

# Desautels Capital Management

Honours in Investment Management

Bell Canada Enterprises (BCE Inc.)

BCECN 2.500% 2030

## Fixed Income Fund

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# BCE

## Fixed Income Analysis on Bell Canada Enterprises Inc. (BCE)

### Company overview

- **BCE is Canada's largest communications company**, providing residential, business, & wholesale customers with a wide range of solutions for their communications needs
- Operates under **three main lines of business**: Bell Wireless, Bell Wireline, Bell Media. The company also holds investments in other assets like 28% indirect equity interest in MLSE

### Investment theses

- Thesis 1: Market is underestimating the risks of competitors**  
 Investors believe that Bell's earnings are more volatile than peers, however we argue that their comps' growth prospects are averse to creditors
- Thesis 2: Market is overestimating BCE's capex related risks**  
 We are confident BCE is able to mitigate the risks facing the upcoming 5G auction and their wireline fiber technology rollout

### Valuation preamble



| Issuer Name                        | Mkt Cap | EV     | YTM   | OAS   | Revenue Growth |         |       | EBITDA Growth |         | Leverage Ratio |         |       | Coverage Ratio |         |       |
|------------------------------------|---------|--------|-------|-------|----------------|---------|-------|---------------|---------|----------------|---------|-------|----------------|---------|-------|
|                                    |         |        |       |       | 2019A          | 2020A/E | 2021E | 2019A         | 2020A/E | 2019A          | 2020A/E | 2021E | 2019A          | 2020A/E | 2021E |
| Mean                               | 78,142  | 98,583 | 2.66% | 140.0 | 2%             | 0%      | 4%    | 7%            | -3%     | 2.9x           | 3.2x    | 3.0x  | 7.3x           | 7.9x    | 8.5x  |
| Median                             | 32,141  | 48,633 | 2.55% | 127.1 | 2%             | 1%      | 4%    | 5%            | -3%     | 2.7x           | 3.3x    | 3.0x  | 7.3x           | 7.8x    | 8.4x  |
| Bell Canada Enterprises Inc. (BCE) | 52,601  | 83,043 | 2.54% | 121.7 | 2%             | -5%     | 3%    | 6%            | -3%     | 2.7x           | 2.8x    | 2.7x  | 8.4x           | 8.8x    | 9.1x  |

Current Price  
**CAD\$98.42**

Current YTM  
**2.6959%**

Current OAS  
**120.3 bps**

Target OAS  
**112.8 bps**

**We recommend a BUY on BCECN 2.500% 2030 as we believe Bell is the strongest and safest player in the Canadian telecom industry**

Source: Company Filings, DCM.

