



BCE

BCE Q3 2024 Results Conference Call

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November 7, 2024

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements made by BCE's President and Chief Executive Officer and Executive Vice President and Chief Financial Officer during BCE's Q3 2024 Results Conference Call, as reflected in this transcript, are forward-looking statements. These statements include, without limitation, statements relating to BCE's financial guidance (including revenue, adjusted EBITDA, capital intensity, adjusted EPS and free cash flow), BCE's 2024 annualized common share dividend, BCE's planned focus on long-term margin-accretive subscriber growth and cost efficiency, the planned discontinuation of Bell-branded's prepaid wireless service by the end of Q4 2024, BCE's planned reduction in 2024 capital expenditures, BCE's network deployment plans, BCE's planned investments required to accelerate its transformation initiatives and the expected effects of these initiatives on BCE's capital and operational expenditures, margin expansion and cash, the cost savings expected to result from workforce reductions, the proposed acquisition by Bell Canada of Ziplly Fiber, certain potential benefits expected to result from the proposed acquisition including the expected number of Ziplly Fiber fibre locations targeted to be reached by the end of 2028, Bell Canada's growth prospects and strategic positioning, the expected immediate accretive impact of the proposed acquisition of Ziplly Fiber on BCE's operating cash flow, the expected accretive impact of the proposed acquisition of Ziplly Fiber on BCE's free cash flow post completion by Ziplly Fiber of its planned target number of fibre passings by the end of 2028, the sources of liquidity we expect to use to fund the proposed acquisition of Ziplly Fiber, the proposed disposition of BCE's ownership stake in Maple Leaf Sports and Entertainment Ltd. (MLSE), the intended use by BCE of the proceeds from the proposed disposition and the planned access to content rights for the Toronto Maple Leafs and Toronto Raptors on TSN for the next 20 years, the proposed disposition of Northwestel Inc., the planned focus on delivering enhanced customer experience and value and on improving mobile phone average revenue per user (ARPU) and margins, the extent to which the realization of efficiencies from prior investments in digital transformation initiatives support BCE's objective to operate at lower capital intensity levels in the future while continuing to invest in key strategic areas, the expectation that the financing structure of the proposed acquisition of Ziplly Fiber will maintain a relatively stable net debt leverage ratio for BCE and long-term debt investment-grade credit ratings for Bell Canada, the 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 funding of the acquisition of Ziplly Fiber, Bell Canada's potential for future growth in the U.S. resulting from opportunities similar to that of Ziplly Fiber's, the expected population expansion levels, slowing market growth for wireline and wireless services and prices stabilization, the planned focus on bundling wireless and consumer Internet service to reduce mobile phone churn, BCE's long-term adjusted EBITDA and free cash flow growth expected to result from the proposed acquisition of Ziplly Fiber, BCE's targeted capital intensity ratio and the effects of capital expenditures efficiencies and the Ziplly Fiber acquisition on said ratio, 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", "commitment" and other similar expressions or future or conditional verbs such as "aim", "anticipate", "believe", "could", "expect", "intend", "may", "plan", "seek", "should", "strive" and "will". All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws and of the United States Private Securities Litigation Reform Act of 1995.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on several assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from our expectations expressed in or implied by such forward-looking statements and that our business outlook, objectives, plans and strategic priorities may not be achieved. These statements are not guarantees of future performance or events, and we caution you against relying on any of these forward-looking statements. The forward-looking statements contained in this transcript describe our expectations as of November 7, 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 transcript, whether as a result of new information, future events or otherwise. We regularly consider potential acquisitions, dispositions, mergers, business combinations, investments, monetizations, joint ventures and other transactions, some of which may be significant. Except as otherwise indicated by BCE, forward-looking statements do not reflect the potential impact of any such transactions or of special items that may be announced or that may occur after November 7, 2024. The financial impact of these transactions and special items can be complex and depends on the facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way or in the same way we present known risks affecting our business. Forward-looking statements were made during BCE's Q3 2024 Results Conference Call for the purpose of assisting investors and others in understanding certain key elements of our expected financial results, as well as our objectives, strategic priorities and business outlook, and in obtaining a better understanding of our anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes. The forward-looking statements made during BCE's Q3 2024 Results Conference Call for periods beyond 2024 assume, unless otherwise indicated, that the economic, market, operational and financial assumptions as well as the material risk factors described in this transcript will remain substantially unchanged during such periods.

Material Assumptions

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

Canadian Economic Assumptions

Our forward-looking statements are based on certain assumptions concerning the Canadian economy. In particular, we have assumed:

- Modest economic growth, given the Bank of Canada's most recent estimated growth in Canadian gross domestic product of 1.2% in 2024, unchanged from the earlier estimate
- Easing consumer price index (CPI) inflation reflecting weakening pressures
- Softening labour market
- Growth in consumer spending supported by decreases in interest rates
- Business investment growth underpinned by lower interest rates and higher demand
- Interest rates expected to remain at or near current levels
- Slowdown in population growth due to changes to government immigration policy
- 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 Canadian traditional broadcast TV and radio advertising market is experiencing an ongoing slowdown with no improvement expected in the medium term, and visibility into the specific timing and pace of improvement remains limited
- 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:

- In the BCE 2023 Annual MD&A, we disclosed our assumption of increase in our market share of national operators' wireless mobile phone net additions. We are now assuming that our market share of national operators' wireless mobile phone net additions will remain stable or decrease slightly as we shift our focus from increasing market share to focus instead on economic and financial outcomes.
- Increased competitive intensity and promotional activity across all regions and market segments
- Ongoing expansion and deployment of 5G and 5G+ wireless networks, offering competitive coverage and quality
- Continued diversification of our distribution strategy with a focus on expanding direct-to-consumer (DTC) and online transactions
- In the BCE 2023 Annual MD&A, we disclosed our assumption of moderating growth in mobile phone blended ARPU. We are now assuming declining mobile phone blended ARPU, due to a higher-than-anticipated level of competitive pricing pressure which intensified progressively in the first quarter of 2024, that has carried over from the seasonally more intense Q4 2023 selling period.
- Continuing 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, but at a slower pace than during any of 2020 to 2023
- Continued growth in retail Internet and IPTV subscribers
- Increasing wireless and Internet-based technological substitution
- Continued focus on the consumer household and bundled service offers for mobility and Internet customers
- Continued large business customer migration to IP-based systems
- Ongoing competitive repricing pressures in our business and wholesale markets

