



# BCE

## BCE Third Quarter 2021 Results Conference Call

**Mirko Bibic**  
President and Chief Executive Officer

**Glen LeBlanc**  
Executive Vice President and Chief Financial Officer

November 4, 2021

### **CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements made by BCE's President and Chief Executive Officer and Executive Vice-President and Chief Financial Officer during BCE's Q3 2021 Results Conference Call, as reflected in this transcript, are forward-looking statements. These statements include, without limitation, statements relating to BCE's financial guidance (including revenues, adjusted EBITDA, capital intensity, adjusted EPS and free cash flow), BCE's 2021 annualized common share dividend, BCE's network deployment and capital investment plans as well as the benefits expected to result therefrom, including its two-year increased capital investment program to accelerate the rollout of Fifth Generation (5G), fibre and Wireless Home Internet (WHI) networks, our expected cash pension funding, the expectation of future revenue growth and operating profitability, the expected improvement in our mobile phone prepaid net customer additions as immigration and international travel resume more fully, the expectation that we will increase our share of the digital advertising spend in Canada and continue to grow Crave subscriber base, the expected increase in our net debt leverage ratio following payment of the remaining balance for the 3.5 GHz wireless spectrum we secured at the recently concluded spectrum auction, BCE's business outlook, objectives, plans and strategic priorities, and other statements that are not historical facts. Forward-looking statements are typically identified by the words assumption, goal, guidance, objective, outlook, project, strategy, target and other similar expressions or future or conditional verbs such as aim, anticipate, believe, could, expect, intend, may, plan, seek, should, strive and will. All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws and of the United States Private Securities Litigation Reform Act of 1995.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on several assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from our expectations expressed in or implied by such forward-looking statements and that our business outlook, objectives, plans and strategic priorities may not be achieved. These statements are not guarantees of future performance or events, and we caution you against relying on any of these forward-looking statements. The forward-looking statements contained in this transcript describe our expectations as of November 4, 2021 and, accordingly, are subject to change after such date. Except as may be required by applicable securities laws, we do not undertake any obligation to update or revise any forward-looking statements contained in this transcript, whether as a result of new information, future events or otherwise. From time to time, we consider potential acquisitions, dispositions, mergers, business combinations, investments, monetizations, joint ventures and other transactions, some of which may be significant. Except as otherwise indicated by BCE, forward-looking statements do not reflect the potential impact of any such transactions or of special items that may be announced or that may occur after November 4, 2021. The financial impact of these transactions and special items can be complex and depends on the facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way or in the same way we present known risks affecting our business. Forward-looking statements were made during BCE's Q3 2021 Results Conference Call for the purpose of assisting investors and others in understanding certain key elements of our expected financial results, as well as our objectives, strategic priorities and business outlook, and in obtaining a better understanding of our anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes. The forward-looking statements made during BCE's Q3 2021 Results Conference Call for periods beyond 2021 assume, unless otherwise indicated, 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, except for an assumed improvement in the risks related to the COVID-19 pandemic and general economic conditions in future years.

### **Material Assumptions**

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

#### **Canadian Economic Assumptions**

Our forward-looking statements are based on certain assumptions concerning the Canadian economy, which in turn depend on important assumptions about how the COVID-19 pandemic will evolve, including the progress of the vaccination rollout. Notably, it is assumed that most public health restrictions in Canada are eased by the end of 2021 and pandemic-related effects on consumer demand for goods and services diminish gradually over time. In particular, we have assumed:

- Strong rebound in economic growth as the economy recovers from the effects of the pandemic and related restrictions, given the Bank of Canada's most recent estimated growth in Canadian gross domestic product of around 5% on average in 2021
- Household consumption growth as the pandemic recedes and consumer confidence rises
- Strengthening business investment outside the oil and gas sector as demand increases and business confidence improves
- Employment gains expected in 2021, despite ongoing challenges in some sectors
- Accelerating trend toward e-commerce
- Low immigration levels until the majority of international travel and/or health-related restrictions are lifted

- *Prevailing low interest rates expected to remain at or near current levels for the foreseeable future*
- *Canadian dollar expected to remain at or near current levels. Further movements may be impacted by the degree of strength of the U.S. dollar, interest rates and changes in commodity prices*

#### **Canadian Market Assumptions**

*Our forward-looking statements also reflect various Canadian market assumptions. In particular, we have made the following market assumptions:*

- *A consistently high level of wireline and wireless competition in consumer, business and wholesale markets*
- *Higher, but slowing, wireless industry penetration*
- *A shrinking data and voice connectivity market as business customers migrate to lower-priced telecommunications solutions or alternative over-the-top (OTT) competitors*
- *While the advertising market continues to be adversely impacted by cancelled or delayed advertising campaigns from many sectors due to the economic downturn during the COVID-19 pandemic, we do expect gradual recovery in 2021*
- *Declines in broadcasting distribution undertakings (BDU) subscribers driven by increasing competition from the continued rollout of subscription video on demand streaming services together with further scaling of OTT aggregators*

#### **Assumptions Concerning our Bell Wireless Segment**

*Our forward-looking statements are also based on the following internal operational assumptions with respect to our Bell Wireless segment:*

- *Maintain our market share of national operators' wireless postpaid net additions*
- *Modest growth of our prepaid subscriber base*
- *Continued focus on mobile phone subscriber growth, as well as the introduction of more 5G, 4G Long-term evolution (LTE) and LTE Advanced devices and new data services*
- *Continued deployment of 5G wireless network offering coverage that is competitive with other national operators in centres across Canada*
- *Increased subscriber acquisition and retention spending*
- *Unfavourable impact on mobile phone blended ABPU, driven by reduced outbound roaming revenue due to travel restrictions as a result of the COVID-19 pandemic and reduced data overage revenue due to continued adoption of unlimited plans*
- *Increased adoption of unlimited data plans and device financing plans*
- *No material financial, operational or competitive consequences of changes in regulations affecting our wireless business*

#### **Assumptions Concerning our Bell Wireline Segment**

*Our forward-looking statements are also based on the following internal operational assumptions with respect to our Bell Wireline segment:*