# Desautels Capital Management

Honours in Investment Management

## Security Overview

Section I



## Brief Overview of The Bond Structure and Its Performance

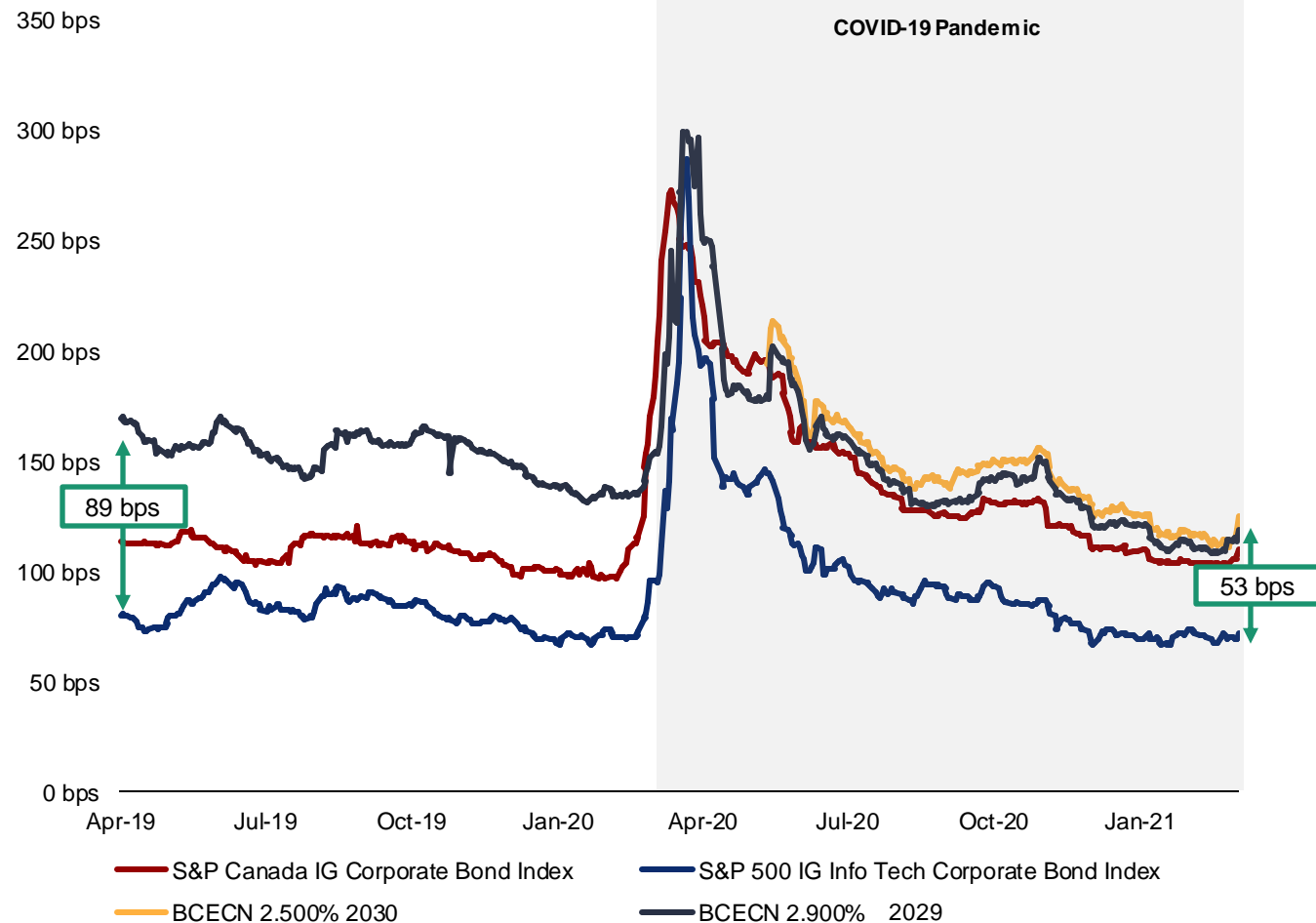
### Bond Metrics

|              |            |
|--------------|------------|
| Issue Date   | 05/14/2020 |
| Maturity     | 05/14/2030 |
| Price        | \$98.471   |
| Coupon       | 2.500%     |
| YTM          | 2.70%      |
| YTW          | 2.70%      |
| OAS          | 120.3 bps  |
| M. Duration  | 8.051      |
| Outstanding  | \$1000 MM  |
| Issue Rating | BBB+       |

### Capital Structure (in CAD mm)

|                       |                |
|-----------------------|----------------|
| Sr Unsec. Loans       | 0              |
| Sr Unsec. Bonds       | 19,717         |
| Sub Unsec. Bonds      | 275            |
| <b>Total Debt</b>     | <b>1991.47</b> |
| Market Cap            | 51,089         |
| <b>Total Equity</b>   | <b>20,989</b>  |
| <b>Debt-to-Assets</b> | <b>43.4%</b>   |

### BCECN 2.500% 2030 experienced moderate compression since issuance

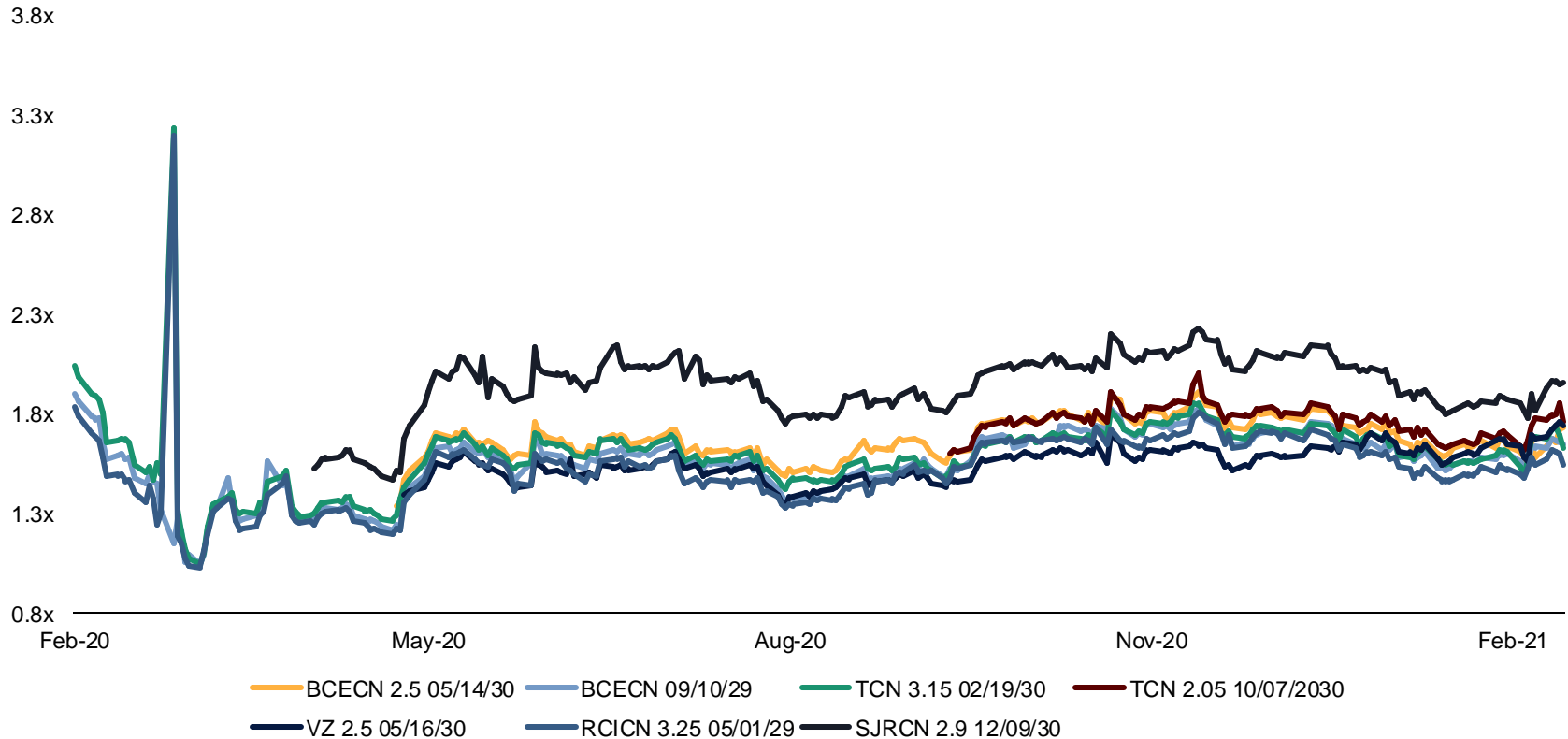


Bell's risk has improved due to its market position while remaining above U.S. info tech companies due to difference in regulation and 5G spend

Source: Bloomberg, S&P Global.

