



# BCE

## BCE/MTS Joint Analyst Call to Discuss BCE's Acquisition of MTS

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May 2, 2016

## **CAUTION CONCERNING FORWARD-LOOKING STATEMENTS**

Certain statements made by BCE Inc. ("BCE")'s President and Chief Executive Officer and Executive Vice-President and Chief Financial Officer, and by the President and Chief Executive Officer of Manitoba Telecom Services Inc. ("MTS"), during the BCE Acquisition of MTS Analyst Conference Call on May 2, 2016 ("MTS Acquisition Analyst Call"), as reflected in this transcript, are forward-looking statements. These forward-looking statements include, without limitation, statements relating to the proposed acquisition by BCE of all of the issued and outstanding common shares of MTS (the "MTS Transaction"), the expected timing, impact and sources of funding of the proposed MTS Transaction, the proposed divestiture by BCE to TELUS Corporation ("TELUS") of a certain portion of MTS' postpaid wireless subscribers and the proposed assignment by BCE to TELUS of a certain portion of MTS' dealer locations (the "TELUS Transaction" and, together with the MTS Transaction, the "Proposed Transactions"), the expected timing and impact of the proposed TELUS Transaction, certain strategic, operational and financial benefits expected to result from the Proposed Transactions, BCE's network deployment and capital investment plans, BCE's dividend growth objective, BCE's expected pro forma net debt leverage ratio at closing of the MTS Transaction, the expected return of BCE's net debt leverage ratio within BCE's net debt leverage ratio target range, 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. 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 2, 2016 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. Forward-looking statements were made during the MTS Acquisition Analyst Call for the purpose of giving information about the Proposed Transactions and their expected impact. Readers are cautioned that such information may not be appropriate for other purposes. The forward-looking statements made during the MTS Acquisition Analyst Call for periods beyond 2016 assume that economic, market, operational and financial assumptions as well as the material risk factors described or referred to in this transcript will remain substantially unchanged during such periods.

The completion and timing of the Proposed Transactions are subject to customary closing conditions, termination rights and other risks and uncertainties including, without limitation, court, shareholder and regulatory approvals, including approval by the Competition Bureau, the CRTC, Innovation, Science and Economic Development Canada, as well as the TSX and NYSE, as the case may be. Accordingly, there can be no assurance that the Proposed Transactions will occur, or that they will occur on the terms and conditions, or at the time, contemplated in this transcript. The Proposed Transactions could be modified, restructured or terminated. There can also be no assurance that the strategic, operational or financial benefits expected to result from the Proposed Transactions will be realized.

For additional information on assumptions and risks underlying certain forward-looking statements reflected in this transcript relating, in particular, to BCE's network deployment and investment plans, BCE's dividend growth objective, and BCE's net debt leverage ratio, please consult BCE's 2015 Annual MD&A dated March 3, 2016 (included in the BCE 2015 Annual Report) and BCE's 2016 First Quarter MD&A dated April 27, 2016, filed by BCE with the Canadian provincial securities regulatory authorities (available at [Sedar.com](http://Sedar.com)) and with the U.S. Securities and Exchange Commission (available at [SEC.gov](http://SEC.gov)). These documents are also available at BCE.ca.

For additional information on assumptions and risks underlying certain forward-looking statements reflected in this transcript relating, in particular, to MTS' business prospects, please consult MTS' 2015 Annual MD&A dated February 4, 2016, filed by MTS with the Canadian provincial securities regulatory authorities (available at [Sedar.com](http://Sedar.com)). This document is also available at [MTS.ca/aboutus](http://MTS.ca/aboutus).

The terms "free cash flow", "free cash flow per share" and "net debt leverage 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 "Non-GAAP financial measures and key performance indicators (KPIs)" in BCE's 2016 First Quarter MD&A for more details.

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## **PRESENTATION**

### **Operator**

Good morning ladies and gentlemen. Welcome to the joint BCE/MTS Analyst Conference Call. I would like to turn the meeting over to Mr. Thane Fotopoulos. Please go ahead, Mr. Fotopoulos. .

