Q1 2018 Results Conference Call

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May 3, 2018

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements made by BCE's President and Chief Executive Officer and Executive Vice-President and Chief Financial Officer during BCE's Q1 2018 Results Conference Call, as reflected in this transcript, are forward-looking statements. These forward-looking statements include, without limitation, statements relating to BCE's 2018 financial guidance (including revenues, adjusted EBITDA, capital intensity, adjusted EPS and free cash flow), BCE's 2018 annualized common share dividend and common share dividend payout policy, our network deployment plans and related capital investments, 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 May 3, 2018 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 May 3, 2018. The financial impact of these transactions and special items can be complex and depends on the facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way or in the same way we present known risks affecting our business. Forward-looking statements were made during BCE's Q1 2018 Results Conference Call for the purpose of assisting investors and others in understanding certain key elements of our expected financial results, as well as our objectives, strategic priorities and business outlook, and in obtaining a better understanding of our anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes. The forward-looking statements made during BCE's Q1 2018 Results Conference Call for periods beyond 2018 assume that the economic, market, operational and financial assumptions as well as the material risk factors described in this transcript will remain substantially unchanged during such periods.

Material Assumptions

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

Canadian Economic and Market Assumptions

- *Lower economic growth, given the Bank of Canada's most recent estimated growth in Canadian gross domestic product of 2.0% in 2018, representing a slight decrease from the earlier estimate of 2.2%*
- *Employment gains expected to slow in 2018, as the overall level of business investment is expected to remain soft*
- *Interest rates expected to increase modestly in 2018*
- *Canadian dollar expected to remain at 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*
- *A soft media advertising market, due to variable demand, and escalating costs to secure TV programming*
- *Ongoing linear TV subscriber erosion, due to growing cord cutter and cord never customer segments*

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 and LTE-A devices and new data services*
- *Higher product cost of goods sold, driven by a higher sales mix of premium devices, increased new customer activations and more customer device upgrades, attributable to a higher number of off-contract subscribers due to earlier expiries under two-year contracts*
- *Wireless revenue growth driven by postpaid subscriber base expansion and a higher volume of handset sales*
- *Expansion of the LTE-A network coverage to approximately 92% of the Canadian population*
- *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*
- *Traditional high-margin product categories challenged by large global cloud and OTT providers of business voice and data solutions expanding into Canada with on-demand services*
- *Ongoing deployment of direct fibre and 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*
- *Accelerating customer adoption of OTT services resulting in downsizing of TV packages*
- *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*
- *No material financial, operational or competitive consequences of changes in regulations affecting our wireline business*

Assumptions Concerning our Bell Media Segment

- *Revenue performance is expected to reflect an improving TV advertising sales trajectory supported by our broadcast of 2018 FIFA World Cup, further CraveTV subscriber growth and continued growth in outdoor advertising*
- *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 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 2018:

- *total post-employment benefit plans cost to be approximately $335 million to $355 million, based on an estimated accounting discount rate of 3.6%, comprised of an estimated above adjusted EBITDA post-employment benefit plans service cost of approximately $270 million to $280 million and an estimated below adjusted EBITDA net post-employment benefit plans financing cost of approximately $65 million to $75 million*
- *depreciation and amortization expense of approximately $4,000 million to $4,050 million*
- *interest expense of approximately $975 million to $1,000 million*
- *an effective tax rate of approximately 25%*
- *NCI of approximately $50 million*
- *total pension plan cash funding of approximately $400 million*
- *cash taxes of approximately $700 million to $750 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*
- *average BCE common shares outstanding of approximately 900 million*

- *Common share buybacks totaling $175 million*
- *an annual common share dividend of $3.02 per share*

The foregoing assumptions, although considered reasonable by BCE on May 3, 2018, 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 2018 financial guidance, are listed below. The realization of our forward-looking statements, including our ability to meet our 2018 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:

- *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*
- *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, spectrum auctions, approval of acquisitions, broadcast licensing and foreign ownership requirements*
- *the inability to protect our physical and non-physical assets, including networks, IT systems, offices, corporate stores and sensitive information, from events and attacks such as cyber threats, and damage from fire and natural disasters*
- *security and data leakage exposure if security control protocols applicable to our cloud-based solutions are bypassed*
- *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 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*

