



# BCE

## BCE Q4 2022 Results & 2023 Financial Guidance Call

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President and Chief Executive Officer

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Executive Vice President and CFO

February 2, 2023

### **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 Q4 2022 Results and 2023 Financial Guidance 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 2023 annualized common share dividend and dividend payout ratio, BCE's network deployment plans and anticipated capital expenditures as well as the benefits expected to result therefrom, the potential impacts on our business, financial condition and financial results of economic conditions, the expectation of stable adjusted EBITDA margin in 2023, expected strong contribution from our Bell Communication and Technology Services (Bell CTS) segment to revenue and adjusted EBITDA growth, expected soft advertising demand with a recovery as the year progresses and higher content cost in our media segment, our expected cash pension funding including an expected full contribution holiday in 2023, the expected level of our net debt leverage ratio in 2023, the expectation that the financial pillars of BCE's 2023 plan will support its common share dividend payments, our expected investments in mental health programs, 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 February 2, 2023 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 February 2, 2023. 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 Q4 2022 Results and 2023 Financial Guidance 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 Q4 2022 Results and 2023 Financial Guidance Call for periods beyond 2023 assume, unless otherwise indicated, that the economic, market, operation 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 in future years.

Effective with our Q1 2023 results, our previous Bell Wireless and Bell Wireline operating segments are being combined to form a single reporting segment called Bell Communication and Technology Services (Bell CTS). Bell Media remains a distinct operating segment and is unaffected. As a result of our reporting changes, the operational assumptions outlined in this section are presented in accordance with our new reporting segments.

### **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. In particular, we have assumed:

- Slowing economic growth, given the Bank of Canada's most recent estimated growth in Canadian gross domestic product of 1.0% in 2023, down from 3.6% in 2022
- Easing, but still elevated, consumer price index (CPI) inflation due to lower energy prices, improvements in global supply chains and the effects of higher interest rates moving through the economy
- Tight labour market
- Slow growth in household spending as higher interest rates weigh on disposable income

- *Slow growth in business investment due to slowing demand, elevated borrowing costs and increased uncertainty about future economic conditions*
- *Prevailing high interest rates expected to remain at or near current levels*
- *Higher immigration*
- *Canadian dollar expected to remain 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 higher 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*
- *The advertising market is adversely impacted due to economic uncertainty resulting from inflationary pressures, increasing risk of recession and ongoing supply chain challenges with improvement expected in the second half of 2023*
- *Declines in broadcasting distribution undertaking (BDU) subscribers driven by increasing competition from the continued rollout of subscription video-on-demand (SVOD) streaming services together with further scaling of OTT aggregators*

#### **Assumptions Concerning our Bell CTS Segment**

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

- *Maintain our market share of national operators' wireless postpaid mobile phone net additions and growth of our prepaid subscriber base*
- *Increased competitive intensity and promotional activity across all regions and market segments*
- *Ongoing expansion and deployment of Fifth Generation (5G) wireless network and 5G+ service, offering competitive coverage and quality*
- *Continued diversification of our distribution strategy with a focus on expanding direct-to-consumer (DTC) and online transactions*
- *Moderating growth in mobile phone blended average revenue per user (ARPU), driven by growth in 5G subscriptions, and increased roaming revenue from the easing of travel restrictions implemented as a result of the COVID-19 pandemic, partly offset by reduced data overage revenue due among others to the continued adoption of unlimited plans*
- *Accelerating business customer adoption of advanced 5G, 5G+ and Internet of Things (IoT) solutions*
- *Improving wireless handset device availability in addition to stable device pricing and margins*
- *Further deployment of direct fibre to more homes and businesses within our wireline footprint*
- *Continued growth in retail Internet and Internet protocol television (IPTV) subscribers*
- *Increasing wireless and Internet-based technological substitution*
- *Continued aggressive residential service bundle offers from cable TV competitors in our local wireline areas, moderated by growing our share of competitive residential service bundles*
- *Continued large business customer migration to Internet protocol (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*
- *Increasing customer adoption of OTT services resulting in downsizing of TV packages*
- *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 operating efficiencies enabled by a growing direct fibre footprint, changes in consumer behaviour and product innovation, digital adoption, product and service enhancements, expanding self-serve capabilities, new call centre and digital investments, other improvements to the customer service experience, management workforce reductions including attrition and retirements, and lower contracted rates from our suppliers*
- *No adverse material financial, operational or competitive consequences of changes in or implementation of regulations affecting our communication and technology services 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 expected to reflect continued scaling of our strategic audience management (SAM) TV and Bell demand-side-platform (DSP) buying platforms, as well as DTC subscriber growth contributing towards the advancement of our digital-first media strategy
- Continued escalation of media content costs to secure quality programming
- Continued scaling of Crave through broader content offering, user experience improvements and expanded distribution
- Continued investment in Noovo original programming to better serve our French-language customers with a wider array of content on their preferred platforms
- Leveraging of first-party data to improve targeting, advertisement delivery and attribution
- 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
- No adverse material financial, operational or competitive consequences of changes in or implementation of 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 2023:

- An estimated post-employment benefit plans service cost of approximately \$210 million
- An estimated net return on post-employment benefit plans of approximately \$100 million
- Depreciation and amortization expense of approximately \$4,900 million to \$4,950 million
- Interest expense of approximately \$1,375 million to \$1,425 million
- Interest paid of approximately \$1,400 million to \$1,450 million
- An average effective tax rate of approximately 26%
- Non-controlling interest of approximately \$65 million
- Contributions to post-employment benefit plans of approximately \$60 million
- Payments under other post-employment benefit plans of approximately \$75 million
- Income taxes paid (net of refunds) of approximately \$800 million to \$900 million
- Weighted average number of BCE common shares outstanding of approximately 914 million
- An annual common share dividend of \$3.87 per share

### **Assumptions underlying expected reductions in contributions to our pension plans**

Our forward-looking statements are also based on the following principal assumptions underlying expected reductions in contributions to our pension plans:

- At the relevant time, our defined benefit (DB) pension plans will remain in funded positions with going concern surpluses and maintain solvency ratios that exceed the minimum legal requirements for a contribution holiday to be taken for applicable DB and defined contribution components
- No significant declines in our DB pension plans' financial position due to declines in investment returns or interest rates
- No material experience losses from other unforeseen events such as through litigation or changes in laws, regulations or actuarial standards

The foregoing assumptions, although considered reasonable by BCE on February 2, 2023, 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 2023 financial guidance, are listed below. The realization of our forward-looking statements, including our ability to meet our 2023 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 negative effect of adverse economic conditions, including a potential recession, and related inflationary cost pressures, higher interest rates and financial and capital market volatility; the negative effect of adverse conditions associated with the COVID-19 pandemic and geopolitical events; a declining level of business and consumer spending, and the resulting negative impact on the demand for, and prices of, our products and services; regulatory initiatives, proceedings and decisions, government consultations and government positions that affect us and

*influence our business including, without limitation, concerning mandatory access to networks, spectrum auctions, the imposition of consumer-related codes of conduct, approval of acquisitions, broadcast and spectrum licensing, foreign ownership requirements, privacy and cybersecurity obligations and control of copyright piracy; the inability to implement enhanced compliance frameworks and to comply with legal and regulatory obligations; unfavourable resolution of legal proceedings; the intensity of competitive activity and the failure to effectively respond to evolving competitive dynamics; the level of technological substitution and the presence of alternative service providers contributing to disruptions and disintermediation in each of our business segments; changing customer behaviour and the expansion of cloud-based, OTT and other alternative solutions; advertising market pressures from economic conditions, fragmentation and non-traditional/global digital services; rising content costs and challenges in our ability to acquire or develop key content; higher Canadian smartphone penetration and reduced or slower immigration flow; 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 implement effective data governance; the failure to evolve and transform our networks, systems and operations using next-generation technologies while lowering our cost structure; the inability to drive a positive customer experience; the failure to attract, develop and retain a diverse and talented team capable of furthering our strategic imperatives; the failure to adequately manage health and safety concerns; labour disruptions and shortages; the failure to maintain operational networks; the risk that we may need to incur significant capital expenditures to provide additional capacity and reduce network congestion; the inability to maintain service consistency due to network failures or slowdowns, the failure of other infrastructure, or disruptions in the delivery of services; service interruptions or outages due to legacy infrastructure and the possibility of instability as we transition towards converged wireline and wireless networks and newer technologies; the failure by us, or by other telecommunications carriers on which we rely to provide services, to complete planned and sufficient testing, maintenance, replacement or upgrade of our or their networks, equipment and other facilities, which could disrupt our operations including through network or other infrastructure failures; events affecting the functionality of, and our ability to protect, test, maintain, replace and upgrade, our networks, IT systems, equipment and other facilities; the complexity of our operations; the failure to implement or maintain highly effective processes and information technology (IT) systems; in-orbit and other operational risks to which the satellites used to provide our satellite TV services are subject; our dependence on third-party suppliers, outsourcers, and consultants to provide an uninterrupted supply of the products and services we need; the failure of our vendor selection, governance and oversight processes, including our management of supplier risk in the areas of security, data governance and responsible procurement; the quality of our products and services and the extent to which they may be subject to defects or fail to comply with applicable government regulations and standards; reputational risks and the inability to meaningfully integrate environmental, social and governance (ESG) considerations into our business strategy and operations; the failure to take appropriate actions to adapt to current and emerging environmental impacts, including climate change; pandemics, epidemics and other health risks, including health concerns about radio frequency emissions from wireless communications devices and equipment; the inability to adequately manage social issues; the failure to develop and implement strong corporate governance practices; various internal and external factors could challenge our ability to achieve our ESG targets including, without limitation, those related to greenhouse gas (GHG) emissions reduction and diversity, equity, inclusion and belonging; 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; the failure to reduce costs, as well as unexpected increases in costs; the failure to evolve practices to effectively monitor and control fraudulent activities; 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 impact on our estimates and our financial statements from a number of factors; and pension obligation volatility and increased contributions to post-employment benefit plans.*

*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 Safe Harbour Notice Concerning Forward-Looking Statements dated February 2, 2023, and BCE's news release dated February 2, 2023 announcing its financial results for the fourth quarter of 2022, 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).*

## **CORPORATE PARTICIPANTS**

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**Glen LeBlanc**

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**Thane Fotopoulos**

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## **PRESENTATION**

### **Operator**

Good morning, ladies and gentlemen. Welcome to the Q4 2022 Results & 2023 Financial Guidance Call and Webcast.

I would now like to turn the meeting over to Mr. Thane Fotopoulos. Please go ahead, sir.

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

Thank you, Maude. Good morning, everybody, and thank you for joining our call at this unusually but unavoidable early start time.

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

You can find all our Q4 disclosure documents, including our Safe Harbour notice concerning forward-looking statements for 2023 on the Investor Relations page on the bce.ca website, which we posted earlier this morning. We have a lot of material to get through this morning on this call. However, before we begin, I want to draw your attention to our Safe Harbour statement on Slide 2 of the presentation.

With that out of the way, I'll turn the call over to Mirko.

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

Thank you, Thane and good morning, everyone.

Our 2022 accomplishments are anchored to the operational priorities we set back in 2020 and the Bell team's unwavering commitment to all our stakeholders. These priorities remain the foundation for Bell's future success. With a strategic roadmap, including a historic multiyear transformational accelerate capex program that is well-advanced and already paying off with subscriber loadings, an improved end-to-end customer experience, leading self-serve apps, and consistently strong execution, the Bell team delivered great results across all operating segments this past year.

In terms of overall financial performance for 2022, we essentially achieved the midpoint of guidance for both revenue and EBITDA growth despite unprecedented cost pressures from inflation and record storms, an expensive and highly competitive Black Friday, and media advertising softness. Normalizing for \$87 million in largely unplanned inflation and storm-related costs this year, EBITDA growth was actually 4 percent.

We are making massive investments to build the highest quality networks and they are consistently being recognized by third-parties such as PCMag, Ookla and OpenSignal as being the fastest. Our customer value proposition is to offer the best networks at affordable prices, and we are loading these networks profitably while maintaining margin stable in a highly competitive marketplace. It's a notable achievement.