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### **Thane Fotopoulos – Vice-president, Investor Relations – BCE/Bell Canada**

Thanks Donna. Good morning to everyone on the call and welcome to the joint BCE/MTS Analyst Conference Call. As you are aware, this morning we announced that BCE will be acquiring MTS and the purpose of today's call is to provide some additional details and perspectives on that transaction. On the call today are George Cope, President and CEO of BCE, Jay Forbes, President and CEO of MTS, and Glen LeBlanc, CFO of BCE. George, Jay and Glen have a few prepared remarks for you, after which we will proceed to the Q&A portion of the call.

However, before we begin I need to call your attention to our Safe Harbour notice in Slide 2, reminding all listeners that today's presentation and remarks by the speakers will contain certain forward-looking statements, including with respect to the proposed acquisition of MTS by BCE and subsequent transaction with Telus, and the prospective timing and financial impact of these transactions. Several assumptions were made by us in preparing these forward-looking statements and there are risks that actual results may differ materially from those contemplated by our forward-looking statements. For additional information on such risks and assumptions, please consult both the BCE and MTS press releases dated May 2, 2016 announcing BCE's acquisition of MTS and a subsequent transaction with Telus, as well as BCE's 2015 annual MD&A as updated in BCE's Q1 2016 MD&A and news release announcing financial results for the first quarter as well as MTS's 2015 annual MD&A.

These forward-looking statements represent BCE's and MTS's expectations as of today and accordingly are subject to change after such time. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. I am making this cautionary statement on behalf of all the speakers today whose remarks will contain forward-looking statements.

With that, over to you, George.

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### **George Cope – President and CEO – BCE/Bell Canada**

Great. Thanks Thane. Good morning everyone and thank you for joining us. I am thrilled this morning to be here with Jay Forbes, CEO of MTS, to announce the proposed acquisition by BCE of MTS. Both companies have a history of providing world-leading telecommunications services for over 100 years in this country.

I am pleased to report that the transaction has been unanimously supported by both Boards of Directors. We will be acquiring all of the outstanding shares of MTS for \$40 per share. Forty-five percent of the share price will be paid for in cash and 55% in BCE common equity. Glen will take you through the details of the transaction in a few moments.

I am on Slide 4. Bell will be paying 10.1 times analyst estimated EBITDA of MTS for 2016 or 8.2 times including the tax asset value and the net present value of synergies we expect from this transaction.

We expect the transaction to be free cash flow accretive immediately as a result of the tax synergies and operating synergy opportunities. The transaction supports our dividend growth model and importantly maintains our strong investment grade balance sheet.

This transaction is subject to the Competition Bureau, to ISED—formerly Industry Canada—and CRTC approval. We expect closing to be late this year or early 2017.

We are thrilled to be acquiring one of Canada's leading communications providers, and clearly Manitoba's leading communications provider.

Turning to Slide 5, the acquisition lines up perfectly with our strategic imperatives that we have had in place since 2008. Overnight the company will become the number one wireless provider in Manitoba and our wireless business based on Q1 results will become the EBITDA leader in Canada. It increases Bell's IPTV footprint by 350,000 homes. MTS delivers high-speed Internet and IPTV to 70% of homes in Manitoba and 90% of these homes have speeds of up to 50 Mbps. It increases Bell's Internet subscriber base by 6.6% and increases Bell's IPTV subscriber base by 8.6% or 106,000 subscribers. It improves Bell's business market's positioning on a national basis and allows us to move traffic that is currently off-net for our national accounts to on-net. It improves our competitive position for Bell Media, particularly adding a strong distribution partner now as part of our ownership structure. And as I mentioned there are significant opportunities because of the tax losses and over time operating cost synergies.

Turning to Slide 6, BCE is making a strong commitment on continuing to build on MTS's strong legacy in the province of Manitoba. Importantly, as part of the transaction, we are committing to invest \$1 billion in Manitoba over the next five years to expand and enhance broadband infrastructure in the province. Our world-leading Gigabit Fibe service we expect will launch within 12 months of closing in some markets and will be up to 20 times faster than the average speed of MTS customers today.

The customers today of MTS will all have access to Bell's leading Fibe TV services. MTS already has an industry-leading IPTV service and we can add to that platform with our features such as Trending and Restart. We expect to expand the 4G LTE network with enhanced LTE, allowing us to double the mobile download speeds enjoyed in the province today.

Importantly as well today, we are announcing that Winnipeg will become Bell Canada's Western Canada Headquarters where combined with MTS and Bell's employees across Western Canada we will have over 6900 employees.