## Brief Overview of The Bond Structure and Its Performance

### Spread vs. leverage ratios showing justified valuation



| S&P               |                |
|-------------------|----------------|
| <b>Bell: BBB+</b> | Verizon: BBB+  |
| Shaw: BBB-        | Videotron: BB+ |
| Telus: BBB+       | Rogers: BBB+   |

| Moody's           |                |
|-------------------|----------------|
| <b>Bell: Baa1</b> | Verizon: Baa1  |
| Shaw: Baa2        | Videotron: Ba1 |
| Telus: Baa1       | Rogers: Baa1   |

| DBRS              |              |
|-------------------|--------------|
| <b>Bell: BBBH</b> | Telus: BBBH  |
| Shaw: BBB         | Rogers: BBBH |

Source: Bloomberg, S&P Global.

# Desautels Capital Management

Honours in Investment Management

## Company Overview

Section II



You Rang? Rich Legacy of 140 Years

**BCE is Canada's largest communications company**, providing residential, business, & wholesale customers with a wide range of solutions for their communications needs

As one of the **big three national wireless carriers**, with nearly **10M customers** constituting about **30% of the market**, BCE's strong market position, diversification, and strategic initiatives provides a **reduced risk profile compared to peers**



### Key Corporate Developments

1



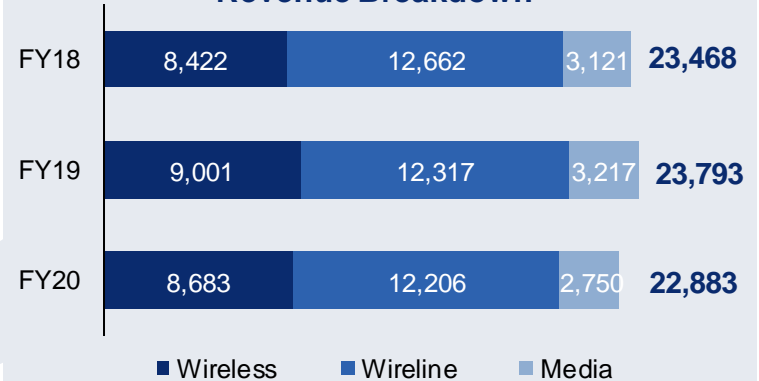
Sale of 25 data centers to Equinix in all-cash transaction \$1.04Bn

2

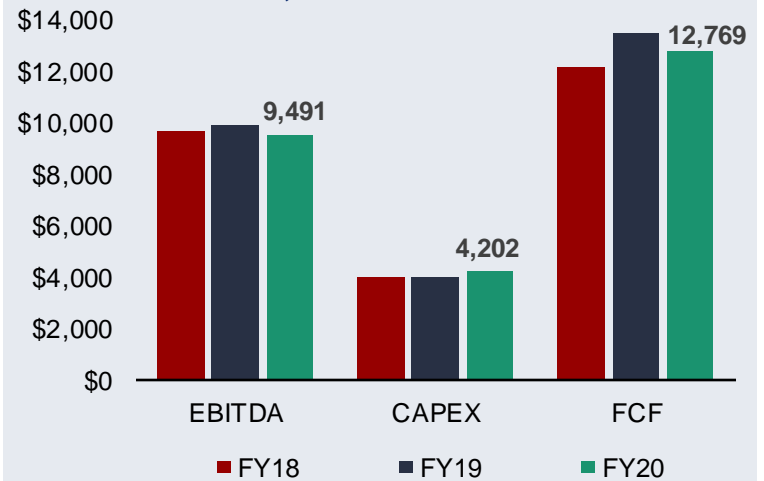


Capital investment acceleration program of \$1Bn-1.2Bn to expand wireless (5G) and wireline (FTTH) network footprints