Since 2020, we've accelerated capex, investing more than \$14 billion, the highest ever over a three-year period by a Canadian communications company, and we're doing it to forge ahead aggressively on constructing the broadest fibre footprint in North America, opening up Wireless Home Internet to 1 million homes in rural communities and building our mobile 5G networks faster.

In the past three years alone, we have delivered over 2.6 million new customer-ready broadband Internet locations, including a record 854,000 direct fibre connections in 2022. We've expanded mobile 5G coverage to 82 percent of Canadians and we've secured a \$2.1 billion worth of critical 3.5 gigahertz mid-band spectrum, with which we deployed a standalone 5G plus network.

In our Wireless segment, we continued growing our base of high-value mobile phone subscribers, increasing our cross-sell penetration of wireless and internet households and managing customer churn. Total mobile phone net additions in 2022 were up 66 percent to 490,000, driving both service revenue and EBITDA growth of more than 7 percent.

With only 41 percent of postpaid customers currently on 5G-capable devices, as well as accelerating immigration levels and a sharp focus on bundling wireless and consumer Internet service, we see good runway for continued growth.

On the Wireline front, fueled by our biggest annual fibre build-out ever, we added 201,762 new net retail Internet customers in 2022. That was up 33 percent over 2021, and our best result in 16 years. That drove strong residential Internet revenue growth of 8 percent. In fact, we capped off 2022 with our best annual residential RGU performance and our first year of positive net additions since 2005.

These results are a testament to the power of fibre-based Internet service that provides the fastest dedicated symmetrical speed that cable just can't match. By the end of this month, multi-gig symmetrical internet speeds of 3 gigs per second or higher will be available in 5 million locations, and 1 million of these will have access to 8 gigabits per second.

Our acquisitions of EBOX and Distributel also further strengthen our competitive position and support our Internet growth strategy with more service options for value-conscious residential and SMB customers.

Despite a challenging macroeconomic backdrop for advertising, our Media segment performed better than expected, driven by continued strong digital revenue growth, which is up 54 percent in 2022 and now comprises 29 percent of total Bell Media revenue compared to 20 percent in 2021.

Underpinning this performance was Crave, which grew direct streaming subscribers by 26 percent in 2022 on the back of market-leading content as well as rapid growth of our SAM TV sales tool, which nearly tripled sales revenue for a second consecutive year.

We are also developing a strong customer-first culture. Investments in our people and in the tools they need to support our customers as well as investments in digital functionality, AI and machine learning capabilities, together with the unmatched quality and reliability of our networks, as I've mentioned, all of that is leading to higher NPS scores, lower customer churn, and meaningful CCTS performance improvement.

On the ESG front, the Bell for Better initiative, which highlights our leadership in mental health, environmental sustainability, and workplace engagement also made notable progress in 2022. We were named by Corporate Knights, the top telecom company and number four in Canada overall on the Best 50 Corporate Citizens list as well as the inaugural Greenhouse Gas Reductions Champion by Clean 50, a national sustainability organization.

Reflecting our ongoing efforts to engage and invest in our people, Bell was named one of Canada's Top 100 employers for the eighth consecutive year by Mediacorp. This latest recognition reflects our success in key areas, including employee benefits, training and skills development, and community involvement.

Just last week, we proudly launched a new era of Bell Let's Talk in response to the growing need for mental health services in Canada. We're committing an additional \$10 million towards our goal of \$155 million in funding for Canadian mental health programs, replacing the \$0.05 per interaction donations made in previous years. Exceeding any previous Bell Let's Talk Day donation, this funding will help support vitally important mental health projects all year round and it will allow us to put more emphasis on the practical ways we can all make positive change on Bell Let's Talk Day and throughout the year.

Let me turn now to Slide 6. Starting with Bell Wireless, I'll give an overview of some key operating segments.

We're very pleased with our postpaid wireless loadings. We had a record quarter of gross activations that drove 155,000 new net subscribers and that's up 41 percent over 2021 and 148 percent higher than Q4 2019. This



strong result was achieved even with a higher number of switchers, reflecting aggressive offers from our competitors that we chose to match selectively.

For the first time since 2019, Q4 retail foot traffic and shopping activity was unrestricted and back to pre-pandemic levels of competition, particularly during Black Friday—that whole Black Friday period actually, which was very promotional intense in Q4 of 2022.

That said, all the work we do on cost and the strength of our balance sheet and liquidity position prepared us financially to load the subscribers that we did despite a level of promotional activity that was higher than any of us would have desired.

ARPU was up 0.5 percent, which is our seventh consecutive quarter of growth. This was supported by higher roaming revenue that was at 112 percent of pre-COVID levels and our continued focus on higher value subscriber loadings, even as higher transaction intensity moderated ARPU growth due to the financial impact of the shift to installment plans. For mobile connected devices, net additions increased an impressive 168 percent over last year to 104,000, driven by continued strong demand for all Bell IoT solutions.

Let's turn to Wireline, another strong RGU quarter. In fact, we have now delivered positive retail residential net customer additions, including satellite TV and local phone, in four of the last six quarters, and I've already mentioned our performance for the full year 2022. Bell Internet added 63,466 new net retail subscribers and that's 33 percent higher than 2021, driven by strong growth in every region. This was our best Q4 performance in 18 years.

Notably, 70 percent of consumer fibre activations in Q4 were on gigabit or higher speeds, bringing our base of gigabit or higher customers to approximately \$1 million or 43 percent of total fibre subscribers at the end of 2022. It was another great quarter for Bell IPTV with our best quarterly result in almost seven years as we leveraged our multi-brand customer segmentation approach to drive 40,209 net additions, up 38 percent versus 2021.

At Bell Media, as I said, advertising sales were better than we feared going into the quarter. Q4 ad revenue was up 3.8 percent over the previous year, buoyed by strong demand for the FIFA World Cup, demonstrating the massive popularity and the value that advertisers place on premium sporting events. This helped TSN and RDS assume their ranking as the top English and French language sports channels in Q4, and they're also off to a good strong start in 2023, thanks to the World Juniors and the NFL playoffs.