In recognition of the incredibly strong brand MTS has in its marketplace, the new organization will be named Bell MTS.

Of course we and MTS will maintain their longstanding commitment to local communities with programs such as the support that MTS has provided for United Way and we are excited about bringing the Bell Let's Talk program in a much more significant way to the province of Manitoba.

We are committed to maintaining a strong presence in the province and with these investments today announced combined with the creation of the headquarters there, I think it is great evidence for everyone how serious we are about that and how important this market will be for us going forward.

With that, I want to turn the presentation over to Jay. Jay, over to you.

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### **Jay Forbes – President and CEO – MTS**

Thanks George and good morning everyone. As I am sure you can imagine, this is a historic day for MTS and for telecommunications in Canada. Thanks for the opportunity to join you and Glen on this call and to share some comments.

At MTS, we are proud of our history and what we have achieved over the past 100 years as an independent company. We believe the transaction we are announcing today recognizes this history of success and positions our organization for even greater success in the years to come.

As Slide 8 indicates, this transaction offers compelling benefits to our shareholders, customers and employees and holds great promise for the long-term growth and prosperity of Manitoba.

Under the terms of this transaction, MTS will achieve much more than it could have as an independent company. You can see the transaction will deliver immediate and meaningful value to MTS shareholders. The premium is a record in the telecom industry and recognizes the intrinsic value of MTS. In addition to this immediate value lift, our shareholders will benefit from the opportunity to acquire shares in BCE, a company with a strong mix of growth assets, a track record of dividend performance and a balance sheet that is both strong and healthy. And, for our Canadian resident MTS shareholders, there will be an opportunity to roll-over their MTS shares into BCE shares on a tax-free basis.

In negotiating this transaction, it was important for us to see meaningful benefits accrue to our employees, our customers and our community. Accordingly, we are excited to see Winnipeg as the Western Canadian headquarters for the combined operations of these two businesses. This will see 6900 employees reporting through Winnipeg into Canada's largest communications company, an exciting development for the Winnipeg business landscape.

BCE's commitment to invest \$1 billion over five years into Manitoba's telecommunications infrastructure will also contribute greatly to the prosperity of our province and to the quality of our customer experience. An investment of this size made by a company with Bell's scale and expertise, we will be able to truly put our customers first.

Finally, BCE will build on a record of community support in Manitoba. I know Manitobans will be pleased to see a continued support for sponsorships such as the naming rights to the home of the Winnipeg Jets, and it is fitting that Clara Hughes, ambassador for Bell's Let's Talk initiative will be part of the new Let's Talk Manitoba program for her own home province.

The sensitivity you have shown in crafting an offer that addresses the unique needs of the Manitoba marketplace and community makes you the perfect acquirer of MTS. Thanks George, and over to Glen.

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**Glen LeBlanc – Executive Vice-President and CFO – BCE/Bell Canada**

Thank you Jay and good morning everyone. The acquisition of MTS that we are initiating will be by way of plan of arrangement, requiring the approval of two-thirds of the MTS shareholders, under with BCE will buy all outstanding common shares in cash and stock transaction for a total value of approximately \$3.1 billion. That represents a \$577 million premium to the 20-day weighted average share price as of Friday's market close. The transaction represents a valuation multiple of approximately 10.1 times based on analysts' latest 2016 EBITDA estimates.

Including the estimated present value of the tax assets and cost synergies to us, the valuation multiple improves to 8.2 times which is similar to the valuation multiple paid for Bell Aliant and in line with the Street's current valuation multiple for BCE.

The transaction consideration paid by BCE will consist of 45% in cash and 55% in BCE common equity. The MTS shareholders will have an option to elect to receive either \$40 in cash or 0.6756 of a BCE common share, subject to proration.

On completion of the transaction, MTS shareholders will own an approximate 3% of the pro forma common equity interest in BCE. MTS will not declare any further dividends on its common shares after its upcoming second quarter 2016 dividend is declared later this month and paid in July. I would also like to add that MTS's long-term debt will continue to remain outstanding on existing terms at transaction close.

If you turn to Slide 11, we have structured the acquisition financing with a balanced mix of cash and BCE common equity, consistent with our long-term capital structure objectives. This will ensure that we continue to maintain a high level of balance sheet strength, financial flexibility and investment grade credit metrics.