### Revenue Breakdown\*



### EBITDA, CAPEX & FCF YOY\*

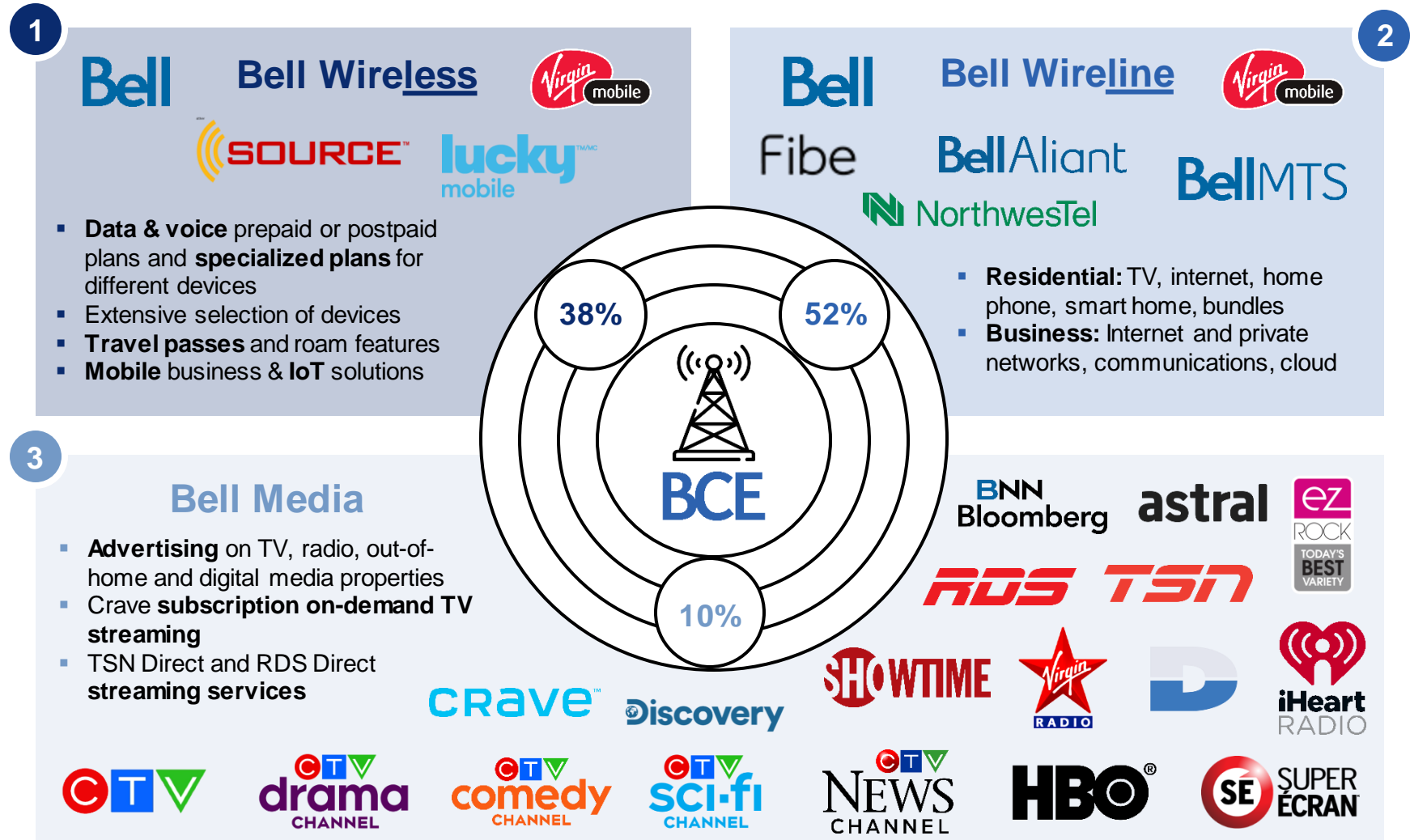


\*In CAD millions

BCE's shares are publicly traded on the Toronto Stock Exchange and on the New York Stock Exchange (TSX, NYSE: BCE)

Source: Company Filings.

## Power of Three – BCE's Business Segments



Bell Canada is a leading player in both the wireless and wireline industries and has substantial media assets

Source: Company Filings.; Note: Percentages show revenue segment breakdown for FY20



# Industry Overview

Does this Ring a Bell? (Thank you TMT)

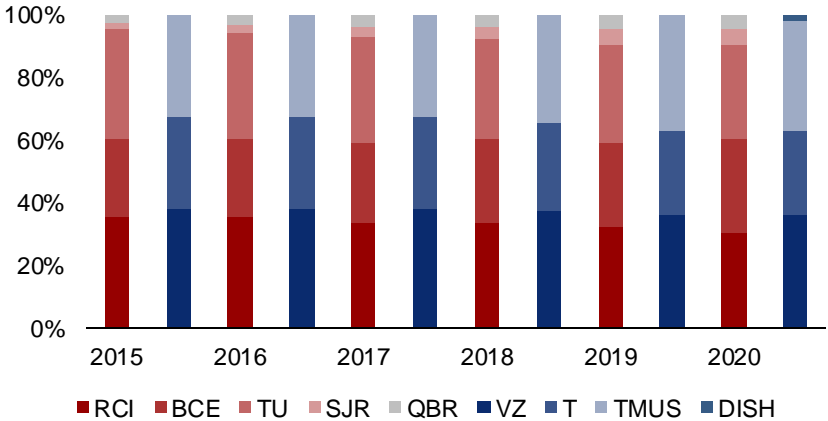
## US vs. Can: Regulation Differences

|  |   |
|--|---|
|  |   |
| <ul style="list-style-type: none"> <li>▪ <b>CRTC</b>: directed by Canadian government</li> <li>▪ Lower population density with urban concentration: <b>13k cell towers</b></li> <li>▪ <b>Control</b> a vast majority of their <b>infrastructure</b></li> </ul> | <ul style="list-style-type: none"> <li>▪ <b>FCC</b>: independent body</li> <li>▪ Higher population density: <b>340k cell tower</b></li> <li>▪ <b>Third party tower</b> companies</li> </ul> |