- *Continued growth in retail Internet and IPTV subscribers*
- *Increasing wireless and Internet-based technological substitution*
- *Continued aggressive residential service bundle offers from cable TV competitors in our local wireline areas*
- *Continued large business customer migration to IP-based systems*
- *Ongoing competitive repricing pressures in our business and wholesale markets*
- *Continued competitive intensity in our small and medium-sized business markets as cable operators and other telecommunications competitors continue to intensify their focus on business customers*
- *Traditional high-margin product categories challenged by large global cloud and OTT providers of business voice and data solutions expanding into Canada with on-demand services*
- *Accelerating customer adoption of OTT services resulting in downsizing of TV packages*
- *Further deployment of direct fibre to more homes and businesses within our wireline footprint and fixed wireless-to-the-premise technology in rural communities*
- *Growing consumption of OTT TV services and on-demand streaming video, as well as the proliferation of devices, such as tablets, that consume large quantities of bandwidth, will require ongoing capital investment*
- *Realization of cost savings related to management workforce reductions including attrition and retirements, lower contracted rates from our suppliers, operating efficiencies enabled by a growing direct fibre footprint, changes in consumer behaviour and product innovation, new call centre technology that is enabling self-serve capabilities, and other improvements to the customer service experience*
- *No material financial, operational or competitive consequences of changes in regulations affecting our wireline business*

**Assumptions Concerning our Bell Media Segment**

Our forward-looking statements are also based on the following internal operational assumptions with respect to our Bell Media segment:

- Overall revenue is expected to reflect a gradual economic recovery in 2021 combined with subscriber revenue growth and strategic pricing on advertising sales. However, revenue performance is expected to continue to be negatively impacted by the effects of the COVID-19 pandemic on many sectors of the economy.
- Continued escalation of media content costs to secure quality programming, as well as the return of sports and entertainment programming
- Continued scaling of Crave through broader content offering and user experience improvements
- Investment in Noovo News and more French-language original content to better serve our French-language customers with a wider array of content, in the language of their choice, on their preferred platforms
- Enhanced market-leading attribution through our Strategic Audience Management (SAM) tool
- 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
- Continued monetization of content rights and Bell Media properties across all platforms
- No material financial, operational or competitive consequences of changes in regulations affecting our media business

**Financial Assumptions Concerning BCE**

Our forward-looking statements are also based on the following internal financial assumptions with respect to BCE for 2021:

- Total post-employment benefit plans cost to be approximately \$300 million, based on an estimated accounting discount rate of 2.6%, comprised of an estimated above adjusted EBITDA post-employment benefit plans service cost of approximately \$275 million and an estimated below adjusted EBITDA net post-employment benefit plans financing cost of approximately \$25 million
- Increase in depreciation and amortization expense of approximately \$200 million to \$250 million compared to 2020
- Interest expense and payments of approximately \$1,050 million to \$1,100 million
- An effective tax rate of approximately 27%
- NCI of approximately \$60 million
- Total cash pension and other post-employment benefit plan funding of approximately \$350 million to \$375 million
- Cash income taxes of approximately \$800 million to \$900 million
- Average number of BCE common shares outstanding of approximately 905 million
- An annual common share dividend of \$3.50 per share

The foregoing assumptions, although considered reasonable by BCE on November 4, 2021, 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 2021 financial guidance, are listed below. The realization of our forward-looking statements, including our ability to meet our 2021 financial guidance targets, essentially depends on our business performance, which, in turn, is subject to many risks. Accordingly, readers are cautioned that any of the following risks could have a material adverse effect on our forward-looking statements. These risks include, but are not limited to: the COVID-19 pandemic and the adverse effects from the emergency measures implemented or to be implemented as a result thereof, including supply chain disruptions, as well as other pandemics, epidemics and other health risks; 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; our dependence on third-party suppliers, outsourcers and consultants to provide an uninterrupted supply of the products and services we need to operate our business, including mobile devices; the intensity of competitive activity including from new and emerging competitors; the level of technological substitution and the presence of alternative service providers contributing to the acceleration of disruptions and disintermediation in each of our business segments; changing viewer habits and the expansion of OTT TV and other alternative service providers, as well as the fragmentation of, and changes in, the advertising market; rising content costs and challenges in our ability to acquire or develop key content; the proliferation of content piracy; higher Canadian smartphone penetration and reduced or slower immigration flow; regulatory initiatives, proceedings and decisions, government consultations and government positions that affect us and influence our business; the inability to protect our physical and non-physical assets from events such as information security attacks, unauthorized access or entry, fire and natural disasters; the failure to transform our operations, enabling a truly customer-centric service experience, while lowering our cost structure; the failure to continue investment in next-generation capabilities in a disciplined and strategic manner; the inability to drive a positive customer experience; the complexity in our operations; the failure to maintain operational networks in the context of significant increases in capacity demands; the risk that we may need to incur significant capital expenditures to provide additional capacity and reduce network congestion; the failure to implement or maintain highly effective information technology (IT) systems; the failure to generate anticipated benefits from our corporate restructurings, system replacements and upgrades, process redesigns, staff reductions and the integration of business acquisitions; events affecting the functionality of, and our ability to protect, test, maintain, replace and upgrade, our networks, IT systems, equipment and other facilities; in-orbit and other operational risks to which the satellites used to provide our satellite TV services are subject; the failure to attract and retain employees with the appropriate skill sets and to drive their performance in a safe environment; labour disruptions and shortages; the failure of our vendor selection, governance and oversight processes; security and data leakage exposure if security control protocols affecting our suppliers are bypassed; 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; the inability to access adequate sources of capital and generate sufficient cash flows from operating activities to meet our cash requirements, fund capital expenditures and provide for planned growth; uncertainty as to whether dividends will be declared by BCE's board of directors or whether the dividend on common shares will be increased; the inability to manage various credit, liquidity and market risks; pension obligation volatility and increased contributions to post-employment benefit plans; new or higher taxes due to new tax laws or changes thereto or in the interpretation thereof, and the inability to predict the outcome of government audits; the failure to reduce costs, as well as unexpected increases in costs; the failure to evolve practices to effectively monitor and control fraudulent activities; unfavourable resolution of legal proceedings and, in particular, class actions; new or unfavourable changes in applicable laws and the failure to proactively address our legal and regulatory obligations; the failure to recognize and adequately respond to climate change concerns or stakeholder and governmental changing expectations on environmental matters; and health concerns about radio frequency emissions from wireless communication devices and equipment.*

*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 2020 Annual MD&A dated March 4, 2021 (included in BCE's 2020 Annual Report), BCE's 2021 First, Second and Third Quarter MD&As dated April 28, 2021, August 4, 2021 and November 3, 2021, respectively, and BCE's news release dated November 4, 2021 announcing its financial results for the third quarter of 2021 for additional information with respect to certain of these and other assumptions and risks, filed by BCE with the Canadian provincial securities regulatory authorities (available at [Sedar.com](https://www.sedar.com)) and with the U.S. Securities and Exchange Commission (available at [SEC.gov](https://www.sec.gov)). These documents are also available at [BCE.ca](https://www.bce.ca).*

*The terms "adjusted EBITDA", "adjusted EBITDA margin", "adjusted EPS", "free cash flow" and "net debt leverage ratio" 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 section 7.2, Non-GAAP financial measures and key performance indicators (KPIs) in BCE's 2021 Third Quarter MD&A for more details.*

## **CORPORATE PARTICIPANTS**

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*President and CEO*

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

**Thane Fotopoulos**  
*Vice President - IR*

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## **PRESENTATION**

### **Operator**

Good morning, ladies and gentlemen. Welcome to the BCE Q3 2021 Results Conference Call.

