the next few quarters?



**Mirko Bibic – President and CEO**

Well, what I said is I was referring to the Stats Canada data, which shows that the wireless services basket, as measured by Stats Canada, shows a continued decrease as compared to general inflation across all goods and services in Canada growing dramatically, so I wasn't referring to wireless plans in any specific manner. It was the Stats Canada data, and in fact, where we see the significant growth right now is in 5G, and 5G pricing held up really, really well, which shows that we're in a good position to monetize 5G, so yes.

Of course, we're always in a competitive environment and we adjust and we do things, and I think, frankly, the promotional intensity in wireless has been pretty good. Handset discounting has been pretty good. 5G rate plan pricing has held up, so those are the things you should look at to sustain both continued loading momentum, as I talked about earlier, and the ability to monetize that appropriately.

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**Jérôme Dubreuil – Desjardins Securities – Analyst**

Great. Thanks, and then the second on Bell Ventures. From what I understand, it's been 100 percent new endeavour here, but it does seem like a renewed focus. Are you looking to integrate maybe more products in your line-up, or maybe is it more adopting a strategy that's a bit more similar to one of your Canadian peers?

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**Mirko Bibic – President and CEO**

Well, we're always looking to showcase our superior networks, and frankly, Canada's globally leading networks and infrastructure, so start from that proposition. We do have phenomenal networks in Canada, so how do we take advantage of those and showcase them, so the approach starts right there.

Second part of the approach, then, is to encourage early stage and growth companies to drive innovation by using these networks, and if we can partner with them strategically and through direct and indirect investments, we're going to do that, so that's what we're trying to do.

The focus is on direct investments where we're going to hold minority equity interest in target companies and indirect fund investments, and again, either way, the objective is to secure strategic partnership positions for ourselves and for the partner, and ultimately, to kind of highlight innovation using our networks.

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**Jérôme Dubreuil – Desjardins Securities – Analyst**

Very clear. Thank you.

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**Operator**

Thank you.

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

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

Yes, thanks very much. Good morning. Two for me.

Just first on the economic headwinds, either for you, Glen or Mirko. I don't think anyone should be surprised they're going to persist here into Q4. Just would love to just get a better sense of the cadence of the economic headwinds through Q3. Essentially, are things still getting worse out there, or is there any stabilization that you see here in real time?

And then the second question. On 5G monetization, maybe for you, Mirko, as you look into 2023, what are your expectations in terms of how the different buckets will or won't kind of ramp up here as we go through the year?

Thank you.

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**Mirko Bibic – President and CEO**

Okay. On the first question, let me start, and then Glen—I'll start at the highest level, and then Glen can unpack some of this for you.

On the economic pressures that we're either seeing now—I'm going to say we, I don't necessarily mean Bell, but just the macro economy or from a macro perspective that we're seeing or feeling or is likely to come, I'd say this: from our perspective, we are a multi-segment and highly-diversified and resilient communications and media company, so the diversified revenue portfolio's really helping us in otherwise difficult economic circumstances, and I said in my opening remarks, we continue to generate substantial cash flow and we're very disciplined on costs and we have a strong balance sheet, and ultimately, the accelerated capital investments that we've been making are bearing fruit.

You see it in the results, I think, so we knew at the time when we accelerated them that it was the right strategy, and I've never been more certain than right now, so what we're going to do is we're going to keep driving on that strategy and execute against it, and so grow share and manage costs, so I think I'll say that.

If you unpack it a little bit more on the consumer side, data usage is so ubiquitous and important, critical today, that it's not quite as simple to manage that down like it might have been 10, 15 years ago. On the enterprise side, things are fairly stable for us in the context of a difficult supply chain environment and a potential recession, so I don't want to minimize the impacts, but they're stable, and on the media side, we are in an ad recession. Glen and I both talked about it. You can't hide from that, but we are taking share because of our diversified asset mix in media.

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**Glen LeBlanc – Executive Vice President and CFO**

The only thing I would add is another segment, SMB, we tend to see pullback in spending in recessionary times, but we're not seeing that right now. Actually, I would say the contrary, as SMB is still recovering from the pandemic, and then the final thing that, obviously, Drew, I watch carefully is consumer payment patterns, and to date, there's been no material change, so as Mirko said, if there's a canary in the coal mine or an area that we're facing the greatest headwind, it's media advertising, but all in all, I would say we're quite recessionary proof, as we have proven in the past, and quite resilient.

