BCE

Q3 2017 Results Conference Call

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President and Chief Executive Officer

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November 2, 2017

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS
Certain statements made by BCE's President and Chief Executive Officer and Executive Vice-President and Chief Financial Officer during BCE's Q3 2017 Results Conference Call, as reflected in this transcript, are forward-looking statements. These forward-looking statements include, without limitation, statements relating to BCE's financial guidance (including revenues, adjusted EBITDA, capital intensity, adjusted EPS and free cash flow), BCE's annualized common share dividend, common share dividend payout policy and dividend growth objective, our network deployment plans and related capital investments, the expected completion of the proposed acquisition of the Séries+ and Historia French-language specialty channels from Corus Entertainment Inc. (Corus) and certain benefits expected to result from such proposed transaction, BCE's expected level of future pension funding and leverage objective, the benefits expected to continue to result from synergies resulting from the acquisition of Manitoba Telecom Services Inc. (MTS), BCE's business outlook, objectives, plans and strategic priorities, and other statements that are not historical facts. Forward-looking statements are typically identified by the words assumption, goal, guidance, objective, outlook, project, strategy, target and other similar expressions or future or conditional verbs such as aim, anticipate, believe, could, expect, intend, may, plan, seek, should, strive and will. All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws and of the United States Private Securities Litigation Reform Act of 1995.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on several assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from our expectations expressed in or implied by such forward-looking statements and that our business outlook, objectives, plans and strategic priorities may not be achieved. As a result, we cannot guarantee that any forward-looking statement will materialize and we caution you against relying on any of these forward-looking statements. The forward-looking statements contained in this transcript describe our expectations as of November 2, 2017 and, accordingly, are subject to change after such date. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statements contained in this transcript, whether as a result of new information, future events or otherwise. Except as otherwise indicated by BCE, forward-looking statements do not reflect the potential impact of any special items or of any dispositions, monetizations, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after November 2, 2017. The financial impact of these transactions and special items can be complex and depends on the facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way or in the same way we present known risks affecting our business. Forward-looking statements were made during BCE's Q3 2017 Results Conference Call for the purpose of assisting investors and others in understanding certain key elements of our expected financial results, as well as our objectives, strategic priorities and business outlook, and in obtaining a better understanding of our anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes. The forward-looking statements made during BCE's Q3 2017 Results Conference Call for periods beyond 2017 assume that the economic, market, operational and financial assumptions as well as the material risk factors described in this cautionary statement will remain substantially unchanged during such period.

Material Assumptions

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

Canadian Economic and Market Assumptions

- *Gradual improvement in economic growth, given the Bank of Canada's most recent estimated growth in Canadian gross domestic product of 3.1% in 2017, representing a 30 basis point increase from an earlier estimate of 2.8%*
- *Modest employment growth, as the overall level of business investment is expected to remain soft*
- *Canadian dollar expected to remain at or around near current levels. Further movements may be impacted by the degree of strength of the U.S. dollar, interest rates and changes in commodity prices.*
- *A higher level of wireline and wireless competition in consumer, business and wholesale markets*
- *Higher, but slowing, wireless industry penetration and smartphone adoption*
- *Soft media advertising market expected, due to variable demand, and escalating costs to secure TV programming*

Assumptions Concerning our Bell Wireless Segment

- *Maintain our market share of incumbent wireless postpaid net additions*
- *Continued adoption of smartphone devices, tablets and data applications, as well as the introduction of more 4G LTE devices and new data services*
- *Higher subscriber acquisition and retention spending, driven by higher handset costs and more customer device upgrades, reflecting a higher number of off-contract subscribers due to earlier expiries under two-year contracts*
- *Higher blended ARPU, driven by a higher postpaid smartphone mix, increased data consumption on 4G LTE and LTE-A networks, and higher access rates from 2016 pricing changes*

- *Completion of the LTE network buildout to 99% of the Canadian population and expansion of the LTE-A network coverage to approximately 87% of the Canadian population, including Manitoba*
- *Ability to monetize increasing data usage and customer subscriptions to new data services*
- *Ongoing technological improvements by handset manufacturers and from faster data network speeds that allow customers to optimize the use of our services*
- *No material financial, operational or competitive consequences of changes in regulations affecting our wireless business*

Assumptions Concerning our Bell Wireline Segment

- *Positive full-year adjusted EBITDA growth*
- *Continued growth in residential IPTV and Internet subscribers*
- *Increasing wireless and Internet-based technological substitution*
- *Residential services household ARPU growth from increased penetration of multi-product households and price increases*
- *Aggressive residential service bundle offers from cable TV competitors in our local wireline areas*
- *Continued large business customer migration to IP-based systems*
- *Ongoing competitive repricing pressures in our business and wholesale markets*
- *Continued competitive intensity in our small and mid-sized business markets as cable operators and other telecom competitors continue to intensify their focus on business customers*
- *Growing consumption of OTT TV services and on-demand streaming video, as well as the proliferation of devices, such as tablets, that consume vast quantities of bandwidth, will require considerable ongoing capital investment*
- *TV unbundling will not materially accelerate the downsizing of TV packages by customers*
- *Realization of cost savings related to management workforce attrition and retirements, lower contracted rates from our suppliers, reduction of traffic that is not on our network and operating synergies from the integration of MTS*
- *Softer wholesale financial performance due to a CRTC decision in October 2016 that significantly lowered capacity-based billing rates for aggregated wholesale high-speed Internet access services*
- *No other changes in regulations affecting our wireline business having material financial, operational or competitive consequences*

Assumptions Concerning our Bell Media Segment

- *Higher year-over-year revenue, reflecting further CraveTV subscriber growth, The Movie Network's national expansion that began in March 2016, and growth in outdoor advertising supported by acquisitions and new contract wins*
- *Operating cost growth driven by higher TV programming and sports broadcast rights costs, as well as continued investment in CraveTV content*
- *Continued scaling of CraveTV*
- *Ability to successfully acquire and produce highly rated programming and differentiated content*
- *Building and maintaining strategic supply arrangements for content across all screens and platforms*
- *Increased revenue generation from monetization of content rights and Bell Media properties across all platforms*
- *TV unbundling and growth in OTT viewing expected to result in moderately lower subscriber levels for many Bell Media TV properties*
- *No material financial, operational or competitive consequences of changes in regulations affecting our media business*

Financial Assumptions Concerning BCE
The following constitute BCE's principal financial assumptions for 2017:

