# BCE Acquisition of Ziply Fiber Analyst Conference Call

November 4, 2024

**Note:** All financial figures presented on a C$ basis, unless otherwise noted.
US$ converted to C$ at a rate of 1.3800

# Safe harbour notice

Certain statements made in this presentation are forward-looking statements. These forward-looking statements include, but are not limited to, the proposed acquisition by Bell Canada of Ziply Fiber, the expected timing and completion thereof, the expected immediate and long-term financial benefits of the proposed acquisition including enhancement of BCE’s financial growth profile and accretive impact on BCE’s free cash flow and operating cash flow, Ziply Fiber’s expected revenues and adjusted EBITDA in 2025, Ziply Fiber’s target number of fibre passings by the end of 2028, BCE’s expanded fibre footprint and cost synergies expected to result from the proposed acquisition, the estimated total cash financing requirement at closing and the sources of liquidity we expect to use to fund the proposed acquisition, BCE’s expected net debt leverage ratio upon the closing of the proposed acquisition, BCE’s intention to maintain its annual common share dividend at the current level during 2025 and the potential future resumption of common share dividend growth, potential future issuances by BCE of new common shares pursuant to its intended discounted treasury Shareholder Dividend Reinvestment and Stock Purchase Plan (DRP), the expected timing of commencement thereof and the anticipated benefits expected to result from such equity issuances, such as the expectation that the intended discounted treasury DRP will support the improvement of BCE’s dividend payout ratio and deleveraging plans, the maintenance of Bell’s long-term debt investment-grade credit ratings, certain potential benefits expected to result from the proposed acquisition, BCE’s growth prospects, business outlook, objectives, plans and strategic priorities, and other statements that are not historical facts.

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 are subject to inherent risks and uncertainties and are based on several assumptions which give rise to the possibility that actual results or events could differ materially from our expectations. 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 presentation describe our expectations at November 4, 2024 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 presentation, whether as a result of new information, future events or otherwise. The timing and completion of the proposed acquisition of Ziply Fiber are subject to customary closing conditions, termination rights and other risks and uncertainties including, without limitation, relevant regulatory approvals such as approval by the Federal Communications Commission (FCC) and approvals by state Public Utilities Commissions (PUCs), which may affect its completion, terms or timing. Accordingly, there can be no assurance that the proposed acquisition will occur, or that it will occur on the terms and conditions, or at the time, contemplated in this presentation. The proposed acquisition could be modified, restructured or terminated. There can also be no assurance that the potential benefits expected to result from the proposed acquisition will be realized. In addition, the level of BCE’s common share dividend, its dividend policy and the declaration of dividends are subject to the discretion of BCE’s board of directors. Consequently, there can be no assurance that BCE’s common share dividend level will be maintained or increased, that BCE’s dividend payout policy will be maintained or achieved or that dividends will be declared. The level of BCE’s common share dividend and the declaration of dividends by the BCE board, as well as the maintenance of investment-grade credit ratings and BCE’s deleveraging capacity, are ultimately dependent on BCE’s operations and financial results, which are in turn subject to various assumptions and risks, including those described in BCE’s public disclosure documents. For additional information on assumptions and risks underlying certain of our forward-looking statements made in this presentation, please consult BCE’s 2023 Annual MD&A dated March 7, 2024, BCE's 2024 First Quarter MD&A dated May 1, 2024, BCE's 2024 Second Quarter MD&A dated July 31, 2024 and BCE's news release dated August 1, 2024 announcing its financial results for the second quarter of 2024, filed with the Canadian provincial securities regulatory authorities (available at sedarplus.ca) and with the U.S. Securities and Exchange Commission (available at SEC.gov). These documents are also available at BCE.ca.