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The cash component of the consideration totalling approximately \$1.4 billion will be funded by cash and available sources as well as by sale proceeds from the divestiture of a portion of MTS wireless subscribers to Telus. We will provide the high level details of this transaction in a few moments.

I would also add that we intend for permanent financing related to the MTS acquisition to be arranged in the long-term debt markets in due course.

The BCE share consideration piece of the transaction representing an aggregate value of around \$1.7 billion will result in the issuance of approximately 28 million new BCE common shares. We expect no impact to BCE's 2016 financial guidance given the expected timing of the completion of the deal.

The acquisition of MTS will be immediately accretive to BCE's free cash flow and free cash flow per share, benefitting from the projected annual pre-tax synergies of around \$50 million and sizeable tax losses with an estimated value to BCE of approximately \$300 million or \$4 per MTS share. The transaction therefore supports BCE's dividend growth model as well as our strategic imperatives as George described earlier.

On a pro forma basis at transaction close, Bell's net leverage ratio will be essentially similar to year-end 2015. That leverage ratio will also reflect the incremental MTS long-term debt that will be assumed on this transaction.

We fully expect to be within our target policy range within a reasonable timeframe over the next couple of years through growth in free cash flow, and by applying free cash flow after dividend payments to de-leveraging.

So, those are the key elements of today's transaction and if I may reiterate what George and Jay stated earlier, this is an excellent transaction for both MTS and BCE shareholders alike.

With that, I am going to pass the call back over to George for a few additional comments.

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### **George Cope – President and CEO – BCE/Bell Canada**

Thanks Glen and thanks Jay. Also, if you go to Slide 12, in addition this morning as you would have I believe now seen, we have also announced that upon closing we will sell one-third of MTS wireless post-paid customers to Telus. Telus will also assume approximately one-third of the MTS dealer locations. Pro forma the acquisition, Bell will have approximately 425,000 total subs in Manitoba after the sale to Telus.

The BCE/MTS transaction is not conditional on the BCE/Telus transaction. The sale of the subscribers will reduce our cash requirements for the acquisition and it is consistent with BCE's strategic investment objectives for Manitoba.

We just turn to Slide 13, you can see the next steps, and the calendar there is fairly straightforward, and as we said we are hopeful the transaction will close by the end of this year. If we do not make that we would expect it to be early in 2017.

With that, let me turn the call back over to Thane and we will open up the call for questions. Thank you everyone for joining us, and one more important announcement for those that do not know, the Raptors won last night.

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### **Thane Fotopoulos – Vice-president, Investor Relations – BCE/Bell Canada**

Thanks George. Before we begin the Q&A period I want to ask participants to keep their questions limited to today's announcement and refrain from asking anything related to MTS's Q1 results which will be announced next week.

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

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## 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, one on your telephone keypad. 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 Greg MacDonald from Macquarie Capital Markets. Please go ahead.

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### Greg MacDonald – Macquarie Capital Markets – Analyst

Wow, first question. Thanks guys and congrats on the deal. I just wanted to ask about sort of pro forma looking company. This is a business that is cut pretty dramatically both on the capex and the opex side, and it looks like you are making up for some of that cut in the billion dollars you have noted on capex over five years. Is that billion dollars exclusive of or inclusive of what Manitoba Tel has currently guided for capex?

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### George Cope – President and CEO – BCE/Bell Canada

Jay can comment on guidance for MTS for capex but I think the investment community should assume a capex program for MTS that is a billion dollars inclusive of everything over that five-year period, and of course whether or not that is as simple as \$200 million a year divided by five years or whether or not it grows with the growth of the asset over that time period, we will make that investment in the province. Obviously a significant amount of what MTS has been doing of course is investing in broadband and we are going to continue that but obviously accelerate it in order to provide the 1 GB services it means a rollout of Fibre to the Premises in the province over that period of time as well as the overlay of enhanced wireless technology as well.

So the Street should take that as the capital number in total and we will worry later on about how that ramps up.

Jay, maybe over to if there is anything else on that you think we should add.

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### Jay Forbes – President and CEO – MTS

Yeah. George, I would just add that the guidance that we have provided to the market in terms of the 2016 capital spend would be at a capital intensity level of 18% or less.