## MVNOs

|  |
|--|
| <b>MNO (Mobile Network Operator)</b>   |
| Hold their <b>own</b> network infrastructure (ex: BCE, RCI, TU)  |
| <b>MVNO (Mobile Virtual Network Operator)</b>  |
| <b>Do not own</b> the network infrastructure: anyone can buy wireless services from Big 3's infrastructure at wholesale price  |
| <b>What is goal of allowing MVNO's?</b>  |
| <ul style="list-style-type: none"> <li>• <b>Increase competition</b> in the telecom industry in Canada</li> <li>• <b>Reduce prices</b> for Canadian consumers</li> </ul> |

## Retail wireless sub share in CAN and US: 3-player markets



Source: Equity Research, PWC

## Canada's First Full MVNO

- ▶ Received CRTC approval in January 2021
- ▶ The carrier is cloud-based and has around 28,000 subscribers wanting to use the app once it starts

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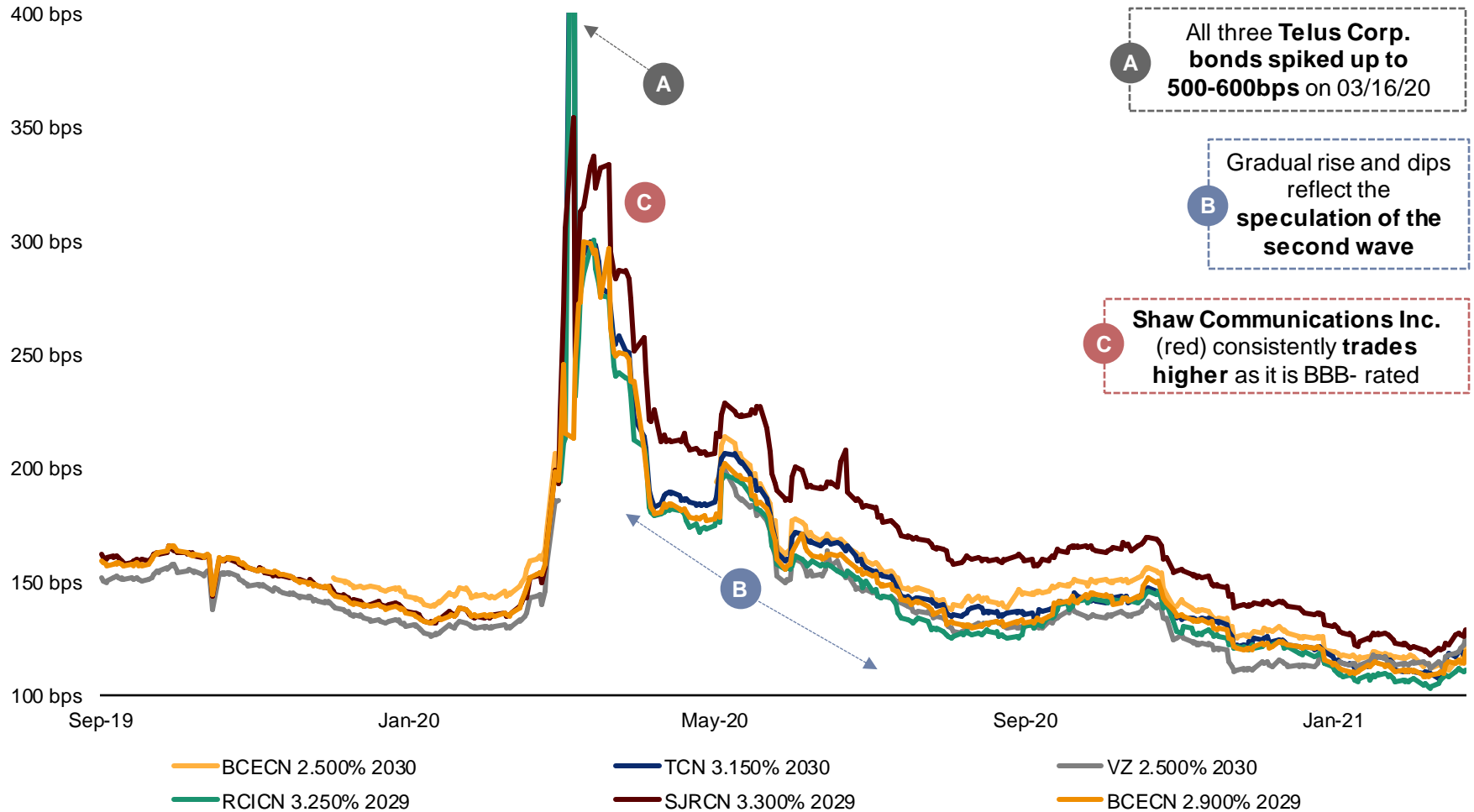
## Relative Valuation

Section III



## Spreads of Telecom Comps Set

Despite trading in line with peers, BCE(CN) is safer than peers



Our story for BCE is **two-fold**: we want to argue that peers are less safe, and that BCE is able to mitigate the outlined risks

Source: Bloomberg.

