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Q4'12 Results & 2013 Guidance

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PRESENTATION

Thane Fotopoulos, Vice President, Investor Relations, BCE

Good morning, everybody. I'm Thane Fotopoulos, Vice President of Investor Relations at BCE, and on behalf of the entire Bell Executive Leadership Team here today, I want to welcome you to our 2013 Investor Day Conference.

It's been a few years since we met in this kind of forum, four years to be exact, and a lot of progress has been made in those four years in growing the business and delivering value to BCE shareholders, and we're going to tell you about that, and more importantly, how we intend to keep that up going forward. We're happy to have this opportunity here this morning to give you an in-depth update on our strategies and plans for 2013.

However, before we get started, I'd like to remind you that today's event will be webcast. Links to the webcast, along with all supporting materials, are on BCE's Investor Relations web page, and of course I also need to cover the Safe Harbour notice, which is up behind me on the screen.

Today's presentation and comments will contain forward-looking statements that represent our expectations as of today and, accordingly, are subject to change. We do not undertake any obligation to update any forward-looking statement, except as may be required by Canadian securities laws. A number of assumptions were made by us in preparing these forward-looking statements, which are subject to risk. Results may differ materially. Details on these risks and assumptions are in our filings with the Canadian Securities Commission and with the SEC, which are all found on our website.

We have a great agenda for you today, as you can see here, so let me quickly cover that with you before we begin. We'll start off with an overview from our CFO, Siim Vanaselja, on our Q4 results that were just released this morning, as well as our 2013 financial guidance targets. Siim will be followed by our President and CEO, George Cope, who will give you a strategic overview and update of our key business initiatives, including a comprehensive wireline overview. Then Mary Ann Turcke and John Watson, our respective EVPs of Field Services and Customer Operations, will cover our service agenda and the strides we've made in that space in positioning Bell as a leader in customer service. We'll then take a short 15-minute break and after the break, Wade Oosterman, our President of Bell Mobility and Bell Residential Services, will come on and discuss the growth opportunities that are available to Bell in the wireless sector. Next, our Chief Technology Officer, Stephen Howe, will talk to you about our wireline and wireless platforms and how we're leveraging those networks to support the overall growth of the business. And last, but not least, Kevin Crull, our President of Bell Media, will provide an overview of the media segment, our newest segment in the company, and he'll tell you the value that that asset has brought to us since we acquired CTV back in 2011. We'll then wrap it up with all the presenters in a Q&A session at the end of the morning.

As you can see, quite a busy agenda and I hope you'll find the day very informative and useful, and on that note, I'll invite Siim to come up on stage and start off the presentations for us. So, thanks again.

Siim Vanaselja, Executive Vice President and Chief Financial Officer

Thanks, Thane. Good morning, everyone. We are really happy to have this opportunity today to share our strategic plans and our financial outlook with you this morning. What I'm going to do is start with our fourth quarter financial highlights, which we released this morning.

I'd say our operations delivered on a steady course with quite a strong contribution from both wireless and media. Total service revenue growth in the quarter of 0.3% represented healthy revenue growth across our growth businesses, across wireless, TV, internet and media, and that was offset by lower business data product sales and ongoing voice decline. Bell's EBITDA grew nicely, 2.2% in the fourth quarter, and that increase was driven by our wireless segment which posted great EBITDA performance. Wireline's EBITDA decline was pretty much in line with what we saw in the third quarter of this year.

Our consolidated margin at Bell expanded 80 basis points. That was on improved service margins, both in wireless and in media. At the EPS level, BCE's statutory EPS in the fourth quarter was $0.91 per share, that's up from $0.62 per share a year ago, and that increase reflects, in addition to higher EBITDA, lower year-over-year severance costs, and as well we had in the quarter a one-time non-cash gain that we realized on the transfer of spectrum from Inukshuk out to its respective shareholders. When we look at adjusted EPS in the quarter, it increased 4.8% to $0.65 per share, and I'll highlight that our effective tax rate this quarter was just below the statutory rate, and that's because the Inukshuk spectrum gain that we realized was non-taxable. I'll also say that there were no tax provision adjustments this quarter.

On free cash flow, our operations generated over $600 million in the quarter, representing growth of 7.3%. I think that supports the high level of capital investment we have in our businesses and at the same time it further strengthens our balance sheet and our financial position as we move into 2013.

Let me turn to our operating results, beginning with wireless. Postpaid subscriber growth was certainly again one of the highlights in the quarter, postpaid net adds of 144,000, up 9% year-over-year. We believe Bell Mobility again captured an attractive market share of net postpaids in the marketplace. Higher year-over-year postpaid gross adds were led by strong sales of Apple's iPhone 5, as well as the wide line-up of Android devices that the Bell stores carry. Smartphone subscribers now account for about 64% of our postpaid base. That's up significantly since the end of 2011, where we stood at about 48%. As you know, these are premium customers with higher ARPU and lower churn. Wireless ARPU increased 4.1% in the quarter, and with that, we've now had three consecutive years of ARPU growth. In this intensely competitive fourth quarter of sales, we're also pleased to report that we saw a 20-basis-point improvement in postpaid churn to 1.3%, and wireless retention spending in the quarter increased to 12% of service revenue, as we matched some of the richer acquisition offers that were in the marketplace.

On the financial side, wireless service revenue growth accelerated to 7.4%. That was driven by data revenues, which were up 28% in the quarter, and data revenues now account for close to 40% of our wireless ARPU.

Wireless EBITDA was another highlight in the quarter, growing 13.8% year-over-year, and that's our best fourth quarter wireless growth in six years, a good result, I think, given that we've spent an incremental $26 million or so on acquisition and retention in the quarter. The quarter's performance brought Bell's wireless EBITDA growth for 2012 to 15.7% and our wireless service margin for the year expanded 3.3 points to 41.5%. Wireless EBITDA, less capex, also provided a strong contribution to free cash flow, both in the quarter and for the full year.

So, overall, our wireless position is very well positioned as we head into 2013, and you'll hear more about that from Wade and George.

Let's move now to our wireline operations. On the residential side, the quarter was really about Fibe TV, I'd say, and the strong attach rates that we're seeing with other Bell services. Fibe TV posted a record 48,000 net customer additions in the quarter and we closed 2012 with 248,000 total Fibe TV customers. That gives us an 8% penetration rate of IPTV homes passed. I think we're really pleased with that performance, the steady gain in penetration we're seeing, recognizing that this is all still at a very early stage.

Satellite TV net adds continue to be impacted by the expansion of competitors' IPTV networks in Western Canada and in Atlantic Canada, and as well, we're seeing Bell customer migrations from Satellite TV to Fibe TV that are running at about 15% of Fibe TV gross adds. We're also seeing great three-product-household penetration, with about 84% of Bell's Fibe TV customer base also taking internet and home phone. Internet net adds overall, I'd say, were soft throughout 2012. I do want to say, however, that we expect that to pick up, particularly as our fibre footprint and our IPTV penetration increase.

In the quarter, residential NAS erosion showed improvement and we're definitely seeing a significant reduction in NAS losses in our IPTV footprint, compared to areas outside of that footprint, and therefore our strategy remains very squarely focused on continuing to grow that footprint and drive higher levels of penetration.

On the business side of wireline, I want to highlight that about half of the NAS losses that we've seen overall for 2012 were due to wholesale customer deactivations with one particular reseller. So, if we look at Bell branded NAS losses, in fact, those have remained relatively stable throughout the year.

Looking at the financials for wireline, the pace of revenue decline in the quarter improved. It was driven by TV revenue growth of 5.2% and a slowing voice erosion. Data revenue performance in the quarter was really similar to what we've seen throughout the year, with TV growth being offset by lower data product sales and repricing pressures that we've seen in the business markets. So, wireline's EBITDA decline in the quarter was 6.6%. However, we did incur a $9 million charge relating to the CRTC's decision to reduce rates on local loops, and they introduced that decision to lower rates on a retroactive basis back to December of 2009, so that whole $9 million charge came through this quarter. Excluding that charge, Bell's year-over-year wireline EBITDA decline, in fact, improved by about 50 basis points over the third quarter. For 2012, overall, Bell's wireline EBITDA margin was relatively stable, at 38.4%. We saw good operating expense reductions and good productivity performance, particularly in our call centres and in our field centre operations.

In 2013, we expect growth services to become a larger component of our wireline mix, with a stronger contribution from TV and internet, and a gradual improvement in business markets.

Bell Media, you know, has become such an integral part of Bell's overall operations and financial performance. For the quarter, subscriber revenue growth at Bell Media was 7% year-over-year, led by higher specialty programming rates, and I'll add that we do expect to see some more modest rate increases on specialty rate programming throughout the course of 2013, consistent with the new broadcast rate agreements that we've entered into.

Advertising revenue in the quarter, however, decreased by about 1%. That was expected and it was due to the NHL hockey lockout, which impacted advertising revenues, both at TSN and RDS. That pressure, however, was offset pretty much by quite a good shift in advertising demand, both to our conventional networks and to our own non-sport specialty networks.

With the flow-through of higher subscriber revenues and lower programming costs because of the hockey lockout, Bell Media's EBITDA grew quite significantly, by 32%. On free cash flow, if we exclude the non-cash purchase price adjustment amortization, we saw Bell's EBITDA of $199 million in the quarter and EBITDA of $610 million for the full year. Remarkably, that's about 75% higher than the EBITDA of CTV at the time of our acquisition back in April of 2011.

So, that's it on the quarter. 2012, as a full year altogether, I would say was very successful for Bell. We achieved on our full-year revenue guidance and surpassed our EBITDA guidance with 4.4% growth; we saw an increase in contribution from our growth services; we were successful in reducing costs and, with that, we expanded Bell's consolidated EBITDA margin to 37.4%; we increased our EPS guidance during the course of the year and we achieved that increased guidance; and we finished the year with a strong 7% overall growth in free cash flow, which totalled more than $2.4 billion. All of that gives Bell strong operating cash flow and it enabled us to move up our capital intensity during the year to 16.6%, increasing our spending on strategic priorities. So, all in all, 2012 had good performance and I think puts us into a really good starting position for 2013.

So, with that, let me move to our capital markets model, and I'd have to say it really is pretty simple. We are looking to deliver sustainable shareholder returns through reliable dividend growth, and that objective is underpinned all the while by maintaining healthy levels of growth and investment in our capital investment programs, and maintaining a strong balance sheet with solid investment-grade credit metrics. Importantly, as well, we have strong alignment of interests now between our shareholders and our management long-term incentive plan. That plan has vesting criteria which is tied to the company's ability to execute on its dividend growth model. So, simply put, as we grow our free cash flow, we're able to grow our dividends, our common dividend, and therefore we create value for shareholders and management alike.

We've had a successful track record as a dividend growth company. This morning, we announced a further six-step common share dividend increase, which is our ninth consecutive dividend increase since the fourth quarter of 2008. So, in total, we've grown our common dividend 60% over that period, and we have one of the best yields on the TSX today. Together, with the $0.10 dividend increase that we announced this past August, BCE's common dividend for 2013 is up 7.5%, or $0.16 per share, and I think that's a strong reflection of the confidence that we have in our business performance and our free cash flow generation. With this dividend, we expect to maintain BCE's payout ratio just below the midpoint of our target range of 65 to 75% of free cash flow.

You'll know that we have been presenting BCE's dividend payout ratio on the basis of both free cash flow and EPS, and those payouts have always been very comparable. So, I want to draw to your attention today that beginning in 2013, we will start expressing our dividend payout solely on the basis of a free cash flow payout. This change is necessary because of the non-cash impact that results from the new IFRS pension accounting standard which comes into effect in 2013, and I'll talk about that standard in a moment. On a free-cash-flow basis, our common dividend payout policy will continue to be maintained at the range of 65 to 75%, and I'd say that because our pension accounting change is entirely a non-cash change, we think that a free cash flow dividend payout policy is a much better economic measure to use.

Importantly, our dividend payout preserves a very high level of cash generation for the Company to deploy, giving us excellent overall financial flexibility. Surplus cash amounts to about $800 million a year for us, and I think we've always been pretty balanced in how we've directed that surplus cash and how we've deployed it. Over the last four years, we've made $2.75 billion in voluntary contributions to our pension plan. That ensures that our pension plans have maintained a very high funded status and it really minimizes the ongoing volatility of our pension funding requirements. We've also returned $1.7 billion in value to our shareholders through share buyback programs, and we've enjoyed a remarkable payback on that investment. And we've made strategic acquisitions that you know of, particularly CTV, The Source, Virgin, MLSC, the Montreal Canadiens and Q9, and we've executed all of those actions while maintaining an overall credit profile that's consistent with our credit objectives. For 2013, talking about excess cash, our plans will be to deploy that cash towards the purchase of wireless spectrum in the upcoming 700 MHz spectrum auctions that are slated for the fourth quarter of this year.

Our capital structure, I think, provides us with quite a solid foundation and a very high level of overall financial flexibility. Our credit ratings all have stable outlooks and we expect our credit ratios to improve over time as we grow our EBITA and as we grow our free cash flow.

I also want to say that I Bell is very well positioned with an attractive long-term debt maturity schedule. As you see on the slide, our average term of debt is approximately 10 years. Over the past four years, we've taken advantage of low interest rates to reduce our cost of debt by about 200 basis points, with our average after-tax cost of debt today being about 3.9%, and I think you should expect us to continue being opportunistic in pursuing those type of refinancing actions as we see opportunities for them. We also maintain committed lines of credit, giving us access to over $3 billion of liquidity, should we need it. And finally, you'll know that our history of financial management has always been a prudent one and that's not going to change.

So, let me turn to our financial guidance for 2013.

First, I'd say that with the transformation of our operating mix more and more towards growth services and away from wireline voice, we expect Bell revenue growth of up to 2% in 2013. Our consolidated operating margin should be stable, resulting in Bell EBITDA growth of 1.3%, and that should then translate to growth in free cash flow of 5 to 9%. We're looking to manage Bell's capital intensity in 2013 at around 16 to 17% of revenues, and that will allow increased spending to expand our IPTV footprint, to begin implementing pair bonding, to extend our urban LTE build-out, and to meet growth in demands. At the BCE consolidated level, our guidance is for adjusted EPS of $2.97 to $3.03 per share, and that reflects the new accounting for pensions.

Lastly, I want to be clear, that our financial targets that we are presenting today do not include the pending acquisition of Astral. What we'll do is come back and refresh our 2013 once Astral is closed, which we expect to happen around the end of the second quarter of this year.

So, a couple of comments on revenue. First, our plan continues to be built around strong growth at wireless. Bell wireless revenues in 2013 will benefit from the flow-through of strong postpaid subscriber acquisitions in 2012, growth in smartphone penetration, and an increase in share of high-value customers in the West and in business markets. Wireless voice ARPU is expected to continue declining, but will be more than offset by data ARPU growth, as higher smartphone penetration, LTE devices, and emerging revenue opportunities, like mobile commerce, all contribute to growth in overall ARPU. In wireline, we expect improvements in residential NAS erosion, as we leverage our growing Fibe TV footprint to drive both three-product households, as well as driving greater levels of growth in the MDU market. Stronger TV and internet revenue growth should support total wireline revenues in 2013, being essentially stable on a year-over-year basis. Wireline revenues will also benefit from the residential customers who are coming off significant promotional discounts of last year, and as well, from price increases on residential services that we introduced in January of this year.

In the business markets, I have to say, we don't have any great crystal balls on the economic front, but we are very positive about the new product and service bundles that we're rolling for the SMB markets, and as well, the commercial relationships that we now have with Q9, and with those, we anticipate overall improving business market trends for 2013.

Finally, in the Bell Media segment, revenue should remain stable year-over-year, given the significant sales lift we got from the London Olympics last year.

On EBITDA, the main driver for 2013 will also be wireless. In addition, we expect wireline to gradually improve over the course of the year, benefiting from improving revenue performance and additional cost savings. Media EBITDA will be impacted by the retroactive specialty rate increases that we benefited from in 2012, and with all of that, we expect Bell's consolidated EBITDA margin for 2013 to be stable, at about 37 to 38%.

So, I'd like now to specifically address our pension accounting for 2013. As I mentioned, our reporting will be impacted by the new IFRS standard which requires that the expected rate of return on pension assets has to be reduced to the accounting discount rate. Under the new standard, we will be restating our 2012 pension expense and EPS. That will result in a non-cash reduction of adjusted EPS in the amount of $0.22 for 2012, on a restated basis. Then, as we look at 2013, the new standard, together with a lower accounting discount rate that we'll be applying—and that new rate will be 4.4%—all of that will result in about a further $0.06 year-over-year non-cash impact on adjusted EPS. At the EBITDA level, we'll see about a $50 million year-over-year increase in pension current service costs. That comes from applying that newer lower discount rate and also from the fact that in 2012 we had a one-time $24 million curtailment gain related to some of our post-employment benefit plans.