- *total post-employment benefit plans cost to be approximately $320 million to $340 million, based on an estimated accounting discount rate of 4.0%, comprised of an estimated above adjusted EBITDA post-employment benefit plans service cost of approximately $250 million to $260 million and an estimated below adjusted EBITDA net post-employment benefit plans financing cost of approximately $70 million to $80 million*
- *depreciation and amortization expense of approximately $3,850 million to $3,900 million*
- *net interest expense of approximately $950 million to $975 million*
- *tax adjustments (per share) of approximately $0.08, instead of $0.01*
- *an effective tax rate of approximately 26%, instead of 27%*
- *non-controlling interest (NCI) of approximately $50 million*
- *total pension plan cash funding of approximately $400 million to $450 million*
- *cash taxes of approximately $650 million to $700 million*

- *net interest payments of approximately $950 million to $975 million*
- *other free cash flow items, which include working capital changes, severance and other costs paid, preferred share dividends and NCI paid, of approximately ($25) million to ($150) million*
- *average BCE common shares outstanding of approximately 895 million*
- *an annual common share dividend of $2.87 per share*

The foregoing assumptions, although considered reasonable by BCE on November 2, 2017, may prove to be inaccurate. Accordingly, our actual results could differ materially from our expectations as set forth in this transcript.

Material Risks
Important risk factors that could cause our assumptions and estimates to be inaccurate and actual results or events to differ materially from those expressed in, or implied by, our forward- looking statements, including our 2017 financial guidance, are listed below. The realization of our forward-looking statements, including our ability to meet our 2017 financial guidance, essentially depends on our business performance which, in turn, is subject to many risks. Accordingly, readers are cautioned that any of the following risks could have a material adverse effect on our forward-looking statements. These risks include, but are not limited to:

- *regulatory initiatives, proceedings and decisions, government consultations and government positions that affect us and influence our business, including, in particular, those relating to mandatory access to networks, net neutrality, spectrum auctions, approval of acquisitions, broadcast licensing and foreign ownership requirements*
- *the intensity of competitive activity, including from new and emerging competitors, and the resulting impact on the cost of retaining existing customers and attracting new ones, as well as on our market shares, service volumes and pricing strategies*
- *the level of technological substitution and the presence of alternative service providers contributing to reduced utilization of our traditional wireline services*
- *the adverse effect of the fundamental separation of content and connectivity, which is changing our TV and media ecosystems and may accelerate the disconnection of TV services and the reduction of TV spending, as well as the fragmentation of, and changes in, the advertising market*
- *competition with global competitors, in addition to traditional Canadian competitors, for programming content could drive significant increases in content acquisition costs and challenge our ability to secure key content*
- *adverse economic and financial market conditions, a declining level of retail and commercial activity, and the resulting negative impact on the demand for, and prices of, our products and services and the level of bad debts*
- *the inability to protect our assets, including networks, IT systems, offices and sensitive information, from events and attacks such as cyber threats, and damage from fire and natural disasters*
- *the failure to optimize network and IT deployment and upgrading timelines, accurately assess the potential of new technologies, and invest and evolve in the appropriate direction*
- *the failure to continue investment in a disciplined and strategic manner in next-generation capabilities, including real-time information-based customer service strategies*
- *the inability to drive a positive customer experience resulting, in particular, from the failure to embrace new approaches and challenge operational limitations*
- *the complexity in our operations resulting from multiple technology platforms, billing systems, marketing databases and a myriad of rate plans, promotions and product offerings*
- *the failure to maintain optimal network operating performance in the context of significant increases in capacity demands on our Internet and wireless networks*
- *the failure to implement or maintain highly effective IT systems supported by an effective governance and operating framework*
- *the risk that we may need to incur significant capital expenditures beyond our capital intensity target in order to provide additional capacity and reduce network congestion*
- *the failure to generate anticipated benefits from our corporate restructurings, system replacements and upgrades, process redesigns and the integration of business acquisitions*
- *events affecting the functionality of, and our ability to protect, test, maintain and replace, our networks, IT systems, equipment and other facilities*
- *in-orbit and other operational risks to which the satellites used to provide our satellite TV services are subject*
- *the failure to attract and retain employees with the appropriate skill sets and to drive their performance in a safe and secure environment*
- *labour disruptions*
- *the inability to access adequate sources of capital and generate sufficient cash flows from operations to meet our cash requirements, fund capital expenditures and provide for planned growth*
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- *uncertainty as to whether dividends will be declared by BCE's board of directors or whether BCE's dividend payout policy will be maintained*
- *the inability to manage various credit, liquidity and market risks*
- *pension obligation volatility and increased contributions to post-employment benefit plans*
- *higher taxes due to new tax laws or changes thereto or in the interpretation thereof, and the inability to predict the outcome of government audits*
- *the failure to reduce costs as well as unexpected increases in costs*
- *the failure to evolve practices to effectively monitor and control fraudulent activities, including unauthorized use of our content and the theft of our TV services*
- *events affecting the continuity of supply of products and services that we need to operate our business from our third-party suppliers and outsourcers*
- *the failure of our procurement and vendor management practices to address risk exposures associated with existing and new supplier models*
- *the quality of our products and services and the extent to which they may be subject to manufacturing defects or fail to comply with applicable government regulations and standards*
- *security and data leakage exposure if security control protocols applicable to our cloud-based solutions are bypassed*
- *unfavourable resolution of legal proceedings and, in particular, class actions*
- *unfavourable changes in applicable laws and the failure to proactively address our legal and regulatory obligations*
- *health concerns about radiofrequency emissions from wireless communications devices*
- *the inability to maintain customer service and our networks operational in the event of the occurrence of epidemics, pandemics and other health risks*
- *the failure to recognize and adequately respond to climate change concerns or public and governmental expectations on environmental matters*
- *the expected timing and completion of the proposed acquisition of the Séries+ and Historia French-language specialty channels from Corus are subject to closing conditions, termination rights and other risks and uncertainties, including approval by the CRTC and the Competition Bureau, and there can be no certainty that the anticipated benefits will be realized.*

We caution that the foregoing list of risk factors is not exhaustive and other factors could also adversely affect our results. We encourage investors to also read BCE's 2016 Annual MD&A dated March 2, 2017 (included in the BCE 2016 Annual Report) and BCE's 2017 First, Second and Third Quarter MD&As dated April 25, 2017, August 2, 2017 and November 1, 2017, respectively, and BCE's news release dated November 2, 2017 announcing its financial results for the third quarter of 2017 for additional information with respect to certain of these and other assumptions and risks, filed by BCE with the Canadian provincial securities regulatory authorities (available at Sedar.com) and with the U.S. Securities and Exchange Commission (available at SEC.gov). These documents are also available at BCE.ca.

The terms "adjusted EBITDA", "adjusted EBITDA margin", "adjusted EPS" and "free cash flow" used in this transcript are non-GAAP financial measures and do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other issuers. Refer to the section "Notes" in BCE's news release dated November 2, 2017 announcing its financial results for the third quarter of 2017 for more details.

