

6.3 Cash flows

	2019	2018	\$ CHANGE	% CHANGE
Cash flows from operating activities	7,958	7,384	574	7.8%
Capital expenditures	(3,988)	(3,971)	(17)	(0.4%)
Cash dividends paid on preferred shares	(147)	(149)	2	1.3%
Cash dividends paid by subsidiaries to NCI	(65)	(16)	(49)	n.m.
Acquisition and other costs paid	60	79	(19)	(24.1%)
Voluntary DB pension plan contribution	–	240	(240)	(100.0%)
Free cash flow	3,818	3,567	251	7.0%
Business acquisitions	(51)	(395)	344	87.1%
Acquisition and other costs paid	(60)	(79)	19	24.1%
Voluntary DB pension plan contribution	–	(240)	240	100.0%
Acquisition of spectrum licences	–	(56)	56	100.0%
Disposition of intangibles and other assets	–	68	(68)	(100.0%)
Other investing activities	3	(32)	35	n.m.
Net (repayment) issuance of debt instruments	(1,216)	158	(1,374)	n.m.
Issue of common shares	240	11	229	n.m.
Repurchase of common shares	–	(175)	175	100.0%
Purchase of shares for settlement of share-based payments	(142)	(222)	80	36.0%
Cash dividends paid on common shares	(2,819)	(2,679)	(140)	(5.2%)
Return of capital to non-controlling interest	–	(51)	51	100.0%
Other financing activities	(53)	(75)	22	29.3%
Net decrease in cash and cash equivalents	(280)	(200)	(80)	(40.0%)

n.m.: not meaningful

CASH FLOWS FROM OPERATING ACTIVITIES AND FREE CASH FLOW

In 2019, BCE's cash flows from operating activities increased by \$574 million, compared to 2018, mainly due to higher adjusted EBITDA, which reflects the favourable impact from the adoption of IFRS 16, and a voluntary DB pension plan contribution of nil in 2019 compared to \$240 million paid in 2018. This was partly offset by a decrease in operating assets and liabilities, higher interest paid which reflects the unfavourable impact from the adoption of IFRS 16 and higher income taxes paid.

Free cash flow increased by \$251 million in 2019, compared to 2018, mainly due to higher cash flows from operating activities, excluding voluntary DB pension plan contributions and acquisition and other costs paid, partly offset by higher cash dividends paid by subsidiaries to NCI.

CAPITAL EXPENDITURES

	2019	2018	\$ CHANGE	% CHANGE
Bell Wireless	697	664	(33)	(5.0%)
Capital intensity ratio	7.6%	7.5%		(0.1) pts
Bell Wireline	3,183	3,193	10	0.3%
Capital intensity ratio	25.8%	26.0%		0.2 pts
Bell Media	108	114	6	5.3%
Capital intensity ratio	3.4%	3.7%		0.3 pts
BCE	3,988	3,971	(17)	(0.4%)
Capital intensity ratio	16.6%	16.9%		0.3 pts

BCE capital expenditures totaled \$3,988 million for the year, up \$17 million over 2018. This corresponded to a capital intensity ratio of 16.6%, down 0.3 pts compared to last year. Capital spending in the year reflected the following:

- Greater capital investments in our wireless segment of \$33 million in 2019, compared to 2018, as we advanced the build-out of our LTE-A network, continued to deploy wireless small-cells to expand capacity to support subscriber growth and increase network speeds, coverage and signal quality, as well as to expand data fibre backhaul in preparation for 5G technology

- A modest reduction in capital spending in our wireline segment of \$10 million in 2019, compared to last year, as we continued to focus our investments on the ongoing deployment of FTTP to more homes and businesses, the roll-out of fixed WTTT to rural locations

in Ontario and Québec, the connection of fibre Internet and TV services to more homes and businesses and the execution of business customer contracts

- Lower capital expenditures at Bell Media of \$6 million in 2019, compared to 2018, mainly due to production equipment and IT upgrades in 2018

BUSINESS ACQUISITIONS

On August 31, 2018, BCE completed the acquisition of all of the issued and outstanding common shares of Axia for a total cash consideration of \$154 million.

On January 5, 2018, BCE acquired all of the issued and outstanding shares of AlarmForce Industries Inc. (AlarmForce) for a total consideration of \$182 million, of which \$181 million was paid in cash and the remaining \$1 million through the issuance of 22,531 BCE common shares.

VOLUNTARY DB PENSION PLAN CONTRIBUTION

In 2018, we made a voluntary contribution of \$240 million to fund our post-employment benefit obligation. The voluntary contribution was funded from cash on hand at the end of 2018. This reduced the amount of BCE's future pension funding obligations and the use of letters of credit for funding deficits.

DISPOSITION OF INTANGIBLE AND OTHER ASSETS

During Q1 2018, BCE sold AlarmForce's approximate 39,000 customer accounts in British Columbia, Alberta and Saskatchewan to Telus for total proceeds of approximately \$68 million.

DEBT INSTRUMENTS

We use a combination of short-term and long-term debt to finance our operations. Our short-term debt consists mostly of notes payable under commercial paper programs, loans securitized by trade receivables and bank facilities. We usually pay fixed rates of interest on our long-term debt and floating rates on our short-term debt. As at December 31, 2019, all of our debt was denominated in Canadian dollars with the exception of our commercial paper, and Series US-1 and Series US-2 Notes, which are denominated in U.S. dollars and have been hedged for foreign currency fluctuations through forward currency contracts and cross currency interest rate swaps.

2019

We repaid \$1,216 million of debt, net of issuances. This included the early redemption of Series M-27 MTN debentures and Series M-37 debentures in the principal amounts of \$1 billion and \$400 million, respectively, the repayments (net of issuances) of \$1,073 million of notes payable, and net payments of lease liabilities and other debt of \$832 million. These repayments were partly offset by the issuances of Series M-49 and Series M-50 MTN debentures with total principal amounts of \$600 million and \$550 million in Canadian dollars, respectively, Series US-2 Notes with a total principal amount of \$600 million in U.S. dollars (\$808 million in Canadian dollars), and an increase in securitized trade receivables of \$131 million.

2018

We issued \$158 million of debt, net of repayments. This included the issuances at Bell Canada of Series M-47 and M-48 MTN debentures with total principal amounts of \$500 million and \$1 billion, respectively, and the issuances of Series US-1 Notes with a total principal amount of \$1,150 million in U.S. dollars (\$1,493 million in Canadian dollars). These issuances were partly offset by the early redemption of Series M-25 and M-28 MTN debentures, Series M-33 debentures, Series 9 notes and Series 8 notes in the principal amounts of \$1 billion, \$400 million, \$300 million, \$200 million and \$200 million, respectively, payments of finance leases and other debt of \$612 million and net repayments of \$123 million of notes payable.

ISSUANCE OF COMMON SHARES

The issuance of common shares in 2019 increased by \$229 million, compared to 2018, due to a higher number of exercised stock options.

REPURCHASE OF COMMON SHARES

In Q1 2018, BCE repurchased and cancelled 3,085,697 common shares for a total cost of \$175 million through a NCIB. Of the total cost, \$69 million represented stated capital and \$3 million represented the reduction of the contributed surplus attributable to these common shares. The remaining \$103 million was charged to the deficit.