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### **Thane Fotopoulos – Vice President – IR**

Thank you, Moud, and good morning to everybody.

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

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

Before we begin, I'd like to draw your attention to our Safe Harbour statement, reminding you that today's slide presentation and remarks made by Mirko and Glen during the call will include forward-looking information and therefore are subject to risks and uncertainties. Results could differ materially. We disclaim any obligation to update forward-looking statements, except as required by law. Please refer to the Company's publicly filed documents for more details on assumptions and risks.

With that, I'll hand it over to Mirko.

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

Thank you, Thane, and good morning, everyone.

Our Q3 results demonstrate another quarter of consistently strong and disciplined execution across all our operating segments that is firmly rooted in a strategic roadmap that has guided us over the past 18 months.

Operationally, our objective was to improve steadily each quarter from the troughs experienced in Q2 of 2020, when COVID began to significantly affect our business, and that's exactly what we've done. Q3 marked a very notable milestone in our recovery, as total revenue and adjusted EBITDA are, for all intents and purposes, back to pre-pandemic Q3 2019 levels, with consolidated service revenue up 3.6 percent and EBITDA 4.2 percent higher than last year, despite ongoing COVID-related headwinds affecting wireless roaming, business wireline customer spending and media advertising.

Even as we focused on recovering from those impacts, we pushed ahead with our capex acceleration plan, building the best broadband infrastructure, and remaining comfortably on track to hit our upsized network expansion targets for 2021. We invested another \$1.2 billion in new capital this quarter, 12 percent higher than last year, on direct fibre and fixed wireless connections, as well as further expanding mobile 5G coverage and deploying 3.5 GHz-capable radios, as we continue to get ready for the launch of true 5G next year.

We leveraged our accelerated broadband network plan, retail channel strength, improved direct sales capabilities and multi-branch strategy to deliver 266,919 total mobile phone, mobile connected device, retail Internet and IPTV net additions in Q3, an increase of 10 percent over last year.

In Wireless, our sharp focus on higher value mobile phone loadings continues to pay off. Based on peers who have already reported Q3 results, we led the Canadian industry once again this quarter in terms of Wireless service revenue, ARPU and EBITDA growth. These metrics really matter in terms of providing an indication of the health of our underlying business not just today, but also going forward.

As our smartphone customer base grows, roaming rebounds, the decline in data overage reaches an equilibrium point and 5G revenues materialize more meaningfully, these levers should continue to support superior future revenue growth and operating profitability.

I would also add that we achieved these results against a backdrop of lower wireless prices, as we continue to make more lower priced options available that deliver significant value to consumers and support the government's public policy objectives.

According to the most recent StatsCan data, pricing for Wireless services has declined 25 percent since September 2019, at a time when overall inflation has been growing rapidly, while the price Canadians pay for all goods and services combined has actually increased 5 percent.

For Bell Wireline, as our broadband fibre footprint advantage keeps expanding, we see the immediate tangible benefits on residential subscriber growth, market share and Internet revenue. In fact, this past quarter we delivered the highest number of Internet net additions in 15 years and strong residential Internet revenue growth of 9 percent. Clearly, the strategy is working. It's the reason why we're so confident in our accelerated capital investment plan.

In business wireline, as the team continues to carefully manage near-term COVID financial impacts, which Glen will detail momentarily, our organization is also focused on putting the building blocks in place to ensure Bell is strategically well positioned to capture an industry-leading share of the IoT and next-generation solutions revenue enabled by the convergence of 5G and fibre.

As you know, I have a lot of optimism for the growth potential in this area. There are going to be thousands of applications and they'll need access to our advanced broadband networks, edge data centres and IoT platforms. We are already leading the way in building momentum with innovative new consumer and business applications that leverage the speed and ultra-low latency of Bell's leading 5G network, as certified by PCMag, Ookla and Global Wireless Solutions in their most recent studies of mobile network performance, and new MEC alliances with AWS and Google Cloud, which we discussed last quarter. Recent 5G consumer initiatives include the launch of TSN 5G View and our augmented reality collaboration with TikTok.

On the Enterprise side of things, we're working with Canadian AI start-up Tiny Mile to provide 5G connectivity for its growing fleet of food delivery robots in downtown Toronto. We also entered into a partnership with VMware to offer their advanced cloud software, which builds on Bell's agreement with AWS to support 5G innovation and accelerate cloud adoption across Canada. Notably, Bell is the first Canadian communications provider to offer AWS powered 5G multi-access edge computing for business and government customers.

Most recently, our Business Market's unit launched Smart Supply Chain powered by Bell IoT Smart Connect, as "software-as-a-service" IoT aggregation solution designed for fleet and supply chain operators, and just earlier this week, we announced our newest collaboration with Esri, Canada's leading geographic information systems provider, to create smart city IoT solutions for municipal governments across the country.

At Bell Media, TV advertising continued to strengthen, with audiences that remain industry-leading. In fact, TV advertising revenue this quarter was 10 percent ahead of pre-COVID Q3 2019 levels. That speaks to the breadth and quality of our programming that differentiates us from domestic broadcasters and foreign content producers alike. Even though the recovery in radio and Out of Home was suppressed by the pandemic's fourth wave, results are better than last year. Ultimately, advertiser demand will come back once normal activity resumes with a broader reopening. That's the traditional side of our Media business.

Then, I have tremendous optimism for our Digital-First strategy. The goal is to grab a bigger share of the digital ad spend in Canada, where global Internet and social media platforms dominate today. We will grab a bigger share with our asset mix and investments in ad tech and digital content platforms, and by leveraging big data insights. The strategy is working. We're seeing continued momentum there. Digital revenue now represents 22 percent of total Bell Media revenue, up from 9 percent only four years ago. So, a lot of potential in the Media business going forward.