- Continued competitive intensity in our small and medium-sized business markets as cable operators and other telecommunications competitors continue to intensify their focus on business customers
- Traditional high-margin product categories challenged by large global cloud and OTT providers of business voice and data solutions expanding into Canada with on-demand services
- Increasing customer adoption of OTT services resulting in downsizing of TV packages
- Growing consumption of OTT TV services and on-demand video streaming, 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 our 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 digital revenue expected to reflect continued scaling of our Strategic Audience Management (SAM) TV and demand-side platform buying platforms, expansion of Addressable TV, as well as DTC subscriber growth, contributing towards the advancement of our digital-first media strategy
- Leveraging of first-party data to improve targeting, advertisement delivery including personalized viewing experience and attribution
- Continued escalation of media costs to secure quality content
- Continued scaling of Crave through optimized content offering, user experience improvements and expanded distribution
- Continued support in original French content with a focus on digital platforms such as Crave, Noovo.ca and iHeartRadio Canada, to better serve our French-language customers through a personalized digital experience
- Ability to successfully acquire and produce highly-rated 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 2024:

- An estimated post-employment benefit plans service cost of approximately \$215 million
- An estimated net return on post-employment benefit plans of approximately \$70 million
- Depreciation and amortization expense of approximately \$5,050 million to \$6,000 million
- Interest expense of approximately \$1,700 million to \$1,750 million
- Interest paid of approximately \$1,750 million to \$1,800 million
- An average effective tax rate of approximately 60%
- Non-controlling interest of approximately \$40 million
- Contributions to post-employment benefit plans of approximately \$55 million
- Payments under other post-employment benefit plans of approximately \$60 million
- Income taxes paid (net of refunds) of approximately \$700 million to \$800 million
- Weighted average number of BCE common shares outstanding of approximately 912 million
- An annual common share dividend of \$3.99 per share

Assumptions underlying expected continuing contribution holiday in 2024 in the majority of our pension plans

We have made the following principal assumptions underlying the expected continuing contribution holiday in 2024 in the majority of 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 (DC) 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 events such as through litigation or changes in laws, regulations or actuarial standards*

The foregoing assumptions, although considered reasonable by BCE on November 7, 2024, 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 2024 financial guidance, are listed below. The realization of our forward-looking statements, including our ability to meet our 2024 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, elevated inflation, high interest rates and financial and capital market volatility, and the resulting negative impact on business and customer spending and the demand for our products and services; the negative effect of adverse conditions associated with geopolitical events; regulatory initiatives, proceedings and decisions, government consultations and government positions that negatively 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; high Canadian Internet and smartphone penetration; the failure to evolve and transform our networks, systems and operations using next-generation technologies while lowering our cost structure, including the failure to transition from a traditional telecommunications company to a tech services and digital media company and meet customer expectations of product and service experience; the inability to drive a positive customer experience; 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 an effective data governance framework; the failure to attract, develop and retain a diverse and talented team capable of furthering our strategic imperatives and high-tech transformation; the potential deterioration in employee morale and engagement resulting from staff reductions, cost reductions or reorganizations and the de-prioritization of transformation initiatives due to staff reductions, cost reductions or reorganizations; the failure to adequately manage health and safety concerns; labour disruptions and shortages; the risk that we may need to incur significant capital expenditures to provide additional capacity and reduce network congestion; service interruptions or outages due to network failures or slowdowns; events affecting the functionality of, and our ability to protect, test, maintain, replace and upgrade, our networks, information technology (IT) systems, equipment and other facilities; the failure by other telecommunications carriers on which we rely to provide services to complete planned and sufficient testing, maintenance, replacement or upgrade of their networks, equipment and other facilities, which could disrupt our operations including through network or other infrastructure failures; the complexity of our operations and IT systems and the failure to implement or maintain highly effective processes and IT systems; in-orbit and other operational risks to which the satellites used to provide our satellite TV services are subject; 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 or the dividend on common shares will be maintained or increased by BCE's board of directors; the failure to reduce costs and adequately assess investment priorities, as well as unexpected increases in costs; the inability to manage various credit, liquidity and market risks; 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 financial statements and estimates from a number of factors; pension obligation volatility and increased contributions to post-employment benefit plans; 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 sufficient corporate governance practices; the adverse impact of various internal and external factors on our ability to achieve our ESG targets including, without limitation, those related to greenhouse gas emissions reduction and diversity, equity, inclusion and belonging; the completion of the proposed disposition of Northwestel Inc. is subject to closing conditions, including the purchaser securing financing and the completion of confirmatory due diligence and, as such, there

can be no assurances that the proposed disposition will ultimately be consummated or that it will be consummated on the terms and conditions currently contemplated; the expected timing and completion of the proposed disposition of BCE's ownership stake in MLSE and the planned access for Bell Media to content rights for the Toronto Maple Leafs and Toronto Raptors for the next 20 years through a long-term agreement with Rogers are subject to closing conditions, including relevant sports league and other customary approvals, and the intended use of proceeds by BCE from the proposed disposition may vary based on timing of closing of the disposition and other factors and, as such, there can be no assurances that the proposed disposition, the anticipated use of proceeds and anticipated benefits from the proposed disposition will occur, or that they will occur on the terms and conditions, or at the time, currently contemplated; and the expected timing and completion of the proposed acquisition of Zply Fiber are subject to customary closing conditions, including relevant regulatory approvals, such as approval by the Federal Communications Commission and approvals by state Public Utilities Commissions and, as such, there can be no assurances that the proposed acquisition and the potential benefits expected to result from the proposed acquisition will occur, or that they will occur on the terms and conditions, or at the time, currently contemplated.

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 2023 Annual MD&A dated March 7, 2024 and BCE's 2024 First, Second and Third Quarter MD&As dated May 1, 2024, July 31, 2024 and November 6, 2024, respectively, and BCE's news release dated November 7, 2024 announcing its financial results for the third quarter of 2024 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 [sedarplus.ca](https://www.sedarplus.ca)) 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).

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PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to the BCE Q3 2024 results conference call. I would now like to turn the meeting over to Mr. Thane Fotopoulos. Please go ahead, Mr. Fotopoulos.

Thane Fotopoulos – Vice President – IR

Thank you, Matthew. Good morning, everyone, and thank you for joining our call with me here today, as usual are Mirko Bibic, President and CEO of BCE, and our CFO, Curtis Millen.

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

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

With that, over to Mirko.

Mirko Bibic – President and CEO

Thank you, Thane, and good morning, everyone.

Our operating results for the third quarter demonstrate that we're pursuing growth in a financially disciplined and responsible manner in what's arguably been the most competitively intense market we've seen. Against this backdrop, we remain focused on better quality, long-term margin accretive subscriber acquisition, and reducing costs to help offset short-term revenue impacts from sustained competitive pricing pressures. Expected revenue losses from the source, which we've discussed in the past. Slow economic growth and a media advertising market that's still in tradition--transition, pardon me, particularly on the on the linear side.