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**Mirko Bibic – President and CEO**

And on wireless and 5G, I guess, here are the three things for me. We're going to continue to expand our 5G footprint, so that's good, which is going to continue to create demand for 5G, so we'll take advantage of the 5G upgrade cycle, and then so that's kind of on the demand side.

On the pricing side, of course, as long as 5G pricing holds, which it has and I think it will, both of those factors, increased subscriptions to 5G and the pricing environment which allows us to monetize it, are the two key drivers, and I think that's going to hold up well into next year.

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

Okay. That's very helpful. Thank you.

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**Mirko Bibic – President and CEO**

Thank you, Drew.

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**Operator**

Thank you.

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

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**Batya Levi – UBS – Analyst**

Great. Thank you.

With the majority of your residential households on the fibre network right now, can you talk a bit more on the cost efficiencies you can get, maybe provide some examples where they would come from, and how quickly you think you can get there?

And just a follow-up on advertising. Can you provide a bit more colour on the weakness you're seeing? Is it across the board, or in certain verticals, and how has that progressed into 4Q? I think you mentioned digital was still holding up. If you maybe strip out the demand for World Cup, are you seeing any change there?

Thank you.

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**Glen LeBlanc – Executive Vice President and CFO**

Good morning. I'll handle the last part and we'll probably tag team the first part.

But on media advertising, as Mirko mentioned in his opening remarks, we're actually seeing pretty good strength and recovery in the out-of-home, and that's really a product of how out-of-home was so significantly impacted during the pandemic, and we're seeing healthy recovery. Mirko also mentioned that we're having great success in our digital advertising focus. The areas that are being impacted the most is traditional linear TV advertising and that of radio, as you can expect.

When I mentioned in my remarks about one specific property, we are quite excited about FIFA World Cup and the success we're seeing there on selling advertising, but the overall advertising, TV and radio advertising, is where we're seeing the headwinds, and we expect that to persist into Q4, and frankly, probably into 2023, and I think you've seen it from others in our industry who have reported results recently.

Mirko, on the first question?

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**Mirko Bibic – President and CEO**

Yes. I mean, the typical stat we share is that where we have fibre, our service and support costs tend to be 40 percent lower than they used to be on copper. I mean, that would be the headline answer, and just to give you a little bit more bit more flavour to that: better network means more stable and reliable network, means fewer customer calls to address issues, and it's really end-to-end, because you can start scaling up self-install so then you don't have an install cost, and then post install, customers can mediate with you online through the app so they don't have to call in, so ultimately, I mean, all these things lead to better service and support costs, and frankly, the most important thing, better network, superior network, happier customer, happier customer for lower churn, and you gain share along the way, of course, as you can see, so the fibre story's a good one all the way around.

**Batya Levi – UBS – Analyst**

Got it. Thanks so much.

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**Operator**

Thank you.

The next question is from David Joyce from Barclays. Please go ahead.

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**David Joyce – Barclays – Analyst**

Thank you.

This kind of follows on an earlier question, but could you help us understand how the very strong mobile phone net additions, this quarter alone, we're possibly approaching half of the Canadian-wide population growth, how much of those net additions are coming from the incremental immigration, how much is coming from increased penetration of products per account and how much is coming from the competition?

Thanks.

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**Mirko Bibic – President and CEO**

Actually, the short answer would be it's from all three, and it's hard to unpack, but there's certainly growth there because of immigration. I think we are doing well on switchers, which is the last item you identified, and there is still room to grow in the industry in terms of device penetration in Canada compared to what we see in some other countries, so I mean, you identified all three, but for me to assign a percentage to the mix, it's difficult.

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**David Joyce – Barclays – Analyst**

All right. Thanks, and if I could just follow up on the capex side of things, how do you balance the capex spending with free cash flow generation? Are you kind of—this kind of ties in with the inflation issue and some of the supply constraints, but are you really at your maximum operating capacity for upgrading? I know you need to sort of manage through the seasonality of when you can do the upgrades, but are there limiting factors with your infrastructure? I'm just wondering what dials that you can adjust to maybe need to continue accelerating your capex, the upgrade plans.

Thanks.

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**Glen LeBlanc – Executive Vice President and CFO**

Good morning.