So, that's pension expense. On the funding side, Bell's normal cash funding for 2013, and for future years for that matter, will be maintained at a stable annual level of about $350 million. I want to be very clear that there's no letters of credit that we're using or that we would be planning to use towards the funding of our pension plan. The funding of our plan is at a very high status level right now. In fact, Bell's pension solvency deficit could be eliminated if the discount rate should decline by about 1
%, and should that happen, it will reduce Bell's ongoing level of cash funding in future years. I'd say, in fact, we've already seen about a 25-basis-point increase in the discount rate that would be applied to Bell just in the first month of 2013, so we're off to the right start.

Our history in managing the pension plan, I think has always been a prudent one. I think we've stayed well ahead of it and I think that's going to benefit us for years to come.

So, moving on to taxes, the statutory rate is the same in 2013, 26.6%. Our accounting effective tax rate should be just slightly lower than that, at 26%. We had a high level of tax adjustments in 2012, of about $0.18 per share. For 2013, we anticipate a lower level of tax recoveries of about $0.07 per share. Lastly, we expect overall cash taxes to be maintained at about the same level, about $300 million in 2013, equal to what we paid in 2012, and our taxes are going to benefit from the tax deductibility of that special pension contribution that we made at the end of last year, and we'll also enjoy higher depreciation, tax depreciation claims and investment tax credit claims from the increased level of capital spending that we've made over the past few years. So, overall, a stable outlook.

Turning to EPS, with the new pension accounting standard, our 2012 EPS, on a restated basis, will be $2.96, and with the higher expected pension expense and lower tax adjustments that I spoke of, we're projecting 2013 adjusted EPS to grow modestly, to $2.97 to $3.03 per share. Before tax adjustments, that represents growth of about 4 to 6%.

Lastly, on our free cash flow generation for 2013, I think that's going to be quite strong. We expect it to grow to a range of $2.55 billion to $2.65 billion, before common dividends. That's a growth target of 5% to 9%. Cash interest payments will be slightly higher in 2013, given the slightly higher level of overall debt that we have from the acquisitions of MLSE and Q9. Our 2013 cash generation, I think, provides solid support, both for the higher level of capital investment we're making into the business and for the $0.06 dividend increase that we announced this morning.

So, on this slide, this is really a slide for your reference, it's a breakdown of main reconciling items between EBITDA and free cash flow, and all of that is in line with our guidance.

So, to conclude, I think I'd like to say that our 2013 plan is a very solid one and a very achievable one in the eyes of our management. We expect good growth in consolidated revenue, in EBITDA, EPS and free cash flow. Wireless will lead the way with continued double-digit EBITDA growth and some margin expansion, and wireline will reach an important point of progress in its business transformation where it will show improved performance, with a more reliable broadband growth mix and improving business markets. All of this will ensure a stable consolidated margin at Bell. So, Bell's fundamentals are strong. I think we're well positioned to sustain continued growth for the longer term and continued healthy dividend growth for our shareholders.

So, thank you.

Before I hand it over to George, we'd like to share a short video with you which we think captures nicely some of the milestones that Bell has delivered over the past four years. So, let's show that and then George will be up. Thank you.

(Video Presentation)

George Cope, President and Chief Executive Officer

Well, good morning, and, as Siim said, thank you for taking the time this morning to give us an opportunity to give you a much deeper understanding of what we're planning to do in 2013, and what we have been doing.

As the video, hopefully, reminds everyone, you know, we have accomplished a significant amount over the past four years as a company and for the investment community, but, as the video says, I actually truly believe we are now just getting started.

The focus of today's agenda is really about 2013, operationally and strategically, but probably more importantly, I felt it was really an opportunity to give the investors a unique time with some of our senior executives. The executive team that we have built in this Company over the last five years, I am convinced would stand up to any telco or cable leadership team on the globe, and we want to give you that opportunity to hear from those leaders today as investors in Bell.

As Siim talked about, we accomplished a lot in 2012, and I'll just quickly add a few comments to the year. If you go back to 2008 and you look at where we are today, you know, operationally, in 2012, leading—and we believe we will lead the industry this year in postpaid net adds, wireless ARPU growth, and EBITDA, when all the numbers are in for the year; increasing our consolidated Bell EBITDA margin year-over-year in the declining voice challenge we have on the local access side; again reducing our opex costs, this time $166 million, bringing our costs reduction since 2008 to well over a billion dollars, and that excludes the working capital improvements of well over $500 million; 250,000 Fibe TVs, under Kevin's leadership—not easy, because sometimes we compete with these people and sometimes they're customers, in terms of the distributors, but we've settled agreements with all of the BDUs in Canada; and most importantly, significant improvement in our service, which drives lower churn.

We're going to spend a lot of time on the strategic stuff this morning, but strategically expanding our—what we call FTTx, which would be Fibre-to-the Node or Fibre-to-the-Home, ending the year at 5 million homes passed and 3.3 million that we said we would achieve in terms in Fibe TV, launching the largest city in Canada with fibre, was Quebec City 100% fibre, and absolutely thrilled with those results; wireless, as we mentioned, LTE at 67% of the population; acquiring the ownership in MLSE, securing us access and price going forward onto the most important content in the media business in Canada, and that being sports, and also something we're seeing on a global basis; acquiring ownership of Q9, positioning ourselves in the fastest area of growth in the enterprise space, and that's the data hosting and cloud computing markets; and we were hoping to have a checkmark there, as everyone knows, but still pending the Astral acquisition, which, as Siim said, we're very confident we'll close the middle of this year.

This slide, to me, is very important for the investors. We've had a dramatic change in our revenue mix in the last five years, and I'm going to share a few numbers we wouldn't normally share, just to make sure the investment communities can see what's really happening underneath our revenue.

Over 80% of our revenue in 2013 will be driven from our growth portfolio and 20% will be from voice. Importantly, of course, business voice is much more stable than consumer voice, because consumer substitution we're continuing to see on the wireless side. So, we will actually exit 2013, pro forma the Astral transaction, with consumer voice revenue representing less than 7% of our revenue, and that is significant, as of course the analysts know, if you look at what our mix was a few years ago, because a 10% decline on a 7% a year base is a heck of a lot different from where we were four or five years ago. So, an absolutely critical transition in our revenue stream is going, if you will, through time, through our revenue, and also our mix, with all the growth in our growth portfolios.

You saw in the video we're a little boring, six strategic imperatives, the same story, the same story going forward. We execute successfully in the marketplace on these six strategic imperatives. We continue to generate the free cash flow that we're building the company on the basis with the capital markets on, which is an improving free cash flow allows us to continue to do what this asset should best do, which is generate dividend growth, steady dividend growth over time for shareholders.

So, if we take a look at our broadband network strategy for next year, you'll notice we've creeped up our capital intensity from that 16% to a 16 to 17% range net year. We did not want to cut our capital back because the Astral transaction did not close, so we creeped it up a little bit, the right investment, and also you can see, with our free cash flow guidance, we have lots of room to do that.

From a wireless perspective, we will end 2013 with 75% of the population covered, getting to 98% ultimately. After the 700MHz auction is completed, we will cover rural Canada with LTE, and we'd expect that rural coverage to happen, obviously, in 2014, as we now expect the auction to take place late in 2013.

And it is worth mentioning, also over the last four or five years, Canada has become the global leader in wireless technology, but there is no other country in the world that has three LTE networks, like we have in Canada. It's incredible how the industry has changed in Canada and we lead. Go to Europe, your handset will go back three levels of technology. The concept that other places in the world are ahead of Canada in wireless technology is quite frankly wrong. We are ahead of the world in wireless technology.

Turning to our wireline acceleration, it's all about broadband and fibre, getting fibre as close to business and as close to the home as we possibly can, and extending our IPTV footprint, and we'll extend our IPTV footprint this year, and Stephen Howe will share a little better detail than I can, but we'll do part of that through the introduction of pair bonding, which will increase the distance that will allow us to actually extend our IPTV footprint, and over time speed, and Stephen will talk about that. We do Fibre-to-the-Home now in every greenfield, any new neighbourhood that's built, we build fibre right to the house; all condominiums, we build fibre to the buildings, we've being going back to all the condominiums in Toronto and across all of our footprint; and also, from a business perspective, we're building fibre to many more buildings this year; and anywhere we had aerial plant that does not have Fibre-to-the-Node, we are putting it in, using fibre, because aerial plant with fibre is—quite frankly, at this point, it's economical for us, or very close, versus doing Fibre-to-the-Node.

Thirdly, continual capital program and customer service, and John and Mary Ann are going to show you the great results in a few minutes, and they'll also show you what we're going to do going forward this year. One of our key imperatives has been improving customer service. Some of these significant numbers will be shared, as I mentioned, by Mary Ann and John. We've had a dramatic improvement in what we call first-call resolution, which drives costs and obviously drives customer satisfaction. We have tools now that measure the success of individual customer experiences, and if it's not where we need it to be, we have ways to reach out to that customer, and our Field Service operation is second to none now in North America. We will put ourselves up against any competitor in the cable or telco market in North America, in terms of on-time, in the home, and the customer response to that, and driving improved service drives churn down and, importantly for you, drives our costs down going forward.

At the end of the year 2012, we launched a number of services, and John will talk about this as well, but a real focus on self-service functionality. On the wireless side, we launched a new app. Customers can track their wireless usage, check their balances, make payments, all of this online, and we've seen millions of users already and we just launched that in the fourth quarter; and on the online side, from our TV business where customers can go in and upgrade or lower the package they want, select the programs they want, and track their internet usage in real time from a billing perspective. All these areas is what the customer wants to see and, from our perspective, again drives significant cost opportunities for us going forward.

I think one of the issues always for investors with our story is how much cost, you know, what can you continue to achieve, and let me just step back and remind investors, we have a $10 billion cost structure. So, 1% productivity in costs for us, remember is $100 million. We expect in 2013 to further reduce costs another $170 million, and that will come through the call centre efficiencies and field service productivity tools I just talked about; work force reductions through normal attrition and retirement. As our employee base ages and we put in place the productivity tools, we don't need to necessarily replace employees who decide to leave the company or actually meet retirement and that drives our cost structure down.

Over 50% of our wireless customers today do not get a paper bill, they choose to get their bill online, and so that is obviously dropping costs, and quite frankly is why we've been recognized globally as the most green company in Canada. Further reductions have been negotiated with all of our major suppliers for 2013, on both billing, software licences, set-top box, and logistics. There is no Olympics in 2013, not great if you're a sports fan, but if you're in Bell, that's a good thing this year if you're looking at our costs side, because our costs will be less to execute this year. And this does not include any of the significant synergies we expect Kevin will be able to sort through when we integrate Astral with Bell Media. And most importantly, a satisfied customer from our end cost us less to support, and that's, as you can see, what we'd done.

I think the mix slide is really important. I think this is probably, from what Siim and I have seen and in talking with our major shareholders, a really important slide, because there is a perception that our wireline margin is somehow going to where other wireline margins are in North America, and that's not going to happen. People forget that we already have a $2 billion TV business in our revenue stream. Yes, our wireline is challenged, but we think 2013 starts to be a bit of a turn in that. So, we, in a rare kind of—not really guidance, but to give you a sense, we expect our wireline EBITDA growth, which was a negative five to six this year, will be in the two to four range as we go into 2013. Why will that happen? Well, we're coming out of the J-curve on Fibe TV, we've already seen that we've bottomed on the negative EBITDA of Fibe TV, we're going through some of those promotions, then we did the launch of the initial service and the customers are now seeing those rates come off those discounts, the market has absorbed some price increases both from the cable operators and from ourselves, our business performance B2B has improved and we expect to improve this year as the Ontario/Quebec economy shows some signs of job growth, and I mentioned already the further cost savings. We expect to our EBITDA margin to come in around 37%, interestingly enough, higher than our EBITDA margin was in wireline in 2008 and 2009, when over 30% of our revenue was from voice, and if you take the non-cash charge in our pension, it actually is relatively flat year-over-year. So, that, I think, is a real stake in the ground for us and one that so many of you have brought to our attention and we wanted to make sure you had some clarity around that, as investors, and what we're planning to do in 2013.

Also, on the wireline side, of course, as Siim talked about, for us it's about Fibe TV. Fibe TV is growing, 250,000 subs at the end of 2012. Eighty-five per cent of our TV subs are coming from cable operators or new growth, 15 is migrating from our satellite business. We expect that to continue to happen, the migration from part of our satellite portfolio. Obviously, our satellite portfolio lends itself perfect in some markets and that's where we have to focus to move our market share. Three point three million homes covered. Eight-four per cent of the customers with Fibe TV take all three services. Importantly, 100% of customers who have Fibe TV take internet, and that's fundamental to what we need to do going forward to grow our internet market share.

This slide probably best shows what's happening, where we have IPTV and where we do not. We are actually positive RGU growth in the footprint where we have IPTV. So, our internet and IPTV growth is more than our NAS losses. So, strategy, adds more IPTV footprint. So, you can see, in 2013, we think we will be right on the cusp of as many clients left, if you will, and the other footprint added, if you will, where we expand IPTV footprint, so very close to breakeven, and that's obviously very important to the revenue stream of our consumer wireline business and the lower revenue from voice as we go forward into 2014, 2015 and 2016.

So, we're going to expand footprint, and there are significant markets we are not in today, Ottawa being the largest. So, we will go into the Ottawa market with Fibe TV with the same type of marketing that we did in Quebec City and we expect to move the needle for market share for us and away from our competitors in the TV business. So, we will end the year with 4.3 million. You can see we'll launch Markham, Laval, North Shore, South Shore, Montreal, all these markets, and what's really important for our marketing team, that gives us the ability to market this product in a much broader way through many more distribution channels, because when it's available, if you will, in a footprint that large, the marketing is much more effective. So, we're really excited about it. Four point three million homes covered of our 7 million homes at the end of 2013. Bonding will expand our IPTV footprint in current footprint. It takes a distance—where right now you need to be 900 metres from the home where the fibre starts to 1400 metres when we go to bonding, and we'll introduce bonding the middle of this year. And later this year, into the mid part, we will actually roll out a wireless set-top box, which means you'll have multiple boxes in the home that are wireless for IPTV, and that will take installation time down dramatically for Mary Ann, make us much more competitive than we already are, where Fibe already has an advantage. Customers can use the box, you can actually sit outside, whatever you want to do in terms of the box being wireless. It takes install times down, cost times, and quite frankly we think it's going to be a game changer for us with Fibe TV.

On the business markets side, as Siim said, I mean, clearly that is so economically driven for. Yes, there's substitution and there's competition, but clearly job growth is what drives our business growth, and because we're so focused on Ontario/Quebec, we have a $4 billion business unit, and that's wireline. That excludes our wireless B2B. You add billion dollars for wholesale, we have a $5 billion business there, and quite frankly job growth will have that asset growing better than we have historically and we're cautiously, as all of us are, optimistic that job growth in the U.S. will drive some job growth in Ontario and Quebec.

Our investment in Q9 and our own Data Centres gives us 19 data hosting centres, sets us up perfectly for our customer base. We see about a 30% connectivity attach rate to data hosting. So, now we have the number one data hosting partnership and our own locations in Canada, absolutely in the sweet spot of our customer base. Ninety-six of the top hundred companies in Canada use Bell today and we obviously want to manage their hosting and data services going forward.

Turning to wireless, I would say probably the item that the management team of Bell is most proud of, and that is the turnaround of our wireless business, to go from where we were to back into a leadership position. Yes, head to head with two really good competitors, but we're in the game and we're competing aggressively, and a number of things have taken place to do that. So many investors ask, "So, what exactly, what's the one thing you did?" It's not one thing. It's all these items that have been important under Wade's leadership: launching the new network, making the strategic acquisitions, leading the industry in distribution—and I have to give Wade Oosterman credit here. Wade said three years ago retail was going small screen and he said "buy The Source," and he was absolutely dead on, and having small retail has turned into a competitive advantage because the products have got smaller. Eighty million Canadians go through The Source a year, and we have a store within five kilometres of every Canadian. So, I mean, it's a powerful distribution—refresh the brand, improving customer service, and Wade Oosterman and John Watson and Stephen Howe have more experience than any executive team in Canada in wireless, so we have a great team leading that base, with a proven track record.