- *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*
- *online content theft and piracy and the absence of effective legal recourses to combat them*
- *events affecting the continuity of supply of products and services that we need to operate our business and to comply with various obligations from our third-party suppliers, outsourcers and consultants*
- *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*
- *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*

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 2017 Annual MD&A dated March 8, 2018 (included in BCE's 2017 Annual Report), BCE's 2018 First Quarter MD&A dated May 2, 2018, and BCE's news release dated May 3, 2018 announcing its financial results for the first quarter of 2018 for additional information with respect to certain of these and other assumptions and risks, filed by BCE with the Canadian provincial securities regulatory authorities (available at Sedar.com) and with the U.S. Securities and Exchange Commission (available at SEC.gov). These documents are also available at BCE.ca.

The terms "adjusted EBITDA", "adjusted EBITDA margin", "adjusted EPS", "free cash flow" and "dividend payout ratio" 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 May 3, 2018 announcing its financial results for the first quarter of 2018 for more details.

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PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to the BCE Q1 2018 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. With me here this morning BCE's President and CEO, George Cope, as well as Glen LeBlanc, our CFO.

As a reminder, our first 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 this call will also be made available on our website. Exceptionally this quarter, because of our annual general shareholder meeting is taking place starting at 9:30 this morning, we will be ending the call earlier than usual at 8:45.

However, before we get started, I want to draw your attention to the Safe Harbor statement on Slide 2.

Information in this presentation and remarks made by the speakers today will contain statements today about expected future events and financial; they are forward-looking and therefore subject to risks and uncertainties. These forward-looking statements represent our expectations as of today and accordingly are subject to change. Results may 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 S.E.C., and are also available on our corporate website.

On that, I will turn it over to George.

George Cope – President and CEO

Great. Good morning everyone. Thank you for joining us. We had a good start to the year both financially and from a subscriber perspective in Q1, adding a little over 100,000 broadband subscribers, up 39% year-over-year. The 4.8% growth in revenue drove 4.1% higher EBITDA on a year-over-year basis, and Glen will comment on a CRTC retroactive charge that we were hit with, and without that we would have been around 4.7%, in fact.

Wireless continues to be an excellent business for us, double-digit revenue growth and EBITDA up 8.7% excluding the $14 million retroactive regulatory impact that as I say Glen will address.

Wireline EBITDA, positive operating trends with EBITDA up 3.1% on the 3.6% revenue growth. Early in the second quarter we have begun our mass marketing of fibre in Toronto. By the end of this year, about 87% of SFUs, single family units, will have fibre coverage to them in Toronto.

A stable quarter for the Media group, and really proud that it is our 50th consecutive quarter of uninterrupted EBITDA growth for the market, and in the quarter we generated strong free cash flow of 9.8%.

As I mentioned, from a Wireless perspective, again, very strong subscribers, 68,000 net postpaid additions, up 91% year-over-year. Our best Q1 performance since 2011 or in seven years, and our fourth consecutive quarter of lower post-paid churn.

The Lucky Mobile brand focused on the discount prepaid market is building as expected. It helped us a little bit in Q1 and that will continue to help turn the tide for us in the prepaid segment of the marketplace.

As I indicated before, we thought we would see ARPU increases this year in the industry around CPI. You can see in Q1 up 1.4% year-over-year on our postpaid and that is based on a term now we call ABPU, which really goes to what used to be known as the average revenue per unit.

Overall, a very strong first quarter. In the last two quarters we have added almost 250,000 net additions. I fully expect the strong subscriber growth to continue this year, resulting in Bell Mobility being number one in free cash flow generation in the country amongst wireless carriers in 2018, and that is pretty significant given all the different accounting changes. Ultimately, free cash flow is our story and having Wireless as strong as we expect for this year should bode well going forward.

In terms of Wireline, turning to that, positive trends in the quarter from a subscriber perspective. Internet net adds up 31% year-over-year. We added actually about 44,000 customers to our fibre footprint across our different markets. I mentioned the Toronto launch. In fact, about 17% of the homes passed in Toronto are already using our fibre network, so some good early signs. And of course, in the back half of the year, we would expect to see some of the Internet momentum as we get the back to school market, etc. happening with this positive footprint, and of course the other markets that we have fibre deployed.