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### Greg MacDonald – Macquarie Capital Markets – Analyst

Okay. A quick follow-on on the opex side similar. I mean there is been a lot of opex cuts here. Some of us have questioned what that means for a medium-term revenue growth profile and the consensus numbers are kind of flat revenue for this company. Is that consistent with the way that you are looking at things, or do you see something different?

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### George Cope – President and CEO – BCE/Bell Canada

Well I am certainly not going to give guidance on the specific assets and revenue and expectations, but I think on the synergy side, there is clearly some duplication of public company costs that come out immediately, different financing work that we would do which would not be as complicated as having two organizations.



The other side of that of course, we do bring scale to the province of Manitoba, as Jay mentioned, in the transaction. So clearly some of those synergies are going to come out of our buying power that we quite frankly bring now to the province of Manitoba, both on the supplier side, handset side, access to all handsets; not having to use a middle distributor and those type of things will drive the type of synergies we expect. But in terms of top line revenue growth, as you would expect me to normally say, we will not be providing any guidance on that today.

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**Greg MacDonald – Macquarie Capital Markets – Analyst**

Okay, understand. I will pass it on. Thanks guys.

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**Thane Fotopoulos – Vice-president, Investor Relations – BCE/Bell Canada**

Thank you. Next question.

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**Operator**

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

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**Vince Valentini – TD Securities – Analyst**

Yeah, thanks very much. The question I have maybe on the Telus transaction. You say in the slides the divestiture proceeds are commensurate with the MTS transaction. Are you referring to the 10.1 times unadjusted multiple or are you thinking about the 8.2 times after you get your synergies?

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**George Cope – President and CEO – BCE/Bell Canada**

I think what we said is all we are going to say today on the Telus purchase. There will be more obviously at a point in time to come when ultimately those values get released but we are—in respect for Telus and in respect for MTS today, that is really all we are going to say what we have disclosed on that.

But thank you for the question and it is clearly a question at some point that will be answered.

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**Thane Fotopoulos – Vice-president, Investor Relations – BCE/Bell Canada**

Did you have a follow-on Vince?

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**Vince Valentini – TD Securities – Analyst**

Yeah. You may not want to answer this either but I am just curious technically how does that work to transfer subscribers? Do you just give them a third of the customer list and it is up to them to go out and call those customers and try to migrate them? How do you force a customer to say, “You are Bell, you are Telus.”

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**George Cope – President and CEO – BCE/Bell Canada**

Well I do not think it is forced. It will be handled obviously in a professional way. Just like today, if we were not doing that, we are acquiring MTS and the company is rebranded, so clearly Telus will be acquiring something

from us at that point and that would be those customers and those customers then would be obviously reached out to in a professional way from Telus and these type of processes we have done before in the industry. So we are full comfortable that all customers are going to have tremendous choice going forward in the province.

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**Vince Valentini – TD Securities – Analyst**

Thank you.

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**George Cope – President and CEO – BCE/Bell Canada**

Thank you.

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**Operator**

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

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**Maher Yaghi – Desjardins Securities – Analyst**

Yes. Thank you and congratulations on the deal. I wanted to ask you a question about the regulatory environment and when you combine your Internet subs, your TV subs and your wireless subs post the transaction with Telus, you are floating or you are going through the 30% market share in Canada on all three service levels and we have seen in the U.S. the 30% seems like a regulatory concern or competitive concern that comes up all the time. So I wanted you to talk about that and your view on the 30% plus market share that you will get on these services.

Also when you look at prices in Manitoba right now, they are 30% to 40% lower than prices we are seeing in provinces where you only have three wireless suppliers or strong wireless suppliers excluding Wind which is catering only on the low end. I wanted to get your view on have you discussed this transaction with the regulators pre-emptively? If not, are you open to offering more than the transaction you announced with Telus to get this deal done? Does the economics of the transaction allow you to give more to get the transaction done?

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**George Cope – President and CEO – BCE/Bell Canada**

Well, we have—let me first of all talk about the competitive dynamics in the marketplace with the divestiture of a significant number of subs of course to Telus obviously adds to the environment there. We are following the regulatory process. We believe it will take nine months to 12 months to conclude it and that is really my comment on regulatory.

In terms of the marketplace, if, as I said, you are talking about pricing in the marketplace, clearly Telus's position in the wireless industry is significantly enhanced in this transaction as is Bell and so you would expect I think the market to continue to be as competitive as it has and if not maybe even more as a result of all this but we will see how that unfolds. Thank you.