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PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to the BCE Third Quarter 2017 Results Conference Call. I would now like to turn the meeting over to Mr. Thane Fotopoulos. Please go ahead, Mr. Fotopoulos.

Thane Fotopoulos – Vice President – IR

Thank you, Donna. Good morning to all. Thanks for joining us. I am here with BCE's President and CEO, George Cope, and our CFO, Glen LeBlanc.

As a reminder, our third quarter results package and other disclosure documents, including today's slide presentation, are available on BCE's Investor Relations web page. An audio replay and transcript of the call will also be made available on our website later today or tomorrow. As usual before we get started, I would like to draw your attention to our Safe Harbour statement, on Slide 2.

Information in this presentation and remarks made by the speakers today will contain statements about expected future events and financial results that are forward-looking and therefore are subject to risks and uncertainties. These forward-looking statements represent our expectations as of today and, accordingly, are subject to change. Results could differ materially. We disclaim any obligation to update forward-looking statements, except as required by law. Factors that may affect future results are contained in BCE's filings with both the Canadian Securities Commission and the SEC, and are also available on our corporate website.

With that, I will turn the call over to George.

George Cope – President and CEO

Great. Thanks Thane. Good morning, everyone. Clearly we are very pleased this morning with the financial growth and the subscriber growth in the quarter, driven by the 5.9% service revenue growth, 5.8% higher EBITDA in the quarter and also seeing a margin increase across all BCE consolidated to 41.7%. Of interest, on $270 million of approximate revenue growth, we saw $130 million flow-through of EBITDA, so about a 48% flow-through across the entire company on incremental revenue.

Wireless again had an excellent quarter and we believe we will, as the quarter unfolds, end up being the leader from an adjusted EBITDA growth perspective and cash flow perspective in the quarter. We had strong internet and IPTV net adds, up 6.9% and 81,000 in the quarter and one of our strongest quarters in a number of years.

Wireline EBITDA growth of 4.4%. Of course, part of that contributing from the MTS acquisition, but also seeing the margin expansion there to 42.3%, giving us the headroom for our continued capital program. As I mentioned in the past, I would believe over the next 12 months of the consolidated MTS results, with the synergies within that particular division, we will see a 10% margin improvement as a result of our synergies.

We had steady Media financial performance with 1% revenue growth and stable adjusted EBITDA, and overall, 198,000 postpaid wireless, Internet and IPTV net customer additions, up 8.3% year-over-year, clearly a very strong RGU quarter.

Turning to wireless, it was our best postpaid performance in the past five years with 117,000 postpaid net adds. We continue to see our churn reduce as a result of our network quality and a continued focus from a service perspective with our customers. We also again saw an increase in average revenue per customer this quarter, up 3% year-over-year to a blended $69.78 and we also saw an increase in usage as we continue to see as people use our broadband network more and more with our overall base increase of usage of 26% on a year-over-year basis.

One highlight in the quarter, I think all of you reported in a number of different areas, was our win of the Federal government wireless contract. That should add an additional 200,000 postpaid subscribers to our customer base over the next 18 months. That is about 1% market share swing in our favour with our largest competitor. It provides a six-year agreement with some extension possibilities for 10 years. Also some of the other benefits, it provides us the opportunity for the mobile push-to-talk business there and other IoT solutions.

It is an interesting account for us strategically, clearly a lower ARPU account but also clearly an account with literally no churn, and as the public sector growth of employment takes place in Canada, of course that subscriber growth that we would expect to be greater than these number of subs over the term of the contract.

Turning to our Wireless network, we do like to call this out on a quarterly basis because we think it is making quite a difference and will over time. We think we specifically see it in our industry-leading ARPU. A significant milestone for Canada this quarter, we have 99% of the country covered with speeds of up to 150 Mbps on LTE. The industry has never been beyond 97% even with traditional technologies before. So we almost have this entire country now covered from a broadband perspective with those speeds.

Recent reports have come out to show that our Wireless network is approximately now two times faster than our large incumbent provider, and this is of course our utilization of the 4CCA (Quad-band LTE-A) technologies that has allowed us now to have an approximately eight provinces and 21% of the population has access now to speeds of up to 750 Mbps. We would expect in 2018 over 50% of Canadians will actually have access to speeds of over 900 Mbps and those customers will, on a normal basis, would see a practical speed of about 250 Mbps on their handset, clearly world-class, probably world-leading in terms of wireless speeds and we think a great differentiator over our number one competitor. Of course, you have to have the fibre backhaul to those cell sites to see the benefit of these speeds and as everyone on the call knows we have made those investments and that assures us when we make this evolution we will see that speed continue.

We have also very quickly accelerated growth in Manitoba. We have now completed the overlay of LTE-A in Manitoba to 85% of the province, so that is in our capital already, and that starts to put that network at the level of quality that we have across the rest of the country on the Bell network. We are particularly proud from a leadership perspective to be the only wireless carrier in Canada that will enable and support the Apple Watch Series 3 launch enabling you to actually use the Apple Watch when you are away from your smartphone and to our knowledge at this point we are the only wireless carrier in Canada with that capability, which is a nice differentiation going into the holiday season.

We have been able to do these network investments while maintaining our capital intensity at 9%. We will talk more about guidance in 2018 but as we are evolving the business plan we are pretty comfortable now with the Street to let you know that we would expect our capital intensity in 2018 on wireless should be approximately around 9% as well, particularly because we have made these investments to give us the speed advantages and we think that is going to give us quite a great position going forward in terms of the capital intensity in Wireless for 2018.

Turning to Wireline, really I think an excellent quarter from an RGU perspective, really nice to see the growth acceleration of 44,000 Internet net adds, up almost 13% year-over-year, so our fibre footprint obviously beginning to provide the return we want to see. Really positive quarter from a TV perspective. Ten thousand positive net adds in our Wireline footprint, which of course as everyone now knows runs from Manitoba to the East Coast. So that is a very positive outcome for us. Strong IPTV net adds also assisted with the launch of our Alt TV product which continues to do what we hope it would do in the marketplace.

And the other thing I just wanted to call out was really the very strong local access line results, dramatic improvement from a residential perspective, down 23,000 in terms of the losses year-over-year, and 10,000 less losses on a business perspective where we saw small business performance continue to improve. One interesting milestone, I looked again just a few days ago but in the quarter we were actually positive NAS in our fibre footprint. So there is clearly some bundling benefits there. Across the board all three of these products an ARPU lift year-over-year of approximately 4%. So it is clearly doing the right things we want and now it is about keeping that up going forward.