IPTV additions of 14,000 as we continue to see that market mature and our footprints not growing at the rate it was at one point.

From a satellite perspective, we continue to see an improvement in the rate of declining subscribers. In fact, we saw churn rates of 1.24% driving a reduction in our losses of 31% year-over-year as our satellite footprint continues to be now more rural and less of subscribers in the urban markets.

Residential NAS, again, another positive quarter there as our losses are reduced 21% year-over-year.

Also I think worth calling out for investors that it was our best business markets quarter in eight years. Some positive there, maybe from some of the economy or just some pure execution in the Wireline business, that is important as investors would know, and with that we are fairly comfortable that even though we have lapped the MTS acquisition, in the next three quarters we would expect our Wireline business to produce positive EBITDA on a yearly basis.

Turning to our Media assets, a stable quarter. Obviously competing with the Winter Olympics so it is going to have some impact but overall we are quite pleased. CTV continued to be the leader in terms of winter programming. Some positive result out of TSN/RDS with audiences up year-over-year and becoming the number one sports network for a couple of quarters in a row now. Our CTV National News continues to outdistance our largest competitor now with a lead of about 89% or 189% of our largest competitor.

A small portfolio but pleased strategically with our relationship now with Bloomberg to create a product called BNN Bloomberg, now launched, extending our coverage from 12 to 22 hours on business news, securing our position as the clear Canadian business news leader in terms of TV services.

CraveTV continued to see steady growth in the marketplace with, quite frankly, unparalleled content in the marketplace.

With that, let me turn it over to Glen.

Glen LeBlanc – Executive Vice President and CFO

Thanks, George. Before I begin with my usual quarterly financial overview, I would like to remind everyone that starting Q1 2018 we are preparing results in accordance with IFRS 15 Accounting Standards. For comparability, we have also, retrospectively restated 2017 quarterly financial results to reflect IFRS 15 impacts. The revised absolute dollar amounts for revenue and adjusted EBITDA differ from previously reported figures for 2017, mainly for our Wireless segment. However, this is no significant differences in our 2018 growth rates when comparing year-over-year results on either an IFRS 15 or previous GAAP basis. Therefore, we will not be disclosing 2018 on a prior accounting basis.

At a high level, IFRS 15 recognized higher up front product revenue and amortizes direct and incremental subscriber costs such as wireless device subsidies and sales commissions over the contract term. Generally speaking, the higher the magnitude of Wireless postpaid gross additions and handset upgrades in a quarter, the greater the favourable impact on EBITDA.

It is also important to note that IFRS 15 has not affected the underlying operating fundamentals of our business. In fact, overall free cash flow does not change, which is the key financial measure for dividend growth companies like BCE.

With that, let us move on to the summary financial highlights for Q1 on Slide 9.

A consistent focus on subscriber profitability and disciplined operational execution contributed to strong 4.8% revenue growth and 4.1% higher adjusted EBITDA in Q1. This was driven by another quarter of very healthy Wireless financial results, continued steady broadband market share growth, improved year-over-year Wireline business performance, and a final quarter of the incremental contribution from our acquisition of MTS that lapped on the 17th of March.

However, BCE's consolidated EBITDA margin declined modestly to 40.3%, reflecting a one-time $14 million retroactive charge to account for the lower final rates set by the CRTC in the recent wireless wholesale domestic roaming tariff decision. Excluding this regulatory impact, adjusted EBITDA, as George mentioned, was up 4.7% and margin was stable.

With respect to EPS, although absolute dollar earnings in Q1 increased 3.1% year-over-year on the back of strong EBITDA growth, statutory and adjusted earnings per share were unchanged at $0.73 and $0.80 per share, respectively, as a result of the share dilution from the issuance of common shares for the MTS acquisition.

Lastly, higher EBITDA was also the main factor that contributed to free cash flow growth of 9.8% in the quarter. This was achieved even with $79 million in higher year-over-year capital spending on further expanding our direct fibre service footprint, and maintaining our LTE network speed leadership position.