This slide probably tells the story the best. The real internal goal of Bell is not 33% of postpaid market share. It's 33% postpaid market share, but more than that, of incremental revenue and EBITDA share. So, you want to punch above your weight, you want to be reasonable in market share for revenue and EBITDA, and you can see in the previous 12 months, yes, 39% of the net adds, but 43% of the revenue and 54% of the incremental EBITDA. So, 54% of the industry's growth in EBITDA we captured of the incumbents over the last 12 months, and you can see the same year before and the year before, well, that was the acceleration of the market share move, to be back in the game against our two competitors.

The media acquisitions, you know, really they have met our objective, probably exceeded our expectations, and I think fair to say investors' expectations. As you know, we had no great strategy here, we followed. We followed our cable competitors who had vertically integrated. Ironically, the name "vertical integration" didn't come up until Bell vertically integrated, but all of our competitors had vertically integrated. So, you know, as you step back and say has there been a growth opportunity? Yes. Has it accelerated our positioning from a four-screen perspective? Absolutely, the market is

moving to TV everywhere, and Kevin's going to talk about that. We've had some differentiation in the market with mobile and TV leadership, and in an industry that's so competitive having differentiation is really valuable. It's been a great hedge against our programming costs, which are now—we spend more than $600 million a year on content and now we're going to end up buying roughly a third of that from ourselves, and we levelled the playing field against the cable operators. It's important for investors to remember, Rogers is vertically integrated, Quebecor was vertically integrated, and Shaw was integrated, and all of a sudden people weren't giving us access to the content, so we bought content to make sure that no one would ever deny us access to content, and that's working very well, and most importantly for you, it's been very shareholder value accretive, as Siim has talked about.

Kevin will touch on this, but clearly 2012, an important year, because for us the first full year of ownership of the asset, great financial results, great new contracts with the BDUs, global leadership from an Olympics perspective, and tremendous, therefore, for the brand, and 2013 is all about maintaining that viewership leadership, containing our programming costs both in Canada and the U.S., leveraging our investment in MLSC and the Montreal Canadiens, because we have access to that content, and obviously many new product introductions, and most importantly, from a corporate development perspective, getting that Astral transaction closed.

Turning to our regulatory agenda for 2013, for the investors, I think there's really three key files, the first one being the Astral transaction. We expect the hearing to be in the spring, we know already we will need CRTC and Competition Bureau approval, and we'll make sure we have those in that timeframe, and we would expect closing to be in the summertime period, subject to the hearing happening in the spring and then getting the approval. Our application will meet the requirements that the CRTC wants to see, there is no doubt. The rules changed from the first proposal to what the CRTC now wants to see, and so the assets that we will put forward to meet those requirements will become clear to the investment community at the time the file comes out. But, even so, we believe we can meet all of our strategic objectives with that acquisition and we'll still be accretive, and Kevin will make a few comments in a moment.

Turning to the spectrum auction, 700 MHz is strategic for Bell. We'll participate in that auction and we will secure spectrum to make sure we can execute our strategy in the marketplace going forward for Canadians and rural markets, because 700 is tremendous for rural Canada and allows us to continue the leadership that Canada has globally, by getting LTE into all those rural markets as quickly as we can. The policy does encourage investment nationally. We think it's the right policy in terms of what's been put forward. I think the auction, we expect it now in the fourth quarter. I think the rules continue to come out a little slower than we anticipated, and one of the issues for us we want to make sure is that—there is some set-aside spectrum which we're fine with, but we want to make sure there are actual companies who are going to bid for that spectrum, and if they're not, we're really pushing hard that if they're not able to bid or someone decides not to, that spectrum shouldn't just be handed to someone and in some way should be re-entered into another auction. So, if people are not prepared to step up and acquire that spectrum, we want to see that put back in, and so you'll hear us voicing that. Having said that, if everyone's prepared to participate, we're comfortable where the rules are today. We just don't want a spectrum not going anywhere and not deployed, and we've just seen that happen already. The spectrum that was auctioned four years ago has now been sold through a process with an option on it and there was no deployment of that spectrum, a complete waste of spectrum in this country. You need to deploy it in the country for the wireless industry.

Then the Wireless Code of Conduct, this an important hearing. It's one that the three wireless carriers, the major carriers have asked the CRTC to do. Because, what we were running into was each of the provinces wanted to see certain different codes in each province and we thought, you know, to be consistent with the country's productivity agenda, and for our companies and for the shareholders, one code would be much better than having code by province, especially from and IT perspective, which takes productivity out of the Canadian economy if we all have different programs for every store and every province. So, we'd like to see one national code. We're encouraged by what we've seen this year CRTC announce. We think a number of those things are the right steps. A number of those are being done, some we're all looking to do, so I think it should be a very positive outcome. The only caution I would have, and we're going to push very hard on this, we can't have a code and then say that each province will then have a code, as well. Otherwise, we've totally defeated the purpose of having a national code. So, that's paramount for us and it's paramount, I think, for investors and for Canada to have one national wireless code that we all follow and go through. As I said already, Canada leads the world in wireless technology and we want to continue to do that after—after this, of course.

So, 2013, keep the wireless momentum; improve the wireline trajectory, and I've showed you how we planned to do that; accelerate IPTV footprint; execute the cost reductions; the transformation of revenue mix; and growing our free cash flow 5 to 9%, and that excludes the Astral transaction, which, as you know, is also cash flow accretive as we go forward.

Siim showed you this slide. I just wanted to give you a sense of how I think about it, as well, and how the Board of Directors thinks about this. We want to continue to see that excess cash flow, which you see of about $800 million a year, where we can deploy it on strategic agendas, be it pension or acquisition or spectrum; and the reason we've increased the dividend today, if you look at our guidance, we're right in the midpoint, at 69% free cash flow, with the dividend that we announced, and so that's why we were able to raise the dividend, based on confidence in our free cash flow going forward next year.

So, that's a quick overview of where we are. We're going to get into a little more detail now than normal. I'd like to call up Mary Ann Turcke, who's our Executive Vice President, Field Services. She's going to give you a sense of how we're able to improve service while at the same time drive costs out of the business. So, Mary Ann, over to you. Thank you.

Mary Ann Turcke, Executive Vice President, Field Operations

Well, thanks, George, and hello everyone. I'm going to take a little time today to take you through a little bit of a journey we've been on, and what I believe are some unprecedented gains in productivity and service that the field operation has made at Bell Canada, but more importantly, what I think are some outstanding opportunities still yet to come.

Before I took over the operation in the middle of 2008, I was buried in lots of decks from lots of bankers and lots of consultants around the continent about the $150 million, or so, cash opportunity there was in this business. So, now we're approaching the end of 2013, at the end of this year, and that number should be about $250 million. So, we've done some really good work. And these aren't the results of one-timers. What these are, are fundamental efficient and smart practices that we've developed over the last four years that really make this operation different and really make it—we have a sustainable operating advantage going forward. From what I've seen, I believe I have one of the best operating teams in the world, and we're going to get into a little bit now and I want to show you what we've done and I want to show you some of the opportunities we have going forward.

Who are we? So, we are the force that services every single business and residential customer at Bell Canada. We build every metre of fibre that is out there. We have three broad teams, as you can see there, Bell Canada technicians, Bell Technical Solutions, and also Expertech. They are governed by eight different collective agreements in the CEP, and that's not nearly as scary as it seems. Our technicians are really, really good. We want them to do the work and the CEP wants them to do the work, too. Over the last five years, we've made historical gains in working with our labour relations partners in getting unprecedented flexibility and unbelievable productivity from these agreements. This was really hard, painful work, but I believe that it put us at an advantage over some of our competitors as we move forward, it's a structural advantage, and I'll explain to you why I believe that in a couple of minutes. And as for scale, well, we do about 1.6 million repair tickets every year, about 2.5 million orders every year, about 4.5 million truck rolls every year, and last year alone we built 3,300 kilometres of fibre, mostly in Quebec.

So, George mentioned—you know, our mantra and my mantra from the beginning has really been that, simply put, doing things well is going to cost us less, period. Let me give you a few examples.

How about we train the technicians on internet so they can do the job? That's where we started about four-and-a-half years ago. How about we give them laptops and test sets so that they can test the lines properly and get it done right the first time? How about instead of shipping modems all over the place, we actually show up with a technician, install the modem, activate it and explain to the customer how our fantastic internet product works? You saw in the video "full install," that's what we did. How about we commit to 95% of the time being there same day or next day, for every single repair call that we make? That's our Same Day/Next Day promise. This Same Day/Next Day promise saves us money. It saves us money because it shortens the sunk capacity in the system. In operations, the closer the time between the order being placed and that capacity being deployed, your operation, by definition, becomes a whole lot more efficient, and you'll see we've done that in provisioning and we've done that in repairs, all Same Day/Next Day.

How about, as we go forward, we figure out a way to optimize our load, our work in-day, throughout the day, so that we can play real time with our capacity, and what if we have mobile devices integrated with GPS with our load, so we not only know where the tech is but we know where he's at in his work, and so that we can play with capacity as we move through the day, shortening our white space and shortening our waiting-on-work time. Every minute counts. I said before that materiality matters in this business and in large-scale operations materiality really matters, and in this operation, if you do the math, about five minutes of savings—if we save five minutes on every single job we do, it's worth about $25 million to $30 million of cash a year.

So, we sweat the details in operations and I'll show you a little bit of what we're going to do now.

Customer service simply is better in the field. The Same Day/Next Day repair, I talked about. On time—this, for me, was the cost of admission. If we say we're going to be there between 8:00 and 12:00, we're going to be there between 8:00 and 12:00. I expect it of my teenagers and I expect it of my technicians. Technicians are more compliant. Fill orders faster, go from eight days to two days on internet. I talked about the nature of the math behind the operations, the shorter the distance of time between needing capacity and deploying capacity the better off you are. We double-down on that benefit with provisioning, because flippage is also profoundly better when you install after two days of the order being taken as opposed to waiting for eight. Inside support wait time, this is really important. A technician is the home and he's having problems, he has to wait 45 minutes to get someone on my team to pick up the phone. So, how about when you're in the house and you're having problems, somebody somewhere pick up the phone. Because, as soon as we pay the money to roll the truck everyone's job becomes helping that job get done, everybody's job, my job and every single person that works for me, because we've already deployed the resources and that's the most valuable thing we have. So, we got a lot better there.

Branded trucks and clothing, Wade did a great job on helping us with that. Our guys are so proud to wear the Bell Blue every day and our customers are more confident in what we stand for and what we are going to do every time we walk in a house, and simply put, our customer satisfaction with our techs is unbelievably high, at 92%. Of that satisfaction of 92%, 80% of those customers would give us a perfect score of five on five, and we ask every single one of them.

So, moving forward, there are three facts of wireline operation, and it's the same anywhere: product mix is constantly changing, and George talked about that; field load is innately volatile; and you must have the right person at the right place with the right time. Managing all of these three things together under tighter and tighter service constraints, without adding buffer resources, is what makes a good operation a great operation. Lots of people run operations with too many people, but those operators, frankly, just aren't part of a wireline operation that has consistently posted a 10-point margin advantage over their competitors.

When we think about our product mix constantly changing—so, we basically are transitioning a voice workforce into a TV workforce, from a copper tech who installed jacks in a house to a veritable in-home consultant. Take your best guys and make them better. They have to apply, they have to meet our standards, and they must work when and where the work is. I referred earlier to our labour relations gains. When we first started going to TV, a TV install is two to three times that of a voice install. So, it shouldn't surprise anyone, and it didn't surprise me, that a lot of customers who were expecting Saturday and Sunday deployment, only our collective agreements didn't allow for that, our scheduling didn't allow for that. We basically went to the union and said "you want the work, we're going to open a collective agreement, we have six weeks, open it, close it, and the work is yours, let's go," and we did it and it was the first time in history that we did it with our Bell technical solutions workforce, and we took our very best internet technicians and we put them on TV, because it was our most important product, and now we have some of the best technicians in the business in North America doing this work.

Control the customer experience. What I mean by this, scale where you can and incubate where you need to. Launching IPTV is a very scary, scary process, we talked to a lot of people before we did it, and we chose very, very wisely to scale where we needed to. We had a scaleable operation in the field, I talked about how we trained the internet technicians, but we also built a super-calibre inside technician, so that when our new technicians were out in the field they had somewhere to call, a safe place to call where they could get help. Was it scalable? No. Was it expensive? Sort of. Was it worth it? It was worth every single penny. Today, our repair dispatch rate for an average in-service subscriber, at a few hundred thousand subs, is better than those that are a few million subs. So, we climbed the learning curve way faster, way steeper than a lot of others that have gone before us and it saved us millions in the process.

And finally, now, as we look forward, we're going to start to deal with productivity in IPTV. From my perspective, there was just no use in rushing through an install for it not to be done right, so we took the time and we learned what we needed to learn. Now, as we move forward, there's a new level of maturity in the IPTV operation and we will start to turn our attention to productivity.

The single biggest factor for IPTV productivity is technician tenure. As a tech climbs the learning curve, which lasts about 12 months, we see the single biggest gain in time for job and in quality, and just to give you an idea of the numbers, in

2011, 80% of our technicians working on IPTV had less than 12 months of experience. In 2012, that number was 60% and this year it's going to be 35%. A technician's average install time decreases by about 15 minutes—that's average—decreases by about 15 minutes between the first and the second year, but more importantly, the standard deviation over which our technicians perform shrinks. So, when you're managing an operation, the lower the standard deviation at each little unit of work the much more efficient you can be, and we've had huge gains from that and that will move forward, as well.

George talked about the wireless set-top box. About 30% of the time in our installs we have to rewire the entire house. We use the existing coax, if we can, but 30% of the time we have rewire, and this isn't the rewiring, you know, of a decade ago, where you staple-gun the telephone wire to the top of the baseboard. This is fishing wires through big homes so that we can get our product working, and it can take our guys anywhere between 60 and 120 minutes to do it. It puts a massive tail on the back end of install times. When George talked about this being a big impact for us this year, it will be huge.

Finally, the customer tutorial, it may not seem like a big thing, but we do spend a lot of time at the end of installs taking our customers through the product, through the features, how to work it. If we don't, it just ends up in a call coming back through John's shop, which costs us more money. So, this year, we're putting that customer tutorial online, it is a tool that we have in our toolbox, but I've made it clear, if that customer wants us to stay and hold their hand through that tutorial, we will stay and we will spend the time to do so, but it's another tool in our productivity toolbox as we move forward into next year.

When I talk about field load, you know, our field load can fluctuate as much 20 to 30% on any given day, depending on weather and depending on outages and other elements. In addition, it does fluctuate between 30 to 40% depending on the season, with the July move in Quebec and the student inward at universities being our two peaks. If you overlay, the geographical nature of our business, you end up with a pretty complex algorithm in terms of resource allocation. You overlay that again with the fact our Same Day/Next Day promise means every morning when I wake up I only know about 40% of the work I have to do that day. This is where we spent a lot of time. How many resources do I need on each day? It's where I spend my money, it's where I write my cheques. The only way I spend less money is to have less resources on the load. But how many do I need? This is the big question and this is where I personally, and our teams, spend a lot of time developing, some of the best mathematical minds in the business, around the algorithm for predicting how many people we need and where, so that we don't have buffer resources out there and we are able to skate the fine line of the optimization of service and cost every single day. Our labour force, again, gives us a structural advantage here. At Bell technical solutions, 40% of my technicians are part-time. That's unprecedented in the telco space. It means I have unbelievable flexibility, from rearranging eight-week schedules to due-date-minus-one calls, to frantic phone calls the morning of, when my load is coming in too high. No other telco has that kind of flexibility with the workforce that they own.

Finally, the right person in the right place. I spoke about our seasonal load. Obviously, if your load fluctuates up 30 to 40% in the summertime, you're going to need to hire a whole bunch of people every summer. We hire between 600 to 800 technicians every single summer to meet a peak load that lasts between four and five months. It became very clear to me very quickly that I simply had to become the best in the world at hiring and training, because I can't afford to have a technician come on the load for that short a time and not be really good at what he does. Part of the problem is wireline networks are very complicated and when you hire new people you can't put them on the load, because new fingers in a network create problems and repair problems cost you a lot of money.

We are going to be the first in the world, around our dispatch model, we're going to be the first in the world to integrate advanced in-day optimization with a mobile technician device that puts us ahead on every measure in terms of productivity, compliance, scheduling, tracking, you can pretty much name it. We have it in a field trial right now and our techs are loving it, and in the land of materiality, I want you to think about this—today, our technicians have laptops, it takes them about five minutes to log into the VPN just to get their work. Tomorrow, with the mobile device, they'll hit the screen of the device. Every five minutes counts and every five minutes means a lot, and driving that through the field is what we're going to be doing here in the next couple of years.