We're continuing to make good progress, as well, on a number of Bell For Better ESG initiatives. We're already taking concrete actions to reduce greenhouse gas emissions, in line with the Paris Climate Agreement. In support of World Climate Action Day on October 15, we announced that we have saved 71 kilotons of carbon dioxide equivalent emissions since 2008, and purchased more than 175 new electric vehicles that will be put into service by year end.

Bell has also partnered with Université de Sherbrooke to develop solar technology that will help reduce our reliance on diesel generators to power communications towers used to connect remote communities. Recent field tests of the solar optimization technology have achieved diesel fuel reductions of 75 percent, significantly exceeding our goal of 40 percent.

I'll now turn to Slide 5 for an overview of some key operating metrics for Q3, and I'm going to start with Wireless.

The back-to-school period this year felt more like 2019, with all retail stores reopened and increased consumer activity. We added 115,000 new net postpaid mobile phone subscribers, up a strong 46 percent, compared to Q3 of last year, and even 22,000 higher than Q3 of 2019. Notably, this result reflects significant year-over-year growth on the Bell brand. So, that's very positive. Customers are coming back into stores, so pent-up demand helped drive higher transaction volumes. We're also so much better at direct and digital channel sales than we were a year ago, and postpaid churn of 0.93 percent was our lowest ever Q3 result and five basis points better than last year, even with the step-up in competitive intensity that's typical and expected during this time of the year.

That said, we were quite measured and more targeted in our competitive approach during Q3. I've said this before, but our objective is not to lead in gross loadings. The goal is to get the right amount of market share and focus on higher value smartphone subscribers to grow service revenue and ARPU.

Wireless service revenue in Q3 was up an industry-leading 5 percent, yielding 2.3 percent higher ARPU. ABPU growth was more modest at 1.1 percent, due mainly to a higher mix of bring-your-own-device customers in the subscriber base versus last year and more postpaid customers on expired equipment installment plans.

For mobile connected devices, although we added 71,000 new IoT subscriptions, up 73 percent over last year, total net additions, as you'll see, were only 33,000, as we continue to move away from unprofitable, low ARPU data device transactions.

In prepaid, we added 22,000 new customers, which is our best quarterly result in the past year, solid performance that is expected to improve as immigration and international travel resume more fully.

Turning to Wireline, again, really a very strong quarter from an RGU perspective, with 34,000 new net retail customer additions, more than 2.5 times higher than last year. This is only the second quarter in the past five years where we've achieved positive total wireline retail net additions, including home phone and satellite TV, which is a testament to the advantages of our accelerated broadband network investments and TV product leadership.

At Bell Internet, we deliver 66,000 retail net customer additions. This is 5 percent higher than last year, when we saw exceptionally strong demand because of COVID, and as I said earlier, and it bears repeating, this was our best quarterly result in 15 years.

On the TV side of things, also a great result, with our best IPTV net additions since the third quarter of 2019, as we benefited from the return of sports and a more typical student-inward session this year. We added 32,000 new subscribers this quarter, up a strong 68 percent, versus 2020.

Satellite net customer losses remain, more or less, stable, compared to last year, at around 21,000, while home phone losses improved 14 percent to 43,000.

Turning to Bell Media, as I said, TV advertising was strong. We're back to the content funnel and timing of that content being what it used to be, both for live sports and other TV programming. On the heels of our most

successful upfront season ever, advertiser demand was robust, translating into strong bookings that drove a 25 percent year-over-year increase in TV advertising revenue.

This was supported by leading viewership across all Bell Media properties. TSN and RDS were the top ranked sports TV channels for Q3 and for the 2020/2021 broadcast year, while our English language entertainment specialty channels achieved record rankings, claiming the top three spots for CTV Comedy, Discovery and CTV Drama. Noovo continued to gain viewership over its French language competitors, with audiences up 18 percent in the current fall TV season.

Consistent with our strategic focus to lean in more aggressively on digital, we continued to make good progress in growing our streaming distribution platforms and digital advertising markets in Q3. Total Crave subscribers increased 5 percent over last year, while customers on direct streaming platforms grew a strong 33 percent. This, together with our rapidly expanding CTV AVOD product and continued scaling of the SAM TV sales tool, contributed to excellent digital revenue growth of 32 percent in Q3.

In summary, our strategic investments in advanced networks and industry-leading services, significantly improved customer experience and outstanding operational execution by the Bell team delivered very strong year-over-year operating results in Q3, and perhaps more importantly, we've brought the business' financial performance back to 2019 levels, despite still facing ongoing COVID headwinds.

Thank you, and on that, I'll turn the call over to Glen for a more detailed review of our financial results.

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

Thank you, Mirko, and good morning, everyone.

I'm going to begin on Slide 7.

Our consolidated Q3 financials demonstrated another step forward in our COVID recovery, as well as continued operational excellence and disciplined execution by the Bell Team.

With positive year-over-year contributions from all Bell operating segments, we delivered strong service revenue growth, up 3.6 percent in Q3. Total revenue was only up 0.8 percent due to the softer wireline data equipment and mobile device sales versus last year. However, this did not affect overall adjusted EBITDA, which increased a healthy 4.2 percent, as product revenues are generally low margin.

Net earnings were up 9.9 percent year-over-year on the flow-through of strong EBITDA growth and a non-cash net mark-to-market equity derivative gain resulting from the sharp increase in BCE's share price this past quarter.

Despite higher earnings, free cash flow was down approximately \$460 million this quarter, as expected, due to the higher capital spending under our two-year accelerated broadband network plan, higher cash taxes and a reduction in cash related to the timing of working capital.

Turning to Bell Wireless, on Slide 8, another strong quarter, with service revenue and EBITDA higher than Q3 2019, even without a material benefit from roaming, which improved only marginally this quarter and still remains 55 percent below pre-pandemic levels.

Bell again delivered strong service revenue growth, which increased 5 percent versus last year. This result is a reflection of strong mobile phone postpaid subscriber base growth over the past year, driven by our disciplined focus on higher value smartphone loadings, higher ARPU as customers moved to higher tiered unlimited plans, and continued strong demand for Bell's IoT solutions. The decline in data overage revenue improved this quarter, despite a 74 percent increase in unlimited plan subscribers since last year.