# Mirko Bibic

President & Chief Executive Officer

BCE & Bell Canada

# Transaction overview

- **Acquiring Ziply Fiber for an equity value of ~US$3.65B (~C$5.0B) in a transaction valued at ~US$5.1B (~C$7.0B) including acquired debt**

- **Ziply Fiber is the leading fibre network and broadband provider in the U.S. Pacific Northwest**
  - Well advanced fibre buildout with substantial growth runway ahead
    - 1.3M fibre locations passed, representing 64% of total ILEC footprint
    - More than 3M fibre locations by the end of 2028
  - Low legacy copper exposure
  - 82% of residential Internet subscribers on fibre
  - Competes with one or fewer Gigabit-capable broadband providers across 93% of its footprint

- **Shared fibre strategic vision: deal combines BCE's scale with Ziply Fiber's local market expertise**

- **Immediate and long-term financial benefits**
  - Enhances BCE's financial growth profile
  - Ziply Fiber expected to generate standalone adjusted EBITDA of more than C$400M in 2025
  - Accretive to BCE free cash flow post completion of Ziply Fiber's fibre buildout plan to more than 3M locations by end of 2028

- **Supports long-term capital markets strategy**
  - Maintaining the annual BCE common dividend at the current level of $3.99 per share for 2025
  - Intend to pause dividend growth until payout and net debt leverage ratios are tracking towards target policy ranges
  - BCE's Board of Directors reviews dividend policy annually

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**U.S. fibre market represents a significant growth opportunity aligned to BCE's core competencies**

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# Strategic rationale

**Ziply Fiber is a fibre company**

- Shared fibre strategic vision
- 64% of Ziply Fiber's ILEC footprint currently with fibre
- Compelling growth opportunity given fibre penetration runway in Ziply Fiber's current footprint and sizeable fibre expansion opportunity going forward
- Attractive industry structure in core Ziply Fiber markets with 93% of its footprint competing with one or fewer Gigabit-capable broadband providers

**Increases BCE's scale & geographic diversification**

- Reinforces BCE's position as a North American fibre broadband leader
- Expands BCE's fibre footprint to 9M locations with path to 12M+[(1)]
- Highly attractive U.S. market entry point with opportunities to scale further

**Attractive U.S. market & operating fundamentals**

- U.S. fibre deployment and customer penetration significantly lag Canada
- Appealing fibre economics with lower cost to build and strong ARPU growth

**Cross-sell revenue opportunities & operating efficiencies**

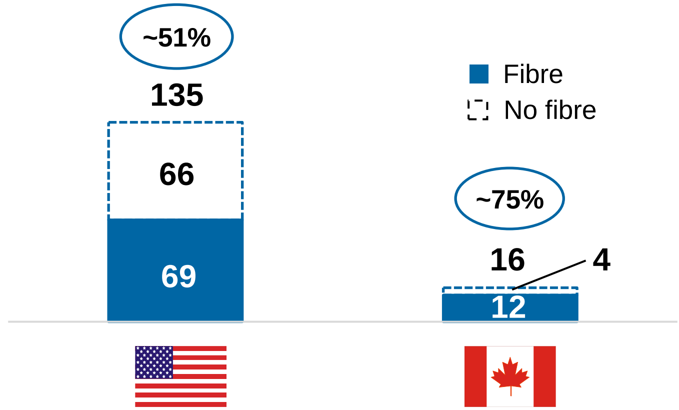
- Annual run-rate cash cost synergies of ~US$30M driven by efficiencies in procurement, customer care, IT development and corporate functions
- Broadens market to sell our leading enterprise products and services

**Transaction enhances BCE's long-term growth and diversifies our operating mix by establishing a foothold in the fast-growing U.S. fibre market and platform for further growth opportunities**