Let's talk a little bit about managing here, while I finish off. We have a database of every job every technician does and how long it takes him to do it. We measure every technician on his time versus a standard time we set, and we raise the level of that standard every single year. Each manager is stacked-ranked at the end of every quarter, based on the total results of his crew, the difference between the time it takes his crew to do average work versus the standard that we had set. This is reviewed, all thousand managers, by me. The top performers, provided they meet quality gates that we've set, are rewarded, and it's the only productivity-based incentive compensation program that we've seen in the telco space, and it works. It's comprehensive, it's rigorous, it's repeatable, and it has motivated my folks to do what's right for the business.

Finally, our sustainable competitive operating advantage that we've built over the last five years. We work hard at being the smartest around optimizing the equation of cost and service every day. We execute, and we execute well. I say to my folks, we standardize and measure, we adjust and we repeat, and we do it all over again. It's what we do every month and every quarter. We are a world-class field operation, but the most important point on the page is the last one.

Thank you very much and I'd like to invite John up.

John Watson, Executive Vice President, Customer Operations

Welcome and thank you. I'd like to build on some of the great work that Mary Ann's been doing, to give you a window into what we call customer operations.

So, a bit of history. A little over two years ago my role was newly created. It was to focus on improving customer experience within Mobility, as well as the residential part of the business. Now, I think it was an important milestone, of having an executive responsible for customer experience at Bell, because essentially Wade and I split the P&L. It's a structure that he and I have proven to be successful in the past. At the time, Bell lagged in the area of customer experience on a number of levels and our costs were significantly higher, and on the increase at that point in time, and the two tend to go hand in hand. Now, I'm pleased to report that we've made very significant gains through that over time, and this slide gives you an example of what I'm responsible for. So, Mary Ann owning Field, if you look at the bottom of the slide, I pick up the areas of customer service; also look at churn and loyalty management, all facets of that; experience transformation projects, the capex projects that George showed, that my team drives; as well as business intelligence; and much of the remainder of my presentation will cover off these topics.

A similar slide to Mary Ann's, it's very simple, but succinctly sums up what we want to do. The difference between hers and mine is I add in the churn component. Looking at the churn element is a huge win for our business, but also one that's very integral to operations. It's a different point of structure for us than our competitors, most don't have that lined up within an operating construct, but we find it works better. It helps us learn faster than the competition, by knowing what's going on at every point in the feedback loop, and then driving that back through with Wade.

We also believe that our focus here is really one of quality, if you summed it up. What you'll hear throughout my presentation and see on my slides is a quality-versus-cost focus. Quality always comes first, cost is a secondary benefit. It comes and is sustainable at that point and drives competitive advantage.

The last two years have been busy integrating the residential and Mobility teams creates a lot of benefits for us we roll through. Bringing these teams together was one that was a lot of work, but one that has created a more powerful group at the end of the day. I think, again, the structure allows us to learn faster; scales efficiencies that accrue to that, normally by bringing groups together; also ownership of the household, a key component for us in looking at a triple of the future. Many times it's a wireless phone, not a wired one now within that construct, and the overlap between what is internet between Wi-Fi through to being on our 4G network, and the seamless experience that customers need to have through that is a core focus for my shop.

Also lined up there, on capex projects, we talked about, I've got some greater details into that, but very significant investments in that space and ones that are really delivering some great ROIs for the business.

Our results, how we're doing, you see much of this with the financials that Siim brought about, but things are certainly moving in the right direction. These are two components of what we look at. One is the satisfaction scores, similar to Mary Ann's, it shows tremendous progress and improvement. The other looks at Net Promoter Score. For anyone who's not familiar with Net Promoter, NPS is just a simply a measure of your customers recommending your product and services to friends and family. When you look at that jump, not only does that represent a great benefit from an experience perspective, churn perspective, but anyone who's close to the tenets of NPS realize that that's your best sales person, that's your best sales advocacy, that really helps on the other side of the equation. I think, especially in the Mobility business, this is working very well, and willingness to recommend is helping us on the gross adds side.

Our results also were confirmed by a lot of benchmark external surveys that are out there. In this case, I'm referencing Forrester, with a 48% bump. Everyone takes a look at these and your progress essentially is quite important. Sequentially, year after year, we're seeing nice sustainable gains and we think that has lots of runway into the future on that side, as well.

It's a pretty simple equation, satisfied customers, they don't churn and they don't call you as often. So, on this slide, I'm really pleased with the results we've created on the churn side. The benefits of the financials is very, very significant, probably one of the most accretive things that we can bring on deck is a better churn level. I'm very, very happy that our results now are eclipsing probably a number set four or five years ago, and also we've moved into the number two spot. Now, moving into the number two spot, we also did that while spending less, not an easy thing to do. I'm very proud of those results for the team. Now, also with that, I'm identifying the kind of called line reductions we've experienced. So, more subscribers, more subscribers on smartphones. Generally, in the past, as your base grows and smartphone subs grow, your costs go up. We've shown absolutely the inverse here, so quite pleased with the progress on both of those sides and the results around it.

A little bit of detail on churn improvement. None of these are things that you wouldn't know or have seen before, but what's magical about this is how they work in sync. George had a slide that framed up all the goodness created on wireless. Double-clicking on the churn one, these are the key drivers, and all of them sustainable, all of them ones that are getting better and better each quarter as we drive along.

Operating expenses, so great improvement. It's clear when you're executing, while you've got the right strategy, the right team on deck, really good things happen in terms of your costs to supporting subscriber, and what I don't show on this slide is what was happening between 2009 and 2010. In 2009 and 2010 we had double-digit increases in cost. So, the framing of this, from double-digit increases to significant benefits, and you also see quite a bit of transparency in 2013. We don't usually show this, but we see continued success and progress through 2013, as part of this program.

A little bit about our roadmap. So, we've got four key drivers of our roadmap, and down below you see some things that I call our purpose within my team. So, make it right, make it personal, make it better. You know, simple language, but very powerful when it becomes ingrained into the culture of thousands of people providing service in every touch point and every experience that we have. We've also worked really hard to create a much more competitive leadership team, many peer folks, many stronger folks, in terms of what they do there, and as Mary Ann said, I think that we truly have a world-class leadership team on deck within my shop at this point.

The four items here, I'll cover those off on individual slides going forward.

The first one about capital, George mentioned the kind of capital investments that we're bringing to bear. With the transformation and the strategy that we've got on deck, we certainly needed to invest. It's an area that historically had not seen the kind of investment that we would have had within our wired networks and this really has helped us as we moved forward. Also, to let you know, I've got a granular plan for the next 24 months that can use every dollar of capital that we can put into this space, and lastly here, the return that we get from this capital is amongst the very best for many investment opportunities for our business as we go through.

A little bit about execution. The key point here, as I mentioned at the beginning of the presentation, was that there was a real cost focus historically, you know, manage the costs, what can we do for a little bit less, where can we put things to manage that, and we've really turned it upside down, quality is the key driver now, and the question's always will this help our quality, what can it drive for us. Great yields and terrific operating efficiencies that come through otherwise. Literally, as well, there's probably thousands of things we've improved over the last two years as we've driven this agenda and gotten very good at understanding what's going on, we see continued opportunity here, and you saw that in the opex slide, as well.

Complexity is a real challenge for our business. This is one example around the billing side. So, I double-click on the $140 million. Of that, about $50 million goes into billing simplification annually, and doing so, there are tremendous opportunities there. You know, one of the great things about having a company that's been around for 132 years is the strength of the brand, the quality. The challenge is we have some legacy systems and this kind of investment is one that yields great returns for us and has been our Achilles heel over time. So, you can see the kind of investment. We see that as a terrific ROI for us and one that will sustain for the next little while.

e-Ecosystems, probably a term that most don't use, and I find it to be a much interesting term to describe what most others call self-service, and I'll tell you why I use this term. I find self-service really lacks the creativity and breadth of what we want to accomplish in this space. This is an unlimited canvas for us to create amazing experiences at a lower cost than before, and it's a huge point of focus for us.

George showed you a little about the Mobility m-Care, Mobile-Care plan, and this was launched last year. We're very proud of this, the kind of results we created were terrific, and the learning we get in terms of how customers want to interact with us. It's not as if you needed the light sequence to figure out is it working or not. You know within minutes and hours as to what you delivered, what worked well, and then you have a learning loop to improve that, as well. You know, via e-Care, Mobile-Care, Care via Fibe TV, which is an advantage of that platform that we'll certainly leverage, Care via chat interactions in a multimedia space, there's nothing that we can't do within this ecosystem to deliver great experiences more cost effectively.

One additional point, building on what George mentioned regarding the CRTC's Draft Code of Conduct for the wireless business, we've already been driving most of the agenda items that they've identified and we've been driving them proactively because it just makes sense. The bottom line is that millions of customers today, over millions of times, have been able to check their data usage, adjust it, buy additional packages, buy roaming packages, change their rate plan on the device they carry around on their hip, since the middle of last year, and we think that really is a customer-friendly agenda.

Business intelligence, it's a bit of a fun slide. So, the Harvard Business Review had some fun with the topic, they're not usually known for humour, by calling "Data Scientist: The Sexiest Job of the 21st Century." So, essentially, the math and comp-sci data together referred to as sexy. You know, big data, it will likely become one of the most over used and misunderstood terms of this decade. You can count on that. For me, the core benefit of this space is allowing our business to learn faster than the competition, it's as simple as that, and as one customer at a time we're able to do that. This is something I've dreamed about for about 15 years and it's now a reality, based on the software and hardware that's out there. It comes down to insight and math, we measure absolutely everything. You know, massive amounts of activity, the challenge was always to know how to make sense of it, what's the cause-and-effect relationship when you have billions of bits of data roaming around, and we've done a really good job driving into this space and creating understanding very quickly.

And on to my last slide. Having a little bit of fun with an ad that Wade recently ran to launch our unlimited internet offering. If you ask May Ann and I what the future looks like, we'd say that our opportunity to improve cost and quality is almost unlimited. On my side, in a little over two years, we've created a wonderful result, wonderful improvements in all operating costs, improvements in churn, improvement on quality metrics, and we're two years into a five-year plan. There's an awful lot of goodness yet to come and you can see that in the CAGR for 2013. I think, with Mary Ann and I, we've delivered greater improvements in any telco over the last few years bar none.

There was a recent article that stated your brand is nothing more than a promise consistently kept, and we think about that every day, how do we ensure 200 million interactions across every channel, every service, every product, are as close to perfect to the brand promise that Wade's making, and I think we're well on our way to making that happen based on this.

So, thank you. That brings my presentation to a close. I believe we've got a 15-minute break, and thanks for enjoying the presentations.

Wade Oosterman, President, Bell Mobility and Residential Services, and Chief Brand Officer

Good morning, everybody. Thank you for staying through the break. My name is Wade Oosterman and the slide says these are the things I manage for Bell. And really, my job is to manage our pick-a-screen-fill-it-with-goodness-trademark kind of approach to the market as a whole, and the pieces of the business I manage each play a role in delivering that promise to the market. And, you should ask, well why do you have that view on the market? And, it's because we can see very clearly a change in the market where people are becoming less focused on product-centric attributes and care more about the ability to complete the activities they're interested in. So, you know, I want to watch whatever it is I want to watch on the speed of my choice, and that's one of the reasons why we're structured the way we are to enable that. So, as I said, my role is to make that happen. Of course, it's my role and the role of every presenter that is in front of you today to kind of deliver that to the market. Today, however, I'll focus primarily on the wireless aspect of that puzzle.

George and Siim have already walked you through the Q4 results that are released, and the 2012 results gave you some insight into our thinking on 2013, although I'll get into some more detail. You will have seen from those results that really the wireless team and the teams that enable the wireless group are all delivering at world-class levels and, we're certainly incredibly pleased with the performance in 2012, and certainly since, you know, 2008 and the change in management, and then since 2009 with the launch of new network. So, we've seen very positive performance improvement and so what I thought I would do is talk about what do we think for 2013 and beyond, and do we see a path to continue that. I think it's important to note George's six key strategic imperatives and you will note on wireless it continues to say, "accelerate wireless", which certainly does not imply a lack of confidence in our plans there.

So, let me begin with the industry as a whole and I think we're fairly fortunate in Canada, we have some outstanding industry fundamentals. Our penetration rate has lots and lots of runway, as you can see from the slide above. Data as a percent of ARPU, again lots of runway. In fact, if you look at it carefully, you might even say there should be some pricing power there to come. And then, I think, very important for us and all of you in the room, the percent of smartphones in our postpaid base, which is ahead of markets that are much older than Canada's market, you know Europe and the U.S. That high percent is reflective of the incredible networks, the incredible networks that we enjoy in this country, and those networks, make no mistake, drive an ecosystem that favours us, because the more smartphones there are, you know, which device manufacturers make to take advantage of the great networks, the more you get the app ecosystem chugging along, the more you get usage, the more you get ARPU growth. All of those fundamentals are a very positive piece of the puzzle for us as we go forward. So, good industry fundamentals. What about Bell? Well, Bell, even better, and there are some things in here that, while not specific to wireless, help us achieve the results we do in wireless. So, we are the only national wireless and TV provider, and that's important because video really drives a lot of utilization and utility into wireless space. So, the fact that we get that halo impact is important to us.

We have, as you all know, a fairly significant cost advantage due to our network sharing agreement, but if I take a look at our network total, so wireline plus wireless, our purchasing power gives us some cost advantages. The high visibility of our other products in the residential space, so Fibe rollout on both Internet and TV delivers the same kind of halo effect. George talked about The Source and we have, you know, the largest small box retail footprint in the country and, again, that is an important thing for us. We have the largest B2B, so business-to-business sales force in wireless, in Canada, and our results in business continue to grow year-over-year and quarter-over-quarter, we're really doing a good job there. And, of course, the very unusual—I would say we're probably the only one of the big three that can say this—we have a new geographic market ahead of us and that is an advantage for us.

And, you know, how all those pieces fit together, it's probably best demonstrated how we leverage the totality of Bell and really make the whole greater than the sum of the parts. It can probably be demonstrated nicely by telling you a little bit about Target. Target is a large retailer, they have ambition and are coming to Canada and as part of that, they, of course, want to be in wireless, and their goal coming in was to carry all carriers, all products, you know, the entrants, the existing established players, all of them in their locations. And, for those of you who don't know, 125 stores coming up. So, we thought, well, that's not as good for us if they—and our goal would be to have them only choose Bell, obviously. So, we used every element of the total Bell family to kind of talk to them about what they should do from a distribution perspective in Canada. And you'd think something like we own The Source, you would think that would be a disadvantage, but we went to them and said, look, our training program has been tailored for organizations that are multi-SKU organizations that have product outside of just wireless, and how do you make all that work? So, our ownership of The Source, where we have to develop the same kind of training programs helped us. We went with Bell Media. People, you know, sometimes ask, well, how do all these pieces fit together? We went with Bell Media and said, "We can help you get established in Canada through our breadth and reach on the Bell Media side." We talked about, from our enterprise group, the connectivity solutions we provide. So, we put together a total value proposition for them. They ended up selecting GLENTEL as their distribution manager for wireless in Canada. You all know that GLENTEL only carries us and Rogers. So, a real win for us in wireless, but leveraging the total Bell assets to make that happen. So, some great advantages to us as an organization.

But, I know you're all familiar with the sort of four metrics that drive value in wireless and you deploy the assets I just mentioned to really make positive progress on each of these four, I know you know what they all are, so what I thought I would do is dive a little bit deeper on each of them and tell you why we are confident that we'll be able to hit and achieve the financial target set out by Siim and George.

So, let me begin with ARPU. You know, ultimately, we drive superior ARPU performance by changing our mix, and that's actually a pretty important point. We do not need to use premium pricing to achieve superior ARPU results. We use superior—or, you know, premium pricing, which would call into question perhaps our competitive—the competitiveness of our value proposition. We do not need to do that. We simply have to go and prove our performance in the naturally higher ARPU segments, and they're fairly obvious: the West, not our historical strength; business, given that we were not a GSM organization several years ago, tougher to get at those business clients and the roaming revenues that come with that, all those things we were restricted from were, you know, tougher for us to compete in those segments. So, simply having the right solution set and simply having the focus, and improving our distribution in the West, for example, allows us to gain share in segments that have higher ARPUs. And, certainly our plan is to continue that as we go forward.