Crave also continued to deliver, with total subscribers up 6 percent over last year, surpassing \$3.1 million. This, together with the increased adoption of our advanced advertising platforms and expanded AVOD offerings, contributed to a robust 46 percent growth in digital revenues in Q4. Our Quebec media strategy continues to hunt as we led all competitors in Q4 in the French language specialty market, and that includes news and sports.

Let me turn now to Slide 7. Our 2023 business plan is anchored to our strategic framework to build, to execute, and to transform. It's a prudent plan designed to mitigate the effects of a potential recession, to maintain the generational investments in our networks and in our services, and to support our dividend growth model. Although we can't accurately predict the severity and magnitude of an economic downturn, we know our business is resilient and that our financial position is rock solid to weather potential impacts. As a result, we remain optimistic about our business outlook, as you see reflected in our financial guidance targets for 2023.

As I said last February, so February 2022, in line with our accelerated capital investment program, capex will begin to decrease in 2023 from what we clearly stated would be a peak spend year in 2022. We plan to invest around \$4.8 billion in 2023 and that's to support the expansion of our pure fibre footprint to another 650,000 homes and businesses. Approximately 85 percent of our planned broadband build-out program will be done. That comprises approximately 10 million total combined fibre and wireless home Internet locations. By the end of the year, we will have 4 million homes that will be able to access symmetrical Internet speeds of 8 gigabits per second.

We will also grow our 5G wireless footprint in 2023 to cover 85 percent of the national population and will enable low-latency standalone 5G-plus service for 46 percent of Canadians or 71 percent of the addressable population.

We plan to continue to win the home by leveraging our symmetrical Internet speed advantage over cable, delivering the best WiFi with WiFi 6E and our Giga Hub modem, and we'll drive greater cross-sell penetration of higher value, lower churn wireless and Internet households.

In wireless now, we plan to grow mobile phone net additions by capitalizing on our network leadership and accelerating 5G upgrade cycle and higher immigration levels. Building on our retail distribution leadership, earlier this week we announced an exclusive multiyear distribution agreement with Staples Canada to sell Bell consumer and small and medium business services at more than 300 of their stores across the country.

In our B2B sector, our objective is to build on our improved results from last year. In fact, 2022 represented our best SMB financial performance in over 15 years and we expect to maintain this momentum in 2023 by expanding in key channels and leveraging our fibre footprint.

In the large enterprise space, we will continue to put in place the foundation for our advanced products and services portfolio that will drive growth in the medium to long-term. At the same time, we're carefully managing our legacy portfolio through a combination of cost discipline and a focus on key legacy products.

At Bell Media, we'll continue to drive advanced advertising and digital products like Crave and the CTV and Noovo apps to help offset some of the recessionary pressures we're seeing in advertising, particularly expected in the first half of 2023.

Lastly, with respect to our transform work stream, we'll continue to focus on end-to-end customer experience improvements that make it easier for customers to do business in Bell, and we'll do this by investing in digital self-serve and high-touch interactions.

We also intend to drive operational efficiencies through enterprise architecture and agile development, automation tools, product and process simplification, integration of central billing systems and an ongoing attention to our cost structure in order to maintain a stable margin even in the face of a potential recession.

Now, let me turn to my last slide, which is Slide 8 and our dividend announcement from this morning.

The financial pillars of our 2023 plan enable us to execute on BCE's dividend growth objective, which is a top capital markets priority, as you all know. We are increasing the BCE common share dividend by 5.2 percent for 2023. It's our 15th uninterrupted year of a 5 percent or higher increase and my fourth as CEO.

Although capex will be lower in 2023, it will remain elevated compared to pre-2020 baseline spending and this is why our dividend payout ratio will remain above our historical free cash flow target range of 65 percent to 75 percent.

We're delivering on the strategic initiatives that we transparently laid out for you three years ago, and I'm so pleased with how far we have come in such a short period of time to future-proof this great company competitively in a changing world and this will position us for continued success.

Our unmatched collection of assets, including the best networks and the most innovative products, our digital transformation journey, and our customer-first approach, will serve as the springboard to deliver the operating metrics and the financial results that all of you and all of our shareholders have come to expect from us.

On that, let me turn it over to Glen.

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

Thank you, Mirko and good morning, everyone.

Q4 marked another quarter of consistent and focused execution with a 3.7 percent increase in consolidated revenues that was driven by year-over-year growth at all Bell operating segments despite economic conditions that continued to pressure media advertising and our B2B sector.

I am quite pleased that we delivered positive EBITDA growth this quarter even while absorbing \$26 million in incremental storm recovery and inflationary cost pressures, higher media programming costs, and a very expensive and highly competitive Black Friday period.

If I take a wider lens view of 2022, the accelerated capex investments we are making are paying off with some of the highest wireless Internet and TV subscriber loadings we have enjoyed in over a decade. That said, all of the work we do on cost and the strength of our balance sheet prepared us financially to be able to afford the subscribers that we acquired.

Despite a step-up in competitive intensity, exceptional cost pressures, and other economic challenges impacting our business, we still landed 2022 with a stable margin. Why? Because no one is better at managing costs. That core competency will continue to serve us well as we go forward.

Net earnings and statutory EPS in Q4 were down year-over-year due to non-cash asset impairment charges, mainly for Bell Media's French language TV properties, to reflect market conditions and economic-related pressures on current advertising.

Although adjusted EPS was up 5 percent for the full year, it was down this quarter, decreasing 6.6 percent to \$0.71, due mainly to increased interest expense because of higher rates. Despite a historical year for capex with total spending in excess of \$5.1 billion, free cash flow was up 2.9 percent.

Notably, our reported capex number includes cash amounts received upfront from the Quebec Provincial Government as a subsidy for the build-out of high-speed fibre in rural communities, which, as per IFRS rules, must be accounted for as a non-cash increase in capital expenditures.

Let's turn now to Wireless on Slide 11. Overall, a very good set of financial results this quarter. Total revenue up 7.7 percent, fueled by robust postpaid subscriber growth and a higher proportion of customers on higher-value 5G unlimited plans, strong demand for Bell IoT services, continued roaming improvement, and higher year-over-year mobile phone sales transactions that drove an 11.7 percent increase in product revenue.