Product revenue was down 13.6 percent year-over-year, due to lower upgrade volumes and a greater mix of bring-your-own-device customers. The decrease in overall customer transactions can be attributed to the global supply chain handset constraints, that we are actively managing with our suppliers, more refurbished premium brand handsets available in the secondary market, as well as subscribers keeping their handsets longer, which is good for us from both a working capital and a customer lifetime value perspective. We believe longer device lifetimes are the positive byproduct of the move to equipment installment plans two years ago and the lack of new iconic handsets to generate buzz and stimulate the market. That said, these factors did not hamper our ability to generate higher year-over-year subscriber activations this quarter.

As for EBITDA, it was up a healthy 5.6 percent. This was driven by the flow-through of the strong service revenue growth and a 5.6 percent reduction in operating costs that yielded a 2.8 point increase in margin to 44 percent.

Turning over to Slide 9, Bell Wireline, total service revenue growth in Q3 was positive. This was driven by strong continued residential wireline performance that saw top line growth of 2.3, on the back of a 9 percent year-over-year increase in Internet revenue. This, together with the 1.8 percent lower operating costs from fibre-related operating efficiencies and a non-recurrence of certain COVID-related costs from last year, delivered solid EBITDA growth of 1 percent, with a higher year-over-year margin of 44.2%.

In business wireline, we're lapping some pretty tough comps from Q3 of last year, when demand for conferencing services and voice connectivity peaked, and data equipment product sales spiked with large enterprise and public sector customers spending on capacity and facilities to connect more employees working remotely. However, on a positive note, as the reopening of the economy takes hold more fully, we are seeing the resumption of some customers spending on projects that were delayed because of COVID and modest growth from new services in the area of cloud computing. This drove close to a 4 percent increase in service solutions revenue, which helped maintain the year-over-year rate of the business service revenue decline relatively stable, when compared to the first two quarters of 2021.

Moving to Slide 10, on Bell Media, in short, a strong set of financial results for Q3, as the recovery to pre-COVID levels of performance steadily continues. We saw higher year-over-year advertising spending across all Media platforms, with TV tracking ahead of Q3 2019 levels, while a rebound in radio and out-of-home remain modest, given only a partial reopening of the economy.

Total advertising increased 19 percent, reflecting stronger year-over-year conventional and specialty TV performance from the timelier start to the new fall TV programming season this year, more live sporting events compared to 2020, and incremental revenue generated from the federal election.

As a result of the higher year-over-year advertising and a 12 percent increase of subscriber revenue, reflecting a growing digital contribution, total Media revenue was up 14.5 percent, which drove a 20.8 percent higher EBITDA in the quarter. However, EBITDA is expected to be significantly impacted in Q4, despite the expectation for continued healthy revenue growth, due to an acceleration in programming costs and broadcast rights, reflecting the return to a regular sports schedule this year, and a higher volume of original productions, compared to 2020, when cancellations and delays had a favourable impact on our operating costs last year.

Slide 11 summarizes the main components of adjusted EPS for Q3, which was \$0.82 per share, up 3.8 percent, compared to last year. Higher EBITDA was the key driver, contributing \$0.08 per share of earnings growth this quarter. This was partially offset by increased depreciation and amortization expense, driven by the growth in our capital assets and the accelerated depreciation of 4G network elements as we transition to 5G, and a higher year-over-year equity loss pick-up from MLSE. Q3 is typically a seasonally low quarter for MLSE. However, last year, they benefited from the resumption of major league sports following the suspension of play at the start of COVID.

Let's turn to Slide 12, on free cash flow, and consistent with our expectations and plan for the year, we generated \$571 million of free cash flow in Q3, down \$463 million from 2020. Although EBITDA effectively returned to pre-COVID levels this quarter, contributing favourably to free cash flow, this is more than offset by the planned year-over-year step-up in capital spending, as I previously referenced. This quarter's results also

reflect higher cash taxes due to the return to a normal installment payments schedule this year and higher taxable income, as well as the decrease in working capital from the growth in accounts receivable and timing of supplier payments.

BCE's liquidity position remains very strong, with \$6.1 billion of available cash at the end of September. This excludes the final 80 percent payment of approximately \$1.65 billion for 3.5 GHz wireless spectrum acquired at the recently concluded auction, which has been pushed into Q4. Our balance sheet is well structured, with an average term to maturity of just over 13 years on our outstanding MTN debentures, historically low after-tax cost of public debt of approximately 2.8 percent and a net debt leverage ratio that is the lowest among Canadian direct peers at approximately 2.9 times adjusted EBITDA. We expect this to increase closer to 3.1 times EBITDA pro forma the final spectrum payment.

To wrap up, on Slide 13, with three quarters of strong consolidated growth already reported, we are on track to deliver on the financial guidance targets provided in February, even with certain COVID impacts expected to persist in Q4. As we begin to look out to 2022, BCE's cash flow remains strong and reliable, with growth opportunities ahead from continued COVID recovery, our accelerated fibre network investment, 5G and digital media advertising.

On that, I'll turn the call back over to Thane and the Operator to begin the Q&A portion of the call.

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**Thane Fotopoulos – Vice President – IR**

Great, thanks, Glen.

Before we start the Q&A period, I'd like to ask you to limit yourselves to one question and a brief follow-up, so we can get to everybody in the queue, and if we have some additional time, we can circle back afterwards. So, thank you for that.

With that, Moud, we're ready to take our first question.

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## QUESTION AND ANSWER SESSION

### Operator

Thank you. Our first question is from Jeffrey Fan from Scotiabank. Please go ahead.

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### Jeffrey Fan – Scotiabank – Analyst

Good morning, everyone. Great numbers.

Mirko, I want to ask about the MEC and business initiatives that you highlighted. Are there any revenue contributions coming from this yet in the quarter? If not, can you talk a little bit about the timing and perhaps the nature of the revenue streams, like how are they structured with these partners; and the related question is, with these initiatives, what's helping you to get these initiatives in place? I'm just wondering is it the network, is it the hyper-scaler relationships, or is it the B2B relationships that you have? Can you just talk a little bit about that? Thanks.

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### Mirko Bibic – President and CEO

Thanks, Jeff, thanks for the questions. On the enterprise side, in particular, what we're doing—our approach is obviously managing the puts and takes of COVID in the near term, as we continue to drive forward with our kind of customary business, for lack of a better word, but at the same time, as you know, because I've been talking about it for the last few quarters, I'm really focused on making sure this organization puts in place the building blocks for industry leadership as the new wave of revenues come our way. So, that's IoT scaling, that's 5G, converge 5G and fibre, and that's multi-access edge compute revenues, and then moving up kind of the—getting revenue further up the stack beyond mere connectivity. So, that's what we're trying to do, putting in place those building blocks.