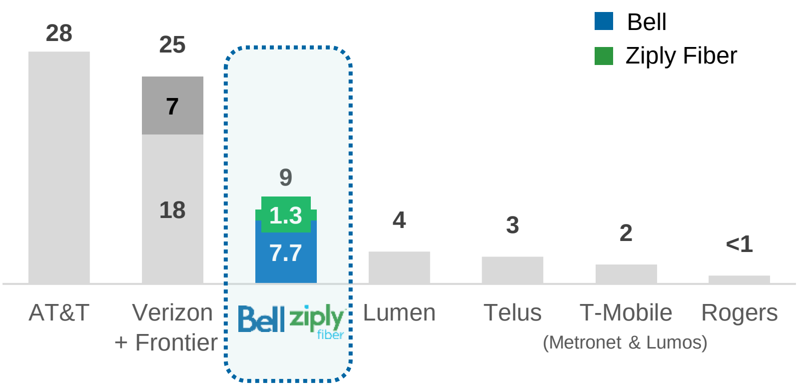
(1) Pro forma Ziply Fiber's target fibre passings expected by the end of 2028. Refer to "Safe Harbour Notice" at the beginning of this Presentation.

# Strengthens BCE's position as a top fibre provider in N.A.

## Number of homes with fibre offering (M)




## Pro forma current fibre passings (M)




### U.S. fibre market

- **Fibre superiority driving industry growth**
- **U.S. fibre deployment and access lags behind Canada**
  - ~51% of U.S. homes have fibre offering vs. ~75% in Canada
  - 66M homes in the U.S. without fibre

### Ziply Fiber: leading fibre provider in Pacific Northwest

- **1.3M total fibre passings in footprint across 4 states**
  - ~325K fibre Internet customers with strong ARPU growth
  - Network offers fastest speeds in the region (up to 50 Gbps)
- **Substantial remaining growth upside with plan to reach more than 3M fibre passings by the end of 2028**
  - New expansion markets at 23% penetration and approaching 40% in mature (acquired) markets
- **Competes with one or fewer Gigabit-capable broadband providers across 93% of its footprint**
  - Pacific Northwest has seen relatively less fibre overbuilding activity than other U.S. regions

**U.S. fibre market is fast-growing with attractive competitive dynamics and operating fundamentals, representing a uniquely compelling growth opportunity for BCE**

# Increases BCE's scale and growth profile

## Combined company (pro forma)[1]

| | |
|---|---|
| **~$25B** Revenue | **~3.3M** Fibre subscribers |
| **~$11B** Adjusted EBITDA[2] | **~9M** Fibre passings |

[1] 12-month period ended June 30, 2024. All non-financial metrics as at September 30, 2024.
[2] Adjusted EBITDA is a total of segment measures. Refer to Appendix "Non-GAAP Financial Measures" at the end of this Presentation.
[3] Refer to "Safe Harbour Notice" at the beginning of this Presentation.

- **Cements BCE's position as 3rd largest fibre network and broadband provider in North America with a platform to support continued growth and expansion**
- **Ziply Fiber delivering consistently strong financial results and fibre momentum[1]**
  - Fibre subscriber growth: ~15% y/y
  - Fibre ARPU growth: ~7% y/y
  - Adjusted EBITDA growth: ~11% y/y
- **Enhances BCE's revenue and EBITDA growth profiles through fibre expansion in the U.S. market[3]**
  - Fibre represents ~52% of Ziply Fiber's revenue and rapidly growing, reducing exposure to legacy business
  - Pace of Ziply Fiber's build to accelerate with another ~2M new fibre locations expected by the end of 2028
- **Ziply Fiber to operate as a separate business unit**

**Ziply Fiber acquisition creates a North American fibre broadband leader with 12M+ combined fibre locations expected by the end of 2028**

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# Curtis Millen

EVP & Chief Financial Officer

BCE & Bell Canada

# Key transaction details

- **Transaction enterprise value of ~US$5.1B (~C$7.0B) including acquired debt**
  - Transaction enterprise value of ~US$4.85B (~C$6.7B) including the NPV of acquired tax attributes
  - Acquiring all of Ziply Fiber's equity in cash for ~US$3.65B (~C$5.0B)
- **Transaction multiple of ~14.3x 2025E adjusted EBITDA net of acquired tax attributes and including annual run-rate cost synergies**
  - Transaction multiple reflects superior fibre revenue mix and growth prospects
  - Precedent transaction average LTM multiples in the range of ~25x for pure fibre companies, ~19x for modernized ILECs and ~9x for ILECs
- **No incremental debt required as acquisition will be financed with combination of MLSE net sale proceeds and cash generated from discounted treasury DRP**
  - Existing Ziply Fiber debt to be rolled over and remain outstanding at closing
- **Transaction subject to regulatory approvals, including FCC consent and various state PUCs**
- **Transaction expected to close in the second half of 2025**