A good example of what's happening in that space is what's happening on data ARPU. All carriers are experiencing wireless data growth; we're no exception. The factors that drive beta ARPU are consistent, but they are ecosystem drivers. It's nothing that we particularly have to do. It's happening naturally. We just have to execute better than our competitors to perform better in that space and, again, adding that to our mix profile change, we see really positive outcomes.

We do see, as I said, the smartphone acceleration continuing for next year. We expect to end 2013 at about the 75% level. The only way we grow the total embedded basis, of course, a number higher than that of new sales, or taking smartphones, we see that taking place, and all of that is driving, as I said, that data ecosystem; more apps, more functionality, more usage, more ARPU, and that's continuing.

A perfect example of that is Mobile TV, where Bell is the unquestioned leader in the space, with now 30 plus live TV channels. And, you see the 49ers—San Francisco 49ers in the middle screen there and that's, of course, representing this year's Super Bowl, and I thought it would be kind of fun to talk about some of the stats that came out of that to show you the kind of size and scope of the opportunity. Our Super Bowl viewership this year was up 100% over the Super Bowl viewership last year. It's a pretty cool number. It was up 80% over the London Olympics just this past August. It was up 50%, so that's the kind of growth rates we're seeing, since the Grey Cup at the end of November. So, incredible growth in adoption by consumers. Quite frankly, amazed that our competitors keep letting us run the ball up the field on them uncontested in this space, but I'm thankful they do, because we're going to be at a million mobile/TV subs by the end of 2013, and they contribute to our ARPU performance.

So, you know, some very positive and I would say relatively risk-free attributes that make me very comfortable we're going to achieve continued ARPU growth as we go forward.

Next, subs, you know, a share of postpaid nets, we're targeting 33%, and adding to that, it begins with distribution. We talked a lot about we already have a great significant distribution advantage and we just reached that deal with Target which, again, is now a two-player game instead of a nine player game in that channel. So, we are far and away number one in distribution strength in the country.

Our brand, the fifth most valuable brand in Canada, the only non-bank in the top five, number one in that space. Handsets, we have the number one handset lineup in the country. You can just go to one of our retail stores and our competitors and prove that to yourself. The way we get that lead is again to leverage a Bell asset that's not obvious. If you think about who the handset suppliers are, they have other electronics products that they make; TVs, laptops, digital cameras, you name it, and so when we can go to them and say, "Look, we can help you with those other product lines with our group called The Source," their interest in working with us on the handset side goes up. So, we leverage those relationships. We leverage the Bell assets to gain a competitive advantage in wireless on the handset side. Network, we talked about that a lot, but we obviously have the number one network in the organization. We do support all this with a superior level of end-user support, and John talked about a 310% increase in Net Promoter Score and that drives sales, make no mistake about it, so we see that as a positive contributor.

Then, last on my list of five, the new geographic markets. You know, interestingly, we just launched in Manitoba in the second half of 2012. That's a market Bell had never sold Bell branded products before, and it's a pretty good market, 1.3 three pops, 900,000 subs, half a million, or so, of those with MPS. Now, you know our appetite, a third. You know our assets portfolio, pretty tough to compete with that as a player there. So, will we be successful with our ambition? A 100%. We will use the totality of the Bell asset mix to achieve the goals we set out for ourselves in each and every market in which we compete. But, for you, the important point is it's a market we've never competed in. So, what is our ability—and you judge for yourself—what's our ability to drive positive results on the sales side in that market?

A lower churn, while our investment retention is absolutely showing results and John made the point that our churn levels are down, our churn levels, though, are not just down, they dropped more than any other competitor we compete with, and they did that while we spent less than any other competitor we compete with. So, very significant efficiency at work there. But, because of the ability to leverage the other elements of Bell, because of our brand strength, our handset lineup, our distribution strength, and therefore the ability to service people in more locations closer to where they live, we are entirely comfortable that targeting that sort of COM level 10 to 11% will allow us to achieve the goals we have in place for our efforts on churn. So, we are very, very comfortable with that number, as we are on the capital side.

I did talk about the cost advantage we gain because we have the Network Sharing Agreement. LTE is a lower cost infrastructure, lower cost to operate and carry traffic than alternatives and, as we keep rolling out LTE that is a positive thing for us. It helps us manage the increase in data consumption, right, because we can clearly see that happening, and Stephen Howe will touch more on that. We do continue to benefit from our backhaul facilities through our landline part of the house. So, in total we think, when we look at it, that sort of 10 to 13% the medium and beyond 2013 is going to be just fine for us to support all the things we need to do to continue to be a superior player in the market.

Now, of course, this is wireless, and so I'd be completely remiss if I didn't talk about some of the more exciting things that are happening in our space. But, it begins with, if we execute, and I have every confidence that we will. It's very clear to me that we will be able to achieve, you know, the financials we've set out and that drives improved margin performance, and that happens through that ability to drive revenue growth, which I talked about and, of course, the continued focus on cost control, and that comes through being really disciplined, it's just that simple. Our strategy is not to be the leader on price reductions, although it's good to know with our cost structure, if that were to happen, we'd be okay, but, it's not our goal to lead down pricing. So, we are very disciplined about what we follow and what we don't follow in the market. Because of our leverage with handset suppliers, we're able to secure devices that we don't need to compete on price on, because they're exclusive to us. So, all those things let us really manage the cost side finance, so that increased margin lets us then invest, as I said, in things that make wireless a pretty exciting place to be.

You know, you would have seen, for example, that Facebook announced last week that more people now access Facebook through a wireless device than not. It's a pretty remarkable thing to happen. It speaks to, you know, what you all have to have in place to make that happen. Networks to handsets, the rate plans, everything has to sort of enable end users to do that, but the innate orientation as to do precisely that.

And, John talked about the importance of, you know, I'll say e-everything, and what I think gets lost, perhaps, is the structural advantage we have in getting all the benefits of an e-enabled ecosystem. Most organizations have to spend not an inconsiderable amount of money to get people' digital addresses. We have it. It's their phone number. It costs us nothing to get it. We get it when they sign up. It's their Internet IP address when they sign up. It's their television IP address when they sign up. So, we have a huge structural advantage in just having the data available to leverage all the cost efficiencies of the, call it, e-everything world, and that's something that we push hard every single day. And, you know, four years ago now, I think, when we went to e-bill as our default, the results we've seen in that space are just phenomenal. It's taken out huge, huge amounts of cost and allowed us to generate some additional revenues.

Wi-Fi, VoIP, or VoLTE, voice over LTE, unlimited pricing, all those things do important work for us, they lower costs and drive appeal of our product sets, they shelter us from exposure in some cases. So, all of that drives positive fundamentals for the business.

Mobile commerce, we just signed our first financial institution, and this is through EnStream. EnStream is, of course, the joint venture of Bell, TELUS and Rogers, and that's important. And, we're working with every bank, trying to put in place an ecosystem, again, that will, regardless of handsets you carry, regardless of financial institution you do business with, and regardless of carrier you do business with, will be a common UI, a common way to interact, and a common way to complete a financial transaction. That commonality will drive adoption at a much greater rate than if every time you switched banks, handsets, or carriers you have to learn a new way to do it. So, we're very excited about that. And, as I said, EnStream just signed its first financial institution to enable that, and we've got a lot of work ahead of us, and lots of things still have to happen, but it's all coming together. So that's a really nice upside for the business.

Big data, just such a massive opportunity and particularly for an organization like us. We just signed an agreement with an insurance company, so a little bit big data, a little bit machine-to-machine, where the insurance company will offer discounts to drivers, not based on a predictive model, but based on actual driving experience. So, yes, you will have a widget in your car and, yes, it will notice whether or not you stopped completely at the stop sign like you were supposed to, or you were speeding. It's all voluntary, don't worry. I know I won't let it near my car. But, you know, think of what that does. That insurance company benefits because their mix now moves towards a lower risk profile client, that's good for their ambition and, of course, for us it drives data traffic on our network and machine-to-machine connectivity, and all those things. So, there's a small example of it all coming together.

So, you know, it has a tremendous amount of positive energy in the space. We're excited about our ability to compete in it. We are very comfortable that our brand promise, which today just got better, will, in fact, turn out to be correct, and it gives us comfort as we look out that—and that's the inevitability of this multi-screen environment coming together, that we have the right momentum going forward into 2013; not just the right momentum, the right assets in place to achieve the financial objectives we have. And, frankly, I have that same sense of excitement, the same sense of optimism on the landline side of the house when I think about all the positive steps we're taking there. So, all of this will be an achievement of our goal and that goal, of course, is to be Canada's leading communications company.

Now, the person who has to make all this happen and make all the technology work is up next. So, Stephen could you come up? Thank you.

Stephen Howe, Executive Vice President and Chief Technology Officer

Thanks Wade. My name is Stephen Howe. I'm responsible for the operations strategy and implementation of our various networks at Bell. Bell's networks are really the foundation of everything we do at the company. A bit of a biased opinion, perhaps, but nonetheless, I believe it's true, and I do apologize in advance if I use a few acronyms. I've tried to keep it to a minimum for your today.

As far as network strategy, this is really an aspirational view of the types of things we're trying to do. Really we have one core—world-class core network, that's the cloud you see, and around the exterior we have all our connections into that network, whether it's fibre, Wi-Fi, copper, LTE, or HSPA. And so, convergence is really happening. We've already, on my team, converged and consolidated our wireless and wireline operations team, the team that manages that core, and, of course, all of our cell sites, where possible, we actually backhaul using our fibre assets. So really, anywhere, anytime, seamless network experience is what we're driving towards.

And, let me give you one kind of simple example and sometimes they actually inter-lap. Dave and I have experienced it ourselves. So, you're watching Fibe TV—and this'll happen this year—you're watching Fibe TV and its Saturday morning and you need to be at a brunch at the mother-in-law's, and right when you need to get into the car, you're right in the middle of the Sports Centre Top 10 and you don't want to miss it. And, so, the great thing you can do is you pause—right there on your Fibe TV you pause that feed. You get in the minivan, put the kids in the minivan, slap up an iPad, you press play on that iPad and right from where you pressed pause, you're able to watch the rest of Sports Centre Top 10. Pretty powerful stuff, and that's all done by the core networks, the intelligence within our context, content, and our applications in our core.

Now, how are we executing on this strategy? We really have a three-prong approach. On the wireline side, we're continuing to drive FTTx, which stands for fibre to the x, whether it's to the node, or to the home, or to the suite and, of course, IPTV deployment, which George talked about earlier. On wireless, further expanding our LTE network; in fact, we will have coverage to 98% of our population in Canada by the end of 2015, and all the while keeping up with the demand, and I'll take you through some of the demand charts. And, we do this by keeping within the 16 to 17% CI that Siim and George both talked about.

Canada absolutely runs on Bell. You can see 96 of the top 100 companies in Canada, but really, in particular, our business customers count on us 24/7, 365 days a year to keep the networks up and running for their customers.

I'm going to really kind of pause and take you through this chart because it's a little busy, but we're really driving across four key elements, our fibre to the homes and businesses strategy. Fibre to the neighbourhood, that's what we call FTTN, Fibre-to-the-Node, we're continuing to bring that to as close to the customer as possible. The closer you have the node in that neighbourhood, the better your performance and speeds are.

We're doing pair bonding, which George talked a little bit about. What pair bonding is, is taking two copper pairs and putting them together to essentially double the speeds. That doubles the speeds for the user and also increases our footprint, like George mentioned, from 900 metres from that node to 1.4 kilometres where that node is. And so, we'll get 130,000 additional IPTV capable homes in our footprint by implementing this technology. We have it in the field today in test and it'll be available to our customers later this year.

Fibre-to-the-Home, we, of course, launched Quebec City. It was the biggest implementation in all of Canada with Fibre-to-the-Home. Also, all new greenfields. Any new subdivision that's being built today is being built directly with Fibre-to-the-Home; and any aerial plant, so we have access to the telephone poles, we're putting Fibre-to-the-Home, as well, and those are areas like the North shore or South shore of Montreal, Laval, and so on, today, and by the end of the year we'll have actually more than 10% of our coverage done with Fibre-to-the-Home.

Similarly, Fibre-to-the-Condo, we are driving 1,200—we have 1,200 MDUs right now with fibre either directly into the basement or, in some cases, if it's a new condo, we're actually building fibre directly to the suite.

And, Fibre-to-the-Business, absolutely, of course, we're big into the business. We have 135,000 locations available today with fibre directly to those locations, and we have an ongoing proactive fibre build for any major businesses, data centres, and so on.

So, what does this look like from a footprint perspective? So, 71% of our homes will have access to high speed FTTx Internet and 60% of our homes in footprint will have access to IPTV. That's roughly about five million—a little more than five million homes and 4.3 million homes, respectively. And, of course, we have wireless broadband right across the country. I'll talk about wireless in a minute. And, satellite TV, of course they're available in our footprint, that's 40% of the footprint. Plus the rest, coast to coast to coast, we have the best performing satellite fleet in the industry.

So, altogether, with the combination our network assets, we're driving the best speeds and services to Canadians.

You know, there's a lot of hype about feeds and speeds, and you're always, you know, get these larger, and larger, and larger numbers, but let me really kind of bake it a little bit in reality for you a little bit today. First off, these are all dedicated speeds, not shared speeds, absolutely dedicated speeds directly to the home or directly to the business. Second, you'll notice the average home usage is pretty low compared to what we can deliver. In fact, nearly 100% of our customers use less than 10 megabits per second on peak. And so, you can see at today's technology of 35 megabits per second, a lot of headroom, and with bonding, doubling the speed, we'll be able to grow that even more, of course.

Fibre-to-the-Home, on the right side of this slide, is really a 'future proof' technology. We're offering speeds up to 175 megabits per second in Quebec City and greenfields today, and that'll grow to well over a gig in the future.

So, this is what this looks like from a driving-capacity perspective, a huge growth. We are growing on our wireline network about 40% year-over-year. You can see this chart, this actually shows the seasonal effect that we see. Of course, people surf the Internet more in the winter, watch more things in the winter than they do in the summer, and notice the spikes you can see as they grow through the years.

But, we have absolutely Canada's largest 100 gig backbone network, it is future-proof with fibre, and our team manages tens of thousands of circuits on every 15- minute increments that we understand where capacity hits are happening. We have a proactive 18-month plan on how we manage that growth. Very similar on the wireless side because it's the same type of proactive management growth.

And, turning to wireless, and you've heard it a couple of times today, and, yes, I'm a little biased, but it's absolutely one of the most advanced networks in the world, bar none. It actually rides, of course, on our core network, getting back to that aspirational slide I showed earlier. All of our sites—75% of our sites, excuse me, run on our fibre backbone and everything else when it hits our core. We have speeds—98% of the population has access to speeds to 21 megabits per second. About 85% of the population has access to speeds to 42 megabits per second on HSPA, and LTE, which provides speeds up to 75 megabits per second, is going to be available to 75% of the population by the end of the year. It's available to 68% of the population today. And, that's really focused on urban and suburban environments.

We're awaiting the 700 MHz auction, as has been discussed earlier, to really deploy the rest of the country in a rural kind of setting. Why 700 MHz for rural? One, it propagates further so you get further distances, but the other great thing about the 700 MHz spectrum is it also penetrates buildings much better. So, for in-building penetration, for those on Blackberries and iPhones, similar to that in the conference today you'll be able to get even better penetration. And, of course, we share this network with TELUS, initial up-front capital saving, but ongoing capital and opex savings, as well. We have roaming to 225 countries across the world. That is the largest of any Canadian provider today.

Some of the innovative things we're doing on the wireless side. We continue to build cell sites. Why do we continue to build cell sites? To keep up, add additional coverage, quality into the network, and capacity improvements. This slide shows an example of one of our very innovative for a sensitive area, Muskoka. For anybody that's been up in Muskoka, quite a sensitive area, big cottages, big lakes. We actually deployed a number of these Muskoka pine trees. This is an actual fake tree with our infrastructure in it. The core is about this big. It's about a hundred-foot tall tree. It's well hidden. This was taken from one of the roads that we actually built to the tree. It's well hidden from the 400 or the 69 series of highways, depending on which way you go up to Muskoka. But, our technicians actually go within the trunk of the tree, there's a ladder, you know, in order to add antennas, and check on cabling, and things of that nature.

We're continuing to complement the cell site build with a number of cost-effective strategies. You've probably heard other carriers talk about that, particularly AT&T, you know, small cell sites. We are implementing—this is an actual picture of one of our cell sites in the Port Credit area, and we have public and private in-building systems that we are driving deeper and deeper penetration into significant buildings, as well as a big, strategic Wi-Fi deployment that I'll talk about. And, we absolutely plan to deliver with 700 MHz spectrum broadband wireless to all Canadians by 2015.