Turning to Slide 10, on Bell Wireless, another very good quarter of financial results, highlighted by double-digit revenue growth of 10.1%. Service revenue up 6.1% year-over-year, while product revenue increased 26.9% on a higher volume new gross customer activations, and handset upgrades combined with a higher sales mix of premium smartphones.

The notable jump in product revenue growth and related stepdown in service revenue growth compared to previous GAAP is due to the fact that under IFRS 15, as I mentioned, more product revenue is recognized upon activation at a relative fair value of the total consideration to be received over the contract term, while the device subsidy recovery component of ARPU is largely removed from service revenue. Remember, excluding the $14 million retroactive regulatory charge I referred to earlier, Wireless EBITDA grew 8.7% in the quarter despite higher year-over-year operating costs driven by Bell MTS, higher product cost of cost of goods sold, and increased advertising during the Winter Olympics in February.

Let us move over to our Wireline segment on Slide 11. Total revenue, up 3.6%, the result of continued solid broadband Internet and IPTV subscriber base growth, higher household ARPU and Bell MTS incremental contribution in the quarter, as well as the improved year-over-year business performance supported by higher IP broadband connectivity revenues and increased data product sales to large enterprise customers.

In terms of operating profitability, consolidated Wireline EBITDA increased a very respectable 3.1%. This maintained our industry-leading margin at a very healthy 42.2%, which provides substantial operating leverage to support our approximate $2 billion in planned broadband fibre spending in calendar 2018.

I will make a few comments on Bell Media, Slide 12. Total revenue was essentially flat year-over-year, decreasing by 0.3%. Advertising revenue was down 0.4%, the result of continuing soft TV advertising markets and a shift in spending by advertisers to the main broadcaster of the Winter Olympics.

Although subscriber revenue growth continues to reflect strong contribution from our CraveTV and TV Everywhere GO streaming products, modest 0.4% year-over-year increase reflected lower revenue catch-up adjustments on contract renewals and settlements with TV distributors this quarter compared to Q1 of last year.

Similar to last quarter, adjusted EBITDA was down year-over-year, declining 3%, and this was mainly due to the higher costs of sports broadcast rights and the CraveTV content expansion. We expect that content cost pressures and ongoing TV advertising market challenges will continue to weigh on Bell Media's EBITDA performance for the balance of the year.

Let us go over to Slide 13 and walk down to the main components of adjusted EPS, which was stable year-over-year and in line with plan for Q1 at $0.80. Higher adjusted EBITDA including Bell MTS contribution delivered $0.07 of EPS growth in the quarter. However, this was effectively offset by higher year-over-year depreciation and amortization expense driven by the expanded capital asset base that now includes Bell MTS and of course the dilution from the shares issued for the MTS acquisition.

Notably, in mid-March we completed our previously announced $175 million share buyback program, under which approximately 3.1 million common shares were repurchased, generating annual dividend savings of $9 million.

Lastly, I wanted to bring your attention to the change we made in our definition of adjusted EPS, which now excludes mark-to-market changes on derivatives used to economically hedge share-based payment plans. This was done to align with peers' reporting practices and to ensure that adjusted EPS better reflects underlying fundamental performances while reducing volatility from non operational factors.

Free cash flow, Slide 14, as George mentioned, we generated $537 million in the quarter, up a healthy 9.8% compared to last year. This was the result of higher adjusted EBITDA and an improvement in working capital, attributable mainly to the timing of supplier payments.

Higher year-over-year Capex as well as higher cash interest paid, due largely to the MTS debenture debt assumed with the acquisition, moderated the increase in free cash flow this quarter.

Cash taxes for Q1 remained relatively stable year-over-year, consistent with our full year outlook, and as higher installment payments were offset by partial utilization of the $230 million in remaining MTS tax loss carry-forwards which we intend to have fully monetized during the course of 2018.

We also took advantage of favourable market conditions to successfully complete two public debt offerings in the quarter. The first, a seven-year $500 million MTN issuance, and the second was a $750 million in 30-year U.S. dollar debentures. The U.S. financing represents our first issuance in the American market in more than 20 years. These two new issuances effectively completes the refinancing of near-term maturities to the end of February 2019, and maintains our weighted average after tax cost of debt at 3.1%, while increasing our average term to maturity by more than one year from 9.3 years to 10.4 years.