**Acquisition of Ziply Fiber aligned with BCE's core business and expertise, enhancing long-term shareholder value creation through acceleration of our fibre trajectory**

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# Financial overview

## Financing structure

- **Total cash financing requirement at closing estimated to be ~C$5.0B**
- **MLSE net sale proceeds of ~C$4.2B to be used towards transaction funding**
- **2% discounted treasury DRP to be implemented commencing with BCE's Q4'24 common dividend**
- **Fully committed delayed-draw term loan facility in place should MLSE closing be delayed**

## Financial expectations(1)

- **Pro forma net debt leverage ratio at closing to remain relatively unchanged compared to current level of ~3.7x adjusted EBITDA(2)**
- **Transaction immediately operating cash flow accretive**
- **Free cash flow accretive post completion of Ziply Fiber's planned fibre build by the end of 2028**
- **Discounted treasury DRP will support improvement of dividend payout ratio(3) and deleveraging**
  - Payout ratio expected to improve by over 30% in 2025 assuming a participation rate of ~30%
- **Focused on maintaining Bell's long-term debt investment-grade credit ratings**
- **Dividend growth paused and amount maintained at current annual rate of $3.99 per common share until payout and net debt leverage ratios are tracking towards target policy ranges**
  - Dividend policy reviewed annually by BCE's Board of Directors

**Transaction financing structured to maintain relatively stable net debt leverage ratio and investment-grade credit ratings**

(1) Refer to "Safe Harbour Notice" at the beginning of this Presentation.
(2) Net debt leverage ratio is a capital management measure. Refer to the Appendix "Non-GAAP Financial Measures" at the end of this Presentation.
(3) Dividend payout ratio is a non-GAAP ratio and is defined as dividends paid on common shares (net of dividends reinvested through treasury DRP) divided by free cash flow. Refer to the Appendix "Non-GAAP Financial Measures" at the end of this Presentation.

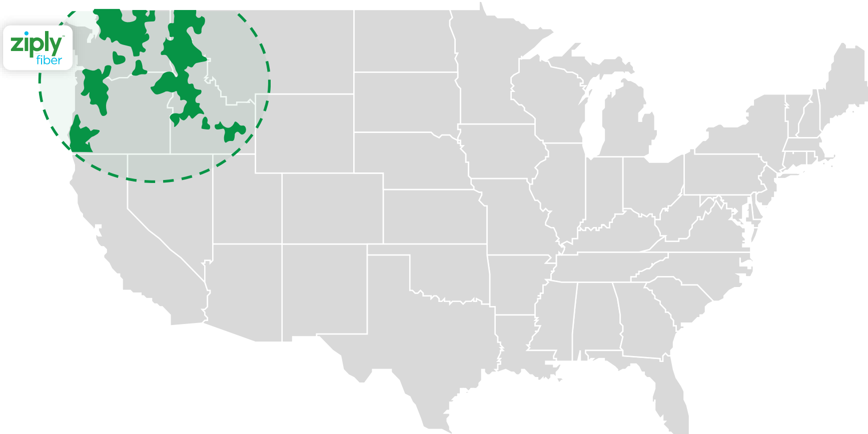
# Appendix

# Ziply Fiber overview

## Description

- **Leading fibre network and broadband provider in the U.S. Pacific Northwest**
  - Operations in Washington (Seattle area), Oregon (Portland area), Idaho and Montana
- **Provides data and voice services to residential and commercial customers**
  - ~400K retail Internet subscribers, including ~325K on fibre
- **Attractive demographics and market structure with one or fewer Gigabit-capable competitors in 93% of footprint**
  - 2.0M total locations passed, including 1.3M with fibre
  - Plan to reach more than 3M fibre passings by the end of 2028