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**Thane Fotopoulos – Vice-president, Investor Relations – BCE/Bell Canada**

Next question, please.

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**Operator**

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

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

Thanks very much. Good morning. Glen, I guess, just on the magnitude of free cash flow accretion, we will obviously all run our numbers but just for the purposes of timeliness here, can you give us kind of a quantification of that? Conversely, how dilutive on an EPS basis this could be? Then secondly, just in terms of the tax losses, would you be able to immediately utilize them assuming kind of closing early 2017 in 2017?

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**Glen LeBlanc – Executive Vice-President and CFO – BCE/Bell Canada**

Good morning Drew. Let us put in perspective the acquisition we have here in front of us represents about 4%, a little bit than 4%, 4.4% of BCE's enterprise value. So, obviously you can do your calculations but the accretion/dilution metrics from that are going to be minimal. We do believe this to be free cash flow accretive immediately and will be in 2017 when it closes, and that is driven by the inclusion of the assets but also from the tax value that you allude to that we will be able to take immediately in 2017. We believe we will be able to utilize those losses.

So on a free cash flow basis, again, it is accretive. We are not disclosing the magnitude of that accretion today, but again, I would point to the size of it relative to our enterprise value.

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

Okay. Thanks for that. Just you have not—Manitoba Tel or MTS has a network sharing arrangement with Rogers; presumably that will be terminated. Can you comment at all on the cost of that or what the process is on that?

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**George Cope – President and CEO – BCE/Bell Canada**

We will—Jay, could I turn that over to you?

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**Jay Forbes – President and CEO – MTS**

Yes, perhaps I will take that one, Drew. The netco arrangement that we had with Rogers here in the province of Manitoba is underpinned by a complex set of agreements that we plan to work through in the coming months as we work to close.

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

Okay. Last one for me, just on pension liabilities at MTS. Obviously something you have assumed when you did the Bell Aliant transaction. Is there anything kind of unique here in terms of how that factored or weighed into valuation?

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**George Cope – President and CEO – BCE/Bell Canada**

Drew, there is nothing unique. The pension liability and the pension, the DB pension plans that exist at MTS are consistent with many of the plans that exist here at BCE and we are consistent with plans that were with Bell Aliant. They are closed plans to new entrants and if you look back to historic disclosures of MTS you will see where their pension solvency deficit was in 2015; around \$221 million I think it was at the beginning of 2015, which is consistent to a solvency funding ratio of the plans at BCE. So nothing new to report on that or inconsistent to previous pension deficits that we acquired through Bell Aliant.

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

Okay. Thanks very much.

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**Operator**

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

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**Jeffrey Fan – Scotiabank – Analyst**

Hi. Good morning and congrats. A couple of very quick clarifications and then a regulatory question. One on clarification about the synergies, \$50 million; is that after taking into account the Telus transaction? Then just a follow-on regarding the pension obligation. There is also, in addition to a couple of hundred million of solvency deficit, there is roughly \$350 million of letters of credit, so if you add them all up, it is pretty sizeable. Wondering if that is included in how you get to your 10.1 calculation on the multiple.

Then just lastly on regulatory, maybe I will ask it a different way. How confident are you that the government is actually changing their policies with respect to the number of operators in any particular market going from four to three, or is this really just a transaction to try to test that policy given we have a new government? Wondering if you can just give us some color on that.

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**George Cope – President and CEO – BCE/Bell Canada**

What was the first question?

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**George Cope – President and CEO – BCE/Bell Canada**

So on the synergies, synergies stand as we said, so you can—the \$50 million number, that is how we expect to operate the business ourselves; really irrelevant to the Telus question or transaction on that front.

Maybe I will do the regulation piece and then turn it back. As I said on the regulatory, we look forward to working with the three regulatory groups that we have talked about. We think it will be a nine to 12-month process and we will just follow that process and work respectfully with the regulators.

Jeff, your question on pension, we are well aware that there is—MTS has historically utilized letters of credit and to the tune of around \$350 million and that is fully baked into our valuation of this transaction. We are well aware.

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**Jeffrey Fan – Scotiabank – Analyst**

Sorry, so that is included as an obligation in getting into the enterprise value.

