

5 Business segment analysis

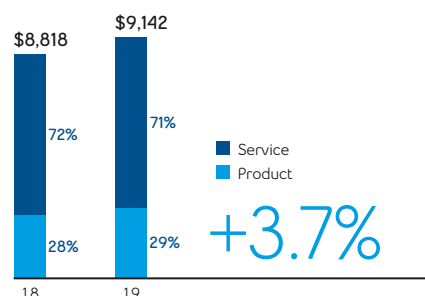
5.1 Bell Wireless

We gained more net new wireless subscribers in 2019 than in any year since 2005, while maintaining a sharp focus on operating profitability as wireless adjusted EBITDA grew by a strong 9.1%.

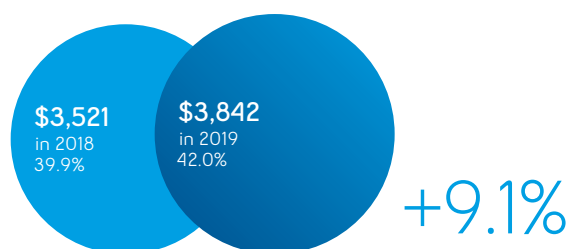
FINANCIAL PERFORMANCE ANALYSIS

2019 PERFORMANCE HIGHLIGHTS

Bell Wireless Revenues (in \$ millions)



Bell Wireless Adjusted EBITDA (in \$ millions) (% adjusted EBITDA margin)



Total subscriber growth^{(1) (2)}

+3.6%
in 2019

Postpaid net activations in 2019

401,955
Declined 10.2% vs. 2018

Prepaid net activations in 2019

113,454
Improved 253.1% vs. 2018

Postpaid churn in 2019

1.13%
Improved 0.03 pts vs. 2018

Blended billing per user (ABPU)⁽³⁾ per month

+0.8%
2019: \$68.32
2018: \$67.76

(1) At the beginning of Q1 2019, we adjusted our wireless subscriber base to remove 167,929 subscribers (72,231 postpaid and 95,698 prepaid) as follows: (A) 65,798 subscribers (19,195 postpaid and 46,603 prepaid), due to the completion of the shutdown of the CDMA network on April 30, 2019, (B) 49,095 prepaid subscribers as a result of a change to our deactivation policy, mainly from 120 days for Bell/Virgin Mobile and 150 days for Lucky Mobile to 90 days, (C) 43,670 postpaid subscribers relating to IoT due to the further refinement of our subscriber definition as a result of technology evolution, and (D) 9,366 postpaid fixed wireless Internet subscribers which were transferred to our retail high-speed Internet subscriber base.

(2) At the beginning of Q4 2018, we adjusted our postpaid wireless subscriber base to remove 20,000 subscribers that we divested to Xplornet as a result of BCE's acquisition of MTS in 2017.

(3) Our Q1 2018 blended ABPU was adjusted to exclude the unfavourable retroactive impact of the CRTC decision on wireless domestic wholesale roaming rates of \$14 million.

BELL WIRELESS RESULTS

REVENUES

	2019	2018	\$ CHANGE	% CHANGE
External service revenues	6,427	6,269	158	2.5%
Inter-segment service revenues	49	48	1	2.1%
Total operating service revenues	6,476	6,317	159	2.5%
External product revenues	2,660	2,497	163	6.5%
Inter-segment product revenues	6	4	2	50.0%
Total operating product revenues	2,666	2,501	165	6.6%
Total Bell Wireless revenues	9,142	8,818	324	3.7%

Bell Wireless operating revenues increased by 3.7% in 2019, compared to 2018, driven by greater postpaid and prepaid service revenues and higher product revenues.

Service revenues increased by 2.5% in 2019, compared to last year, driven by:

- Continued growth in our postpaid and prepaid subscriber base coupled with rate increases
- A greater mix of customers subscribing to higher-value monthly plans including unlimited data plans launched in June 2019

- The favourable year-over-year impact from the 2018 CRTC retroactive decision on wireless domestic wholesale roaming rates

These factors were partly offset by:

- Greater sales of premium handsets and more customers subscribing to higher-value monthly plans
- Lower data and voice overages driven by increased customer adoption of monthly plans with higher data allotments and richer voice plans

Product revenues increased by 6.6% in 2019, compared to last year, driven by greater sales of premium handsets and the impact of higher-value rate plans in our sales mix.