In terms of Bell Media, excellent from a ratings perspective and off to a strong start in the quarter of seven of the top ten shows for the important fall season. Excellent specialty programming, as you can see here with some of the names on the page. Also, great start to the NFL in Canada this year with the average audiences on Sunday up 53%, Monday up 18% and new to TSN was carrying the NFL on Thursday nights and up 12% year-over-year.

We did just recently announce the intended acquisition of two specialty services in the Province of Québec. Those are subject to regulatory approval but would of course improve our overall position in the province against our competitors there. There is no doubt our continued ownership of the Canadiens, Maple Leafs, Raptors and Toronto FC, although not driving cash flow, it comes back to the shareholders and it is driving significant value for us as we have seen these assets grow in value and also continue to secure some really, really important Canadian content for us.

With that, let me turn it over to Glen.

Glen LeBlanc – Executive Vice President and CFO

Thank you, George, and good morning, everyone. Let me begin with a quick high-level summary of our Q3 financial results, which as George said, we are very pleased with.

Service revenue was up a very healthy 5.9% this quarter, reflecting year-over-year increases at Bell Wireless, Bell Wireline, which benefited from another full quarter of contribution from Bell MTS, as well as top line growth at Bell Media. However, lower margin product revenues decreased $26 million compared to last year, the result of lower Wireline business data equipment sales which as you know tend to be variable quarter-to-quarter.

Adjusted EBITDA growth accelerated increasing to 5.8%, once again benefiting from the inclusion of Bell MTS in our consolidated results. Consistent with growth in EBITDA, margin also improved, expanding 30 basis points to 41.7% on a flow-through of strong Wireless service revenue growth, increasing broadband Internet scale, fewer NAS line losses that George mentioned earlier, and the Bell MTS integration synergies, as well as some other operating cost efficiencies driven by ongoing service improvements from our growing fibre footprint. Notably, this was all achieved even with the $26 million in year-over-year regulatory impacts absorbed in the quarter from the wholesale Internet tariff revisions and the customer cancellation refunds, which are now expected to total $100 million for the full year, up from the preliminary projection of $85 million.

With respect to EPS, although absolute dollar net earnings increased year-over-year, statutory and adjusted EPS declined $0.01 and $0.03, respectively, to $0.86 and $0.88 per share as a result of the share dilution from the issuance of BCE common shares for our MTS acquisition.

Lastly, free cash flow grew a strong 24.4% to approximately $1.2 billion, more than fully supporting higher planned capital spending in the quarter.

Let's turn to Wireless financials on Slide 11. Slide 11 details our Q3 Wireless financial results, which exceeded expectations once again this quarter. Service revenue increased 11.2%. This was driven by higher year-over-year postpaid subscriber mix, together with continued strong ARPU growth and the favourable impact of Bell MTS. Product revenue was unchanged year-over-year despite a higher volume of customer transactions due to competitive pricing on higher end smartphones sold with subscriptions to premium rate plans, which should help support ARPU and churn performance going forward.

Wireless EBITDA was up a strong 9.4%, which I believe will lead all incumbent peers this quarter based on reported results and analyst consensus estimates. This result was achieved even with $74 million in incremental customer retention and acquisition spending driven by contract expirations in the quarter and a higher sales mix of premium mobile devices. As a result, service revenue margin declined year-over-year in Q3 but remained a very healthy 45.5%.

Lastly, in terms of cash generation, Bell Wireless contributed meaningfully to BCE consolidation free cash flow delivering 14% growth in adjusted EBITDA less capex of $685 million even as we continue to spend significantly on carrier aggregation to further enhance our industry-leading LTE network speeds and cell deployments to optimize coverage, signal quality and data backhaul capacity.

Let's move to Slide 12, Wireline's financials. Service revenue in Q3 was up 4.1% year-over-year, reflecting stronger Fibe Internet and TV growth, 4.5% higher household ARPU, improved year-over-year business results reflecting the favourable impact of our Q9 acquisition, and another quarter of Bell MTS financial contribution. Similar to the previous quarters this year, Wireline revenue growth in Q3 was moderated by the regulatory impacts I mentioned earlier, totaling $21 million in this segment, competitive pricing pressure across our residential, business and wholesale markets, as well as $25 million year-over-year decline in the business data product sales.

Wireline adjusted EBITDA growth accelerated in the quarter, increasing to 4.4%, driving a 60 basis points improvement in margin to 42.3%, which more than fully supports the continuation of significant broadband fibre investments going forward. Excluding the regulatory impacts, Wireline EBITDA was up 6.1%.

Turning to Media, Slide 13. Total revenue was up 1% in what is seasonally a low quarter for the media sector. Despite an overall reduction in spending by advertisers and the ongoing shift to online services, advertising revenue increased 1.4% in Q3 on continued growth in outdoor advertising at Astral Out of Home. Conventional and specialty TV revenues were down year-over-year reflecting continued market softness and the steady decline in audience levels consistent with broader industry trends. Bell Media also saw steady growth in subscriber revenue, which increased 1.6% in Q3, driven by our CraveTV and TV Everywhere GO streaming product.

Adjusted EBITDA remained unchanged year-over-year as revenue growth was offset by a 1.3% increase in operating costs attributable mainly to CraveTV and pay TV content expansion, deal renewals for special TV programming and higher costs at Astral Out of Home from the acquisitions and outdoor advertising contract wins over the past year.

Let's turn to Slide 14 providing the key components of adjusted EPS, which as I mentioned, was $0.88 per share this quarter, down $0.03 compared to last year. Higher adjusted EBITDA including Bell MTS contribution drove $0.11 of EPS growth. This included a non-cash charge against EBITDA totaling $0.01 per share to amortize the fair value increment of the MTS assets acquired.

Tax adjustments also contributed positively to EPS this quarter. Tax recoveries from favourable audit settlements with CRA totaled $0.07 per share compared to $0.02 last year. This related to a tax provision reversal regarding allowable depreciation on Inukshuk spectrum transferred to Bell in 2012. With the year-to-date tax adjustments of $0.08 per share, up from an earlier assumption of $0.01 per share, we now expect an effective tax rate of approximately 26% for the full year 2017, down from our previous expectation of 27%. No material tax adjustments are anticipated in Q4.

However, we expect, despite these favourable factors, EPS was negatively impacted in the quarter by MTS' incremental below EBITDA expense contributions and as I mentioned earlier $0.03 of dilution from the shares issued for the common equity component of the acquisition. Also contributing to the year-over-year decrease in adjusted EPS was minor losses realized on the retirement and disposal of end-of-life fixed assets, as well as the currency hedge gains from Q3 of 2016 related to our U.S. dollar denominated expenditures that did not recur this year, due to a new hedge accounting process that we implemented in July 1, whereby the P&L was no longer impacted by mark-to-market changes in F/X.