Lastly, a quick update on the status of the Bell Canada pension plan. Despite the unfavourable impact of rising interest rates since the end of 2017 on our asset returns, given the 70% mix of fixed income securities, Bell Canada's DB plan is now nearly fully funded with a solvency ratio that is currently at 99.6%, so getting awful close to fully funded.

Finally, let me wrap up on Slide 15. As we stated on our Q4 call last February, 2018 growth rate guidance ranges for all of our key financial metrics including revenue, adjusted EBITDA, adjusted EPS and free cash flow do not change as a result of IFRS 15, and we also applied the new accounting standards retrospectively to the 2017 results to ensure year-over-year comparability.

Only our absolute dollar adjusted EPS guidance requires modifications to reflect the non cash increase in EBITDA from IFRS 15 driven changes I outlined earlier. Accordingly, we are revising our adjusted EPS dollar guidance upwards to a range of $3.45 to $3.55 for 2018.

That concludes my formal remarks and I would like to turn the call back over to Thane and the Operator to begin Q&A.

Thane Fotopoulos – Vice President – IR

Thanks, Glen. So before we do start the Q&A period I want to remind participants of our time constraints this morning, so please keep your questions brief and as direct as possible so we can get to as many of you on the call as possible.

Donna, please explain how they queue up for questions.

QUESTION AND ANSWER SESSION

Operator

Thank you. 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 one on your telephone keypad. If at any time you wish to cancel your question, please press the pound sign. Please press star one 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 Simon Flannery from Morgan Stanley. Please go ahead.

Simon Flannery – Morgan Stanley – Analyst

Great. Thanks very much. I wonder if we could start with 5G. You talked about the wireless to the home initiatives in rural Canada using both 3.5 GHz and 28 GHz. There is a big debate in the U.S. with Verizon leading with microwave but Sprint and T-Mobile more focused on the lower and mid-band. How are you thinking about the various frequency bands and do you think fixed wireless is the most near-term use case or are there other things that you think can generate revenues in the near term? Thanks.

George Cope – President and CEO

Thanks for the question. Our perspective on this is on 5G, you have got to break it into two components, and you really just have—there is the Mobility transformation from LTE Advanced ultimately to 5G technology, and then there is the opportunity for some fixed wireless footprint. We think in Canada, particularly from Bell's perspective with the amount of fibre we are doing in the urban markets, 5G fixed is likely to play a bit of a role for us in some of the rural markets, and you are seeing that in our announcement that we noted in the quarterly release.

Ultimately, of course, we will have 5G Mobility in both urban and rural markets, but that would be our view. And in terms of spectrum, we are very rich at 3.5 GHz and we are in the midst of utilizing that at the moment for our fixed 5G services. At this point, it is not licensed for mobile services in Canada.

Hopefully that is helpful.

Simon Flannery – Morgan Stanley – Analyst

Absolutely, thank you.

Operator

Thank you. Our next question is from David Barden from Bank of America Merrill Lynch. Please go ahead.

David Barden – Bank of America Merrill Lynch – Analyst

Thanks for taking the question. I guess just one. Could you talk about the mass market roll out of the fibre initiative in Toronto and kind of what the response you have seen to the marketing itself has been? Are we watching the run rate happen now or is there a kind of rolling wave of initiatives that is going to take place over the course of the year that will kind of impact the data and video take rate?

George Cope – President and CEO

First of all we think for sure it will grow because the positioning of the network now being on in Toronto. If you are here, people would pretty much have noticed; we are branding that. Of course, we also are, as we are branding that, also doing it in all of our other fibre footprints, and hopefully people can see even in the quarter at 44,000 homes moving to the fibre, we expect that to continue to grow.

Second half of the year, traditionally for Canada, for whatever reason, on the Internet is the stronger and part of that has got to do with the back to school market being so important. The third quarter is a big quarter so we are really hoping that continues and that would be our strategy with the marketing now to try to capture that important market in the third quarter and obviously second and fourth, but third is particularly important.

So, yeah, I would think we will continue to build. Plus, our footprint, of course, continues to expand everywhere as well as in the Toronto marketplace. That is one of the reasons I called out that at the end of this year when we get to 87% or so of all the single family units in the 416 footprint, that gives us pretty great ubiquitous coverage footprint.