OPERATING COSTS AND ADJUSTED EBITDA

	2019	2018	\$ CHANGE	% CHANGE
Operating costs	(5,300)	(5,297)	(3)	(0.1%)
Adjusted EBITDA	3,842	3,521	321	9.1%
Total adjusted EBITDA margin	42.0%	39.9%		2.1 pts

Bell Wireless operating costs were relatively stable in 2019, increasing by 0.1%, compared to 2018, due to:

- Higher product cost of goods sold driven by increased handset costs and greater mix of premium devices
- Increased network operating costs relating to greater cell site builds and the expansion of network capacity to support growth in subscribers and data consumption
- Higher bad debt expense driven by the revenue growth

These factors were partly offset by:

- The favourable impact from the adoption of IFRS 16 in 2019
- Continued effective cost containment

Bell Wireless adjusted EBITDA increased by 9.1% in 2019, compared to last year, driven by the growth in revenues. Adjusted EBITDA margin, based on wireless operating revenues, increased by 2.1 pts to 42.0% in 2019, from 39.9% in 2018, due to the favourable impact from the adoption of IFRS 16 in 2019 and higher flow-through of the service revenue growth, moderated by an increased proportion of low-margin product sales in our total revenue base.

BELL WIRELESS OPERATING METRICS

	2019	2018	CHANGE	% CHANGE
Blended ABPU (\$/month) ⁽¹⁾	68.32	67.76	0.56	0.8%
Gross activations	2,117,517	1,954,792	162,725	8.3%
Postpaid	1,568,729	1,615,764	(47,035)	(2.9%)
Prepaid	548,788	339,028	209,760	61.9%
Net activations (losses)	515,409	479,811	35,598	7.4%
Postpaid	401,955	447,682	(45,727)	(10.2%)
Prepaid	113,454	32,129	81,325	253.1%
Blended churn % (average per month)	1.39%	1.32%		(0.07) pts
Postpaid	1.13%	1.16%		0.03 pts
Prepaid	4.44%	3.17%		(1.27) pts
Subscribers ^{(2) (3)}	9,957,962	9,610,482	347,480	3.6%
Postpaid ^{(2) (3)}	9,159,940	8,830,216	329,724	3.7%
Prepaid ⁽²⁾	798,022	780,266	17,756	2.3%

(1) Our Q1 2018 blended ABPU was adjusted to exclude the unfavourable retroactive impact of the CRTC decision on wireless domestic wholesale roaming rates of \$14 million.

(2) At the beginning of Q1 2019, we adjusted our wireless subscriber base to remove 167,929 subscribers (72,231 postpaid and 95,698 prepaid) as follows: (A) 65,798 subscribers (19,195 postpaid and 46,603 prepaid), due to the completion of the shutdown of the CDMA network on April 30, 2019, (B) 49,095 prepaid subscribers as a result of a change to our deactivation policy, mainly from 120 days for Bell/Virgin Mobile and 150 days for Lucky Mobile to 90 days, (C) 43,670 postpaid subscribers relating to IoT due to the further refinement of our subscriber definition as a result of technology evolution, and (D) 9,366 postpaid fixed wireless Internet subscribers which were transferred to our retail high-speed Internet subscriber base.

(3) At the beginning of Q4 2018, we adjusted our postpaid wireless subscriber base to remove 20,000 subscribers that we divested to Xplornet as a result of BCE's acquisition of MTS in 2017.

Blended ABPU of \$68.32 increased by 0.8% in 2019, compared to 2018, driven by:

- A greater mix of customers subscribing to higher-value monthly plans including unlimited data plans
- The flow-through of rate increases
- The favourable impact from the subscriber base adjustments performed in Q1 2019

These factors were partly offset by:

- Lower data and voice overages driven by increased customer adoption of monthly plans with higher data allotments and richer voice plans
- Lower ABPU generated from our long-term mobile services contract with Shared Services Canada (SSC)
- The dilutive impact from the continued growth in prepaid customers driven by Lucky Mobile, our low-cost prepaid mobile service