Due to the positive tax adjustments in this quarter and with the $2.63 of EPS generated in the first nine months of the year, we are tracking to the higher end of our guidance range of $3.30 to $3.40 per share.

Moving to Slide 15, as I already mentioned, we generated close to $1.2 billion of free cash flow this quarter, up 24.4% over last year. This was a result of higher EBITDA, a positive change in working capital, driven mainly by the timing of supplier payables which will largely reverse out in Q4, and lower cash taxes due to the

timing of installment payments and partial utilization of the MTS tax loss. Seventy million of the total $300 million in MTS tax loss carry-forwards will be monetized in 2017.

Higher year-over-year capital spending, which is expected to repeat in Q4, as well as higher cash interest paid due to MTS' debenture debt assumed and short-term borrowings to finance the acquisition, moderated the strong increase in free cash flow this quarter.

We ended Q3 with $2 billion of cash on the balance sheet, which included the proceeds from the completion of $1.5 billion dual-tranche public debt offering on September 29 at a blended coupon rate of 3.3%. The net proceeds were used in October to fund the early redemption of $1.3 billion of MTS debentures that would have normally matured in 2018, saving BCE approximately $16 million in annualized interest payments. This also lowered our weighted-average after-tax cost of debt to 3.2%, while maintaining an average term to maturity of more than nine years.

Lastly, a quick update on the funded position of our defined benefit pension plan. The Bell Canada DB plan is in the best shape it has been in over 10 years. With the solvency ratio that now stands at over 97%, it would only take a modest 50 basis point increase in rates to see that plan in a fully funded position. I would like to remind investors that over the last decade we put more than $4 billion in voluntary contributions into the plan. So suffice it to say that the cash burden is essentially behind us with no further material voluntary pension funding anticipated going forward.

To wrap up on Slide 16, with three quarters of growth in the consolidated financial statements, we see no fundamental changes through the balance of the year. We remain competitively well-positioned and our operating momentum is positive across our wireless and residential wireline businesses as we enter the fourth quarter. Bell MTS is meeting our expectations in terms of overall performance and contribution to BCE consolidated results and our focus continues to be on execution excellence to capture incremental growth and cost opportunities across the company.

Given this outlook, I am reconfirming all of our 2017 guidance targets. With that, I will turn the call back to Thane and the Operator to begin the Q&A portion of the call.

Thane Fotopoulos – Vice President – IR

Thanks Glen. So before we do get started, to keep the call as efficient as possible, please I would ask that you limit yourselves to one question and a brief follow-up so we can get to everybody in the queue.

So with that, Donna, we are ready to take our first question.

QUESTION AND ANSWER SESSION

Operator

Thank you. We will now take questions from the telephone lines. If you have a question and you are using a speakerphone, please lift your handset before making your selection. If you have a question, please press star 1 on your telephone keypad. To cancel your question, please press the pound sign. Please press star 1 at this time if you have a question. There will be a brief pause while participants register. Thank you for your patience.

The first question is from Phillip Huang from Barclays. Please go ahead.

Phillip Huang – Barclays – Analyst

Yes. Thanks. Good morning. First question on the fixed line business, obviously a very strong set of subscriber numbers, improvements across the board. I wanted to better understand the drivers behind this beat and the sustainability of the strength. Are you seeing the greatest improvement in Toronto where obviously your fibre investment has been focused and do you see this as sort of the new normal for the fixed line business?

George Cope – President and CEO

Yes, good morning and thank you. Yes, it was a very strong quarter. All the metrics that we produced were consistent with it being extremely strong where we have fibre deployed, and of course that goes beyond Toronto, but the Toronto footprint is starting to have an impact in our results because we are starting to get to a material number of homes and businesses covered and I think that is positive. I also think our creative approach to the TV market having a product that is Alt TV and our IPTV product is clearly helping us from an Internet perspective and TV perspective, as it allows us to focus in specifically the condo marketplace where there may have been cord cutters and that is a market we are now focused on. I think that adds to the results as well, and, of course, results going forward to really answer your longer-term question, but clearly we are very encouraged by the quarter and the results we want to see and it is nice to be in the position to report them.

Phillip Huang – Barclays – Analyst

Thanks for that. In Toronto in particular, when you are rolling out fibre in a particular neighbourhood, obviously the results came as a surprise for us but in terms of the results and the response from the consumers that you are getting, is that sort of in line with plan or do you see that as sort of better than what you were expecting in terms of the market's response? And if I could squeeze in a second one. Regarding on the Wireless side, the discount segmentation, Rogers has Chatr and TELUS has Public Mobile. Is there a third brand to address the value segment? Was wondering what your views are of the discount wireless segment and could we see maybe BCE address that segment perhaps more fully going forward. Thanks.

George Cope – President and CEO

On the second point, there is clearly some growth in the prepaid segment that is in the midst of going on, and the words you used in terms of that segment, we are looking at that segment. I think I mentioned that last quarter as well, and I think to investors stay tuned in terms of what we do in the marketplace there to make sure if there is any space that we are not participating in proportionately we have to look at that. Although it is a very low revenue space it is one we want to make sure distribution-wise we are maintaining the right share. So I think you will see something from us in the future in that space. Stay tuned on that.

In terms of the results, I would say there is no doubt that we are adding—as we add the fibre footprint, the product is undoubted. There is no other broadband service like it and frankly we see the lower churn in our cost

happening as we would have expected them to be. But I do think we get pull through from our TV product and Alt TV product and both of those products were very strong in the quarter. So it is the combination of the two. As I said, it is a hard one I think for analysts, I think for us to give guidance on this morning the one area we were probably taken aback for as well was just how strong the NAS numbers were and the decline in losses we saw year-over-year, and of course with any of that type of momentum continuing, that would be a bonus for sure going forward because certainly it is beyond our expectations and obviously the investment community as well this morning.

Phillip Huang – Barclays – Analyst

Thanks George.

Operator

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

Simon Flannery – Morgan Stanley – Analyst

Great. Thank you very much. Good morning. George, any perspective on this iPhone cycle. I think there is a lot of expectation that given this big new first form factor change in three years, the preorders I think Apple said were off the charts. So what are you seeing in terms of interest in then in the inventory and any comments on the watch take-up so far would be great. Thank you.

George Cope – President and CEO

Yes, I think from our perspective it is really early. The product has just, as you know, we are just entering the marketplace, and so we will—it is always a highly competitive market in Q4 in Canada and having a new product in the market, quite frankly, it could not be more exciting for us, but we are going to have to stay tuned and see those results unfold. Obviously we will have a lot more to say—and I apologize, but a lot more to say around that on the next call.

Simon Flannery – Morgan Stanley – Analyst

And anything on the watch?