David Barden – Bank of America Merrill Lynch – Analyst

Great. Thank you so much.

George Cope – President and CEO

Thank you.

Operator

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

Vince Valentini – TD Securities – Analyst

Thanks very much. The satellite losses getting better, can you give us any sense of where you are at now in terms of a percentage of subcribers that would be considered more safe rural subs versus still potentially a risk? Or is it sort of 80% safe now? I am just trying to gauge how much more downside there could be.

George Cope – President and CEO

Yeah, you know you are awfully close, and Thane will be happy to catch up with some of the analysts after. That is a pretty close number to it. It is why we are seeing the churn coming down. We are also seeing some benefit we saw with the Bell Aliant acquisition; we are now seeing some of the benefits with the MTS acquisition where in those markets, the more traditional telco that we did not have 100% ownership or no ownership of, is now marketing in the rural footprint against the other satellite provider, and that is helping a little bit on the fringe as well. We think that is why we are seeing the lower churn, and we are absolutely, within some reasonable bounds, happy to share with the analysts a sense of what is urban and what is rural on what we have got on satellite side.

Vince Valentini – TD Securities – Analyst

George, can I just follow-up on that? In the areas where it is rural, do you have pricing power, or do these households have good broadband to be able to use OTT services? Or would you consider this the best video market you have because they do not have enough access to competition?

George Cope – President and CEO

Let me qualify. First of all, we have a pretty aggressive satellite competitor in Canada in Shaw, so first of all there is that choice on the video side. On the broadband side, in those markets, one of the reasons we talked about actually some of the fixed wireless we are going to begin to roll out is we think there is an opportunity there from a broadband perspective.

Then, of course, within that context, all those markets of course have LTE Advanced services but of course that is more mobile type pricing than it is fixed wireless pricing. But I would say, frankly, we are still, in the urban markets, seeing the net TV growth with our IPTV product as well.

But yeah, that is a couple of quarters in a row of satellite churn lower, and let's one hope it continues, and secondly, from our perspective the split is starting to be helpful versus rural versus urban split.

Vince Valentini – TD Securities – Analyst

Thank you.

George Cope – President and CEO

Thank you.

Operator

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

Maher Yaghi – Desjardins Securities – Analyst

Good morning and thanks for taking my question. George, much of your results continue to show good progress and in line with your prior guidance, so I am going to take this opportunity to just ask you more longer term questions. Could you tell us how you view your asset mix right now, and if there are certain assets that you would like to decrease or increase? Do you see the company entering other verticals to broaden your presence and find new growth opportunities in the future?

George Cope – President and CEO

Thanks for the question, and talking about the future. You know, it is interesting conversation, not so much around we have made a number of acquisitions, we think we are in a very good position that way, but in terms of our asset base, I think what we are incredibly excited about is the investment we are making and continue to make in fibre. We think as a telco who is national wireless and now 70% of the country with a wireline footprint puts us in one of the best positions of any telco in the world in terms of position for 5G, which is going to require fibre to every single cell site, and a multiple of cell sites going forward when you get out three to five years. So the amortization of this investment we are making in fibre for our wireline business arguably has a huge benefit for the shareholders of BCE on the Wireless side as well. That is clearly one of the, we think—and when I look out versus our asset pool ten years ago, completely different.

Second one from us is the aggregation market, we are really pursuing aggressively not just linear TV but the OTT market with our Alt TV product which really allows us to deliver all the TV services you get in linear TV through our TV licence without a set-top box. And we think that strategically positions us extremely well because clearly there is a viewership market that wants to view content in that way and we began that product about, as people know, six, nine months ago, and that is going to continue to build. So from that perspective we like the asset mix as well.

Now it is really about leveraging the opportunities through a number of technologies in terms of consumer behaviour to continue to hold the margins where we have them.

Hopefully that is helpful.

Maher Yaghi – Desjardins Securities – Analyst

Yes, thank you. Just maybe on the Enterprise side, we do not get a lot of data on your results, in your results on that segment. Can you maybe just give us an update on how is the growth in that side of this business looking like and your outlook for that business?