**Glen LeBlanc – Executive Vice-President and CFO – BCE/Bell Canada**

The \$250 million is certainly included; the letters of credit are a viable funding vehicle that they have used so it, as I say, from the valuation perspective we know that the deficit exists and its value.

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**George Cope – President and CEO – BCE/Bell Canada**

And a point from our perspective, and do not forget for everyone on all of our pension plans, right, is as a cash company a pretty unique asset. I have been saying it I think for six years but at some point I think all of us have, but obviously 0.5 point to 0.75 point for us moving interest rates, it is not really on just the MTS transaction, for the entire company, it is so significant, on a cash flow perspective and that is something not to be lost in looking at our overall valuation of the company obviously going forward. Of course everyone has their own view of interest rates so we will leave that to investors.

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**Thane Fotopoulos – Vice-president, Investor Relations – BCE/Bell Canada**

Next question, please.

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**Operator:**

Thank you. The next question is from Phillip Huang from Barclays. Please go ahead.

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**Phillip Huang – Barclays – Analyst**

Yes. Good morning. A question about Winnipeg becoming the headquarters of Bell's Western Canada. Just wanted to sort of better understand what the primary goal will be for this office and whether we should read this as an indication of desire to potentially further expand Bell's presence westward should the opportunity arise in future.

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**George Cope – President and CEO – BCE/Bell Canada**

No. I think the announcement stands on its own. I mean it would absolutely be the right place for us to have the Western Canada Head Office given the size and scale of this investment that we are making and the history MTS has had of being successful in their market and the management team that will be there. But that alone stands alone for why it should be that location and I would not read anything else into it beyond that, but thank you for the question.

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**Phillip Huang – Barclays – Analyst**

Got it. Got it, thanks.

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**Operator**

Thank you. The next question is from Michael Rollins from Citi. Please go ahead.

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**Michael Rollins – Citi – Analyst**

Hi. Thank you for taking the question. I was wondering if you could talk a little bit about how you look at the fibre business case in the Manitoba market and how that might be similar or different to some of the assumptions that you used for your own fibre case in the heritage BCE operations. Thanks.

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**George Cope – President and CEO – BCE/Bell Canada**

Sure, happy to. Obviously there is work, more work to be done there but we are completely confident that based on our experience in the Bell Aliant markets and other markets such as Quebec City where we have done fibre in other markets in the Ontario/Quebec footprint of Bell, that the MTS marketplace will lend itself to perfectly for this technology. It will be a buildout again that will take time, as we all know, and over that five-year period whether or not we complete all of it we will just see, but certainly we are going to begin with that program and expect again to a migration to these fibre—to as many households and businesses as we can get to economically. The billion dollars kind of puts a stake in the ground there for both wireless and wireline. We would expect the business case to be very similar to our other markets.

Jay, I do not know if you want to add anything there or not.

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**Jay Forbes – President and CEO – MTS**

No, George. Again, with my past experience with Bell Aliant and the current understanding of the MTS marketplace I think you summarized it perfectly.

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**Michael Rollins – Citi – Analyst**

Thank you.

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**Thane Fotopoulos – Vice-president, Investor Relations – BCE/Bell Canada**

Next question, please.

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**Operator**

The next question is from Tim Casey from BMO Capital Markets. Please go ahead.

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

Thanks. Good morning. Could you, Jay or George, could you talk a little bit about your plans for spectrum assets within MTS going forward? Is it your expectation you will be able to keep all of the spectrum assets, even ones that have not been deployed yet? Or do you expect you will have to give them back—anything back to Industry Canada or sell in the marketplace? Thanks.

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**George Cope – President and CEO – BCE/Bell Canada**

It is a very good question and the answer is simply we will work with the regulator again over the next nine months to meet what requirements they have or do not have, and so we will see how that evolves. It is a very appropriate question to ask us but that is the nine-month process we are about to begin to go through.

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

Got it. Thank you.

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**George Cope – President and CEO – BCE/Bell Canada**

Thank you for the question.

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**Operator**

The next question is from Adam Shine from National Bank Financial. Please go ahead.

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**Adam Shine – National Bank Financial– Analyst**

Thanks a lot. Good morning. George, maybe you can just speak to the why now part of doing the deal. I think a number of us anticipated that MTS would always get taken out in the next few years but the question is why now? Maybe as a follow-up, there is something special about the MTS bundles. Curious as to—maybe it is too early to ask but curious how those might perpetuate going forward. Thanks.