George Cope – President and CEO

On the watch, it is great differentiation for us and clearly customers who want their smartphone paired with the watch in Canada and be able to use it when they are away from their smartphone there only is one carrier you can utilize today because of our technology differentiation and we are definitely taking advantage of that in the marketplace and leveraging that in the market right now. You know, it would be up to Apple to talk about watch sales in Canada and not us, but whatever is being sold you can assume that we are doing pretty well from a subscriber perspective on what that share would be. But I will let them comment on the sales, it is only fair to them.

Simon Flannery – Morgan Stanley – Analyst

Thank you.

Operator

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

Vince Valentini – TD Securities – Analyst

Yes, thanks very much. Let's go back to the Wireline. Given the strength you are seeing in the FTTH footprint, George, any updated thoughts on where you go next after the GTA is done? I know you have said Montreal, but is Montreal it or does it make sense to accelerate into some of the suburbs around Toronto as well given how well you are doing? And can I just tag on. Alt TV, you are including that as normal IPTV subscribers even though they are clearly lower ARPU. Can you give us any sense was that a big portion of your sub adds this quarter or is it relatively small? Thanks.

George Cope – President and CEO

Yes. On the first one, the answer is yes, we will be accelerating our broadband investments beyond Montreal and then into the, the words you used, suburban communities. We will become very clear on that in the first quarter of 2018, but on any of our announcements should not be of any surprise to investors as we have been pretty clear on trying to get to a run rate that hopefully gets us into 650,000 to 750,000, maybe in that range of fibre additions every year, and just keep on that. So clearly as Toronto, not winds down, but certainly is not as much next year, we will take that to other footprints and we will talk about that then.

In terms of the Alt TV, it had actually a good start for us. Is it like a majority of our net adds? No, of course not. But just to remind investors, yes, you are right, it is like package the product but it is at a different price. It can be anywhere from $10, $15 lower than our traditional TV product and of course—but there is no set-top box and there is no truck roll. So our focus on this is to make ourselves as close to margin neutral yet pass the entire savings on to the consumer.

I think particularly interesting for us in Canada and does make me bring it up, I mean we have got TV bills in Canada running around CAD$60, that would be I think versus the U.S. and U.S. dollars. We see reports from anywhere to $80 or $90 and we now have a product that is not set-top box driven that puts you in the CAD$45 to CAD$55 price point and we think that positions us extremely well against anyone who would model streaming services in Canada from a price competitive perspective. Yes we think we can be margin neutral on it and of course we think it can also help drive broadband investment return for fibre for our shareholders.

Vince Valentini – TD Securities – Analyst

Thank you.

Operator

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

Aravinda Galappatthige – Canaccord Genuity – Analyst

Good morning. Thanks for taking my question. Just going back to the Wireline side a little bit, obviously the last six months there seems to be at least a relative step down in terms of sort of the level of promotional activity including from your competitors. I was wondering what your outlook is from that perspective and how that could potentially translate to sort of improved margins on the Wireline side. Thanks.

George Cope – President and CEO

Well I think our margin improvement is truly coming from our cost synergy that we—our cost management I think has become a bit of a hallmark of us over the last decade in terms of being able to integrate organizations and put the same cost structure across the entire company and therefore see some margin expansion.

In terms of competitive intensity, our focus is on the product differentiation that we have. There is some pretty unique stuff from us in the last six months, Alt TV being branded to the Canadian marketplace, Virgin Internet being new to the Canadian marketplace from us and now an extended fibre footprint. So package probably with better products from our perspective than we have ever had against our peers, we think that it is helping to drive some of the results.

Also, there were promotions in the marketplace a year and a half ago that I would say arguably were longer periods of discounts on signups than we may be seeing today and ultimately that—and we did not match all those as people may recall a year ago. So that may be part of the reason for some of our results as well. I think it would be—but to say nothing on that would be not really being clear to your question.

Aravinda Galappatthige – Canaccord Genuity – Analyst

Awesome. thank you.

Operator

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

Batya Levi – UBS – Analyst

Great, thank you. On Wireless side, I think you had mentioned that capital intensity would have been around 10% for the year looking a bit lower. Can you talk about what is driving that? Is it mostly timing? And over the next few years as you think about 5G, where do you think that capital intensity could go? Would it make sense to expand your network sharing agreement to fibre connectivity as well to improve profitability? Thank you.

George Cope – President and CEO

Okay, let me take each one of them. The first one, just capital intensity, you are right. I think I did mention this year we are probably closer to 9%. That is actually just driven by the fact that I think our revenue on Wireless has exceeded our own industry's expectation overall. So that is given us some headroom there. But I did mention, and I want to make sure I am clear, that we also would expect in 2018 we are pretty comfortable now with the analysts running our Wireless business next year at around 9% capital intensity as well, and I think that is significant because I think everyone knows who follow us closely the math in Wireless is the bigger share of our business, so the intensity there comes down and allows us to even accelerate fibre further, yet stay within our capital intensity envelope that people have come to know in the 17%, 17.5% type of CI.

The second question was around 5G. Remember, again, just to go back to 5G, very distinct marketplaces there, so we would consider fixed wireless 5G, which we think is a lot of what is being early on rolled out in the United States, and then there is mobile 5G which we think is the 2021/2022 true development and that is when you would see us making those investments. What happens to capital intensity, we would have to of course see them but remember we have already done fibre backhaul to our cell sites. We are underlaying fibre in every major city we compete in with our Wireless footprint that we are responsible for and our network sharing agreement and so all those locations will have fibre all ready there and how you amortize that against our two business units I think is one of the benefits of our vertical integration of Wireless and Wireline.

And of course our network sharing agreement it does not address what you are talking about of course in our network sharing agreement we utilize the other carriers, and so if they put fibre to those cell site, by definition we see a benefit of that. I think that has been the strategy of that competitor in their markets because they are in the midst of a very aggressive wireline fibre deployment as well, quite consistent with what Bell is doing in its footprint.

Batya Levi – UBS – Analyst

Okay, thank you.

George Cope – President and CEO

And in essence you get that benefit.

Batya Levi – UBS – Analyst

Right. Thank you.

Operator

Thank you. The next question is from Jeff Fan from Scotiabank. Please go ahead.

Jeffrey Fan – Scotiabank – Analyst

Thanks. Good morning. Just back to the fibre question, George, you mentioned ARPU lift of 4%. Just wondering if you can give us a little bit of a context as to whether you are referring to 4% over the entire base over your non-fibre footprint. Just wondering if you can give us some context there.