George Cope – President and CEO

Well, first of all, our Enterprise is actually in three places. One is Bell Media, which sells advertising in Enterprise; two, Bell Mobility which sells significantly in Enterprise; and Wireline. Those three groups combined, because of Wireless, would on balance probably overall show a growth rate. But as we talked about in the past, the Wireline side of the Enterprise, tremendous market positioning but structural challenges relative to real footprint growing, etc., retail footprint growing, etc.

However, as I did say, it was our best quarter, I think in eight years, that we have had on the Wireline Enterprise marketplace, and boy, we would love that to repeat quarter over quarter, but one quarter does not make for a trend, but clearly it helps our Wireline business going forward.

Hopefully that is helpful.

Maher Yaghi – Desjardins Securities – Analyst

Yes. Thank you very much.

Operator

Thank you. Our 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 wanted to touch on Wireless ARPU. Obviously we are starting to see that moderate a little bit. Should not be surprising given the really strong numbers that we have seen in the past. I was wondering, George, if you can just add a little bit more colour to that. Is this more sort of that rollout of premium plus plan starting to lap, or are there other factors that are affecting the ARPU numbers?

George Cope – President and CEO

I think it is what you have said. I think as we had expected, the buckets have got larger in Canada in the competitive marketplace, so there is more in-bucket usage, if you will, versus out of data bucket usage and that obviously drives the rate of average revenue per unit not to grow as it had the last three years.

The other thing, do not forget, we have done the migration largely from the base onto LTE Advanced, so although we are continuing to see increase in usage, that rate of increase in usage that we talked about the last couple of years was pretty significant as people migrated to the speeds that we are offering in the marketplace. So those would be a few things.

Then, as you know, the market, as we have seen, has moved into more competition than we would have had in the past with the additional players.

Aravinda Galappatthige – Canaccord Genuity – Analyst

Thank you.

Operator

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

Richard Choe – J.P. Morgan – Analyst

Great. Just wanted to hit on Wireless. Given some strong results from competitors and your results were strong too but I think people might have been expecting a little bit more. Can you talk about your positioning and the competitive landscape?

George Cope – President and CEO

I do not think there is an analyst on the street who expected more Wireless net adds. When we normalize Q1 results of our largest competitor, we think we are right on top in terms of net adds, and what a great couple of quarters. Let us hope the other peers in the industry show the same numbers. It makes it a really healthy industry for all investors, but we are absolutely thrilled. In fact, I cannot remember a first quarter like this in net adds in Wireless. Great positioning.

Clearly one of our peers had a good first quarter, and I wish the other ones well because it means it is a healthy market for investors.

Hopefully that is helpful.

Operator

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

Jeffrey Fan – Scotiabank – Analyst

Thank you. Just wanted to follow-up on the ARPU question quickly. If we take a look at the difference in the ABPU and the ARPU and just take a look at the service ARPU growth, it was flat year-on-year. Wondering what that trend kind of looks like because it says that there is been a big help in terms of the ARPU growth from the subsidy model, and I guess the question really is could that service ARPU go negative given the competitive landscape, and what if the subsidy model becomes less of a factor in terms of supporting ARPU growth?

George Cope – President and CEO

Let us just talk about traditional ARPU. That is really what are we billing an end user. As we said, we reported our quarter there we think there is one fundamental that people have to know and I think the Canadian wireless industry hopefully will continue to report that so investors can see truly what we are billing per unit.

The other metric, quite frankly, is about amortization and grossing up hardware. It is hard for me to say it tells you much at all, sorry, relative to what we are really billing from a customer perspective because you get this phenomena of booking the hardware up front, and so if you have higher gross add sales it can actually inflate that number but not have anything to do really with your run rate on a customer perspective.

One of the biggest challenges, as all the analysts know on the call, it is going to be so important to focus on our cash flow because a multitude of upgrades in any one quarter can drive short-term EBITDA, which frankly is not really driving additional cash flow in that quarter. So, you know, it is one of the challenges, but I think it is simple for everybody to see as long as we are reporting the free cash flow which, of course, we are going to continue to do.

I think you are going to see the industry—certainly we will—the more traditional ARPU will also be a number that we will try to share with the Street. Am I right on that, Glen?

Glen LeBlanc – Executive Vice President and CFO

Yes. The ABPU follows the cash and I think that that is why it is so important for us to have reported that, and we have seen our peers are reporting that and that will continue.