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**George Cope – President and CEO – BCE/Bell Canada**

The why now, I mean this is just a tremendous asset and I think there was a general understanding in the investment community that the Allstream asset that was owned by MTS previously probably was a regulatory hurdle too high for a company like Bell and I think Jay has executed a strategy allowing for now this conversation to take place. Then when we look at the assets that is there, the opportunity for fibre into the communities in Manitoba and the evidence we have seen in the Bell Aliant footprint tells us that the investment we are going to make is going to be compelling for our shareholders.

I think we also looked—there is still a growing wireless business but I think it is fair to say there is some maturing. We talked about this on the last call, our quarterly call, and said it is about management of base and so we think getting access to a base as excellent as the Manitoba base and provided we live up to the customer service expectations that Manitoba is known for, we think that is an opportunity for us as well. That really all encapsulates the timing and I think the strength of BCE's execution, our experience now with a number of transactions, all which have been successful for our shareholders and our dividend model. And quite frankly, it takes two so obviously, there is no conversation here without Jay's team being a part of that and so timing also goes to Jay's view and so to make a comment, I turn it over to Jay as well.

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**Jay Forbes – President and CEO – MTS**

Thanks George. I would concur with your observation a very strong market position has been carved out here in Manitoba by MTS with a historic focus on the customer and the understanding and empathy that your organization has shown in designing a proposition that not only addresses the needs of our customers but the needs of our larger community made for a very compelling proposition to be considered by the Board at this time and for the ensuing recommendation that they will bring forth to the shareholders for their approval late June, early July.

So in terms of timing, yes, it happened to be a very compelling offer that addressed the needs of multiple stakeholders with a partner that we have great respect for and who we believe is capable of the trust that we are going to place with them in terms of the needs of our customers and the needs of this community.

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**Thane Fotopoulos – Vice-president, Investor Relations – BCE/Bell Canada**

Very good. So Donna, given the commitments that George and Jay have this morning as a result of this transaction, this will be our last question.

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**Operator**

Thank you. The last question will be from Robert Peters from Credit Suisse. Please go ahead.

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**Robert Peters – Credit Suisse – Analyst**

Hi. Thanks very much and congratulations on the transaction. Just a quick clarification from me. On the 10.1 times multiple mentioned in the disclosure this morning, does that include or exclude the EBITDA from the wireless subscribers that may be divested to Telus?

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**George Cope – President and CEO – BCE/Bell Canada**

It includes right now the business as it is, and then the synergies include the business as it is, what we believe we can do with synergies from a tax perspective and operating, and then of course everyone will recalculate that post the disclosure of the value and the subscribers that go to Telus. All that, as I said, will come out at another time.

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**Robert Peters – Credit Suisse – Analyst**

Perfect. Thank you. Maybe just one quick follow-up on the broader strategy. Obviously, if we look at kind of the ARPU, blended ARPU at MTS right now, I think Bell obviously has got a good premium there. Do you see kind of a way to re-accelerate the wireless ARPU at MTS post the close?

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**George Cope – President and CEO – BCE/Bell Canada**

I think what I would say is this on that, I mean we have got to get the marketplace with the competitive services. What we have clearly seen is the faster the wireless networks become, so even now with our enhanced LTE which in some cases are faster than some of the competitive services in Manitoba, people use the product more, the video explosion we are seeing, and as I have said on our call that is what is driving the increase in ARPU. So, if we make the right technology investments, both wireline and wireless, we will see increased usage and that should bode well for our shareholders over time.

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**Robert Peters – Credit Suisse – Analyst**

Perfect. Thank you.

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**Thane Fotopoulos – Vice-president, Investor Relations – BCE/Bell Canada**

Very good. So on that, thank you very much for your participation today. As usual, I will be available for questions as will Brenda McInnes, my counterpart over at MTS. On that, have a great day. Thank you.

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**George Cope – President and CEO – BCE/Bell Canada**

Thanks everyone. Thank you. Thank you, Jay. Take care everyone.

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**Operator**

Thank you. That concludes today's conference call. Please disconnect your lines at this time and we... All participants, the conference has now ended. Please disconnect your lines at this time and we thank you for your participation.

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