This focus on disciplined customer growth and ongoing efforts to drive cost savings across the organization through our advanced broadband networks, expanded digital and AI capabilities, as well as other transformation work streams is reflected in our Q3 consolidated EBITDA growth of 2.1% and a 1.7 point margin increased to 45.6%. Notably, this was our best quarterly margin performance in over 30 years. This contributed to 10.3% higher free cash flow in Q3, which was in line with our plan as profiled in our quarterly budget at the start of the year. So really good execution by the Bell team and a highly competitive marketplace.

I'm going to move now to our operating results. Starting first with wireless you'll see combined mobile phone and connected device net ads in Q3 totaled 158,412. Our objective was to strike a balance between subscriber loadings and economics. We also tried to reset rate plan pricing to more rational levels, reflective of the tremendous value our services provide to customers. Despite some green shoots, those didn't stick throughout the quarter. Nevertheless, we held firm to our strategy and we chose not to match every promotional offer just for the sake of capturing a higher number of subscriber activations. Rather, as I said, our focus was on acquiring margin accretive customers and increasing our service bundle penetration given its importance as a churn management and value driver tool.

In fact, all of our new postpaid customer net activations this quarter were on the main Bell brand. Moreover, in an effort to strike a better pricing tier balance between our various brands, we stopped selling prepaid service on Virgin Plus at the end of September, and we plan to discontinue Bell branded prepaid service in Q4.

Now onto residential wireline. Not surprisingly, fibre continues to anchor new internet subscriber growth and drive higher multi-product penetration, contributing to a 15% increase in household subscribing to mobility and internet service where we have fibre. Notably, internet revenue growth improved to around 5%, which represents our best quarterly results since Q2 of 2023. And it's a direct reflection, again, of our balanced approach to broadband market share growth and disciplined pricing.

Now I'll talk about media. Digital revenues were up 19% over last year, and that helped to offset the secular pressures in traditional media platforms. And digital now comprises 42% of total media revenues. This result was driven by continued growth in products such as Crave with ads and connected TV. Strong client demand for Bell Media's advanced advertising solutions, and ongoing direct-to-consumer streaming growth. And investments to sustain this strategic shift to digital are continuing with the availability of TSN and RDS content on Amazon Prime Video channels in Canada and the expansion of Bell Media's existing licensing agreement with Warner Brothers Discovery announced in 2023 to extend Crave for multiple years as the exclusive home of HBO and of Max content.

Bell Media also recently secured a content and licensing agreement with NBC Universal to bring USA Network and Oxygen True Crime cable channels to Canada for the first time. Discovery Canada will be rebranded as USA Network at the start of next year.

As for our transformation initiatives, we're making significant progress modernizing how we operate across the company by leveraging technology, automation and simplification in a way that's more agile, digital and lower cost. And all of this is designed to drive significant capex and operating cost efficiencies. Although these initiatives have required upfront investments, and more investments will be made as we further accelerate this transformation, we're already seeing the benefit in terms of capex efficiencies.

In fact, we're ahead of plan in decreasing capex by more than \$1 billion over the 2024, 2025 timeframe, including a year-to-date reduction this year of more than \$600 million while working towards our fibre build target of 8.3 million locations by the end of next year. However, as we move more workloads to the Cloud, it will result in a shift of dollars from capex to opex that will moderate margin expansion in the short term, but this will be meaningfully cash cost accretive longer term. And we remain on track to deliver in-year savings of approximately \$200 million from workforce reductions announced in February.

These are just a few examples of the initiatives and work streams currently underway at Bell that are contributing to better efficiencies and lower costs. We also continue to advance our transformation to a tech services leader in the B2B space with FX innovation acquisition last month of HGC technologies, a leading ServiceNow managed services provider based in Montreal. This investment builds on our purchase in July of Cloud Kettle based in Halifax to further strengthen FXI's expertise in process automation, Cloud technologies and digital transformation.

And in line with our strategic goal to become a cybersecurity managed services leader in Canada and North America, complementing our acquisition of tech services company stratagem in July, we expanded our relationship with Palo Alto Networks in a first-of-its-kind partnership to offer their full suite of managed security services. This agreement directly supports our Bell Business Markets growth agenda and is already evident in key wins with some of our largest Canadian customers. Against the backdrop of these investments, on Monday we announced our acquisition of Zply Fiber, the largest broadband and fibre internet provider in the U.S. Pacific Northwest. The acquisition marks a bold milestone in Bell's history. It's a significant investment that will help us take our competitive edge beyond Canada, and it will enhance long-term growth for Bell by providing us with a foothold in the underpenetrated U.S. fibre market while

increasing our scale, diversifying our operating footprint, and establishing a platform for further expansion opportunities.

The acquisition is immediately accretive to cash flow from operations, enhancing BCE's financial growth profile. We expect the transaction to be free cash flow accretive post the completion of Zply Fiber's planned fibre build out to more than three million locations. All in, it will help to support our long-term capital markets objectives. We intend to finance a transaction largely with the \$4.2 billion of net proceeds from the pending sale of MLSE.

Effectively, what we're doing is monetizing an asset with no impact on BC's operating results to fund the acquisition of an asset aligned with our core business and our fibre growth strategy. Which is, again, very strategic, growth-focused redeployment of capital, and one that will be accretive to free cash flow in the long term. Importantly, as part of the condition of sale of MLSE, as you all know, Bell Media secured access to content rights for the Maple Leafs and Raptors for the next 20 years, and that will solidify TSN's position as Canada's sports leader. The pending sale of Northwestel that we announced earlier this year is another clear indication that we'll take seriously any opportunity to monetize assets where and when it makes sense.

I'm turning now to slide five. We're reviewing with you some key operating metrics for the quarter. Again, starting first with wireless. We added 102,196 new net mobile phone subscribers in Q3, down from 167,000 in Q3 of last year. Although postpaid net ads of 33,111 were down compared to an exceptionally strong prior year, consistent with our operating strategy to focus on margin accretive subscriber ads and disciplined device subsidization, like I said at the beginning, all new customers were on our main Bell brand. While postpaid churn this quarter was up against the backdrop of elevated competitive activity relative to seasonal trends and higher than we'd like, it did represent a third consecutive quarter of deceleration in the year over year rate of increase.

So we're moving in the right direction when it comes to churn. Prepaid net ads were up considerably versus last year, increasing to 69,085. This represents our best quarterly results since Q3 2019. And it's a direct reflection of the strategy to increasingly address the flanker and new mark--newcomer market with our prepaid brand.