Mirko has already pointed out that it was an expensive quarter for postpaid subscriber acquisition. This had a direct impact on EBITDA growth, which increased a solid 4.1 percent in the quarter.

Let's turn to Slide 12 on Wireline. A second consecutive quarter of positive top line growth with total revenue up 0.5 percent. This was led by continued strong residential Internet revenue growth of around 9 percent, higher year-over-year SMB revenue, and 17.2 percent increase in product revenue. A good result given the ongoing legacy declines, global data equipment shortages, and richer promotional residential bundle offers.

Further, to this last point, given our industry-leading wireline margins, broad geographic scale, and fibre superior cost structure, we have room to compete on price as multi-product bundling helps drive lower churn and greater customer lifetime value.

Notwithstanding higher revenue, Wireline EBITDA was down 0.6 percent due to \$23 million in storm recovery costs and inflationary pressures absorbed in this quarter. Normalized for these costs, underlying EBITDA growth was quite respectable this quarter, increasing 1.1 percent.

Slide 13 on Bell Media, against a backdrop of challenging economic conditions but contrary to our North American media peers, Bell Media delivered revenue growth of 4.7 percent in the quarter. Despite soft overall

TV and radio advertiser demand, total advertising revenue was still up 3.8 percent, and this was driven by record sales for the 2022 FIFA World Cup and continued strong out-of-home and digital growth.

Subscriber revenue grew 5.4 percent on the back of strong Crave and TSN direct-to-consumer streaming growth. These results are a testament to our programming strength, diversified mix of media assets, and focused execution of our digital-first strategy.

Similar to previous quarter, EBITDA was down 15.7 percent. This result was anticipated, given the broadcast rights cost of the FIFA World Cup and the ongoing normalization of entertainment TV content deliveries.

That does it for the quarterly results. I want to move on and talk about the new reporting segment structure. I want to bring your attention to an important change that we're making to our segment reporting structure starting this year.

As highlighted on Slide 15, beginning with Q1 2023 results, our previous Wireless and Wireline operating segments are being combined into a single segment called Communication and Technology Services, or CTS. Bell Media remains a distinct operating segment. Consolidated BCE financial results are unaffected. The reason for this modification is to align with organizational changes we made in 2022 and to reflect the increasing strategic focus on multi-product sales and our digital transformation.

Wireless and Wireline service and product revenues will continue to be reported separately, and there will be no change to subscriber-related operating metrics disclosure. However, adjusted EBITDA will now only be reported for the combined Bell CTS operating segment with no split for Wireless and Wireline. For comparative purposes, we have provided you with our quarterly 2022 segmented results on the new basis of reporting.

Slide 16 provides some perspective on our revenue and adjusted EBITDA outlooks for 2023. Guidance ranges are the same as in 2022, with consolidated revenue growth of 1.5 percent, adjusted EBITDA growth of 2.5 percent. Given this outlook, we project BCE's margins to remain stable in the coming year.

Based on the latest economic forecasts, we must plan for a potential recession. While we can't accurately predict the timing and the pace of an economic downturn, the fact that we are maintaining the same target guidance ranges as last year shows the confidence we have in our business outlook and the strength of our franchise to execute under any circumstances.

Underpinning this steady growth is a strong financial contribution from Bell CTS, reflecting continued wireless subscriber momentum driven by 5G acceleration, fast immigration growth, and a sharp focus on the multi-product cross-sell.

Further, but more moderate, year-over-year rolling revenue growth and a continued consumer wireline performance as we leverage our fibre and our product leadership in the home as well as our recent acquisitions of EBOX and Distributel to drive a high market share of Internet and TV net additions and revenue.

We also expect an improving performance trajectory of our Bell business markets, predicated on higher product sales and a resumption of project spending by large enterprise customers as supply constraints ease. Against that backdrop, we will be maintaining a close eye on costs to mitigate the financial impact of ongoing legacy erosion, which continues to slow, and of course, macroeconomic pressures.

At Bell Media, although we continue to experience soft TV and radio advertising demand in the early stages of 2023 as the economy impacts advertising budgets, we do expect a recovery as the year progresses. We also expect to benefit from the continued growth in Crave and out-of-home advertising, while also leveraging Bell Media's advanced advertising platforms and digital capabilities to grow our market share of digital ad spend.

Taking all of this into account, we expect to generate positive revenue growth in 2023, despite the non-recurrence of FIFA World Cup advertising revenue and the one-time retroactive adjustment to subscriber revenue that we recorded in Q1 of 2022.

Lastly, despite a resetting of the cost structure in 2022 that brought TV and programming and production costs closer to pre-COVID levels, we will be absorbing even higher spending in 2023. This is due to higher costs for sports rights and other premium content as well as further program volume normalization, which will weigh on Bell Media's EBITDA growth this year.

Let's turn to Slide 17. The funded status of BCE's defined benefit pension plan remains strong with a weighted average solvency ratio of 117 percent at the end of 2022. Our pension plan was in a solvency surplus position when interest rates were at historical lows. Now that rates have increased, it has further strengthened that valuation position. With every DB pension plan now above the required 105 percent threshold, we'll be able to monetize a full contribution holiday in 2023, resulting in cash savings of approximately \$230 million versus the \$145 million we enjoyed in 2022.

This level of annual cash funding reduction is expected to continue well into the foreseeable future, as we project the solvency ratio to remain above 105 percent. In fact, with a substantial solvency surplus of \$3.3 billion that has a very low sensitivity to interest rate changes, there is little risk that our pension plan ever goes back into a deficit position.

Moving to our tax outlook on Slide 18, the statutory tax rate for 2023 will remain unchanged at 26.8. Our effective tax rate for accounting purposes is also projected to be essentially around that level, reflecting no tax adjustments this year compared to \$0.10 per share in 2022. We expect a step-up in cash taxes for 2023, increasing to a range of \$800 million to \$900 million, up from \$749 million this year, and this is due mainly to higher taxable income projected for the year.

Slide 19, despite positive EBITDA growth and lower pension financing costs, we project adjusted EPS to be between \$3.10 and \$3.25 per share for Calendar 2023 or 3 percent to 7 percent lower compared to 2022. The year-over-year decline is a direct result of the \$0.10 per share year-over-year decrease in tax adjustments that I just referred to, an approximate \$200 million increase in depreciation and amortization expense, and a further step-up in interest expense due to higher rates and the higher level of debt outstanding.