George Cope – President and CEO

Hopefully that is helpful.

Jeffrey Fan – Scotiabank – Analyst

Do you expect that to re-accelerate? That 1.4% that you reported on that number?

George Cope – President and CEO

Well, I think I am not going to give forecasts on ARPU, other than I think it is fair to say a couple of quarters ago we started to—this has been an important question from the Street. We have been saying we think modelling for the analysts, something around CPI seems to be would be a prudent thing to do. If it ever does better than that, that is great for investors. Obviously, we are, without giving guidance, certainly trying to give some direction how to look at the market going forward.

Jeffrey Fan – Scotiabank – Analyst

Okay. Thanks, George.

George Cope – President and CEO

Yes.

Operator

Thank you. Once again, please press star, one if you have a question. Your next question is from Drew McReynolds from RBC Capital Markets. Please go ahead.

Drew McReynolds – RBC Capital Markets – Analyst

Thanks very much. George, can you provide an update, just from a regulatory standpoint. Obviously we saw some decisions over the last couple of months with the government wanting to address affordability. We have seen some affordable options in the market. Maybe just provide an update on whether the industry has done enough and just the overall relationship there.

Secondly, just for you, Glen, can you just give us the kind of technicalities of how you go from 99% to 105% on the pension? Does that kind of automatically trigger kind of a lower pension contribution requirement? Just how the mechanics there work.

George Cope – President and CEO

I am going to answer the first part of the question. I think we have had decisions come out of the CRTC that I think reflect the government's acknowledgment that the country is leading from an investment perspective, from a network perspective on a global basis. At the same time, the minister has said he wants a competitive marketplace and wants choices for consumers across all different price points in the market. One of the reasons, one strategically, one of the reasons we rolled out Lucky Mobile as an opportunity for us in the prepaid segment that we have not played in successfully. Secondly, I also think it is consistent with what the minister's agenda has been which is to try to make sure there is affordability pricing across all segments. Some products will have different speed available based on the price points and so Lucky really was trying to address some of those issues as well. But I think it would be disingenuous to say it was just strategic to be done for that. It also was a market that we were not as successful in that we need to be going forward because as we see people migrate from prepaid to postpaid and we want to be in that space as well.

Generally, the decisions have been consistent with what we would have expected. I would say consistent with what the minister has been saying publicly. Probably a little disappointed in seeing retroactive—lowering or roaming costs to our competitors when they have been in the business eight or nine years and have had eight or nine years to build their networks. I would question why we would reduce the cost of multi-billion companies that is maybe—you can see given how small it was in our numbers, although retroactive, somewhat immaterial for Bell.

Glen LeBlanc – Executive Vice President and CFO

I will jump in on the second part, Drew. Thanks for the question. The path to fully funded has been an elusive one, as you know all too well, but with the fluctuation and the rising of interest rates we find ourselves at 99.6% now, and frankly, we even had a day I think during the quarter where I think it was 99.9%, so we almost had a crack the champagne when we got to a fully funded state.

How do we get from fully funded to the ultimate state of 105%, which would allow the contribution holidays, which you have heard me speak of before, would be as much as 200% in a given year. Probably 50 basis points, simple math, gets you there. Recognizing that we are 70% fixed income, you would need about 50 basis points because in a rising interest rate environment what is going to happen is you are going to see a lower return experience. You can remember the years where we were knocking out some pretty healthy returns, but obviously in a rising rate environment I would expect that returns would be muted.

Simple answer, in a lower return environment, 50 basis points gets us to that ultimate state.

Drew McReynolds – RBC Capital Markets – Analyst

Thank you.

Glen LeBlanc – Executive Vice President and CFO

Thanks, Drew.

Operator

Thank you. There are no further questions at this time. I would like to turn the meeting back over to Mr. Fotopoulos.

Thane Fotopoulos – Vice President – IR

Thank you, Donna. Once again, I want to thank everybody who participated this morning on the call. The IR team, Richard Bengian and myself, will be available for follow-up questions and clarifications, following our AGM later this morning. Have a good rest of the day. Thank you.

George Cope – President and CEO

Thanks everyone.

Operator

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