On Wi-Fi, really, we are in a unique position. Wade talked a little bit about it, but we're in an absolutely unique position with Wi-Fi, with all of our Wi-Fi assets, whether that's in the home, in businesses, or some of these examples here. We do have a managed Wi-Fi service that we provide to McDonald's, Tim Hortons, and Chapters, Indigo, among others. We also do public deployments. I've listed a few here. We do have the largest Wi-Fi network across Canada. Wasaga Beach, Boulevard St. Laurent and, for those bikers in the crowd, Friday the 13th, Port Dover, we actually have Wi-Fi in the centre of town to offload any of the traffic that happens on various Friday the 13th celebrations. And, all of this is managed through our core network. And, recall back to the cloud slide. Everything is managed in context. So, if you're in Port Dover on Friday the 13th and were experiencing a high level of traffic, you naturally migrate from an LTE network or HSPA network onto the Wi-Fi network. You don't have to register. You don't even know you're on it. You're still getting access to the Internet and content applications very seamlessly.

On the enterprise side, we build and operate thousands of private networks. And so, you can imagine, one day walking into, I don't know, a BMO branch and handing off from the LTE network or HSPA network, again in a seamless fashion, onto local Wi-Fi hotspots. Those are the things we're working on as we speak.

As far as feeds and speeds, you know. pretty incredible development. We've followed the global ecosystem. This is similar to any other chart that you would see, so there's nothing new, but we do have even LTE Advanced in our labs, as we speak. LTE at 10 MHz, that's what we're offering today, speeds up to 75 megabits per second. I've experienced over 100 megabits per second myself and we've demonstrated it. LTE Advanced really brings further improvement in quality of the connection and the cost per bit. So, we think, as we drive that kind of traffic, we're trying to improve our cost per bit trajectory on delivering services. We've also done something called carry aggregation, which allows us to use the full spectrum suite that we have, which I'll talk about shortly, and self-optimizing networks, which really allows us to gain more efficiency in my RF engineering field force. All this will be fully realized in 2015. So, we absolutely have these spectrums, vendor partnerships, and a global ecosystem, they're in place, for us to take advantage of things much like LTE advanced.

So, with all these speeds, you know, how's the network keeping up? We've experienced 100% year-over-year growth. I'm sure you guys all wish this was a revenue growth chart, but it is a traffic growth chart. We deliver about a billion text messages a week, which is an incredible number when you think about it. In fact, New Year's Eve is one of our biggest—it is, in fact, our biggest test messaging. We sent about 8,200 text messages a second over the New Year's Eve timeframe, for that sort of three hours window from 11:00pm to 2:00am.

I'd like to mention the wireline side. We are absolutely very, very tight on our 18-month proactive rolling capacity plan. We track thousands of nodes across our network.

We are driving more and more traffic to LTE, which is a fundamental game changer as far as cost per bit is concerned. So, I'm very confident in our ability to manage, on an ongoing basis, the wireless business between a 10 to 13% CI.

Spectrum, as mentioned previously, we'll absolute participate in the 700 MHz auction. Why is that important? It's important for rural Internet use. It's also important for the in-building, like I mentioned. And, when you look at our spectrum position relative to any other major players in North America, we're at par or better than them with our asset pool. More spectrum, of course, means higher speeds, more capacity, and significant broadband benefit for all Canadians.

And, I'd be remiss if I didn't have a cost structure chart and last, but certainly not least, we absolutely, on the network team, have a culture of driving out costs and improving productivity. And, much like Mary Anne and both John said there's no silver bullet here, it's not a block and tackle. We have a multi-vendor strategy where we use those vendors against each other to drive costs out. We are putting more and more bits on our newer technologies, whether that's FTTH, FTTN, or LTE, and the more we increase our fibre footprint, of course, the better our cost structure gets. Think of it as a passive technology. There's no electronics in the field and fibre is 'future-proof'.

In our labour strategy, we've driven about 650 folks out of the team over the last five years; synergies in team consolidation. A lot of systems, and processes, and productivity tools that we put in place to manage the growth, while overall reducing our costs.

So, in summary, I believe we're absolutely successfully executing our network strategy. You can see it there. We're absolutely staying within the 16 to 17% that both George and Siim mentioned. Thank you.

And, with that, we're going to run a short video just before Kevin gets on stage. Thanks.

Video Presentation

Kevin Crull, President, Bell Media

Well, good morning, all, and coming up here last this morning, I think you can probably see why it is such a privilege to be a part of this management team. And, at a little bit of a personal risk, I'll take exception with one thing that George said. We're not all boring. Boring has been great for shareholders so far, but I'm here to tell you this morning why not boring is also great for shareholders.

Our job at Bell Media is to entertain, inform, and inspire Canadians better than anyone else in this business. That way Canadians will spend more and more time on our properties, like you just saw in that video. I think that's a great illustration of how we do that today but, looking forward, one thing is clear. This business is changing fast. We think the media business has an outstanding future and we think that we're very well positioned. Every week Canadians spend 28 hours in front of their television, four hours with online video, and a half an hour with mobile video. That's five hours a day consuming video. The way I see it, even if you allow for eight hours of sleep every night, we still have a long way to grow.

It's been a privilege to be a part of the Bell Media leadership team for the last two-and-a-half years, and I'm excited to talk today about the amazing people, the great assets, and mostly about our progress and our vision.

Prior to the acquisition, CTV had assembled some of the best media assets in Canada and, since then we've made them better. CTV, the conventional network, has been number one for a record-breaking 11 years and CTV, the brand, is the highest valued television brand in the country. Sports programming, given its live event nature and its ability to draw huge and passionate audiences, makes it a sweet spot in the industry. TSN and RDS are synonymous with sports television across Canada, in both English and French. Non-sports specialty delivers targeted demographics that advertisers crave. For example, a passionate youth audience has made Much Music the number one liked brand in Canada, with more than 1.4 million Likes. With 33 radio stations and 14 markets across Canada, the industry's best sports radio portfolio, our radio asset is delivering revenue and cash flow growth, while complementing the rest of our assets with great content and great talent.

In digital media, our strength provides evidence that great content wins on any screen. As technology enhances the content experience by making it available on beautiful screens of any size, anywhere, and on demand, the value and the competitive advantage of great content, has never mattered more, and we can't ignore social. Thanks to social media, we're witnessing a revival of appointment viewing, where the water cooler is real time and it's global. It reinforces the need for everybody to keep up with popular programs. Bell Media will continue to innovate, invest and lead in social and co-viewing execution.

Now, it may sound cliché, but our real competitive advantage is our people, both behind the scenes and in front of the camera or the mikes. We're blessed to have award-winning talent across the portfolio. We have three Order of Canada recipients currently on air, with Lloyd Robertson, Craig Oliver, and Brian Williams. Our talent shows versatility and range, and we have a number of rising stars, like Omar Sachedina on National News and Michel Dubois on CFTO right here in Toronto. In fact, since Michel joined Ken Shaw on the anchor desk, our ratings on CFTO's evening news are up 42%. No doubt, this audience is familiar with Howard Green and Katherine Murray, who are key parts of our refreshed and revitalized BNN. In sports, Jay Onrait and Dan O'Toole have become wildly popular, bringing humour and irreverence to their late night sports centre show. Leah Miller, Ben Mulroney and, of course, Marilyn Dennis share their talent across several programs and on several properties every day on Bell Media. The Bell Media star system is something that we cultivate, we cherish, and we will continue to invest in.

Our objectives are pretty straightforward. We're here to make these assets even stronger and to create a great and lasting media business in the new media environment. To do this, we'll build and grow our audiences, we'll monetize those audiences, and, importantly, we will create and own more of our own content, ensuring that Canadian attitudes, opinions, values, and our immense artistic creativity are reflected in our programming and in our coverage of events at home and around the world.

The audience that we deliver for advertisers is truly unmatched in this country. Advertisers value and they continue to pay for reach, or the ability to instantly get a message out to millions and millions of Canadians in a way that engages the audience and complements their brand value with great quality content. As you can see here across our portfolio, we're able to deliver an impressive number of Canadians many times every day.

Frequency is another important metric for advertisers, and since the average Canadian spends almost two hours a day with Bell Media, we don't just deliver reach, but we also deliver frequency. Our advertisers finds their audience, whether they're in the family room, in their car, on the go with a smartphone or a tablet, or whether they're on their computer, whether they're watching or listening to sports, news, or entertainment. Integrated multi-platform campaigns can really make one plus one equal three for our advertisers, and we'll continue to innovate and serve our clients in that way. But it's not just about quantity; it's also about the quality of our audience that matters. Thanks to the breadth of our portfolio, we can deliver the industry's largest audience across all demographic segments. Advertisers can reach men and women of any age. They can reach the affluent, the educated, and decision makers in both business and residential households. We know that targeting measurability and efficiency are critical to advertisers, and we're driving this business to deliver on their needs today, as well as tomorrow.

It's this attitude and our execution that are allowing us to monetize these huge audiences. Here you can see that, even in a tough macro environment for advertising, we've been able to drive solid top line growth. Revenue was up 7% to $2.2 billion in 2012, with the Olympics delivering just under $100 million of that. We would anticipate that with the size and the quality of the audience that I just talked about, and equally important, with the strength of our sales team, that we're very well positioned for the inevitable cyclical recovery in advertising.

Moving over to EBITDA performance, what you see here is the effect of two key things. First, great execution by a team who remains immensely focused on creating shareholder value with these assets. But, second, integration with Bell and really bringing the Bell mindset of cost control and productivity to our operations. We've fully integrated engineering and network, IT under all of our corporate functions with Bell. This, along with internal synergies of our reorganization, has reduced our senior management team by 30% since the acquisition. Here you can see the trailing 12 months before we announced the acquisition in 2010. This business, at that time, ran at a 17% EBITDA margin. We've been able to take that up to 28% and, as Siim said earlier, almost double the absolute EBITDA dollars, all while running at a very low CI, or capital intensity, and more significantly, all while investing for our future.

Speaking of execution, here's a clear illustration that even when we enjoy a leading position in the market, we were able to further grow our revenue share in 2012. This is also illustrated in our advertising revenue to audience ratio. Here we're well above 100% in both television and radio. This means that our share of revenue exceeds our share of audience in each of those categories. It also means that our sales teams are adding value to advertisers through integrated campaigns and brand partnerships, and that our programming and production teams are delivering content that attract not just huge audiences, but also the right audience.

And now, to our third objective, creating and owning more of our content is good for our business. We've had a great success with recent in-house production, as well as independently produced programs, as some of the following examples illustrate. Just this last Sunday, following the Super Bowl, we premiered 'Motive', a breakthrough twist on the police procedural. This show delivered a record breaking audience, even though a 35- minute power outage caused it to not air until 11:00pm. Our tribute to the Canadian Football League, through an eight part documentary series called 'Engraved on a Nation,' was both a critical and an audience success, drawing more than eight million viewers in Canada. Discovery Canada generates international revenue from selling Daily Planet, which is our daily science program, along with other shows like 'Mighty Ships' and 'Alien Mysteries'. In-house produced events, like the MMVAs, the Much Music Video Awards, have become a real core competency of our team. This one of a kind, ultra urban, outdoor blockbuster concert is deeply embraced by sponsors and by audiences alike. We're able to attract the very best pop talent in the world and it's also a big win for Bell Media financially. Recognizing the strength of putting on these events, we created another one called 'The Big Jingle', which aired its' premier year in December of last year. We expect this to be an annual event. This delighted a live audience at the ACC. It drew over two million viewers and six fantastic sponsors that got behind it, including Virgin Mobile.

Brand partnerships is our sales team who work with ad clients to create highly customized campaigns that include product placement, creative integration and programming, as well as program-relevant messaging in the ad itself. This is really the future of advertising, but demand for that kind of brand partnership far exceeds the supply. When we create and own more of our content where we control the writing and the production, that's how we grow supply. This kind of integration has already made Amazing Race Canada a financial success, even before we go to air.

Now, I'd like to turn to performance highlights for each of our operating segments. Our flagship CTV is really a powerhouse in network television. We air 13 of the top 20 programs in Canada. We are the biggest comedy, the biggest reality show, the number one Canadian drama, the number one news, both nationally and in nine of the top 12 local markets across Canada.

Here, you can see how we have successfully executed truly a once-in-a-generation transition on our national news anchor desk, with Lisa LaFlamme performing spectacularly. Plus, thanks to our carriage of big events like the Super Bowl, like the Oscars, and the Golden Globe Awards, in 2012 we aired 39 telecasts that delivered over three million viewers. The rest of the industry had seven. Our focus in 2013 is, of course, to maintain this rating leadership, but we also intend to lead the industry in resolving structural challenges, like distance signals and non-simultaneous substitution. Both of these will help us to better monetize our audiences.

In a little bit I'm going to talk about TV everywhere, this is a key strategic pillar across all of our portfolio, and I'll get to that in a minute.

Let me turn to sports. Sports are an important component of any media portfolio. Sports draw huge and attractive audiences. Sports broadcasting tells stories of courage, commitment, and achievement, something that brands all want to be associated with, and as it's frequently reported, its real time and PVR proof. It's also perfect content for today's broadband mobile, networks, and devices. We're very proud of and we're very committed to the people who run our sports properties, and to these assets themselves.

Here you can see the strength of both TSN and RDS. And, while the NHL season didn't get started right about when we expected or we wanted it to, thanks to the balanced strength of our schedules, our sales team was able to retain 87% of the hockey money that we missed during the lockout.

In the last 14 months we've added several key properties to our roster, like Premier League Soccer, Masters Gold, the FIFA World Cup, with the Women's World Cup here in 2015. Also, in 2015, we'll be getting a much stronger Leafs schedule, thanks to our MLSE investment, but we don't have to wait for TSN. This season TSN will air 23 of their 34 games.

Over to non-sports specialty, this is really a sweet spot in the industry, and it's been a key area of focus for our programming investment, and it's paying off. Our aggregate audience on non-sports specialty grew by 5% in 2012. That's faster than any ownership group in Canada, other than Corus. We grew even faster with the coveted women 25 to 54 demographic. This was led by Bravo, where we totally revitalized the channel and we drove audience growth of 40%, making it the fastest growing specialty channel in Canada, and on March 6th, Bravo will premiere Steven Wong of 'Homeland', the multi award winning show time thriller. Even before this blockbuster airs, four out of the top five non-sports specialty programs air on Bell Media properties. Five of the five do; four of them on Discovery, and the fifth in the top five, is on our very own Space channel.

Let me turn to radio. Our radio portfolio had a great year in 2012. We grew revenue for the full year and we took revenue market share in about half of our markets. Our program directors are expert at knowing their target audience and capturing them, as we are number one or number two for delivering the female audience in 10 out of the 14 markets where we operate. Radio is a stable and steady cash flow contributor, with portfolio synergies across our television properties. On Bell Media Radio you'll hear TSN sports update, BNN business update, and Lisa LaFlamme will regularly preview that evening's news on our channels.

And finally, over to digital; great content wins on any screen, on any platform, and in any time dimension. All the strengths that I outlined on our linear platforms, has translated into strength in digital viewing, as well. Here you can see that in 2012, we delivered 1.7 billion videos. That's a video a week for each and every Canadian citizen, and it's more than every other media company in the country combined. This takes place on ctv.ca, on much.ca, on our other branded websites. It takes place on our mobile applications, as well as our mobile video platforms that Wade talked about. We drive traffic to these digital platforms on our linear broadcasts and through innovative use of social media, loyalty programs, and bonus content.

In addition, this year we rebranded and reprogrammed our general interest portal, which was called Sympatico, to be a lifestyle oriented, multi-media rich, and women's focus portal called The Loop. The first few months of execution with The Loop have exceeded our expectations, and this fall we're going to launch a companion television show called 'The Loop' into an early afternoon time slot on CTV. Many of our news shows have extension online companion content. For example, 'Saving Hope', the number one Canadian drama of 2012, developed a large and engaged online following, with extensive bonus content linked into the program and to the talent.

Earlier I talked about the strength of our talent. In fact, the social footprint of our brands and our personalities has hit 7.5 million unique followers, and that's up 30% in the last year. Our digital focus for 2013 is very much about TV Everywhere. The explosion of viewing on tablets and smartphones has been well documented. With TV Everywhere, now cable and telco distributors will be able to offer their consumers the very best content in Canada to satisfy this demand. It's important to note that this strategy supports the current television ecosystem, providing distributors with tremendous value enhancements to improve up-sell and reduce churn on their BDU products. Our offering is comprehensive. In fact, it's the most comprehensive TV Everywhere anywhere in North America. We provide live streaming, catch-up current season content, and prior season library content to any device over any network.