Over to Slide 20. Slide 20 summarizes our free cash flow outlook, which we project will grow again by 2 percent to 10 percent in 2023, similar to last year's growth range and reflects the strong flow-through of our higher EBITDA, lower year-over-year pension funding and an approximate \$300 million decrease in capex that will drive a lower capital intensity ratio of 19 percent to 20 percent.

BCE's free cash flow generation is strong, reliable, and well-protected from macroeconomic uncertainty due to the recession-resistant nature of the majority of our revenue streams, providing strong support for the 5.2 percent dividend increase we have announced this morning.

Let's turn to our balance sheet. I'll make a few brief comments on Slide 21. We have access to \$3.5 billion of liquidity as we begin the year and a balance sheet that provides good overall financial flexibility to execute on the business plan and the strategic priorities of 2023.

Our net debt leverage ratio, while elevated at 3.3x adjusted EBITDA due to several years of generational capex spending and critical spectrum investments, is manageable and projected to remain relatively unchanged this year.

Our debt capital structure remains very well-structured with an average term to maturity of around 13 years, a low after-tax cost of debt of just \$2.9 million, and a relatively high proportion of fixed rate debt. Additionally, we have no material refinancing requirements this year as \$1.1 billion of the 2023 maturities was pre-financed and early redeemed in 2022.

This permits us to be opportunistic in accessing the debt markets this year to further strengthen our liquidity position and extend durations and maturities ahead of the anticipated C-band spectrum auctions.

Finally, to conclude, BCE's fundamentals and competitive position are strong as ever as evidenced by our 2022 operating results and consistent financial guidance targets for 2023. In 2023, we intend to build on that

operating momentum underpinned by our proven ability to execute under any competitive or economic conditions and our set of industry-leading assets that will continue growth for years to come.

On that, I will turn the call back over to Thane and the Operator for questions.

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**Thane Fotopoulos – Vice President – IR**

Thanks, Glen.

So given the volume of information we presented this morning, I'm sensitive to the time we have left for Q&A. Unusually, this quarter, one of our peers is hosting a call at 8 AM, so respecting all of your time and that of our competitors. I want to ask you to please limit yourself to one question so we can get to as many people in the queue as possible.

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

## QUESTION AND ANSWER SESSION

### Operator

Thank you.

Your first question is from Maher Yaghi from Scotiabank. Please go ahead.

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### **Maher Yaghi – Scotiabank – Analyst**

Yes, good morning. I know it's early so we appreciate the help that you guys are doing to have both companies' calls run on different times.

I wanted to maybe start by asking you, Mirko, about the guidance that you provided for 2023. One to five on revenue, two to five on EBITDA, exactly the same as you had in 2022, which is quite impressive, given all the macroeconomic changes that we're seeing right now, but I wanted to ask you what's underpinning that guidance when it comes to macroeconomic view as well as competitiveness in the marketplace in case we see a large transaction close during 2023, which a lot of people, investors, are wondering what it can or can't do to the competitive intensity in the market?

Maybe if I can, just a follow-up on the regulatory side. We've seen a change at the CRTC level. What's your take in terms of what we should expect from a regulatory body that is looking more and more on improving prices for Canadians, as discussed in the media recently? Could that change the environment for you and participants in the industry? Thank you.

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

Thanks, Maher. Good morning and good questions. So what I'll do—Glen, maybe if you can unpack the guidance. I might have a few things to add on the guidance question, and then I'll continue with the regulatory question.

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

Absolutely. Good morning, Maher.

As I said in my opening remarks, our guidance speaks volumes to the confidence we have in our business and the resiliency of our business. Absolutely, we expect there to be a recession, albeit I personally believe it will be short and shallow. The guidance we provided here takes into consideration that recession.

We haven't seen any changes at this time to consumer demand. The market remains active and healthy and the proof points are in our results: record postpaid mobile phone, gross activations, best Internet additions in 16 years, a strong wireless service and residential Internet revenue growth. In fact, consumers are upgrading to higher service tiers rather than downgrading. On a B2B front, there has been no indications of pause in new orders or customers looking to cut spend.

So I think when we look at the health of our business—and some of the challenges we faced in Calendar 2022, Mirko mentioned \$87 million, \$44 million in inflationary pressures that we experienced this year and \$43 million of storm costs, a typical year, a good year, maybe \$5 million in storm costs with changing weather patterns. That's probably been closer to \$10 million in recent history. Forty-three million dollars is extraordinary, and knock on wood, something we don't repeat.

Although I don't think we're out of the woods completely on inflation, of the \$44 million, about \$21 million of that's labour, \$16 million fuel, and about \$7 million utilities. The labour started really in the back half, and so I would suspect that that type of pressure continues into 2023 as we have another half year before we start lapping that, but I don't anticipate the same pressure on fuel or utilities. So, all-in-all, I think the 2022 results were pretty strong considering we had that, and with those headwinds behind us, I am very confident in the guidance we provide.

Thanks, Maher. Mirko, you were going to make some comments?

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**Mirko Bibic – President and CEO**

Yes, I'm not going to repeat any of that because that was very good. I'll just add the following.

At the highest level, Maher, I think our investors should have confidence. We have a clear strategy, we have articulated that strategy, and we're funding it and executing against it. We have the diversified revenue streams and our fibre strategy is working. We have good wireless momentum, and while the media industry is pressured right now, we are taking share because our digital strategy has traction.

So that's a bit of a summation of what Glen said. You alluded to price competition as well, and we saw some of that during the Black Friday period, and you foreshadow potentially more of that for 2023. On that, I'll say the following. We have the room to compete on price if anyone wants to take us there, and we have the room because we're really good at managing costs and because of the scale of our fibre network, and then the bundling strategy.

All of that's delivering lower churn, lower cost structure, higher lifetime value of our subscribers. Look, we've invested billions and billions to build North American leading networks. We are going to load those networks, and we can compete on price if we're taken there.