## Map of network



## Key metrics

| | |
|---|---|
| **2.0M** Total Passings (Current) | **~400K** Retail Internet subscribers |
| **1.3M** Fibre Passings (Current) | **~82%** Retail Internet subscribers on fibre |
| **3M+** Target fibre passings (by end of 2028) | **~52%** Revenue from fibre |
| **93%** Footprint with 1 or fewer Gigabit-capable broadband providers | **~70%** Revenue from Consumer + SMB |
| **~US$700M** Revenue (2025E) | **~US$310M** Adjusted EBITDA (2025E) |

**Ziply Fiber is the leading fibre broadband provider in the U.S. Pacific Northwest, with plan to reach 3M+ fibre passings by the end of 2028**

# Non-GAAP and other financial measures

# Non-GAAP and other financial measures

BCE uses various financial measures to assess its business performance. Certain of these measures are calculated in accordance with International Financial Reporting Standards (IFRS or GAAP) while certain other measures do not have a standardized meaning under GAAP. We believe that our GAAP financial measures, read together with adjusted non-GAAP and other financial measures, provide readers with a better understanding of how management assesses BCE's performance.

National Instrument 52-112, *Non-GAAP and Other Financial Measures Disclosure (NI 52-112)*, prescribes disclosure requirements that apply to the following specified financial measures: (i) non-GAAP financial measures; (ii) non-GAAP ratios; (iii) total of segments measures; (iv) capital management measures; and (v) supplementary financial measures. This Appendix identifies and classifies the specified financial measures contemplated by National Instrument 52-112 that we use in this presentation to explain our financial results except that, for supplementary financial measures, an explanation of such measures is provided where they are first referred to in this presentation if the supplementary financial measures' labelling is not sufficiently descriptive.

## Non-GAAP financial measures

A non-GAAP financial measure is a financial measure used to depict our historical or expected future financial performance, financial position or cash flow and, with respect to its composition, either excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in BCE's consolidated primary financial statements. We believe that non-GAAP financial measures are reflective of our on-going operating results and provide readers with an understanding of management's perspective on and analysis of our performance.

Below are descriptions of the non-GAAP financial measures that we use in this presentation to explain our results as well as reconciliations to the most comparable IFRS financial measures.

### Free Cash Flow

The term free cash flow does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers.

We define free cash flow as cash flows from operating activities, excluding cash from discontinued operations, acquisition and other costs paid (which include significant litigation costs) and voluntary pension funding, less capital expenditures, preferred share dividends and dividends paid by subsidiaries to NCI. We exclude cash from discontinued operations, acquisition and other costs paid and voluntary pension funding because they affect the comparability of our financial results and could potentially distort the analysis of trends in business performance. Excluding these items does not imply they are non-recurring.

We consider free cash flow to be an important indicator of the financial strength and performance of our businesses. Free cash flow shows how much cash is available to pay dividends on common shares, repay debt and reinvest in our company. We believe that certain investors and analysts use free cash flow to value a business and its underlying assets and to evaluate the financial strength and performance of our businesses. The most directly comparable IFRS financial measure is cash flows from operating activities.

# Non-GAAP and other financial measures

## Non-GAAP financial measures (cont'd)

### Free Cash Flow (cont'd)

The following table is a reconciliation of cash flows from operating activities to free cash flow on a consolidated basis.

| ($M) | December 30, 2023 |
|---|---|
| Cash flows from operating activities | 7,946 |
| Capital expenditures | (4,581) |
| Cash dividends paid on preferred shares | (182) |
| Cash dividends paid by subsidiaries to non-controlling interest | (47) |
| Acquisition and other costs paid | 8 |
| **Free cash flow** | **3,144** |

### Net debt

Net debt is a non-GAAP financial measure and it does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers.