## Comparable Analysis – Welcome to the CAD Telecom Universe

|                  | Size<br>(Market Cap) | Operations & Main Segment<br>(Revenue Segment Breakdown) | Market Share<br>(CAN Wireless 2019) | Rating |
|------------------|----------------------|--|-------------------------------------|--------|
| Canadian Telecom | <b>BCE</b>           | Large<br>10%<br>38%  52%<br>                             | <b>29%</b>                          | BBB+   |
|                  | <b>ROGERS™</b>       | Large<br>11%<br>61%  28%<br>                             | <b>32%</b>                          | BBB+   |
|                  | <b>Shaw)</b>         | Large<br>22%<br>78%  78%<br>                             | <b>5%</b>                           | BBB-   |
|                  | <b>TELUS</b>         | Large<br>52%<br>48%  48%<br>                             | <b>30%</b>                          | BBB+   |
|                  | <b>VIDÉOTRON</b>     | N/A<br>29%<br>71%  71%<br>                               | <b>&lt;1%</b>                       | BB+    |
| US Telecom       | <b>verizon</b>       | Large<br>26%<br>74%  74%<br>                             | <b>N/A</b>                          | BBB+   |

**Wireless**

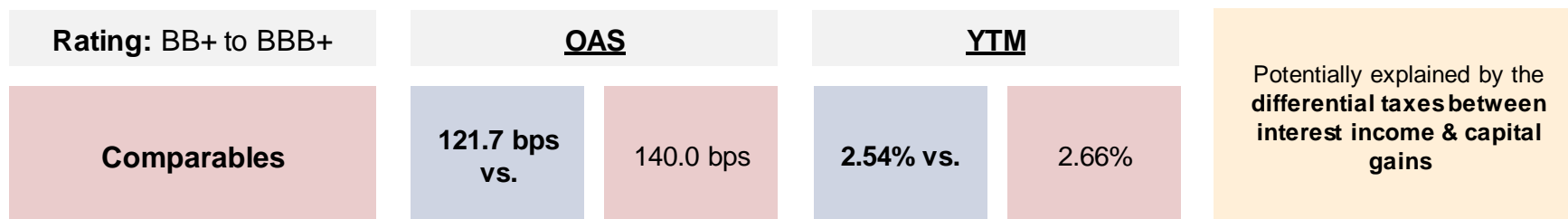
**Wireline**

**Media**

Source: Company Filings.

## Comparable Analysis – The Bonds

| Issuer Name                               | Mkt Cap       | EV            | Bond Metrics  |             |                  |              |              |              |              |              |
|---|---------------|---------------|---------------|-------------|------------------|--------------|--------------|--------------|--------------|--------------|
|   |               |               | Coupon        | Maturity    | Price            | YTW          | YTM          | OAS          | MD           | Rating (S&P) |
| Rogers Communications Inc.                | 29,860        | 48,633        | 3.250%        | 2029        | \$106.52         | 2.34%        | 2.34%        | 112.8        | 7.062        | BBB+         |
| Shaw Communications Inc.                  | 12,080        | 17,569        | 3.300%        | 2029        | \$105.69         | 2.55%        | 2.55%        | 129.2        | 7.543        | BBB-         |
|   |               |               | 2.900%        | 2030        | \$101.16         | 2.76%        | 2.76%        | 139.5        | 8.458        | BBB-         |
| Telus Corp.                               | 34,422        | 56,327        | 3.300%        | 2029        | \$106.83         | 2.35%        | 2.35%        | 113.5        | 7.051        | BBB+         |
|   |               |               | 3.150%        | 2030        | \$105.20         | 2.48%        | 2.48%        | 120.3        | 7.800        | BBB+         |
| Verizon Communications                    | 236,206       | 366,012       | 2.500%        | 2030        | \$99.56          | 2.55%        | 2.55%        | 123.3        | 8.171        | BBB+         |
|   |               |               | 2.050%        | 2030        | \$95.08          | 2.64%        | 2.64%        | 127.1        | 8.632        | BBB+         |
| Videotron Ltd.                            | -             | 4,376         | 4.500%        | 2030        | \$107.06         | 3.01%        | 3.01%        | 203.5        | 5.488        | BB+          |
|   |               |               | 3.125%        | 2031        | \$98.56          | 3.30%        | 3.30%        | 190.9        | 8.239        | BB+          |
| <b>Mean</b>                               | <b>78,142</b> | <b>98,583</b> |               | <b>2030</b> | <b>\$ 102.85</b> | <b>2.66%</b> | <b>2.66%</b> | <b>140.0</b> | <b>7.605</b> |              |
| <b>Median</b>                             | <b>32,141</b> | <b>48,633</b> |               | <b>2030</b> | <b>\$ 105.20</b> | <b>2.55%</b> | <b>2.55%</b> | <b>127.1</b> | <b>7.800</b> |              |
| <b>Bell Canada Enterprises Inc. (BCE)</b> | <b>52,601</b> | <b>83,043</b> | <b>2.500%</b> | <b>2030</b> | <b>\$ 99.69</b>  | <b>2.54%</b> | <b>2.54%</b> | <b>121.7</b> | <b>8.167</b> | <b>BBB+</b>  |
|   |               |               | 6.550%        | 2029        | \$ 129.00        | 2.57%        | 2.57%        | 139.3        | 6.534        | BBB+         |
|   |               |               | 2.900%        | 2029        | \$ 103.66        | 2.40%        | 2.40%        | 116.0        | 7.544        | BBB+         |
|   |               |               | 7.850%        | 2031        | \$ 140.32        | 3.14%        | 3.14%        | 182.4        | 7.431        | BBB+         |
|   |               |               | 7.650%        | 2031        | \$ 138.69        | 3.35%        | 3.35%        | 200.2        | 7.952        | BBB          |



Bell's competitors include all the major telecom players across Canada including Rogers and Telus; together they make up the "Big 3"

Source: DCM.