Then that kind of segues into the regulatory question that you asked me. Look, it's a bit early. We are looking forward to sharing our thoughts with the new CRTC leadership on how competitive our industry is, and we shared those thoughts on these calls, obviously, quarter-after-quarter, but there's new CRTC leadership, so we're looking forward to those conversations. In particular, really looking forward to highlight and reiterate the importance of the massive investments that need to be made in communications networks to drive the country forward.

So, a couple of other things just on that. Prices are declining. It's actually undeniable. Communications networks are pretty central to everything we want to accomplish as a country in terms of economic growth and productivity.

Maybe I'll leave it with this last point. Does everyone in the country want better networks? Yes. Do we want more coverage? Yes. Do we want prices that keep declining? Of course. Does local TV content matter? Yes, it does. Do we want better customer experience? Yes we do. Do we want more innovation, more jobs? Yes, yes, and yes. But there's one common element that underpins all of those and it is investment. So, we can't lose sight of that. I'll leave it there.

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**Thane Fotopoulos – Vice President – IR**

Maude, next question please.

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**Operator**

Thank you.

The following question is from Stephanie Price from CIBC World Markets. Please go ahead.

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**Stephanie Price – CIBC World Markets – Analyst**

Hi. Good morning.

For 2023, fibre homes decreased from 900,000 to a plan of 650,000, but capex stayed relatively elevated at \$4.8 billion. Just curious about the other buckets of investment besides the mid-band and fibre that you're looking at.

Maybe related, how do you think about a longer term view and what could a more normalized run rate look like for capex as you ramp down fibre initiatives?

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**Mirko Bibic – President and CEO**

Yes, so, on that, I've tried to consistently articulate where we were going with this. Starting in February 2021, we said we were going to start elevating capex to accelerate fibre and 5G build, and we're doing that. We said 2022 was going to be the peak year, and you can see that \$5.1 billion spent in 2022 is \$300 million higher than the guidance we're giving you for 2023.

So, we did say that each year after 2022, capex would start to glide down for—2023 lower than 2022, 2024 lower than 2023, etc., until we get to the end of 2025. Then you should expect capex to get closer to what you were used to seeing from us in terms of capital intensity ratio prior to COVID. Six hundred and fifty thousand, the reason we dropped capex by \$300 million from 2023 to 2022 is because we were going from 854,000 locations passed on fibre to 650,000, and that's the bulk of the reason for the decline.

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**Stephanie Price – CIBC World Markets – Analyst**

Okay. Thank you very much.

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**Operator**

Thank you.

Following question is from Jérôme Dubreuil from Desjardins Securities. Please go ahead.

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**Jérôme Dubreuil – Desjardins Securities – Analyst**

Hi. Thanks for taking my question.

Can you talk a bit about 5G plus? We have in mind that maybe this could mean a bit of dilution for the 5G brand overall, but at the same time I understand you want to maintain a differentiation.

Then the second one, I think it's fair to say that you've been using promotions in a different way than in the past recently. Would you say that it's a new way of doing business overall, or this is more something that is done to rapidly ramp up your market share on newly deployed fibre? Thank you.

**Mirko Bibic – President and CEO**

I'll take the fibre question first.

Actually, on the fibre—look, what we're doing here is, like I said, we're spending billions of dollars to build the best networks, and we have an undeniable structural product superiority advantage. So, the telco network traditionally was structurally disadvantaged from a technology point of view with copper in years past.

Now, the telco advantage is structurally—there is a structural telco advantage with fibre. So, you have a structural technology advantage, you have product superiority and differentiation, and you spend billions of dollars to get that.

The next step is to load the network and we are taking share, and frankly, we're resetting the benchmark for what consumers believe broadband should be. That's a key thing. It's a competitive differentiator that's going to last for a few years, in my view, resetting the benchmark for what consumers believe broadband should be.

If you look at our sales in Q4, 70 percent of our Internet activations on fibre were on speeds at a gig or above, and 38 percent of our fibre Internet base is now on speeds of a gig and above. So, we're loading the network, and we're shielding our customer base by resetting that broadband benchmark.

It's a potent combination. You have fibre with symmetrical upload and download speeds that competitors can't match, a gigabit modem with WiFi 6E, and we have a new Android-powered TV service, basically the new evolution of 5TV, which is pretty powerful.

On wireless and on 5G, we are just kind of—I'm really pleased that industry-wide, actually, the 5G pricing structure has remained intact where we've delineated. There is clear demarcation between 5G and 5G plus and 4G and other services with the pricing that comes with it. So far, frankly, that's held.

As I mentioned in my opening remarks, 41 percent of our subscriber base is on 5G devices; 5G customers continue to use more and spend more and there's room for growth there. Then I might add, on both our wireless loadings and our market share gains on fibre, we're doing that despite some promotional intensity.

We're doing that while maintaining margins stable, which is quite an accomplishment, and the reason we're able to do that, one of the big reasons, is with the fibre scale, our cost structure comes down.

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**Jérôme Dubreuil – Desjardins Securities – Analyst**

Thank you.

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**Operator**

Thank you.

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

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

Thanks, Mirko.

Can we follow-up on that discussion on your fibre leadership and talk about what you're seeing in the marketplace? You've mentioned that you have the ability to match costs. I'm just wondering how that plays out

in the wireline market and with respect to, as you say, the competitive advantage you have with product. Could you just talk a little bit about the dynamics you're seeing in the marketplace there? Thanks.

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**Mirko Bibic – President and CEO**

Yes. So, we're seeing—essentially, the short story, Tim, is you see the pretty—our loadings are quite strong, and we're at best TV results in seven years on overall wireline, our consumer RGUs, best results in 2005, and best Internet nets, and that's in 18 years. I think again, when we talk about the fibre advantage, but they're just not idle words because you're seeing the results follow what we're saying.

Just to give you another data point, so we had 63,500 Internet net additions or thereabouts, but we had 78,000 Internet net additions in fibre territory. So, I've been pretty transparent about this too. We do lose Internet customers where we don't have fibre; we're gaining big share where we do have fibre. I think that's the key thing.