To close off on wireless ARPU was down 3.4%. As expected, this result represents the accumulation of excessive rate plan discounting and promotional offer intensity over the past year. Until prices stabilize, we'll continue to focus our offer--our efforts on delivering enhanced customer experiences and value, and on improving wireless ARPU and margins. Although we believe that Q3 should be the peak quarter of decline, the magnitude and timing of ARPU recovery will depend on how aggressive Black Friday and holiday promotions will be this year.

Now to Wireline. In internet, we delivered 42,415 new net retail subscribers. Although the environment remains ultra competitive and overall industry growth is slowing, we continue to capture the majority of new growth in our markets because of our superior fibre internet service offering. We also added around 9200 new Net IPTV subscribers.

And lastly, I'll turn to Bell Media. Total advertising revenue increased for a third consecutive quarter on the strength of digital, the strength of live sports and our acquisition of Outedge that we completed in June. Crave subscribers were up an impressive 12% to more than 3.4 million, driven by a 34% increase in direct-to-consumer streaming subscribers. TSN and RDS digital subscriptions collectively grew subscribers by 45% thanks to premium sports content, including the Presidents Cup, Euro Cup, soccer, Copa America and the Summer Olympics, which helped TSN and RDS retain the number one rankings in Q3 yet again.

Bell Media, once again, led all competitors in the French language entertainment and pay specialty market, while Noovo continued to grow market share with primetime audiences, increasing 4% compared to the

same fall to date period last year. In summary, the Bell team continues to consistently execute our plan with discipline in the most competitive market we've seen in years to grow subscribers responsibly, to serve our customers with the best pure fibre and mobile 5G networks to further improve the customer experience through digitization and of course, to reduce costs to align with the revenue profiles of each of our segments.

Due to top line pressures in the first three quarters of the year, stemming mainly from lower than anticipated product sales, which Curtis will discuss, as well as an unconstructive wireless pricing environment, we're revising BC revenue guidance for 2024. And again, Curtis will cover that with you in a second.

On that, I'll turn the call over to him. Thanks for the time everyone and, and looking forward to the Q&A after Curtis presents.

Curtis Millen – Executive Vice President and CFO

Great. Thank you, Mirko, and good morning, everyone.

I'll begin on slide seven with BC's consolidated financial results. We delivered positive service revenue growth for a second straight quarter on the back of stronger internet revenue growth, as well as the continued successful execution of our B2B tech services and digital first media strategies. Total revenue was down 1.8% similar to the last quarter. This was due to a 14.3% decrease in low margin wireless and wireline product sales, which included the loss of revenue from the Source store closures and conversions to Best Buy Express.

Our positive service revenue result was achieved despite an intensely competitive pricing environment, particularly in Wireless, where we intentionally slowed down subscriber acquisition to strike a better balance between volume growth and economics so as to not lock in customers on low ARPU contracts. Against this competitive backdrop, the transformation investments Mirko described are helping to drive very meaningful opex savings, as evidenced by a 4.8% reduction in operating costs this quarter. This drove a 1.7 improvement in margin to 45.6%, which bears repeating was our best result in well over 30 years.

Net earnings and statutory EPS declined in Q3. This resulted from approximately \$2.1 billion in non-cash asset impairment charges, mainly for Bell Media's TV and radio properties to reflect continued market related pressures on the traditional advertising ecosystem. Advertising EPS was down \$0.06 versus last year. This was due to higher financing costs and depreciation and amortization expense, as profiled in our plan at the beginning of the year. Consistent with our plan to reduce capital spending by at least \$500 million in 2024, capex was down \$205 million in Q3, bringing year-to-date capex savings to more than \$600 million. This helped drive a 10.3% increase in free cash flow for Q3.

The greater year-to-date capex savings can be attributed to the realization of efficiencies from our prior investments in digital transformation initiatives. Importantly, these efficiencies will enable us to operate at lower capital intensity levels in future years while continuing to invest in key strategic areas.

Turning to Bell CTS on slide eight. Product revenue was down notably this quarter, decreasing by \$114 million compared to Q3 2023. More than half of the year over year decline was due to lower sales at the source that I just referenced. The remainder can be attributed to lower mobile phone transaction volumes, which are down 25%, and the timing of mobile and data equipment sales to large enterprise clients, particularly in the government sector. Importantly, the EBITDA impact was not material as these product revenues are very low margin. Internet revenue was up approximately 5%, representing our best quarterly

growth rate since Q2 2023, an encouraging result that shows we are striking a responsible balance between broadband market share and subscriber profitability.

The decrease in wireless service revenue this quarter was largely expected given sustained price compression over the past year, which has had a significant cumulative impact on ARPU. This quarter's performance also reflects a step up in data coverage decline and lower outbound roaming revenue as customers continue to move to larger capacity and North American data plans. We also saw continued strength in business solutions, where revenue grew 10% over last year as our enterprise strategy further progresses. This was driven by higher sales of Cloud-based computing, managed automation and security services, as well as our recent acquisitions of Stratagem and Cloud Kettle, which complement our acquisition of FX innovation last year.

In fact, when excluding the favourable impact of those acquisitions, Business Solutions revenue still grew a strong 7% organically. Bell's CTS EBITDA was positive, growing by 0.2% to yield a strong margin of 46.7%. That's 160 point increase over last year, and the direct result of our significant and ongoing focus on cost management, as evidenced by a 6.2% reduction in operating costs this quarter.

Over to Bell Media on slide nine. Strong financial performance marked by a second consecutive quarter of revenue and EBITDA growth. Total advertising revenue was up 7.9%, driven by stronger TV sports specialty performance, continued robust digital advertising growth, and our acquisition of Outedge Media. Subscriber revenue growth of 13.5% reflected retroactive adjustments related to contract renewals with certain Canadian TV distributors, as well as continued D-to-C Crave and sports streaming growth.

Consistent with the increase in revenue, media EBITDA was up 25.1%, driving a substantial 3.9 point increase in margin to 32.5%. Even when normalizing for the retroactive revenue adjustments, Bell Media EBITDA was up a very solid 5% this quarter.

Turning to slide 10. Balance sheet remains quite well-positioned with \$4.4 billion of available liquidity. A well-structured debt maturity schedule and a strong solvency surplus of \$4.1 billion for all BCE defined benefit pension plans. At 3.7 times adjusted EBITDA, our debt leverage ratio is essentially unchanged compared to Q2, even with the recent acquisitions of Outedge, Stratagem and Cloud Kettle. Importantly, the funding for our planned acquisition of Ziplly Fiber is being structured to maintain our debt leverage ratio relatively unchanged and a credit ratings investment grade. No incremental debt will be required to finance this transaction. Rather, we intend to fund with MLSE net sale proceeds totalling \$4.2 billion, together with cash generated from implementation of a discounted treasury drip program that is commencing with BCE's Q4 2024 common share dividend payment.