I think the reason we're seeing a lot of early success, in terms of securing deals, or partnerships, is really because of the asset mix we have. We have kind of an expanding fibre footprint, we have a leading 5G network, we have the largest presence in terms of kind of multi-access edge centres that we can deploy with hyper-scaler partners, we have the most fibre-ized cell sites, we have distribution leadership in the enterprise space, and we're an attractive partner, either for the hyper-scalers or for applications developers, and you're seeing that manifest itself in terms of some of these announcements.

Now, you asked about the contribution from these partnerships. They're just beginning, right, so it's early days. What we're doing here, again, is putting in place the building blocks, creating customer awareness, driving attention to what we can offer in this space. The revenues will come.

Then, there's also the IoT segment, like with a more traditional IoT segment, and you saw our 73 percent growth in that, Jeff. That business is growing. It's a pretty sizeable business now and it continues to grow, and that's going to—I'm sure the team will continue to scale that.

I hope that helps to answer your question.

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### Jeffrey Fan – Scotiabank – Analyst

So, I guess, just to clarify, the 5 percent service revenue growth that you're getting in Wireless today, that's really coming from the consumer business, the existing business, the high value segment that you talked about, nothing from this segment yet.

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**Mirko Bibic – President and CEO**

That's right, but it's not just the consumer. It's also the more traditional mobile phone commercial enterprise segment, as well as consumer, yes.

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**Jeffrey Fan – Scotiabank – Analyst**

Okay, great. Thank you.

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**Operator**

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

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**Vince Valentini – TD Securities – Analyst**

Yes, thanks very much, and good results, as well.

Mirko, I'm hoping you can unpack the Wireless market for me, because I'm a bit confused. Quebecor reported this morning and they said they took 37 percent share of the gross additions in Quebec this quarter, we've seen Shaw report, which seems to suggest Shaw Mobile still adding a healthy amount of customers in Western Canada, and of course we saw 175,000 postpaid additions by Rogers a couple weeks ago, so where is—and your results were very strong, as well—so where is all this strength coming from? Are you gaining share or doing very well in sort of some other pockets of the country, other than the West and Quebec? If there's any colour you can provide on that, or just more overall colour on how the market is so strong for everybody, it would be much appreciated.

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**Mirko Bibic – President and CEO**

Yes, I think the market has pent-up demand, essentially, I'd say, Vince, and we're all benefiting from a little bit of the rising-tides-lifts-all-boats kind of approach to this. But, in our case, I'm quite pleased with our performance in pretty much every geography, Vince. I'm focused particularly on what we're doing. I think our results are a function of this strategy that we put in place and our strong execution against that against that strategy. So, again, and I'm repeating myself, but obviously quality smartphone loadings and, in our case, particularly, significant growth on the Bell brand.

We've managed data overage really well. I continue to be very pleased with the team's performance on managing the data overage decline. Prepaid is starting to come back. There's a little bit of frothiness there because there was some competitive activity in the flanker segment, which had an impact on prepaid, but we, nevertheless, did quite well. Stores coming back helped in terms of capturing that pent-up demand. As I said in my opening remarks, we're so, so much better at direct sales than we were a year ago. Finally, churn is helping those numbers. Our customer experience improvements are manifesting themselves in that record low churn, and that's obviously helping our underlying results.

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**Vince Valentini – TD Securities – Analyst**

Okay, thanks for that. Maybe just a follow-up, which also relates Wireless market conditions going forward. Do you have any update on how long it's going to be before we get any sort of final rules and rates surrounding the CRTC's MVNO regime?

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**Mirko Bibic – President and CEO**

I don't have a good guess on that, Vince.

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**Vince Valentini – TD Securities – Analyst**

Thank you.

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**Operator**

Thank you. The following question is from Jérôme Dubreuil from Desjardins Securities. Please go ahead.

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**Jérôme Dubreuil – Desjardins Securities – Analyst**

Yes, thanks for taking my question. Good morning, everyone.

You made a comment on Media EBITDA in the fourth quarter possibly being significantly impacted, and you commented on that previously, but now you seem to put a bit more emphasis on this, so I'm wondering if you can please quantify this.

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

Good morning, and certainly I'm not going to be able to provide Q4 outlook details, but let me just explain and unpack what I said.

Generally, year-over-year, in our media business, the sports schedules and the TV programming schedules line up, such that you don't have a large differential in the recognition of your programming costs. Well, obviously, with the pandemic, we had a material shift in programming, cancellation of programming, and live sports that was delayed in their start, so the recognition of the broadcast revenues moved into Q3 for the sports.

What we're having happen here, is that when we look at this year—or excuse me, I said Q3, Q4—when we look at this year, what's going to happen is that we are going to have a much higher recognition of the COGs related to the broadcast revenue recognition. Last year, we didn't have that COGs recognition, so it propped up the earnings. This year, there's going to be a headwind on that. It's really nothing more than timing and it's nothing to do with trends. There's nothing to be alarmed by it. It's just the year-over-year differential on the recognition of the COGs.

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**Jérôme Dubreuil – Desjardins Securities – Analyst**

Thanks, that's helpful, and maybe a follow-up. You were confident earlier in the year regarding possible pension contribution pauses probably next year. Given the increased interest rates, do you still have this view?

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

Yes, a great question. All of our major defined benefit plans are in great shape and they're in a solvency surplus position. Matter of fact, our largest DB plan is at a 109 percent funded position at the end of Q3. So, I would say we've gained more and more confidence on contribution holidays and now we're at a point that contribution holidays are imminent. It's no longer an "if", it's just a "when". I'll provide more insight on that in February, as I

see where year-end rates end on December 31, but contribution holidays are imminent and could start as early as 2022.

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**Jérôme Dubreuil – Desjardins Securities – Analyst**

Thank you.

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

You're welcome. Thanks for the question.

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**Operator**

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

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**Simon Flannery – Morgan Stanley – Analyst**

Thank you. Good morning.

I wanted to touch on the broadband business, if I could, another strong quarter, and it was really nice to see the broadband momentum given what we saw in the U.S. with some of the cable companies reporting additions down 50 percent year-over year. So, perhaps you could just give us a little bit of colour, you know, how you see the momentum on broadband, what's driving that, and it would be really great if you could give us more colour on the fibre opportunity, given, usually, first pass penetration is going to kick in at a low level, but ramp over time, so, presumably, you've got a bit of a tailwind from that. So, any colour around sustainability would be great. Thank you.