Eighty percent of our target broadband build is done; we'll be at 85 percent done. I've shared in my opening remarks, the vast footprint that we will have that has 3 gigabit or 8 gigabit speeds. Those are phenomenal speeds. As we reset what the benchmark is for acceptable broadband, and we reset the bar to a gig or above, that becomes a powerful competitive proposition.

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

Yes. Tim, and as you've heard us say time and time again, the gift that keeps on giving is fibre. Not only does it allow us to deliver a superior product to our customers, a superior product over our competitors, but it's a network that allows—it's cheaper to operate, and it's reducing our cost of operating, which you see in our margins. Despite the challenges I spoke about earlier, we're maintaining stable margins and a big part of that is the cost advantage that fibre gives us.

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

Thank you.

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**Mirko Bibic – President and CEO**

Thanks, Tim.

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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.

As you look at your new reporting structure, do you anticipate more cost rationalization when you combine the Wireline and Wireless expense buckets, or has that already been aligned last year, and from here on, it will be more business as usual cost efficiencies?

You did mention some incremental spending this year. Is there a way to quantify them or the timing on when they will show up? Thank you.

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

I will attack the first part of your question. I'm not sure what your last part was referring to.

Look, we combined our internal structure for Wireless and Wireline this year, and we did enjoy cost efficiencies in doing so. As I have said in my opening remarks, it's become a core competency of Bell. We are always attacking costs and looking for more effective and efficient ways to deliver service, and that's not going to change.

Again, to the opening remarks that Maher made about how are you able to deliver stable guidance over 2022, and that's part of it. It's focusing on our cost, finding efficiencies, leveraging the ability that fibre gives us for taking costs out.

On the second part of your question, I'm not sure.

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**Batya Levi – UBS – Analyst**

I think you mentioned that you would like to make some internal investments this year, to digitize some capabilities and some efficiencies. I was wondering if there is sort of a quantification or the pacing of that, or is it also more sort of business as usual investments?

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**Mirko Bibic – President and CEO**

Yes. So we won't unpack that specifically, but since 2020, particularly since we got completely shut down in 2020 during COVID, we've made a concerted effort to improve our digital capabilities, both those that are customer-facing and continue to automate some of the processes in the operations of our business.

That's continuing because it's important and it's driving better customer experience and lower cost structures. So, we're going to keep doing that, and that's within the capex, the guidance that you see.

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**Batya Levi – UBS – Analyst**

Okay. Thank you.

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**Mirko Bibic – President and CEO**

Thank you.

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**Operator**

Thank you.

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.

Just a comment first. Look, I'm just not happy about getting rid of the segmented EBITDA. It makes our lives very difficult. I'm sure you have internal ideas as to what wireline versus wireless is and you're not going to change based on what I say, but I wanted to get that on record that it's not helpful to us.

My question is on the guidance. The range is reasonably wide at 2 percent to 5 percent on EBITDA, Glen. As you've articulated, competition seems to be escalating. You seem to be willing to lean in and load up your new networks and fight on price if you have to. I'm just wondering how the high end of the range is possible. What kind of factors?

Would you need to see some sort of big economic improvement or some sort of improvement in the competitive environment versus the current pacing? Maybe you can talk a bit about the pros and cons or the gives and takes at the high end versus low end of the guidance.

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

Well, first of all, Vince, how wide the range is, it's the same range as in 2022, and we're now approaching a \$25 billion revenue company and north of \$10 billion in EBITDA. I don't feel that range is all that wide when you consider the size of our organization.

Yes, we provide a range because there are all kinds of uncertainties that can happen in our business. We've talked a number of times on this call about recession, and I think that, that although I personally believe will be short and shallow, I certainly could be wrong, and many people on this call probably have a different opinion than I.

Barring recessionary impacts, the continued momentum we have in our fibre and our 5G strategy, recovery in our media business, those are the type of things that I think drive us towards the higher end or past the midpoint of our guidance range. For me to be able to give you insights on what drives you to the high end, you know it as well as I do, low promotion activity, continuing to load the network, avoiding a recession, recovery of advertising, advancement of our digital-first strategy and media, those are the things that we're focused on.

I believe the guidance range is prudent. I think it takes into consideration the potential challenges plus the upside and it is not inconsistent to what you've seen from us before.

Thanks for your question, Vince, and duly noted on segment reporting.

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**Vince Valentini – TD Securities – Analyst**

Thanks.

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**Operator**

Thank you.

Following question is from Simon Flannery from Morgan Stanley. Please go ahead.

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**Simon Flannery – Morgan Stanley – Analyst**

Great. Thank you very much. Good morning.

Glen, I wonder if we could talk about roaming revenue. You've obviously had a very nice recovery during 2022, but you're pointing to a further recovery in 2023. Perhaps just help us understand where we are in the recovery cycle and what sort of benefit are you anticipating in your guidance next year on a year-over-year basis versus this year? When do we get to sort of a new run rate?

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

Certainly, Simon.

Mirko mentioned that we're at 112 percent of what pre-pandemic roaming revenue is, and to unpack that for you about—on a volume basis, we're pretty much flat. We're back to pre-pandemic, so the additional 12 percent is all related to price, so your P versus Q.

I said in our opening remarks, one of us said, that we don't anticipate the same tailwind on roaming that we enjoyed this year. Naturally, this was a year of true recovery as I think Canadians and we're starting to gain confidence to move again post the challenge of this pandemic.

I would say some of the price increases that we implemented in Calendar 2022 were done through the year. So, we get to enjoy the half year of those, coupled with—I think you're starting to see Canadian confidence continue on moving around again and enjoying the ability to travel. So, I think the short answer is the improvement from 2021 to 2022 will not repeat itself, but there is still a bit of a tailwind there for 2022 to 2023.

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**Simon Flannery – Morgan Stanley – Analyst**

All right. Thank you.

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

You're welcome, Simon.

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**Thane Fotopoulos – Vice President – IR**

Maude, any more questions?

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**Operator**

We have no further questions registered at this time. So, back to you, Mr. Fotopoulos.

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**Thane Fotopoulos – Vice President – IR**

Great. Thank you very much. So, as usual, I'll be available throughout the day to take your follow-up questions and for any clarifications. You have a few minutes to get ready for your next call, so have a great day, everybody.

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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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