Look, I couldn't be more pleased of what we're accomplishing with our accelerated capex program this year. I mentioned earlier, and I've mentioned in previous quarters, this will be our largest spend in the history of BCE, topping over \$5 billion, passing over 900,000 homes, and continuing on our ultimate fibre journey to pass 10 million homes. Nine of those will be fibre and about a million of those will be Wireless-to-the-Home.

The constraint, really, is just the magnitude of work. We have a finite window of construction in this country, as you could appreciate, and the teams have worked very hard through the summer and through the fall here, but we're very pleased. The guidance we've given on capex is to be roughly in that \$5 billion range, and the

guidance we've given on free cash flow, 2 percent to 10 percent, is still in line, and we're confident in that guidance, so couldn't be more pleased. We don't feel we have any constraints on product that's slowing us in the ability to deploy our fibre and 5G strategy.

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**David Joyce – Barclays – Analyst**

Okay. That's great. Thank you very much.

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**Glen LeBlanc – Executive Vice President and CFO**

Thank you, David.

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**Operator**

Thank you.

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

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**Diego Barajas – Morgan Stanley – Analyst**

Hi. Good morning. This is Diego Barajas filling in for Simon. Thanks for taking the question.

On enterprise, can you just talk about what you're seeing on that front? Is there any update to the product sales translating to services sales cycle and if that has improved, and any higher-level changes on buying patterns from enterprise customers?

And then the second question is, are there any update on how you think about managing leverage through this environment and especially with the big rise in rates? That would be helpful.

Thank you.

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**Mirko Bibic – President and CEO**

Can you start, Glen, going the second one?

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**Glen LeBlanc – Executive Vice President and CFO**

Yes, sure.

As I mentioned in my opening remarks, we're pleased with our balance sheet, the liquidity situation we find ourselves in with over \$3.5 billion available. Our debt leverage ratio stays stable at 3.2 times. We have historically low after-tax cost of debt at 2.8 percent, as I said, so what we did was very opportunistic. In the low interest rate environment, we took advantage and did significant term placements, and you've watched us do upwards of \$6 billion between Canada and the U.S. in the last year or so, and that was all opportunistic and preparing us, such that in the time of rising interest rates, we could lean on things like commercial paper and securitization and use more of a floating debt structure in order to manage this, so I think we're in great shape.

If you look out to 2023 and you look at our towers, we have very little maturing. I think it's about \$600 million in 2023, so kudos to our team. I'm very proud of the fact that we've set ourselves up to manage through a rising interest rate environment very well with the placements and tapping the market as opportunistically as we did.

And your first question on enterprise?

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**Mirko Bibic – President and CEO**

Yes, so I mean, the update is it's the same update as—largely the same update as I gave last quarter, actually, so we're still not seeing any cancellation of projects in the enterprise segment, but revenues continue to be delayed for the same reasons as I shared last quarter, so we're not losing market share, we don't think, and then we also still believe that we're poised to capitalize when some of that supply chain disruption eases. So for example, just a data point for you, the equipment we're receiving now is for orders that we placed six to 12 months ago, which kind of gives you a bit of a sense, and then if I pivot to the small and mid-segment of the business market, we're seeing in the SMB side continued improvement actually; seeing volumes up, churn down, and the second quarter of revenue improvement, so we're pleased with that.

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**Diego Barajas – Morgan Stanley – Analyst**

Great. Thank you.

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**Glen LeBlanc – Executive Vice President and CFO**

Thanks, Diego.

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**Operator**

Thank you.

Our next question is from Aravinda Galappaththige from Canaccord Genuity. Please go ahead.

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**Aravinda Galappaththige – Canaccord Genuity – Analyst**

Good morning. Thanks for taking my questions.

I wanted to ask about Internet ARPU growth. Obviously, the Internet revenue numbers are very strong: 8 percent growth you reported again. It looks like the vast majority, maybe close to 7 percent of that, is subscriber-driven, and I know that we're at a point where you're sort of driving forward with your fibre deployment and there's going to be some promotional activity around that, but when you think of sort of the higher quality of services, the speeds and so forth that you're delivering, maybe just touch on the upside to pricing and how the ARPU component can become a bigger piece of that down the road, particularly in an inflationary environment where I think there's some justification for that.