In the event that Ziplly Fiber acquisition is completed before a sale of MLSE, we have secured a fully committed delayed draw term loan facility to meet the cash funding requirement at closing.

Lastly, on slide 11. As you read in our press release this morning, we are revising our revenue guidance target for 2024. As I referenced earlier, Bell CTS product revenues are down approximately \$200 million year-to-date, which is substantially more than anticipated at the start of the year. Moreover, we have been facing sustained wireless price compression over the past year, which has increasingly put pressure on ARPU and wireless service revenue growth. As a result of these near-term top line pressures, we now expect total BC revenue to decline by approximately 1.5% this year, down from our previous expectation of zero to four percent growth.

Importantly, all other financial guidance targets for 2024, as announced in February, remain unchanged. We believe this revised revenue outlook is appropriate and responsible given the current competitive and economic environments that we are currently navigating and provides an appropriate amount of flexibility to make the right business decisions for the long-term health of the company.

On that, I'll now hand the call back to Thane and the operator to begin Q&A. question and answer session

QUESTION AND ANSWER SESSION

Thane Fotopoulos – Vice President – IR

Great. Thanks, Curtis.

So before we start so that we can get to everybody in the queue, I would ask to please limit yourselves to one question and a brief follow-up.

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

Operator

Thank you. Our first question is from Sebastiano Petti from J.P. Morgan. Please go ahead.

Sebastiano Petti – J.P. Morgan – Analyst

Hi. Thank you. Mirko, obviously, you know, Ziplly EBITDA, you know, pro forma for Ziplly, you know, that would only constitute, you know, call it low to mid single digit percentage of, you know, BC's current EBITDA. As you think about, you know, the BCE's new, you know, let's call it a U.S. based strategy, how should we gauge, you know, the company's appetite for further M&A in the U.S. long-term. Yeah. How meaningful of a contribution could this U.S. fibre strategy be to consolidated financials over the medium long-term? You know, maybe said differently, is this a one-off opportunity to pursue high growth assets that just happen to be in the U.S.? Or do you think the U.S., you know, could become a more meaningful driver of BCE's growth algorithm over time? Thank you.

Mirko Bibic – President and CEO

Thank you for the question, Sebastiano.

So, maybe I'll start by kind of basic first principles and then work down to the specific question if you--the highest level fibre--fibres at the core of what we do. We've turned ourselves into a fibre first company. Fibre is superior technology to anything else that's out there and is--sorry about that. If you could hear me, I'll start again, Sebastiano. I was a partially on mute there. You know, we're a fibre first company and fibre is at the heart of what we do. And fibre is the superior technology compared to anything else out there. So, you know, we start with with that premise and you can--we've invested billions in Canada on becoming a fibre first company. And you can see it quarter after quarter the performance that we're delivering including, you know, this most recent quarter that we're reporting on in a very, very competitive environment.

We're generating 5% internet revenue growth and positive ARPU. So, it keeps winning. And then, you know, if you based on that becoming a having been and becoming having become a fibre first company, you kinda look at where the growth opportunities are. And when we looked at the U.S., like I said on Monday, you know, we're so much further ahead in Canada in terms of how much fibre has been built, and in terms of the value being delivered to customers here on a price and value perspective. And, you know, the U.S. is just behind us. So it's a it's a great growth opportunity that's right in our swim lane. And so now on Ziplly specifically there is a, you know, high growth potential within the asset itself, particularly in those kinda high GDP attractive customer kinda states.

But it also has, you know, the Zply management team has done a tremendous job transforming what was a legacy asset into a modern asset, not just from a fibre network perspective, but how they serve the customer and, and their IT stack. So as we look at other opportunities, if other opportunities come up, we'll take a look. And what Zply Fiber has built would allow us if there were other opportunities that came along to, you know, to include those within the Zply Fiber platform. And be able to kind of consolidate and merge other assets into what Zply Fiber's built in an elegant way. So I think, you know, all to say, if there are other opportunities where we can turbocharge the already high Zply Fiber growth, we'll take a look.

Sebastiano Petti – J.P. Morgan – Analyst

Thank you.

Operator

Thank you. Our next question is from Vince Valentini from TD securities. Please, go ahead.

Vince Valentini – TD Securities – Analyst

Hi. Thanks very much.

Can I come back to your core business and try to clarify a couple of things? The first of all, the write down on TPIA subscribers. So 106,000 customers in your footprint are currently riding on cable TPIA, so you have to shut down that business. And do you have to turn off the customers or are you just don't count them in your subscriber base anymore? And a second part of that, would you not fully intend to try to just migrate those to your own network, seeing as you have a network in to every home in these regions? I'm a little surprised why you would need to take the subscriber right down there and what's gonna happen to these customers going forward.

Similar on the prepaid if you can just clarify, if you take out 78,000 for Virgin Prepaid, I assume you'll take another subscriber write down in Q4. If you're going to shut down the Bell prepaid, can you just level set us on what that does to ARPU? I assume that should mean that ARPU mathematically will get a little bit better in Q4 and Q1? Thanks.

Mirko Bibic – President and CEO

Okay, so I'll start first on the TPIA resale business and Curtis will cover the wireless question, Vince. Good morning. Look on the, on the resale business, the reseller business, it's the ruling from the CRTC essentially puts a stop to that resale business. So the reason for the subscriber modification is that we can, we can no longer add subscribers on TPIA as part of that collection of brands that we were operating, you know, Distributel etc.

The 106,000 customers that are, that are ours today under those various brands that operate on that, that are served off of the cable network, we can continue to serve them for as long as they choose to remain our subscribers on those networks, because they are grandfathered, but we cannot add new subscribers on TPIA. So that business is essentially shut down. Now on the migration from cable to fibre, that was the business, you know, one of one of the significant elements of the business case to those acquisitions all along was migrating where we have fibre footprint, migrating those subscribers to fibre. And we've done quite a bit of that already.

So, so I don't have off the top of my head how many of the 106,000 customers are also in fibre footprint. But for those that are, we'll continue to migrate them. And where we don't have fibre, we're going to keep them on TPIA for as long as they remain our subscribers so--or our customers. So that's the answer on that one, Vince. And I'll turn it over to Curtis for wireless.

Curtis Millen – Executive Vice President and CFO

Then, Vince, on the second one you're right. So in terms of the prepaid stop cell on Bell, so we'll stop selling that service on Bell. And you're right, it's a very small impact, but there will be a small benefit to ARPU

Vince Valentini – TD Securities – Analyst

Thank you.