## Comparable Analysis – Operating Ratios

| Issuer Name                               | Bond Metrics  |             |              |              | Operating Ratios |            |           |               |            |               |            |            |
|---|---------------|-------------|--------------|--------------|------------------|------------|-----------|---------------|------------|---------------|------------|------------|
|   | Coupon        | Maturity    | OAS          | Rating (S&P) | Revenue Growth   |            |           | EBITDA Growth |            | EBITDA Margin |            |            |
|   |               |             |              |              | 2019A            | 2020A/E    | 2021E     | 2019A         | 2020A/E    | 2019A         | 2020A/E    | 2021E      |
| Rogers Communications Inc.                | 3.250%        | 2029        | 112.8        | BBB+         | 0%               | -8%        | 4%        | 4%            | -6%        | 42%           | 43%        | 42%        |
| Shaw Communications Inc.                  | 3.300%        | 2029        | 129.2        | BBB-         | 3%               | 1%         | 1%        | -1%           | 1%         | 40%           | 44%        | 44%        |
|   | 2.900%        | 2030        | 139.5        | BBB-         |                  |            |           |               |            |               |            |            |
| Telus Corp.                               | 3.300%        | 2029        | 113.5        | BBB+         | 2%               | 6%         | 8%        | 7%            | -1%        | 40%           | 37%        | 36%        |
|   | 3.150%        | 2030        | 120.3        | BBB+         |                  |            |           |               |            |               |            |            |
| Verizon Communications                    | 2.500%        | 2030        | 123.3        | BBB+         | 1%               | -3%        | 4%        | 19%           | -4%        | 42%           | 42%        | 37%        |
|   | 2.050%        | 2030        | 127.1        | BBB+         |                  |            |           |               |            |               |            |            |
| Videotron Ltd.                            | 4.500%        | 2030        | 203.5        | BB+          | 3%               | 5%         | -         | 5%            | -          | 63%           | 63%        | -          |
|   | 3.125%        | 2031        | 190.9        | BB+          |                  |            |           |               |            |               |            |            |
| <b>Mean</b>                               |               | <b>2030</b> | <b>140.0</b> |              | <b>2%</b>        | <b>0%</b>  | <b>4%</b> | <b>7%</b>     | <b>-3%</b> | <b>45%</b>    | <b>46%</b> | <b>40%</b> |
| <b>Median</b>                             |               | <b>2030</b> | <b>127.1</b> |              | <b>2%</b>        | <b>1%</b>  | <b>4%</b> | <b>5%</b>     | <b>-3%</b> | <b>42%</b>    | <b>43%</b> | <b>40%</b> |
| <b>Bell Canada Enterprises Inc. (BCE)</b> | <b>2.500%</b> | <b>2030</b> | <b>121.7</b> | <b>BBB+</b>  | <b>2%</b>        | <b>-5%</b> | <b>3%</b> | <b>6%</b>     | <b>-3%</b> | <b>43%</b>    | <b>42%</b> | <b>42%</b> |

| Rating: BB+ to BBB+ | Revenue Growth (FY20)  |           | EBITDA Growth (FY20)   |            | EBITDA Margin (FY20)  |            |
|---------------------|--|-----------|--|------------|---|------------|
| <b>Comparables</b>  | <b>-5% vs.</b>   | <b>0%</b> | <b>-3% vs.</b>   | <b>-3%</b> | <b>42% vs.</b>  | <b>46%</b> |
| <b>Comments</b>     | <b>Telus</b> is only Big 3 resilient during COVID – credited to Telus International supporting wireline operations |           | <b>Verizon</b> saw an uplift in 2019 while <b>Shaw</b> is the only company that saw growth in 2020 |            | <b>Videotron</b> pulls average margin up while <b>BCE</b> is in line with other comps |            |

Overall, BCE's operating ratios are in line with peers; saw a decrease in growth due to COVID, yet did not have a marginal impact on EBITDA

Source: DCM.