George Cope – President and CEO

Sure. I would say it is over the entire base and really it is customers migrating of course to fibre rate plans and that is really across the board that we are seeing. There is no doubt, I mean I think we have been pretty transparent that—and our fibre footprint has very positive net adds overall RGUs. If we are flat NAS in the fibre footprint we are clearly pretty positive RGU there, then the FTTN footprint it is a battle every quarter. But we are competing well and using bonding and where we clearly have the pressure is in those footprints, that last 25%, and that is clearly the area where we are probably not seeing the accretion in ARPU but the overall mix is growing.

Jeffrey Fan – Scotiabank – Analyst

Have you seen—that ARPU lift of 4%, has that improved from say if you benchmark it to six months, 12 months, just an historical period, so that we can get some...

George Cope – President and CEO

No I do not think that has been a significant change. I was just trying to draw—just drawing out for investors that our quarter I think was driven on product differentiation that we now have in the marketplace and not something we did in any way to, as people would use the term, buy market share. That is not really, if people followed us

in the last two years, not really a strategy of ours. So I think we are just seeing the investment we are making is so significant we cannot actually play in that other type of arena.

Jeffrey Fan – Scotiabank – Analyst

Right. If I can just squeeze in a quick one on the Media side. Your announcement a few weeks ago of announcing two changes in the French market, I guess if you can just lay out the case for buying something that I guess the regulators had forced you to sell in the Astral deal. Wondering if we should be looking at this a little bit differently, if there is anything that has changed in the industry that you think can support that deal?

George Cope – President and CEO

Well I think we have made the acquisition because we do—and I think—I know you would agree too, Jeff, I think everyone would agree, the Media business from what we were doing four or five years ago maybe the most dramatically changed industry that we have all seen in our space. So the amount of change in that space I think and the market share calculations now would clearly support our position to be able to acquire this asset and if we had been at these market shares from a consolidated basis with these other services that are out there, then I think the transaction would have not caused the divestiture.

So we think we meet those requirements, but of course that will be up to our regulator and we will unfold that strategy with them in the coming months. But based on where we are and what we understand, the current rules would be where we are pretty comfortable and hopefully this will move forward and close. So it is quite a change from a few years ago.

Jeffrey Fan – Scotiabank – Analyst

Thanks George.

Operator

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

Richard Choe – J.P. Morgan – Analyst

Thank you. Do you feel like you are at a—or past the tipping point on the Wireline side in terms of the fibre build and it is a little earlier that you had expected and you can press your advantage as the build kind of continues going forward?

George Cope – President and CEO

I think we are going to have to see as we unfold. Our competitor has as we know some of their products coming next year and our goal has been to make sure our fibre position in Toronto is established with a significant enough footprint to mass advertise that footprint. That is the one thing we have not yet been able to do in core Toronto and we expect to be in the position to do that early in first quarter next year and hopefully that will give us some of these true benefits in that particular market. And then of course we are adding 150,000 new households and businesses every quarter to our footprint from fibre and we know where we launched it helps us.

And then of course there is always seasonality. Back-to-school helps us, especially when you have a product like Alt TV, and that is historically true to this portion of Toronto across the entire industry and I think we saw that in these results.

Glen LeBlanc – Executive Vice President and CFO

I mean we are reaching critical mass now, Richard, with 3.7 million homes covered with FTTP product and that is 40% of our ultimate objective, and as George said earlier, 650,000 to 750,000 a year. It is starting to become a substantive piece of our footprint.

Richard Choe – J.P. Morgan – Analyst

A quick follow-up on the Wireline side. The EBITDA's accelerating in terms of growth and ex the CRTC would be even higher than the 4.4%, at 6%. Where should we expect that to go going forward?

George Cope – President and CEO

I think we are going to give you that answer in the first quarter. Obviously when we give our guidance for next year we will lap, as everyone knows after the first quarter MTS, but the positive thing is I think in fairness that we are lapping the regulatory issue as well. So now it is about us performing on that asset going forward as well.

So we are going to have to give you guys that guidance I think in the first quarter. But at this point obviously that is pretty strong underpinning Wireline growth and when you take that particular regulatory issue into account, which quite frankly I had—was not even focused on until Glen had mentioned it in his call this morning.

Richard Choe – J.P. Morgan – Analyst

Great, thank you.

Operator

Thank you. The next question is from Greg MacDonald from Macquarie Capital Markets. Please go ahead.

Greg MacDonald – Macquarie Capital Markets – Analyst

Thanks. Good morning guys. Other carriers, George, are talking about relatively tepid demand for the iPhone 8 and talking about demand being spread over 4Q and 1Q. I wonder if you can just give us your thoughts on demand for the 8, and then early thoughts on the 10 or the X, I guess, as the non-Roman numeral enthusiasts among us refer to it as? Thanks.

George Cope – President and CEO

Yes, look, I think as I said, it is fourth quarter, we love having new product for fourth quarter. We love having the differentiation of the watch, I am going to frustrate with my answer, but obviously I am going to leave suppliers of handsets talk about their handset volumes, not us. So we will see how that unfolds. We are just happy to have their products for the fourth quarter. Its created a lot of excited and a lot of traffic in a very important selling season with a lot of advertising support and I think that bodes well for the Canadian wireless industry and let's see what happens.

Greg MacDonald – Macquarie Capital Markets – Analyst

Okay, if I can then just follow that up with another one. FTTH has been discussed in terms of capex benefits and cost benefits and not a lot has been said about the timing. Glen just mentioned that you have some critical mass. You have got 40% build now. Can you talk a little bit about whether we should expect either capex or

opex or both benefits to start creeping in? Probably not something that can be quantified relatively near term but is that something you see in the next couple of years. Given what you have built so far, is that something that only takes place over time?

George Cope – President and CEO

Capex, not a lot of benefit because we continue to build out the footprint, right. So I think they will be consistent and there'll be more on the Wireline side. But investors again can count on us coming to the Street with guidance consistent with previous capex intensity next year and of course helped by the fact that as I have said this morning I think Wireless closer to 9% gives us even a little more headroom on the Wireline which is positive.

On the cost side, there is no doubt we will—we are starting to see the benefits. We have seen it really most dramatically in the Bell Aliant footprint, which is we know that as you get a mature fibre footprint it is less truck rolls, less issues, churn improves. So our margin expansion this morning and I think over the last while help support that, although I think underpinning that in fairness this quarter has probably got more to do with the MTS synergies.

Greg MacDonald – Macquarie Capital Markets – Analyst

So is it too aggressive then to think of continuous margin improvement or should we be thinking of somewhat flat line given the competitive outlook?

George Cope – President and CEO

Yes. I mean I think if you look at our margins on a global basis, I think it is up to us to just perform and then we will see as we give guidance next year. I think what I would be doing again is taking the capital intensity we have said on the Wireless and start to create the models off of that. But this is pretty strong EBITDA margins we are reporting this morning.