Operator

Thank you. Our next question is from Matthew Griffiths from BofA Securities. Please, go ahead.

Matthew Griffiths – BofA Securities – Analyst

Oh, good morning. Thanks for taking the question. It's Matt sitting in for Dave this morning.

I just wanted to ask about the broadband business. I think you referenced in your remarks or maybe it was just in the press release, higher deactivations due to promotions and competition and so on. But there's also reference to, you know, success in, you know, increasing the percentage of subscribers who are bundled, which usually would have I would think, you know, a churn benefit. So maybe if you can put those into context and maybe, you know, share what the--what, you know, kind of churn reduction or, you know, other benefits you're getting from bundling these subscribers together. It'd be helpful. Thanks.

Mirko Bibic – President and CEO

No, so it's, you know, what you're seeing is, you know, the general market is generally slowing whether or not it's on the wireline or the wireless side. And there's, you know, a number of factors there. One is population growth, particularly newcomer growth is going to be, you know, more sustained than what we would have thought given new policies, you know, that has an impact on housing starts. And as penetration increases in both segments, you'll just kind of see a, a slowing of market growth, although the markets are continuing to grow in that environment, we're continuing on wireline side. We're continuing to take share away from our competitors or taking a larger share of new market growth. And that's because of our product superiority with fibre.

And we have a particularly strong mix of customers coming in on the high-speed tiers. Now, you know, it is a highly competitive pricing environment right now again, again both in wireless and wireline. So you're seeing when you're talking about deactivations, you're seeing the impact of some of our competitors choosing to protect market share at any and all costs. And you're seeing that in some results of our peers where we're particularly since you asked me about wireline, you're seeing serious compression on both revenues and ARPU on the wireline side. We're doing it differently, as you can see, our revenue growth is growing nicely on our internet. ARPU has been growing and that's a factor of our go-to market approach.

Matt, we have, you know, we're loading customers in at the high-speed tiers, which has higher ARPU. We are being very diligent in the customers we're bringing in on the premium brand, so always favouring Bell over Virgin. And that applies both to internet and wireless.

And of course, there's the benefit of lower churn for customers who buy more than one product from us. So, you know, I said it probably five times in my opening remarks. It's, it's that you got to be really disciplined in an environment like this, getting the right loads on the right brands, and not chasing every single load at all costs 'cause that's not a winning formula. And, you know, we made that call and I think you see it in the, in the margin expansion. And I think in the long run it's gonna help us, particularly as prices stabilize 'cause they're gonna have to

Matthew Griffiths – BofA Securities – Analyst

Thanks. And maybe a quick follow-up. Just your views on convergence, I mean, there's some who view it as a more of a defensive strategy, but you kind of referenced your share gains and so on like for Bell. Are you looking at your converged offering as more of an offensive strategy or is it, you know, defensive to protect what you have?

Mirko Bibic – President and CEO

It's well, we're doing we're doing both and it's just kind of managing the entire kind of portfolio across the board. Now our mix of customers who buy both either the, you know, an existing wireless adding internet or an existing internet adding wireless or are new to Bell buying both at the same time, that's increasing. So that mix is increasing. But if you look at our overall base, you know, the bundled customer is still the minority of customers in terms of the overall mix.

Matthew Griffiths – BofA Securities – Analyst

All right. Thank you so much

Operator

Thank you. Our next question is from Drew McReynolds from RBC Capital Markets. Please, go ahead.

Drew McReynolds – RBC Capital Markets – Analyst

Yeah. Thanks very much. Good morning.

First for you, Mirko, a big, big picture question. And it just kind of ties I think a lot of the earlier questions together. And it's on the outlook for industry growth in Canada. And within that, just trying to kind of gauge an EBITDA growth profile for BCE. You know, you have the revenue headwinds this year, which you've characterized as transitory. You're holding the line on 2% consolidated EBITDA and doing great work on lowering the cost to serve. So the two questions is, do you see industry revenue growth in in Canada staying positive given all the kind of maturity, competitive substitution, regulatory dynamics? And then second, are you able to, within that environment, sustain positive EBITDA growth on the core business here in Canada?

Mirko Bibic – President and CEO

Okay. Good question. Thank you. Look on the if you break down the revenue like, to two chunks product and service, on the product side we really have the the impact of as Curtis said the shutdown and conversion of the Source stores. And there has been also lower phone sales generally as customers have shifted to, to, to bring your own device. And in our case, so on the wireline side, we've had, you know, some wireline equipment revenue declines and there's been some timing issues on, on recognizing some of the revenue on the wireline side. So that's a product which, which, you know, it's understandable. And of course, it's low margin, so the flow through impacts are relatively small.

On the service side it really is a question of, you know, needing the the pricing to more appropriately align to the value that we are delivering to customers. And kind of give you some some examples like we've had to, you know, we've been, and I mentioned this I think at the last quarter, making sure that there's proper stratification across prepaid and postpaid and across, you know, the various brands therefore and also across, you know, the two brands in postpaid. And I think everyone lost its way in that regard in the early part of this year. And so that's why I spent some time in my remarks talking about that. Now if you look at October, you know, October pricing was lower year over year. But better than what we saw in Q1 and Q2. And part of that is, is kind of that proper stratification across prepaid flanker postpaid and premium postpaid. Is there going to be, you know, growth going forward? Yeah, I think so. I think it's, you know, pricing is gonna need to stabilize, number one.

And then we'll get through some of the, some of the other impacts that we're seeing in our case data overage decline. Like we've managed our data overage very, very tightly over the last four or five years. So, you know, our data overage decline has been over a much longer period of time than some of our competitors. And that was a good thing. And then we'll get through the outbound roaming pressures. But I think I would focus on the areas of growth.

You know, the areas of growth are the key things. That's what you've got to do. So in our case it's fibre. 5G wireless is gonna grow. It's just, you know, the pricing environment has got to stabilize. Business solutions revenue, which is another growth vector for us, some impressive growth, as Curtis mentioned. And that hard core pivot in media from traditional broadcasting to digital is paying off now and you can see it in the results. So it's continue to invest in those growth areas.

And I've talked about this throughout the entire year. Like you've got to align your cost structure in those segments that are declining to align the cost to the revenues. And if the declining--if some assets are going to perpetually decline, we might shed those lines of business like some of the radio stations. So we're being pretty diligent in managing the declining segments in order to continue to kind of harvest those in an accretive fashion. And we're continuing to invest aggressively in the growth areas, and Monday was an example.

Drew McReynolds – RBC Capital Markets – Analyst

Thanks. That's great context.