We define net debt as debt due within one year plus long-term debt and 50% of preferred shares, less cash, cash equivalents and short-term investments, as shown in BCE's consolidated statements of financial position. We include 50% of outstanding preferred shares in our net debt as it is consistent with the treatment by certain credit rating agencies.

We consider net debt to be an important indicator of the company's financial leverage because it represents the amount of debt that is not covered by available cash, cash equivalents and short-term investments. We believe that certain investors and analysts use net debt to determine a company's financial leverage.

Net debt is calculated using several asset and liability categories from the statements of financial position. The most directly comparable IFRS financial measure is long-term debt. The following table is a reconciliation of long-term debt to net debt on a consolidated basis.

| ($M) | June 30, 2024 |
|---|---|
| Long-term debt | 32,918 |
| Debt due within one year | 6,587 |
| 50% of preferred shares | 1,780 |
| Cash | (1,398) |
| Cash equivalents | (250) |
| Short-term investments | (750) |
| **Net debt** | **38,887** |

# Non-GAAP and other financial measures

**Total of segments measures**

A total of segments measure is a financial measure that is a subtotal or total of 2 or more reportable segments and is disclosed within the Notes to BCE's consolidated primary financial statements.

**Adjusted EBITDA**

Adjusted EBITDA is a total of segments measure. We define adjusted EBITDA as operating revenues less operating costs as show in BCE's consolidated income statements.

The most directly comparable IFRS financial measure is net earnings. The following tables provide a reconciliation of BCE's net earnings to adjusted EBITDA on a consolidated basis.

BCE

| *(12 month rolling as at June 30) ($M)* | **Total 2024** | Total 2023 |
|---|---|---|
| Net earnings | **2,203** | 2,523 |
| Severance, acquisition and other costs | **302** | 190 |
| Depreciation | **3,782** | 3,690 |
| Amortization | **1,235** | 1,116 |
| Finance cost | | |
| Interest expense | **1,614** | 1,320 |
| Net return on post-employment benefit plans | **(87)** | (80) |
| Impairment of assets | **182** | 205 |
| Other expense (income) | **415** | 301 |
| Income taxes | **850** | 943 |
| **Adjusted EBITDA** | **10,496** | 10,208 |

# Non-GAAP and other financial measures (cont'd)

## Capital management measures

A capital management measure is a financial measure that is intended to enable a reader to evaluate our objectives, policies and processes for managing our capital and is disclosed within the Notes to BCE's consolidated financial statements.

The financial reporting framework used to prepare the financial statements requires disclosure that helps readers assess the company's capital management objectives, policies, and processes, as set out in IFRS in IAS –1 – *Presentation of Financial Statements*. BCE has its own methods for managing capital and liquidity, and IFRS does not prescribe any particular calculation method.

### Net debt leverage ratio

The net debt leverage ratio is a capital management measure and represents net debt divided by adjusted EBITDA. Net debt used in the calculation of the net debt leverage ratio is a non-GAAP financial measure. For further details on net debt, refer to the previous section *Non-GAAP financial measures*.

For the purposes of calculating our net debt leverage ratio, adjusted EBITDA is twelve-month trailing adjusted EBITDA. We use, and believe that certain investors and analysts use, the net debt leverage ratio as a measure of financial leverage.

## Non-GAAP ratio

A non-GAAP ratio is a financial measure disclosed in the form of a ratio, fraction, percentage or similar representation and that has a non-GAAP financial measure as one or more of its components.

### Dividend payout ratio

The term dividend payout ratio does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers.

We define dividend payout ratio as dividends paid on common shares divided by free cash flow. Free cash flow is a non-GAAP financial measure. For further details on free cash flow, refer to the previous section *Non-GAAP financial measures*.

We consider dividend payout ratio to be an important indicator of the financial strength and performance of our businesses because it shows the sustainability of the company's dividend payments.