And secondly, a quick follow-up on your comments about Bell Ventures. Can you just sort of share your thoughts on sort of the 5G business models? Obviously, it's not completely clear at this point, but you want to drive revenues above just connectivity, 5G can potentially be different than 4G in terms of the telecom share of that economic pie, and how sort of the Venture initiative sort of plays into that?

Thank you.

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**Mirko Bibic – President and CEO**

I'll start with the latter. The Ventures initiative is, in large part, designed to do just that, actually, so how do we partner with the right strategic partners in which we can take equity interest to do exactly what you just said,

which is both showcase the value of our networks, not just for the connectivity part of it or the connectivity revenue part of it, but to move up the solution stack, as you say, so yes, that's what we are trying to do.

On that side of things, we are playing a long game. These are long-term investments we're making on fibre, in particular, long-life fibre, long-life infrastructure assets, which we plan to monetize for decades to come, so the investments are bearing fruit now, but they're going to bear fruit for decades to come, and we will continue to be patient on that strategy and play the long game, as I say.

Then in terms of ARPU growth in Wireline, the quarterly growth has been pretty consistent all year, and I look at overall Internet revenue growth as a key thing, and that continues to be up significantly, 8 percent, and really the approach is a multi-pronged: new footprint, new subs. In existing footprint, increased penetration, get customers who are on our network to tier-up to higher rate plans. Then of course, there are tactical pricing initiatives that we always put into place at the right time, and the last element of this multi-pronged strategy is product intensity. Someone asked me earlier, and I think it was Stephanie, about cross-selling. That's another way to kind of drive the overall revenue performance on the network asset. A little bit different than your specific question, but it is a part of the multi-pronged strategy.

Thank you.

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**Thane Fotopoulos – Vice President – IR**

Great. Donna, we're running out of time, so this will be our last question that we'll take right now.

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**Operator**

Thank you.

The last question will be from Matthew Griffiths from BofA Securities. Please go ahead.

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**Matthew Griffiths – BofA Securities – Analyst**

Hi. Good morning, and thanks for taking the question.

I just wanted to quickly ask on the—if you see a lot of more runway on roaming. I know that's been a nice tailwind in the past, but are you seeing that level off, or do you expect that to continue?

And just maybe for Glen, I just wanted to—we've been asking a lot of companies to clarify something on the pensions. Just we see some reporting some kind of liability-backed investments that are, with market volatility and rising rates, creating some pension problems. I know you mentioned that you're well-funded and the sensitivity is relatively low. I just wanted to just double-check that there's no volatility or interest rate risks that are creeping up in the pension.

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**Glen LeBlanc – Executive Vice President and CFO**

Good morning, Matthew.

Actually, this has been quite a journey on pension management for us in my time here. We had many, many years of falling and significant deficit position, and we followed a very clear glide path towards immunizing, if you will, the liabilities by moving to a lower-risk or fixed-income weighted portfolio and less on equity, and I think it's proven to play out in times like this. Despite the fact that interest rates and discount rates have been all over the map and rising at an unprecedented rate, we really never saw any change in our funding position. We bounced

around from 113 percent to 118 percent during the quarter, I think, of our solvency position, so still sitting at \$2.9 billion, \$3 billion of a surplus, excuse me, that's sitting in the pension plan.

Do I expect that to continue to change over time? Sure, but the important thing is we don't see it having an impact on our ability to take contribution holidays in the foreseeable future. You could give back some of that and have our surplus fall down to \$2 billion, but no, we are not seeing any problems in our pension plan. We're delighted with the holidays we've been able to take and continue to think that that will be available to us for the foreseeable future.

On roaming, 114 percent, I mentioned, is where we're at. That's a product of both volume and rate, because there were rate increases. I would say we're probably at the high 90 percent right now in volume, and the rest is rate driven, but Mirko mentioned it in his remarks. Most of that has come from consumers returning to travel, although we have not seen as much come back on the business side yet, so we do believe tailwinds exist and we'll continue to see a bit of that tailwind in the coming quarters ahead, albeit naturally, it's not going to be at the same level of what we've enjoyed the last four quarters as we went from virtually nothing in roaming to a recovery to 114 percent.

Thank you, Matthew, for your question, and thank you, everyone, for the morning.

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**Thane Fotopoulos – Vice President – IR**

Great. Thank you, everyone.