Operator

Thank you. Our next question is from Maher Yaghi from Scotiabank. Please, go ahead

Maher Yaghi – Scotiabank – Analyst

Great. Thank you for taking my question. I believe that stepping back from loading low profit wireless subscribers is the right strategy. But it's hard to extrapolate yourself from this long-term because you are a national incumbent player. And if you don't stay competitive, it could lead to a material market share loss. So, how should we think about the strategy going into 2025 as we look at these issues and it and, you know, how can you take--how can you solve these issues if we're not seeing a clear sign that the competition, which is pressuring those prices, is looking to change their approach to the marketplace? So I'm just, you know, because when we headed into 2024, you are seeing, you know, decent wireless pricing and strong subscriber loading. And as we head into 2025, we're seeing negative pricing and declining momentum in subscriber loading. Very, very low subscriber growth at all. So how can we generate revenue growth in 2025 in that approach and that approach that you're--the strategy that you're taking? Thank you

Mirko Bibic – President and CEO

Thanks, Maher. Simple on fibre continues to grow. So our market share is growing. Our revenue is growing. Our ARPU is growing. So, continue to invest there.

On wireless I--on the Bell brand, the market share is strong and the market share is stable to growing. So we're going to continue to focus on, on, on the Bell brand. So I, you know, I'm looking at the numbers behind the numbers and like I said, all the loadings were on the premium Bell brand and that's a good thing. And that sustains market share. The significant growth that we've had on prepaid, particularly on the lucky brand for us, means you bring the customers in and then we're going to have to focus on life cycle management and get the customers from--migrate them from the prepaid, their entry point over to the premium brand over time. So that's gonna sustain kinda growth and market share stability. And the third element to that is lower the cost to serve. And you do those things, um, we'll be OK. But like, to your point or maybe underlying kinda what you're, what you're saying in your question, there is no hiding for from the fact, and this is an industry point that I'm gonna make now. There is no hiding from the fact that the impacts of low pricing will be felt for quarters in the future, right? So, you feel, you feel the impacts of a low pricing environment six, nine and 12 months later there's a trailing effect on that. And some are gonna feel that more dramatically than others based on chasing low accretive loads at all costs.

Maher Yaghi – Scotiabank – Analyst

Great. Yeah. And just to follow up, following up on this point, you know, when you look at the postpaid churn that you had in the quarter, what's your expectation about that API? Can you solve it through proactive measures that you can take to protect your own subscribers? Or it's more of an industry-wide phenomenon that it's hard to, you know, bring down?

Mirko Bibic – President and CEO

I think it's a bit of both, Maher. I--look, I'm, I'm, I'm not happy with where churn is. I don't think anyone, you know, would be given, given the numbers. However, look, I'm also pleased with the improving trajectory.

So, kind of a two sides of that coin. It is a reality, a marketplace reality that consumers are continuing to shop for deals given the sustained, aggressive promotional offers that are in the marketplace.

So because of that, you're gonna see a lot of switching activity. That said, there are a number of tools at our disposal to minimize that churn. That's why we've seen an improving trajectory. I'm not gonna outline chapter and verse of all the things we're doing 'cause it's competitive. But some of the things we're doing are taking hold and you're seeing the improving trajectory, which I've now said a couple of times. And we're gonna continue to focus on that to make sure that that improving trajectory continues to improve. But yeah, I mean, churn is churn is where it's at. And we got to get it lower.

Maher Yaghi – Scotiabank – Analyst

Thank you.

Operator

Thank you. Our next question is from Simon Flannery from Morgan Stanley. Please, go ahead.

Simon Flannery – Morgan Stanley – Analyst

Thanks very much. Good morning.

I wanted to just talk about the balance sheet again if I could. Obviously, MLSE brought in a lot of or will bring in a lot of liquidity. And then you're reinvesting that into getting more production on the EBITDA line and the growth line. Could you just talk about other ways to enhance the balance sheet? What are your thoughts given these deals around tower monetization, additional real estate monetization and some of these structured equity deals that some of your peers are looking at? Thanks.

Curtis Millen – Executive Vice President and CFO

Yeah. Hi, Simon. Thanks for the question. So a couple of things there. One, you're right. We, you know, we announced the acquisition of Ziplly Fiber shortly on the heels of announcing MLSE. So, ultimately, we're selling off a, a sports asset at a great value that, that didn't contribute to our financials. And acquiring a fast growth fibre company that will expand our footprint and drive, as you say, EBITDA and free cash flow.

So, leverage neutral basically there I think that's just good capital allocation. And then in terms of other asset sales, you know, we're constantly reviewing opportunities to improve our asset portfolio. And if there's an opportunity to unlock value or capture a growth opportunity then for sure we're going to look at it. And, you know, Towers is one that you mentioned, you know, asset securitizations, you know, we'll look at it. It's all a matter of use of proceeds and fundamentally, is it a better allocation of capital? And does it drive EBITDA and free cash flow growth for our shareholders?

Simon Flannery – Morgan Stanley – Analyst

Thank you.

Operator

Thank you. Our next question is from Aravinda Galappathige from Canaccord Genuity. Please, go ahead.

Aravinda Galappathige – Canaccord Genuity – Analyst

Good morning. Thanks for taking my question.

On the capex outlook, Mirko, I think that you'd sort of indicated that sort of a public conference calls that, you know, there's perhaps even more downside as we kind of look to 2025 and beyond. You know, given the U.S. venture and obviously the incremental capex that comes with that do you think that there is even more room to sort of readjust the capital spend in the Canadian market in light of sort of those commitments and try and perhaps sort of, you know, manage the balance sheet and free cash flow payout ratio factors. That was my first and I have a follow-up.

Mirko Bibic – President and CEO

Thank you for that, Aravinda. So on capex, a couple of things. So, you know, for this year we're trending to be within our our guidance for capex, which is essentially around a 16.5% capital intensity ratio. And we said in the past that Bell Cap--Bell kind of as it's as it is today, Bell capex can get to less than 15%. And that continues to be the plan. And we're doing that through a number of things. Number, first of all, modernizing our operations, getting more efficient on delivery, moving workloads to the Cloud. And it's things like implementing self-installed capabilities, virtual repair, our contact centres in the Cloud, all these things that we're doing to streamline and modernize our operations and become more efficient is allowing us allowing us to run our business with a lower capex budget. Then we're going to get to the, to the end of our 2025 fibre build out target, you know, essentially in 12 months or so.