We'll monetize this at Bell Media through three avenues. First, through advertising revenue and eventually through dynamically targeted—dynamically inserted targeted advertising; second, we'll monetize through penetration support for our specialty services; and third, from additional fees that we will charge to the distributors for these rights. We think that this TV Everywhere strategy, complemented by other broadcaster initiatives like HBO GO, provide an excellent response to OTT competition.

There's no question that the industry dynamic has changed with OTT. Competition from huge global technology providers, that you see here, is already having an impact on our content availability and cost. These players have introduced fantastic user interfaces, ease of access, and they're growing the viewing market by facilitating new consumption habits like binge viewing.

The great news is that the vast majority of this viewing has so far been complementary to the existing system. But, we know we must respond, and we are. As I said at the opening, it's the content that matters, no matter what screen, so we will continue building on our strengths of producing and procuring the content that Canadians want, and we will introduce an authenticated TV Everywhere service, which leverages the customer base of our distribution partners and the promotional power of our CTV megaphone, and we'll make sure that the content available is more comprehensive than any OTT provider can offer, thanks in part to our Astral acquisition. Astral's speciality portfolio complements RDS in Quebec, and significantly enhances our competitive position in French language programming. With these assets, we'll improve the stability of our revenue mix by reducing our reliance on cyclical advertising revenue, and especially on the conventional television segment.

But, as I suggested earlier, there's also a significant enhancement to our TV Everywhere strategy. You see, we believe that we can deliver a far superior package of content with TV Everywhere compared to what Netflix and others will deliver. With Astral, we will have primetime hits, past season and long tail content, kids, sports, movies, news, and we'll be bilingual. Provided that customers still value their linear subscription, which is absolutely proving to be the case today, the incremental cost to the consumer of our four screen live catch-up and library will be less than OTT. Better product, lower cost; a win for the consumer, a win for the distributor, and a win for Bell Media.

So, in conclusion, build and grow audience, monetize the audience, and create and own more of our own content; that's our winning strategy for the media business.

And now, I'd like to ask my colleagues to join. We're going to turn to Q&A session.

QUESTION AND ANSWER SESSION

George Cope, President and Chief Executive Officer

Okay, as the folks settle in, why don't we take questions for about 20 minutes or so, and if you have a question, will you go to the microphone and we'll try to answer the question the best we can.

Greg MacDonald, Macquarie Research

Hi, George. Hi, Thane. The question I have is on the dividend. So, if you look at your 69% payout ratio, that includes the free cash guidance number that in itself includes a $200 million benefit from the solvency pension funding that you did last year. If you don't include that—let's assume that that's not a recurring item, then that payout ratio moves up into the high end of the range.

So, the question I want to ask, and George you made reference to this earlier, is, you have a lot of comfort you feel for the free cash profile. I'm asking kind of post 2013, you know, if you can comment on a couple of things. Number one, give us some context on what that comfort level is, and presumably that includes capex directions, presumably that includes possibilities for pension solvency funding decreases.

And then, number two, if you can give some guidance on your willingness to see the payout ratio go into that high end of the range, whether that's for a small period of time while you're making these outsized investments in things like IPTV and LTE?

George Cope, President and Chief Executive Officer

Okay, I'm going to ask Stephen Howe, the head of our Technology, to answer that for you.

Stephen Howe, Executive Vice President and Chief Technology Officer

Yes.

George Cope, President and Chief Executive Officer

First of all, I'd say I've been asked the same question for five years. The first answer is, look at our results. We're generating free cash growth of 5 to 9%, and that's what's giving us the headroom to grow the dividend. The guidance is around 2013, so again, I'm always a little careful to talk, you know, as everyone knows, about going forward. But, I would say there are some—there are always headwinds and there are tailwinds that help deal with that growth, right? One is, I think we continue to show the street, and I think it's been one of the biggest disconnects, not so much on the buy side, but on the sell side, which is our ability to take costs out. I think that's where, not so much, as I say, on the buy side, but where I think a number of these sell side analysts have said to me, it's such a hard one to get our head around, know how to model that capability. So, part of today's purpose is to say to you there is runway on cost through productivity. And so, we're not going to give the 2014 productivity number here today, but that's where the head room comes, to answer some of your question.

Secondly, as Siim said, if we're fortunate enough to have interest rates move up under the basis we've got all our fixed financing done for Astral, then obviously the pension funding capability of—the amount of funding for pension comes back our way. Ultimately the success of earning significant profits means our tax cash bill will go up and we have to, obviously, stay within our guidance to all of that.

And, the last question is, we have a range for a reason and it is to stay within that range. We've been fortunate enough to be in the mid or low point, but we have a range for a reason. Not every single year is going to be the way the year before is, and we are committed to a dividend growth model that the Street's, I think, pretty clear on.

Hopefully that helps then.

Greg MacDonald, Macquarie Research

Is 5% still kind of a loose goal?

George Cope, President and Chief Executive Officer

Well, actually, we've never said—we have never said a 5% dividend increase, but it's become the norm. What is evident though, as we've said in our circular, is our equity doesn't vest if we're not seeing close to 5% dividend increases, so we're pretty aligned with that, but there's no public target, there never has been, and we've exceeded the 5%, as everyone knows, over the last four years with some hard work.

Glen, go ahead.

Glen Campbell, Bank of America Merrill Lynch

Thanks. I have a couple of questions on revenue. So, on the wireline side, the presentation makes the point that you're going to see less discounting on TV and new products going forward. There's obviously the Rate Act, as well, so those things help. On the other side it's a competitive environment. There's discounting say, for retention and acquisition of customers. Can you talk a little bit about what the overall trend is on discounting on wireline and whether 2013 will give, say, a better wireline ARPU performance than 2012?

George Cope, President and Chief Executive Officer

Yes. Well, Wade, do you want to start with that and then I'll pick it up.

Wade Oosterman, President, Bell Mobility and Residential Services, and Chief Brand Officer

Yes. It's a very good question. We have seen a meaningful decrease and sort of discounts falling off as earlier aggressive promotions have now termed out, and we don't see the same aggressiveness of discount levels on a go-forward basis. I would say our focus is much more on winning the household than the ARPU on an individual product segment. So, take for example, our new unlimited Internet add-on that we provide on a triple. If somebody takes TV with us, they can get that. Now, you could make an argument that lowers Internet ARPU, and it doesn't, but you could, you know, come to that conclusion. But, for sure, it drives household revenue for us, and that's really our core focus. So, we feel pretty good about the ability to generate the right revenue levels at household level on a go-forward basis.

Glen Campbell, Bank of America Merrill Lynch

Thanks. I had a follow-up on the wireless side. So, we've got the big bucket smartphone plans out there with a gig of data or three gigs, you've got your LTE network. Can you give us a sense of how much take there is on the bigger than one-gig plans? Are you surprised positively, negatively, give us any sense of the proportion, and how much overage you're seeing now that people have got these phones in their hands.

Wade Oosterman, President, Bell Mobility and Residential Services, and Chief Brand Officer

Well, anything—you know, it's funny; I have a different perspective on it. Anything that drives data consumption lets us highlight our network's superiority, and so we're fans of that. The reason our ARPU grows is because our mix improves, so we get more of the very heavy consumers come to—or, heavy users, both on business and consumer, come to us. In total they spend more, so even if the rate per kilobyte or megabyte is slightly less, we still see a very positive impact on ARPU. And, as Stephen talked about, our cost structure now on the network side allows us to leverage, you know, gain efficiencies of scale. So, it's a winning formula for us, so we're happy with the way things are going.

George Cope, President and Chief Executive Officer

The only other thing, Glen, I'd mention, and we mentioned in the presentation, but it's not just the external market, it's also we're going through that first year of those first five customers who got the immediate discount with no revenue, and that starts to normalize. It's not always the easiest thing to go through in the market, but certainly that's giving us some of the little better sense of okay, revenue's always challenged on the wireline side, but maybe a little bit of room there. And secondly, as everyone saw, the competitive market moved on pricing in the cable industry and, of course, that of course is just only a few providers, so that's obviously helpful, as well.

Dvai Ghose, Canaccord Genuity

Yes, thanks very much, George. You had exceptional wireless results last year. Just following up on Glen's comments, but adding another one. So, when things are going so well, new entrants look as if they're very badly positioned for the auction, etc., the government, perhaps looking embarrassed, and people like Rogers pre-empting changes of spectrum ownership, are you at all concerned about a regulatory backlash, maybe not from CRTC Code of Conduct, but future re-regulation of the industry including, you know, forcing of MVNOs and the like?

And, on a similar vein to what Glen was speaking about, so, there are these new price plans there, there seems to be lower costs going forward for both subsidies, LTE efficiencies, and the like. To what extent are you EBITDA and margin projections based on cost versus ARPU growth going forward, because the cost side looks better than the ARPU side going into 2013? Would you agree?

George Cope, President and Chief Executive Officer

Okay, so, one of you guys get ready to answer the second question; Wade, John, and whoever else wants to jump in.

And, on the first questions, on the—well, first of all, obviously we are in a regulated industry in total and deregulated in wireless. It is an issue on a global basis. The profile of the wireless industry in every G20 nation is pretty significant. I personally believe Canada has a really unique situation. We're one of the only country in the world with three strong competitors. Just look at what happened in the fourth quarter in the U.S. in market share, and look what happened in Canada. And, we have the leading wireless technology in the world. So, I think we're sometimes trying to find a problem that doesn't exist, because actually most other countries would probably give their right arm to have our industry structure with three strong players.

In terms of what happens to the new entrants, we'll have to see how that plays out for them. A business model at $28 ARPU after 27 years in the industry has never worked, it's not going to work for anybody, so they're going to have to sort that out, not us. And, I think the government has let the market—it's an open market. We're seeing what happens. The company that came from outside of Canada said they were going to destroy us. Let's see what happens. They've got access to capital and will just compete in the markets. I think the government's view should be through the wide open competition, let's see who's standing when that's all finished.

You know, there were 29 price reductions in the fourth quarter. It's a competitive industry. Twenty-nine, and then matched, times seven carriers, okay. I don't know what—I honestly don't know, I'm not in your industry. I don't know if there's another industry in the fourth quarter that had 29 price changes, okay. So, I don't know what competition issue we're looking for actually.

Wade Oosterman, President, Bell Mobility and Residential Services, and Chief Brand Officer

And so, Dvai, did you want the second half?

George Cope, President and Chief Executive Officer

Oh, yes. The second half is Dvai’s question. We almost got out of that.

Wade Oosterman, President, Bell Mobility and Residential Services, and Chief Brand Officer

We anticipate growing ARPU and not—I presume you’re asking about wireless?

Dvai Ghose, Canaccord Genuity

Yes.

Wade Oosterman, President, Bell Mobility and Residential Services, and Chief Brand Officer

Yes, we absolutely see ARPU growth in 2013 for all the reasons that are articulated. Handsets keep getting better. Our network keeps getting better. That drives more usage. That drives more ARPU. Our lead in Mobile TV and the growth we’re seeing, that’s driving tremendous, you know, opportunity there, some of the new things that I talked about. Our change in mix is continuing. We opened a hundred locations in the West last year. That’s driving our performance in that market, which is a higher ARPU market. So, all the fundamental building blocks are in place to continue to drive ARPU and revenue growth.

And, on the cost side, we just see a lot of elements that let us be more efficient, you know. And, it’s funny, if you talk about 29 rate plan changes and price changes, unless you have a good digital infrastructure, it gets tough to manage all that. And, I think we really have a significant lead in that space so, the ability to change quickly through very significant investments on the part of John in enabling an e-environment has been very helpful to us. So, we would continue to see an opportunity to drive out costs.

George Cope, President and Chief Executive Officer

But, Dvai, I would add, one of the reasons Mary Ann and John took such time to go through, is to try to say, you know, the fact that call volume in wireless went down, with that growth last year, is where we’re picking up, and I think—also John can comment, but I think we...

John Watson, Executive Vice President, Customer Operations

Sure.

George Cope, President and Chief Executive Officer

You said, and you had a slide, John, I think, around that, right?

John Watson, Executive Vice President, Customer Operations

No question. I think we were down 2.2 million, Dvai. You know, the CAGR moving into this year's 13% on a really good trend line. When folks tend to call you, you tend to resolve issues, so the credits you would hand out are diluted on the ARPU side and that's declined dramatically. Wade had a lot of them.

The folks even moving from smartphone to smartphone, the rich browser smartphone they now have is much more enabled for video. And, you think of the usage that—occurring then, you ask how many gigs are being used. The one gig plan, remember that we have a million folks using TV on top of that one gig, so we're really priming the pump for extra ARPU and revenue usage with video. In fact, we're doubling down in terms of the investment for folks to do that.

And lastly, with Stephen's productivity and the cost per gig delivered is terrific on LTE based on the good things he's created and invested in that space. So, we're very optimistic in terms of driving the margins and both revenue right now and the last one would be of smartphone penetration. That's the greatest upside, so I think everything points upwards, so.

George Cope, President and Chief Executive Officer

At the back, Rob, I think.

Rob Goff, Byron Capital Markets

Good morning. Thanks, George. My question...

John Watson, Executive Vice President, Customer Operations

So far this year.

Rob Goff, Byron Capital Markets

My question would be for Wade. You highlighted the 30 points of device penetration gap between Canada and the U.S. Can you talk to your expectations of narrowing that gap? And, perhaps, within that, discuss where you are now on multiple device penetration and where that is going; also, vis-a-vis the U.S. on that?

Wade Oosterman, President, Bell Mobility and Residential Services, and Chief Brand Officer

Yes, so the penetration difference between us and the U.S. If you plot penetration since year of inception, Canada and the U.S., you see a much narrower gap. So, a lot of it seems to be related to, you know, time since market was launched.

And then, there are some structural differences between the U.S. and Canada that lead to some small difference, but ultimately we see an outcome that is not that dissimilar to other markets.

You know, certainly in Europe, for example, where you have the very high roaming costs back and forth, and so people acquire multiple SIMs to deal with the expense high drives penetration. We don't have quite the same environment here, so that'd be something that we'd say not quite at that level.

But, the U.S. market and the Canadian market are not that dissimilar, and we have every expectation that we'd continue to see penetration grow as we go forward. I think, for us, the most important driver of that is, you know, the advantage we have over the U.S. market and over the European market in driving functionality.

So, our network quality—and George has made the point several times and I will again, too, it’s unbelievable. We have spectacular network strength and functionality in this country and it drives—more than other things, this upgrade moves to smartphones, and then just increased penetration as people find out, hey, I can, you know really I can watch TV while I’m at my kid’s soccer practice. So, I can pay my bills through mobile commerce initiatives, or whatever it might be. I can get a lower insurance rate if I deploy (inaudible).

So, we see lots of structural reasons driving increased penetration as we go forward. We’re not worried at all that we’re anywhere close to our peak.

George Cope, President and Chief Executive Officer

Yes, we think we go well over 100.

Wade Oosterman, President, Bell Mobility and Residential Services, and Chief Brand Officer

Yes.

Drew McReynolds, RBC Capital Markets

Yes, thanks very much. Just a couple of extras on wireless; Wade, can you just speak to the machine-to-machine opportunity? We obviously hear Rogers talk a lot about it. I’m curious your thoughts on that opportunity.

And then, on postpaid churn, you know, the whole industry is seeing improvement there attributed to a bunch of factors. I think smartphones and shared plans will contribute going forward. How low do you think this could go for Bell?

And then, lastly, just a big picture one, maybe for whoever up there wants to take a crack at it. If churn is certainly built in the cost equation, just wondering, you know when you look at consumer loyalty, where are the telcos and specifically BCE would stand on joining or starting a loyalty program?

Wade Oosterman, President, Bell Mobility and Residential Services, and Chief Brand Officer

I’ll take the first one on machine-to-machine, and then I’ll let John touch on churn, and then loyalty program I’ll try cover off.

On machine-to-machine, I know Rogers has made a lot of public comments about the potential for that market, and I think everybody in the room would recognize that’s a large volume in terms of units and very low ARPU per unit industry. I believe that Bell is the leader in this space at the moment and we have, you know, ambition to keep in the leadership role in that space.

It is a very integrated solution set typically that you deliver to end users who are interested in that. So, our wireline assets and our wireline business relationships help us a lot in driving performance in machine-to-machine. I gave the example of the insurance company that we just did a deal with, so that’s an example of machine-to-machine.