Greg MacDonald – Macquarie Capital Markets – Analyst

Yes. Okay, thanks a lot.

Operator

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

Maher Yaghi – Desjardins Securities – Analyst

Thank you for taking my question. I know, George, you like to manage the business as a whole and your guidance shows that you give guidance on a consolidated basis but when I look at just the Wireline and we are looking into 2018, so if I strip out the Q9 acquisition, the CRTC impact and the MTS acquisition I am getting revenues of approximately minus 2% year-on-year and EBITDA up 1%, which shows the strong management in terms of cost control and you talked about the improved margins of the operations. As an entity, when you look at Wireline, are we still aiming for Wireline revenues to grow, or are you looking at Wireline to manage the EBITDA line and keep growing that line?

George Cope – President and CEO

Well, look, it is—first of all, and I will say it in all sincerity, absolutely we are obviously trying to drive service revenue growth on the Wireline perspective. It is all about mix, right. It is all about mix of the amount of local access lines we have in our percentage of revenue against the Internet and TV and business growth or not and I think as you can see in our results why I have drawn out the NAS number is I do not know if that is a trend yet or not but it also can have some impacts for us meaningfully on the Wireline perspective.

And then the other piece as we have said for four or five years, costs keep coming out of this business because of fibre, right, and our margin expansion is clearly two things—well three. One, obviously synergies of transactions, we know we do that. Two, consumer behaviour has changed. They want the solutions online, on their smartphone and we have made significant amount of investments there under John Watson's leadership and seen benefits. Our call volumes would be stable or down year-over-year even as the number of customers grow. And then thirdly, when we put fibre in it is less truck rolls and that is one of our most expensive parts of being a Wireline carrier.

All three of those trends if you think about it it should continue as the mix continues to improve and then you have a really competitive marketplace which will be the offset to that. No one—in our markets no one is handing anyone market share back and if our peers were on the line they'd be telling you why we are not going to be able to do what we are saying. So that is the competitive market at its best.

Maher Yaghi – Desjardins Securities – Analyst

Thank you. Just a follow-up question on Wireless ARPU. It is always continuing to surprise us on the upside. Can you talk about the drivers there and how sustainable that number could be?

George Cope – President and CEO

Well we have been asked this question a lot. I think one of the things we have tried to drive every single quarter is the amount of usage increase. It is not about pricing. It is obviously stable pricing in terms of what we are trying to do with the marketplace but when you see 26% increase in usage year-over-year it just proves when you build out speeds like this that—I now know and everyone on the call knows from a global perspective there really is no carrier as fast or I think one other country might be faster than us in the world—people use this for video and as the explosion of video takes place that is what is creating the financials that you are seeing and the great benefit, then we get the capital to reinvest in these speed networks which of course is great for the consumer market.

What we have told when we get asked this question, modeling it versus what we are seeing, you would expect this industry to mature out at a CPI type of number and you would think that is what would happen, and we will just have to see how that unfolds. The surprise of that of course is this incredible demand of usage we are seeing from the broadband speeds for video on the handsets.

Maher Yaghi – Desjardins Securities – Analyst

Great, thank you. Good job.

Operator

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

Drew McReynolds – RBC Capital Markets – Analyst

Yes. Thanks for taking my questions. George, just on the Internet market, can you just comment on the impact of Internet resellers in the marketplace and some of the dynamics underneath the hood? Just secondly, maybe for you, Glen. Just with respect to no anticipated voluntary pension contributions, you do have certainly significant excess free cash flow after the dividend. Can you just update us on whether that goes to debt repayment, whether you are interested in a buyback, etc.? Thank you.

George Cope – President and CEO

So on the reseller market, what I would say is it is a competitive market. I would call it—generally it has been a price driven market and one of our strategies—there was clearly a consumer market for differentiated brand, consumer program similar to what we did in the wireless industry and so we launched the Virgin brand and that is having the proper effect we would want in that space for us. So we are probably swinging a little more of our net adds coming from our own discount brand, which is the strategy we wanted, it is addressing the market and we think that customer in the end will be stickier for us than if it was simply through the wholesale structure.

Second one, I will leave that to Glen.

Glen LeBlanc – Executive Vice President and CFO

Good morning Drew. Thanks for your question. Yes, great news, you've heard me talk about pensions for too many years now and to see us coming out the other side of it what I believe to be materially, all these voluntary contributions being behind us, it does give us an advantage to look at how we deploy our capital. I have said it many times. It is all about a balanced approach to managing our capital. Great news, the pension's behind us. It gives us the ability to look at strategic investments, strategic acquisitions to manage paying down our debt and getting back inside of that leverage objective in the next couple or three years.

As far as share buybacks, it is not something that we are actively pursuing with our leverage where it is at and as I said the pension gives us a great opportunity to deploy the capital in what will be a different approach in the future versus having to constantly make these contributions.

George Cope – President and CEO

The only thing I would add to Glen's point is I think you will see our approach in 2018 will be very consistent, again, which is a strong weighting to a consistent dividend growth free cash flow story and the other balanced point that Glen said largely away from the concept of buybacks and much more towards making sure investors want the broadband. I think our investors would want us to see quicker fibre deployment and dividend growth over that next point you've just raised. Not that it is not always a good healthy debate to have.

Drew McReynolds – RBC Capital Markets – Analyst

Okay, that is helpful. If I can just squeeze one quick one in here. Just on Bell Media, we have heard Corus talk about ad technology in Canada, whether it is addressable advertising, local ad insertion, programmable advertising. George, can you just update from Bell Media's standpoint how you view this technology? We are obviously seeing developments in the U.S. Where does Bell Media stand on that front?

George Cope – President and CEO

Yes, we have to play in that space. I think we do fairly well but we need to do better. There is better targeting opportunities for us. If you look at so many other different products that we have out there, how we can

monetize more advertising dollars through placement with those that are generous enough to buy the advertising through our organization, is some work for us to do and lends itself to an opportunity.

Of course, the other thing we are doing to the benefit of Bell Media and I would also say to the benefit of Corus and the other content providers, Alt TV of course drives subscribers in a different way but provides additional eyeballs for advertising for their models and that is part of what we hope will ultimately benefit all of the content providers in Canada, not just Bell Media.

Drew McReynolds – RBC Capital Markets – Analyst

Thank you.

Operator

Thank you.

Thane Fotopoulos – Vice President – IR

Donna, I do not believe there is any further questions.

Operator

There are no further questions.

Thane Fotopoulos – Vice President – IR

Okay, great. So with that, thank you all for your participation this morning. As usual, I will be available throughout the day for clarifications and follow-up. So thanks again and have a great one.

Operator

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