Of course, we hope to and we will continue to build in Canada. But, you know, we're going to, we're going to determine where we can get a reasonable return on investment from those continued fibre investments going forward. But all of that like that capex efficiency and allowing us to run in Canada at less than 15% is going to give us the room to accelerate the Zply Fiber build program and still operate BCE pro forma the U.S. at probably around 16.5% consolidated capex. And, you know, when we, when we embarked on our accelerated capex build in Canada over the last four years, you know, in some years we were over 20% we'll be able to do the accelerated build and simply fibre footprint, and maintain BCE at consolidated 16.5% So, you know, I think that's a very good news both for growth and the efficiency of the investment.

Aravinda Galappathige – Canaccord Genuity – Analyst

Yeah. Thanks, Mirko. Maybe I'll just use my follow-up differently for your--with respect to the comments you just made about the 16.5 pro forma number. Should we translate that 16.5% as sort of more of a steady state number or, you know, or, you know, I'm trying to understand whether at the peak of the rollout in the U.S., you know, I suspect it goes a lot higher than that. Or am I wrong?

Mirko Bibic – President and CEO

No, no, no. So in terms of the, in terms of the information we shared on Monday, which is that we plan to go from, you know, Zply currently Zply Fiber currently has 1.3 million households pass and we'd like to get to over three million by 2028. That would be done with the consolidated 16.5% is my expectation. I mean, more information to come as we close, but that would be the that would be the expectation. That's what I was, I was trying to convey in my, you know, longer answer at the beginning.

Operator

Thank you. Our next question is from Jerome Dubray from Desjardins Securities. Please, go ahead

Jérôme Dubreuil – Desjardins Securities – Analyst

Yeah, thanks. Good morning.

First, you know, you mentioned in the prepared remarks that you continue to make investments in digitization, modernization of Bell. I'm wondering how much further operational improvement you are seeing in the Bell business as it stands right now. And can we maybe be expecting a program similar to what you announced earlier this year? Maybe this could happen every second year or something of this magnitude that would make sense going forward?

Mirko Bibic – President and CEO

Oh, well, we're--okay. So thank you, Jerome.

So, let me break that up into two parts. The transformation work or journey continues, right? Because we're in the early days of some of the programs to harness the benefits of technology. So moving all our core consumer products to a single ordering and billing architecture. And we're in the process of doing that in Ontario and Quebec. And then there's other regions to bring on board over time and other business segments beyond the consumer business over time. So that's going to bring benefits as we as we migrate more of our business lines and more of our regions onto a modernized ordering and billing architecture.

So that would be just one example. You know, the digital platforms and the self-serve apps and virtual agents and contact centres in the Cloud and all the benefits we'll get there from churn reduction, sales increase and the cost to serve. That's in the early days. So that's going to ramp. Customer self-install has been quite successful. But again early days the more fibre homes we have connected, the more we can enable full self-install in the future. Continuing to move, you know, the hundreds or more the apps that we have on premises? to the cloud?, you know, we're in the early innings of that journey as well, so I could go on.

So on that part of it, you know, we're in the early to mid innings so, you know, more to come. That said, like the one, the one thing I didn't mention in my opening remarks as we move more of our workloads to the Cloud, there's going to be a shift from capex to opex. And so that's going to have some, you know, temporary impact on further margin expansion. And then on on programs like the one we announced in February, you know, we continue to kind of--we continue to recalibrate the workforce. So we're going to continue to hire aggressively in growth areas. To the extent we shed lines of business, either through closing them down or selling, you know, that obviously has, you know, those positions move with the

buyer. In other areas, we're going to continue to align our cost structure to revenue streams. We have, we have to do that. So that's how we're going to approach it.

Jérôme Dubreuil – Desjardins Securities – Analyst

Thank you.

Operator

Thank you. Our next question is from Batya Levy from UBS. Please, go ahead.

Batya Levi – UBS – Analyst

Hi. Great. Thank you. A couple of follow-ups. First, you mentioned that in October you saw a bit of pricing stability. Do you think that we have seen the worst in terms of the actual declines and for can we start to see maybe just better trends from here? And then same question on churn. It's still high, but you're lapping a much higher churn level from last year. So can we expect at least churn to improve annually in the fourth quarter? Thank you.

Mirko Bibic – President and CEO

Yeah I mean on on churn like I said to in response to Maher, you know, it we'd like to get it lower and we're going to continue to work on getting it lower. But we're happy pleased with the the improving trajectory. On ARPU it's going to depend on Black Friday and the holiday period, I think rather than rather, than making a prediction on where where it's going to go, I'll just highlight the obvious, which is, you know, if Black Friday and the holiday period is relatively stable, I recognizing that those are, you know, heavier promotional periods, you know, by design, I suppose then we'll be OK. And if to the extent promotions are more focused on hardware than rate plans and that will bode well for service revenue and margins and ARPU.

Batya Levi – UBS – Analyst

And maybe can you maybe just touch on what the guidance assumes in terms of our expectations for ARPU?

Mirko Bibic – President and CEO

Well, the on revenues it's in the revised guidance that Curtis, I highlighted earlier in Jeremy's remarks.

Batya Levi – UBS – Analyst

Right. Continuation of service revenue clients.

Curtis Millen – Executive Vice President and CFO

Correct

Batya Levi – UBS – Analyst

Got it. Thank you.

Operator

Thank you. Our next question is from Lauren Bonham from Barclays. Please, go ahead.

Lauren Bonham – Barclays – Analyst

Hi. Thanks for taking the question. I wanted to just ask about immigration impact on wireless net ads and how much of the change in trends that we've seen this quarter. Usually, we have the sequential net ad uplift in 3Q, so how much of that change is just from being more targeted promotionally as we've talked about versus from the decline in foreign students? And how you sort of expect those lower immigration expectations to impact industry growth next year and beyond.

Curtis Millen – Executive Vice President and CFO

Yeah. Thank you. Thank you for the question. I think there are a couple of trends here. One, you know, immigration levels are still positive, but they are going to slow down year over year. And I think we're continuing to see the benefit of our increased focus and distribution channels. So we're doing quite well in this market on a relative basis. But you're right, the overall pie is shrinking. But for us it's not a big not as big an impact because we are increasing our share in that market on a historical basis.

Mirko Bibic – President and CEO

And you can see it in the prepaid, in the prepaid results.

Lauren Bonham – Barclays – Analyst

Thank you

Mirko Bibic – President and CEO

Thank you

Operator

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

Thane Fotopoulos – Vice President – IR

Thanks, Matthew. So thank you again to everybody for their participation on the call as usual. We are, our team is available throughout the day for any follow-ups, questions and clarifications. Have a good rest of the day. Thank you.

Curtis Millen – Executive Vice President and CFO

Thanks everyone

Mirko Bibic – President and CEO

Thank you

Operator

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