But, we’re a strong player in machine-to-machine. I’m not going to get into specific numbers because that’s competitive, but we’re happy with our performance in machine-to-machine. And, we do agree with Rogers that there is very meaningful upside still in the space, particularly so in wireless, so we’re keen on the space.

And, John, I’ll let you touch on churn and then I’ll get back on loyalty.

John Watson, Executive Vice President, Customer Operations

Right. You know, I won't give you detailed guidance on where churn may or may not go on wireless. I would say the following: you know, understanding what a dissatisfier is for you today, knowing that proactively and then deciding what we can do about that, you know either on a passive or a proactive basis is very, very powerful. In the past, it was always done more on mass, more into big segment, big lumpiness, but now you can do it at the level of one.

So, I think the potential for improvement is absolutely there and I think those improvements can be driven at the level of one and they can be driven at a P&L at the level of one, which is very, very different than before.

So, enabling that—and, I think this is across the industry, it's one that folks are focused on and I see further, you know, opportunities going forward. But, ones that—we won't drive churn down and spend at a level that creates negative consequences for the business. It would be one that maximizes the profitability of the business as we drive forward.

Wade Oosterman, President, Bell Mobility and Residential Services, and Chief Brand Officer

So, we do have a loyalty program and I'll actually let John talk about that, as well. But, I would say that our orientation is slightly different. Our entire focus always is how do we leverage the assets that Bell has that benefit of our client?

And so, one of the programs we just launched is something called 'The Bell Business Advantage Program'. And, what that does—it's not a loyalty program, but what that does, and it was launched in our Business Group, obviously. But, it gives mall and medium sized businesses access to Bell's purchasing power, so the discounts we negotiate with suppliers we make available to our small and medium business clients.

That engenders loyalty to us because they, in fact, can save more money on other elements, other products they might buy for their business than they actually spend with us. So, they make money coming to Bell for connectivity services and they take full advantage of it.

But—so, those are the kinds of programs we use to drive increased retention within our subscriber base, and that's an example of one in the business area. It's taking an asset we have, our purchasing power, and deploying it to the benefit of our consumers.

And then, John just launched a, you know, kind of a super leap program, if you just want to call it that...

John Watson, Executive Vice President, Customer Operations

Sure.

Wade Oosterman, President, Bell Mobility and Residential Services, and Chief Brand Officer

And, I'll let John touch on that.

John Watson, Executive Vice President, Customer Operations

I've never been a fan of loyalty programs that aren't core to our products and service offering, and we found that when you deliver a great service, that is the core link towards loyalty.

We've recently launched a program last fall that addresses the needs of our most valuable customers, and we've seen just unbelievable results with that, and it's an example of what you can do. We didn't bring a bunch of bells and whistles.

There aren't a bunch of points you can earn. It's just damn good service every day, seven by 24, with 100% follow-up and satisfaction. So, if you asked what the loyalty program is, that's it, and we measure that, and we know.

And, loyalty is measured by folks recommending our products and services, and the (inaudible) scores correlate to that, as well. So, we're very much focused on it, but it's not a layer-on program or an adjunct to what we do. It is core to what we do and it's focused on our core service and products.

Wade Oosterman, President, Bell Mobility and Residential Services, and Chief Brand Officer

I think I'm going to just add to that. You know, traditional loyalty programs can create some longer term exposure as you have all these points out there that need to be redeemed, and that's an obligation and a liability for the organization. I hope people are picking up that our loyalty efforts do one of two things; they're either make us better or they're funded by a third party, not us. And so, in both cases, we engender, as I said, stickiness within our end user community that, you know, you can see the results starting to bear fruit.

George Cope, President and Chief Executive Officer

And, the last thing I'd say is, the more loyal you are to us, the less you pay. That's pretty loyal.

Simon Flannery, Morgan Stanley

Thanks. Wade, on the handset subsidy issue, do you think there's an opportunity for the industry to take this down. We're seeing a lot of high performance Androids coming out at pretty low price points. We're seeing Blackberry with some new products out there. We're seeing Windows 8, as well. So, how do you think there's the opportunity to get what's been a tough count for the industry as we move to the smartphone era? Is that something where we could see progress and get multiple OSs, maybe above and beyond those HTML5, things like that?

Wade Oosterman, President, Bell Mobility and Residential Services, and Chief Brand Officer

Yes. Well, again, a great question and again, a structural reason that favours us, and Bell, and the carrier community. The improvement in say, the new Blackberry devices and the, you know, intense competitive dynamics in the Android space, and then Microsoft trying to get in, and Apple trying to keep its' fleet; all of that lead to much greater competition on the handset side. And, you know that, in terms of this greater competition there is some benefit to buy of the goods and services being sold and, in our case, you know, we see pricing that could end up being more favourable for us as we go forward, as a result of that competition.

I think, more importantly, we see the rate at which people want to upgrade their handsets is increasing because wow, that's a really cool new feature. I want to get one of those and yet, I'm not finished my existing term yet.

And, so Bell and, I believe, others have introduced lower cost—that's lower cost to us, greater flexibility—that's greater flexibility to the end user upgrade program. So you can take a new device by buying out your old one, and that allows us to recover some COA that we would have invested previously, as people upgrade their handsets.

So, those two factors, I think, make us comfortable that we don't have a runaway COA or COM exposure in front of us. It's why we feel comfortable we're going to stick at that 10 to 11% range on COM. And, you now, we see COA, it is a fiercely competitive market out there, so it's not entirely our call, but certainly there are some good structural reasons why we feel comfortable with that, as I said, our financial forecast for the coming year.

George Cope, President and Chief Executive Officer

Clearly, on the subsidy side, first of all, as a Canadian we want to see Blackberry successfully. And then, selfishly, from a business perspective, a successful Blackberry is very important to us and early signs are quite positive. Because, levelling that supplier playing field creates the right tension amongst the suppliers. And, if you're a buyer from a supplier, you want them to have the tension, not us. And so, that's exactly what we think. And, early signs on the Blackberry are encouraging and we're really looking forward. That may turn out to be a Canadian phenomenon in terms of the amount of loyalty to that brand. Let's hope it's global, but that'll only help Canadian wireless carriers, for sure, and hope they help Blackberry.

Question; where's the microphone? Okay, sorry. Go ahead.

Vince Valentini, TD Newcrest

You gave some great presentations on your best in class capabilities in field ops and customer service and, first of all, kudos for that—for the turnaround over the past few years. But I noticed in the past three years, most of your acquisition dollars have gone into media and content. Is there any way to maybe leverage those best in class fields you now have in making acquisitions where there could be big synergies, taking your skills and buying other ILECS?

And, related to that, with Bell Aliant, do you share all of that capability you have or, if Bell ever owned 100% of it, would there be some incremental synergy that could float up to BCE shareholders?

George Cope, President and Chief Executive Officer

Yes, well a couple of questions. First of all, on the acquisition front, every acquisition we've made has been to drive the imperatives and how we see the industry evolving over time, right. So, clearly, you mentioned media acquisition. We think Q9 is absolutely right in the sweet spot of our traditional business. We think Virgin was rated in the sweet part of our business. The Source—the beta of Bell went down when we bought into The Habs, The Leafs, The Source, and Q9, right. We lower our half cost to capital in those acquisitions for the overall energy, if you step back and think about how we de-risk the organization.

In terms of Bell Aliant, Karen is just an excellent operator. She's done a fantastic job with asset. I know that's what the street's view is and we, obviously I carry the Board, John sits on the Board, so absolutely best practices are shared between both companies. We're—we are a significant shareholder and we want that Bell Aliant organization to do well, so there's no secrets in terms of trying to help them out, and likewise on the other way. And, there aren't many ILECS that I know in Canada that would add to that portfolio, so we're pretty focused on executing what we've got.

Maher Yaghi, Desjardins Securities

I just wanted to ask a technological question. On the wireline side, you mentioned on the slide that the usage on—from customers is still well below your bandwidth of 35 or 75 coming through with the pair bonding. But, I assume, customers needs who are higher, you won't catch them on the average. They'll be outliers and they'll go to somebody else. Can you maybe talk a little bit about how far the pair bonding is going to take you out in terms of years before we see ultra-high definition TVs coming onto the market and expanding the needs for customers?

And, the wireless is—we've seen transactions in the U.S. where we've seen, you know, AT&T, Verizon separating somehow in terms of bandwidth use with the transactions they've done between themselves. Do you expect in Canada to see some kind of separation going forward in terms of the bandwidth, and 700 MHz, and AWS and which, you know, come to—companies using different technologies on their bandwidth?

Stephen Howe, Executive Vice President and Chief Technology Officer

Sure, I'll take that one. So, a couple of things: one, Ultra HD. So, we do follow all the CES announcements and everything very closely, of course. There's a couple of happenings happening in the HD space. One is we currently encode our network with MPEG-4. That's the latest and greatest.

By the time Ultra HD comes out, which we believe is really more in the kind of 2015ish time frame and maybe beyond, because it's really only for 54 inch TVs and above that'll take advantage, plus you need the content and everything else.

But, there's a newer codec called the HEUBC codec and, not to get too complicated, but we believe that it'll reduce the—by about two-thirds, the demand and so, we'll be able to ride those codec roughly at the same time as HDTV—4DTVs are coming onto the market.

Plus, I'll leave it to your call. You know there was a lot of hype around 3DTV last year and years before, and it really hasn't taken off, so we'll see what happens with four case. I think there's a lot of room left, particularly with pair bonding and as we do more and more fibre each and every year, of course that's sort of the future-proof technology, like I mentioned before.

On the Spectrum side, on wireless, you know we also follow global ecosystems. You know, we are very active in understanding the 700 ecosystem, what Verizon's doing versus what AT&T's doing and so, we're very tight in understanding that. And, just rest assured that we'll follow the most global ecosystem we possibly can as it relates to the 700 MHz option.

I don't know if George …

George Cope, President and Chief Executive Officer

The only thing I would add is, where we have built out FTTN, we are 100% comfortable. We are exceeding any demand of any customer for speed. We have no issue in the marketplace with any customer that the yesterday is true for our company, and all we do is pick that up with bonding because what bonding does is extend our footprint. And, the real issue we have, you see, is how fast can we get that FTTN or FTTH footprint out beyond the 5 million and, as I say, just keep pushing that and pushing out the IPTV, so we're not—even with the use of IPTV on our bandwidth, we're not seeing any issue at all.

And, we have some marketing announcements, which we're not going to make here, in the coming few weeks from Wade's shop to take that up even another step, particularly in the condo market, where it's probably one of the great areas. Because, if you are in a condo, you know traditionally it was you had to be only with the cable guys. And, we've now broken through that log jam and now we're building fibre into the condos and we think that's a great market share opportunity for us for Internet and TV, and we're going to be all over that as all these buildings finally fill up outside of this room, we hope.

Jeffrey Fan, Scotiabank

Thanks. A couple of questions. First, on the wireless side, it's just the bigger picture on smartphone penetration. You guys talked about Canada being a leader there. Wondering, where do you think smartphone penetration could go in Canada, specifically where that ceiling could be? And also, give us some context as to where do you think—whether that ceiling, you think, has actually gone up over the last couple of years as you see more devices come to the market.

The second question is more on the wireline side. IPTV numbers, the adds have been phenomenal but, on the satellite side, we're still seeing some losses. Wondering if you guys are going to be doing something there to try to change the trend there to try to see some improvement or, at least, lower losses on satellite? Thanks.

Wade Oosterman, President, Bell Mobility and Residential Services, and Chief Brand Officer

So, on smartphones, I think there's a balance between consumer demand—and honestly, 100% of people want a smartphone. So, what is the cap: a 100% because everybody wants one. And, what's counter to that is; how much of an investment are we willing to make in COA for a particular subscriber who might be less creditworthy than, you know, you would hope for. So, I think at the end of the day, given the cost benefits we'll see as competition in smartphones heats up and, you know, that insatiable appetite for a device that lets you do anything and everything.

The only thing that's a counter push against that is the creditworthiness, frankly, of the subscriber and how much of an investment are we willing to make. And, there's increasing sophistication in our credit scoring systems, as well, so we're able to deeper and deeper. Next year we're targeting. Next year we're targeting about 75%, I think, if I recall, and we don't see a kind of a limit to where that might go on the smartphone side.

On the satellite side, if you wanted me to take that. You know, George mentioned that we have about 15% of our IPTV subs come from our satellite subscriber base. But, of course, we're faced with IPTV or Fibe TV competition in most markets now. TELUS is doing it out West, Manitoba and, you know, that territory Karen shared in the Bell Aliant territory.

So, satellite is getting that pressure from Fibe TV technology on a national basis. Having said that, we're—we think we can make some improvements in our performance in satellite and we're certainly working hard at doing that.

George Cope, President and Chief Executive Officer

But, we will see cannibalization there.

Wade Oosterman, President, Bell Mobility and Residential Services, and Chief Brand Officer

For sure.

George Cope, President and Chief Executive Officer

For sure, right. It's in that, and then executing, as Wade said, where it's not as aggressive from Karen or from the TELUS folks, is where we can probably be a little stronger on the satellite side. And, the service on that has been top rate. We've made some great cash flow there but it is not gonna grow close to the Fibe TV that's for sure. It's a good question.

Let me take one more question.

Tim Casey, BMO Capital Markets

Tim Casey from BMO. Could you talk a little bit about the trends you expect to see in your ability to load the network with Fibe subscribers and, obviously, any targets you have, if you wanted to share those with us? But, you mentioned you'd seen some promos falling off and you're not renewing them, so how do you see the trends unloading and are you suggesting that you—a lot of the incremental loading will come out of the condo gain as opposed to the single family home?

And, second question would be on MLSE. See, I know you just got control of it but, I mean, what's the ultimate end-game there? It just seems unsustainable that you and Rogers would stand past the ownership level as you have, given—as you've articulated. sports is the most important content, and everything suggest it's going to be—continue to be a very valuable content. So, any comments on how that relationship will develop?

George Cope, President and Chief Executive Officer

Yes, I'm glad you asked the question on Fibe TV because we've confused, so I apologize if we have. What we said is, those customers who came on promotions last year, for the first time are coming off because it's only their first full year in the business. We will be just as aggressive in attracting new customers this year. In fact, we have to see accelerated growth of Fibe TV subs this year to justify the extended footprint that we put in place. The end goal: one out of two TV subs. How fast we get there? That's over to the marketing folks, but it's one out of two. That's where we—there's two ways into the home. We want 50% of the TVs. It's just the pace and how we get there, and that's what we're going to play out.

On the Maple Leaf Sports Entertainment and on—and the same as our investment in the Montreal Canadians, I mean that is clearly really Kevin's space, and Kevin, if you want to make a couple of comments feel free.

Kevin Crull, President, Bell Media

Yes, I just—you know we talked about the importance of sports. The positions that we've taken have definitely helped us in negotiating what is still market value rates, but these are complex and tense negotiations. So, that ability and that open door has helped us very much to secure, like I said, from MLSE. We will wind up with a much better lease package than what we have today, whenever the current one expires.

And, to George, for the future.

George Cope, President and Chief Executive Officer

Yes, I think, you know, it's important for investors; the 20 year arrangement on content has been arranged for us going forward in the acquisition of MLSE. So, the TSN franchise knows it has access to half of all Leafs games, Raptor games, and soccer games for the next 20 years on all four screens. That's the core to that and we're paying ourselves in that ownership model.

So, that's the model and, if you read, there are some reports that suggest that there's no one with that integrated solution globally to lower your cost of capital in your media business, which is really what I think we've done, if you really follow it through. And, there's no better content on the planet than those two assets. To have the involvement with the Montreal Canadians and the Toronto sports franchises.

In terms of the Rogers relationship in that particular area, it could not be better. We have proven strategically on Inukshuk, we can kill each other in the market and work strategically when we need to. With our competitor in the West, on a network sharing agreement where, quite frankly, it's a never ending war, as everybody knows, but we do things that are intelligent for our shareholders. So, I have absolutely—I think we'll go on—I think it'll be years and years, that partnership with them in that particular assets and I think if they were—I don't want to speak for them. I think they see strategic benefits for them. We see strategic benefits for us. I guess if someone moved out of the media business or did something completely different, you'd look at different partners. But, I think people should relax and that's going to be—I think it'll be a very good sustainable model and winning franchises will drive revenue for Kevin. That's the name of the game there.

Let me just finish with just quickly—hopefully it was helpful for the community to get some insights into what we're trying to do. The focus is clear. It's on cash flow. There's one thing—I'll leave you with one comment. We used to say for years and years when I competed with Bell that, what would you do if Bell ever woke up? Well, we woke up. Thanks very much.