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**Mirko Bibic – President and CEO**

Thanks for the question. I'll start with the point that our fibre strategy is working and we're on track on the capital acceleration program, a lot of which, as you know, is going into fibre. Basically, that's to kind of convey that there still is runway here.

We've done a tremendous job over the last few years, and particularly the last two, three years, to ramp up our fibre coverage across our footprint, but there's still a ways to go, and I view that only as an optimistic scenario, because the more fibre we lay, the more penetration we will deliver.

Again, some of our cable competitors, we're about 50 percent fibre overlap, and we're doing extremely well, so we've got 50 percent more to go, and so we'll continue to do very well for quite a while.

Really, the underlying trend, is there's a customer shift to quality, that's the bottom line, and it's not like a one-time COVID impact. If you need connectivity in your home, you need connectivity in your home, you're not going to disconnect once COVID subsides. So, it's the shift to quality.

In terms of kind of financial performance that comes with it, we all know—we've got 10 years of experience now with fibre—churn is significant lower where we have fibre, lifetime value can be upwards of 50 percent better, our ARPU growth is strong where we have fibre, you mentioned the penetration growth, and then on the cost side, the annual support and service costs are materially lower where we have fibre. So, I think the momentum ought to continue both on subscriber loadings and on the financial performance associated with that asset.

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**Simon Flannery – Morgan Stanley – Analyst**

Great, and just one follow-up. To what extent are the gross additions on broadband coming when people move, or is this happening without a move?

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**Mirko Bibic – President and CEO**

Well, I think our results, particularly on the financial side, reflect a pretty healthy balance between volume, tier mix and price. I don't know if that directly answers your question, but I think, basically, what we're doing is we're getting a nice balance between new-to-Bell customer additions and existing Bell customers migrating from legacy technology to new technology, and customers migrating up to higher speeds.

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**Simon Flannery – Morgan Stanley – Analyst**

Great, thanks a lot.

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**Operator**

Thank you. The following question is from Tim Casey from BMO Capital Markets. Please go ahead.

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

Yes, thanks. Good morning.

Mirko, two for me. One, you talked about BYOD being a bigger mix. Is that something that you're stimulating from your call centres and your promotional activity, or is that driven by the market in terms of supply chain issues, or do you think that is driven by a change in customer preferences away from subsidized devices?

Second question, just to follow up on an earlier one related to the timing on clarity with respect to MVNO rates and whatnot, could you—I realize you don't have a timetable, but could you tell us how that dynamic evolves? Like, are there negotiations going on, or is it just kind of a black box within the regulator and they let you know at some point down the road? Any colour you can provide there would be helpful. Thank you.

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**Mirko Bibic – President and CEO**

Well, on the second one first, Tim—good morning. On the second question first, the model was designed to encourage negotiations first, and in the absence of successful negotiations, then it moves over to the regulator, so it isn't—it doesn't kind of first sit with the regulator in that black box, as you said. I'll leave it at that.

On the first question, in terms of the BYOD volumes, I think it's a mix of all the factors that you actually laid out. You laid that out quite nicely. I think the supply chain issues are definitely a part of the growing mix of bring-your-own-device customers, Tim, but on the other hand, what you're seeing, what we're seeing with this phenomenon right now, is you're starting to actually see the structural benefits of installment plans as our first cohort of installment customers are reaching the end of their first two-year contracts. They're actually hanging onto their devices longer, because they paid for them. Combine that with kind of the supply chain issues, they're also motivated to hang onto their devices longer. As Glen mentioned in his opening remarks, that's good for the economics of our business and the overall lifetime value. What's particularly interesting here, or of particular benefit here, is they're not turning away, and that's due to the vast improvements we've made in our customer experience. So, financially speaking, right now, kind of that structural shift certainly has been a benefit.

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

Thank you.

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**Operator**

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

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

Yes, thanks very much. Good morning.

Following up on, I think, Tim's question, but broadening it out, Mirko, to Wireless EBITDA margins just in general, it looks as if there should be, certainly, some expansion looking forward. There's obviously operating leverage that you have to roaming coming back, it seems, like equipment margins, and the IP impact has been positive, and then we're seeing lower churn, you've got digital initiatives and BYOD. Just love your thoughts. Obviously, not looking for specific guidance going forward, but just kind of the structural tailwinds here for Wireless margins for Bell specifically.

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

Good morning, Drew. It's Glen. Thank you for your question. Look, we're extremely pleased with our wireless performance and our wireless margins, and I would agree with all of your comments, as we look forward, that we have some great opportunity for margin expansion, but we also have pressures in the business, as we manage the government's desire to ensure affordable wireless pricing in this country, so we're managing that.

But, all of that said, I think we have some healthy upside for margin management. I think this past quarter is really demonstrative of what we can do when we focus on the high-value customer and what we can do to drive 5 percent service revenue growth and a healthy 5.6 percent EBITDA, by focusing on the right customer segment.

You are right, that roaming has been slower to return than we would have forecasted, and we expect that—and I would even say early indicators in October tell me that recovery is starting to happen, so we'll expect that to give us a little bit of a tailwind for calendar 2022.

So, I would say, yes, healthy margins remain in that business. We have to manage the pricing pressures and the competitive landscape, but we have all kinds of opportunity, as you alluded to, and roaming will be a tailwind to help us with that. So, a positive outlook for 2022, for sure, Drew.

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

Thank you, Glen, and just while you're there, congrats on the 109 percent solvency surplus. For those on the line that have lived through pension questions for a decade, that's quite amazing.

A follow-up just on the Internet side, again, just really stunning kind of momentum on residential Internet. I'm wondering if you can unpack a little bit in terms of what the fixed wireless contribution is to the overall trend there, that'd be great. Thank you.

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**Mirko Bibic – President and CEO**

Yes, we've had good growth on the fixed wireless, of course, and you can understand why. When we come into a community that has had very poor Internet service or no Internet service and we come in with quite a robust fixed wireless Bell-branded solution, the uptake is strong. The numbers that you see here are really a reflection of extremely strong growth on the fibre side, good growth on the WHI, or fixed wireless side, and losses on the legacy copper side.

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

Got it. Thank you.

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**Operator**

Thank you. The following question is from Aravinda Galappathige from Canaccord Genuity. Please go ahead.

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**Aravinda Galappathige – Canaccord Genuity – Analyst**

Good morning, and thanks for taking my questions, and congrats on the very consistent results.

I wanted to start with Internet. I know you've discussed the drivers of the 9 percent growth number. I wanted to sort of go back to one element there. I know that one of the items that may have helped you is sort of the somewhat tepid promotional activity through most of 2020, and perhaps even the early part of 2021. I was wondering if you can kind of give me an update as to where things stand on that front. Are you starting to see some of those discounting, some of that promotional activity come back?

Then, a quick follow-up on the Media side, 22 percent of it being digital definitely encouraging. I know that a bigger part of that is Crave. Any kind of insight you can give us as to where Crave's profitability is at at this point, would be helpful, as well. Thanks.

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**Mirko Bibic – President and CEO**

On the—Glen, why don't you take the Crave question?

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

Yes. Obviously, I'm not going to give specifics, but Crave continues to be a profitable part of our Media business and overall profits to BCE as a whole. Each quarter, as we expand our subscriber base, that only gets better, and as we mentioned, when we have a 5 percent subscriber base increase, we're able to move further and further to direct-to-consumer with our customer base, as Mirko mentioned earlier, growing 33 percent. That is a very simple delivery mechanism for us, so that even provides a greater opportunity for margin improvement. But, Crave has been a positive contributor for BCE for some time now, and I only see that expanding as we continue to grow the subscriber base.

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**Mirko Bibic – President and CEO**

Thank you, Glen, and on the first question, I think you see our financial performance on the Internet side, which continues to be strong, and that's strong against a pretty strong showing last year. In other words, we're lapping a pretty strong Q3 2020, and we're still delivering some good growth.

But, I would say, Aravinda, that the promotional intensity has come back a little bit in Q3, and into Q4, especially compared to last year, so we're managing through that. It is a competitive environment, but we're still able to deliver the results you see despite some of that promotional intensity coming back.

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**Aravinda Galappathige – Canaccord Genuity – Analyst**

Thank you.

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**Operator**

Thank you. The following question is from Sebastiano Petti from J.P. Morgan. Please go ahead.

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**Sebastiano Petti – J.P. Morgan - Analyst**

Great, thanks for taking the questions.

Just following up on the BYOD and the elongated device upgrade cycle, the dynamic that we have seen in the U.S. is that this will ultimately lead to a lower switching pool over time and could, therefore, create challenges on the loading front. Can you perhaps update us on where you are with EIP penetration today, and maybe any colour around the transition to unlimited?

To that point, just following up, there remains a question in the U.S., as you shift to 5G, do consumers understand the importance or the benefits of 5G, and will that be a tailwind to not only loading, but service revenue growth as you walk folks up the rate ladder?

So, maybe just comment on those two things, that would be great. Thank you.

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**Mirko Bibic – President and CEO**

Okay, thank you. I won't comment or give particular disclosure on our unlimited plan penetration, or EIP penetration, either. I would say that customers continue to move over to unlimited. As I mentioned in my opening remarks, I'm quite happy with how we're managing that whole shift. When consumers move to unlimited, like 60 percent are migrating up to higher rate plans, which is positive. Of course, I'm parking the overage impacts for when I say that, but then now, if I reintroduce the overage impacts, as you know, we've managed that quite well, to the point where it's actually no longer a headwind or a tailwind, and I think we'll reach an equilibrium point pretty soon on data overage decline.

On the installment plans, as I mentioned earlier, I think there are structural benefits with the elongated device upgrade cycle that you mentioned.

I think, on the 5G upgrade cycle, I do believe it will come. I mean, we're seeing scaling of 5G subscribership right now and it's continuing with double the data usage on 5G, compared to 4G, so that trend continues. 5G customers continue to spend more than 4G customers, so that trend is continuing, as well.

I mean, we'll see. There may be some headwinds as we go through this, and they may be the ones that you identify, but on the other hand, think about all the 5G, IoT, MEC revenues that we'll be able to generate because we have 5G networks and edge centres and fibre, fibre-ized cell sites and low latency solutions, etc., etc. So, there's kind of opportunity on the enterprise side, as well.

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**Sebastiano Petti – J.P. Morgan - Analyst**

Great, and one quick follow-up. Glen, is there any colour, perhaps, you can give on the lower opex in the quarter, underlying drivers of that on the Wireless side?

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

Yes, the biggest driver on the Wireless side is the fact that product sales were down so much. We had, as I mentioned in my opening remarks, significant softness in product sales related to the supply chain issues. So, obviously, the associated product COGs is the main driver of that.

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**Sebastiano Petti – J.P. Morgan - Analyst**

Thanks.

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**Operator**

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

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**Batya Levi – UBS – Analyst**

Great, thank you. Can you talk a little bit about the trends you're seeing in the enterprise segment, aside from the impact of non-recurring COVID-related sales, but what you see in terms of maybe any change in demand for type of services in the funnel and the pricing environment?

And just a quick follow-up on fixed wireless. Can you share any, maybe, key performance metrics on usage that you see from subscribers? Thank you.

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**Mirko Bibic – President and CEO**

On the second one, you have to follow up with Thane, to the extent that there's information there that we can provide.

On the first one, look, I think we're seeing some IT spending coming back. There's modest growth, that's encouraging, in the cloud computing space, and so we are seeing some growth in business service solutions, so some of that spending is coming back. Again, an encouraging trend.

The service revenue performance has, essentially, been quite consistent with previous quarters, so there's not much more to add than what I've said in the past. You, actually, in your question asked me not to kind of really park the kind of COVID-related bump in spending last year, so I would just basically answer it to say it's, more or less, what we've seen in the last two or three quarters, and with some delays in spending in some categories and some spending coming back, particularly, in some of the business service solutions.

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**Batya Levi – UBS – Analyst**

Anything in the pricing environment you could call out?

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**Mirko Bibic – President and CEO**

No, I mean, the enterprise space continues to be pretty competitive, and it all depends on which category of service you're talking about.

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**Batya Levi – UBS – Analyst**

Got it. Thank you.

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**Operator**

Thank you. We have no further questions registered at this time. I would now like to turn the meeting back over to Mr. Fotopoulos.

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**Thane Fotopoulos – Vice President – IR**

Thank you, Moud.

So, thanks again to everybody for your participation on the call this morning. As usual, I'll be available for follow-ups and clarifications throughout the day.

Have a good rest of the day, everybody. Thank you.

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**Mirko Bibic – President and CEO**

Thank you.

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**Operator**

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

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