## Comparable Analysis – Credit Ratios

| Issuer Name                               | Bond Metrics  |             |              |              | Credit Ratios |            |                |             |             |                |             |             |
|---|---------------|-------------|--------------|--------------|---------------|------------|----------------|-------------|-------------|----------------|-------------|-------------|
|   | Coupon        | Maturity    | OAS          | Rating (S&P) | Debt / Asset  |            | Leverage Ratio |             |             | Coverage Ratio |             |             |
|   |               |             |              |              | 2019A         | 2020A/E    | 2019A          | 2020A/E     | 2021E       | 2019A          | 2020A/E     | 2021E       |
| Rogers Communications Inc.                | 3.250%        | 2029        | 112.8        | BBB+         | 54%           | 55%        | 3.2x           | 3.7x        | 3.5x        | 7.6x           | 6.7x        | 7.2x        |
| Shaw Communications Inc.                  | 3.300%        | 2029        | 129.2        | BBB-         | 34%           | 37%        | 2.7x           | 2.5x        | 2.5x        | 6.4x           | 8.4x        | 8.7x        |
|   | 2.900%        | 2030        | 139.5        | BBB-         |               |            |                |             |             |                |             |             |
| Telus Corp.                               | 3.300%        | 2029        | 113.5        | BBB+         | 49%           | 51%        | 3.3x           | 3.7x        | 3.3x        | 7.3x           | 7.2x        | 8.1x        |
|   | 3.150%        | 2030        | 120.3        | BBB+         |               |            |                |             |             |                |             |             |
| Verizon Communications                    | 2.050%        | 2030        | 127.1        | BBB+         | 46%           | 48%        | 2.6x           | 2.9x        | 2.6x        | 10.9x          | 9.3x        | 10.1x       |
|   | 2.500%        | 2030        | 123.3        | BBB+         |               |            |                |             |             |                |             |             |
| Videotron Ltd.                            | 4.500%        | 2030        | 203.5        | BB+          | 54%           | -          | 2.5x           | -           | -           | 4.4x           | -           | -           |
|   | 3.125%        | 2031        | 190.9        | BB+          |               |            |                |             |             |                |             |             |
| <b>Mean</b>                               |               | <b>2030</b> | <b>140.0</b> |              | <b>47%</b>    | <b>48%</b> | <b>2.9x</b>    | <b>3.2x</b> | <b>3.0x</b> | <b>7.3x</b>    | <b>7.9x</b> | <b>8.5x</b> |
| <b>Median</b>                             |               | <b>2030</b> | <b>127.1</b> |              | <b>49%</b>    | <b>49%</b> | <b>2.7x</b>    | <b>3.3x</b> | <b>3.0x</b> | <b>7.3x</b>    | <b>7.8x</b> | <b>8.4x</b> |
| <b>Bell Canada Enterprises Inc. (BCE)</b> | <b>2.500%</b> | <b>2030</b> | <b>121.7</b> | <b>BBB+</b>  | <b>44%</b>    | <b>43%</b> | <b>2.7x</b>    | <b>2.8x</b> | <b>2.7x</b> | <b>8.4x</b>    | <b>8.8x</b> | <b>9.1x</b> |

Rating: BB+ to BBB+

Debt / Asset (FY20)Leverage Ratio (FY20)Coverage Ratio (FY20)

Comparables

43% vs.

48%

2.8x vs.

3.3x

8.8x vs.

7.9x

Comments

**Rogers** and **Telus** both carry a higher degree of financial risk than BCE while **Shaw** is less financially levered

Again, **Rogers** and **Telus** have a heavier debt load than BCE who is more inline with the rest

**Verizon** shows the highest coverage ratio while **BCE** is second in line with **Shaw**

Overall, BCE is less levered than peers, which gives it some advantage going into 3500 MHz auction in June 2021

Source: DCM.

# Desautels Capital Management

Honours in Investment Management

## Thesis 1: Market is Underestimating Competitors' Risks

Section IV (a)





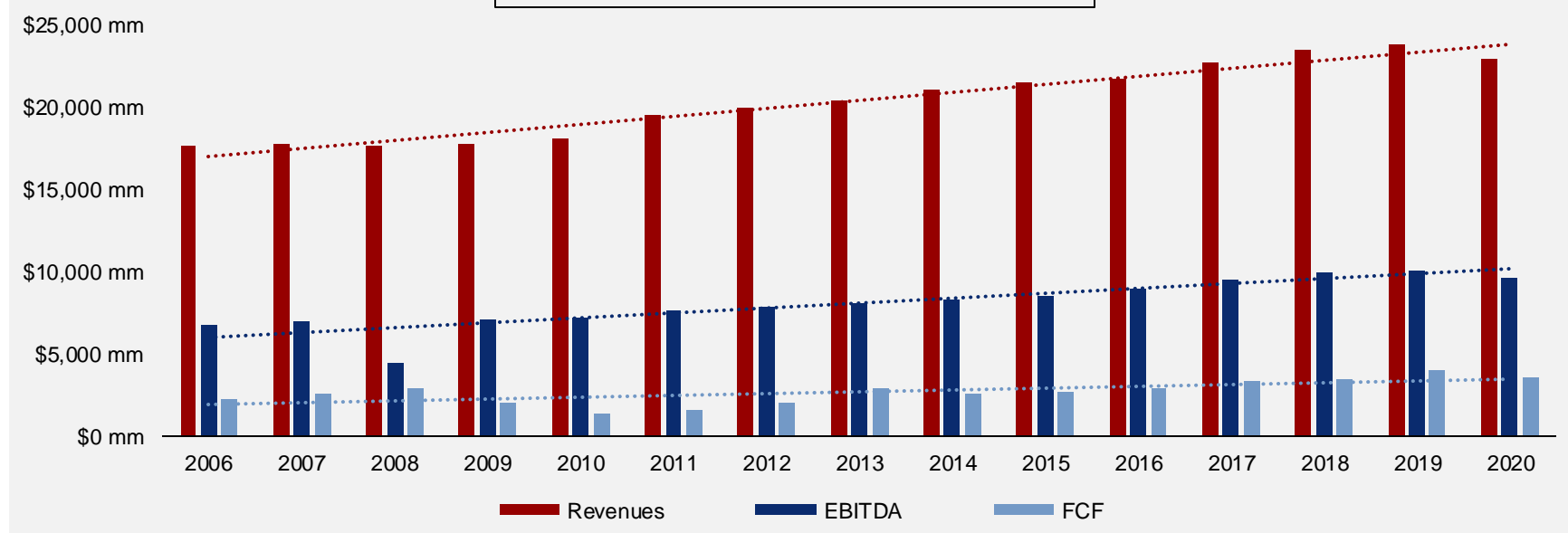
## Volatility in a Stable Industry

| Telus             |     |
|-------------------|-----|
| Revenue Deviation | 14% |
| EBITDA Deviation  | 13% |
| FCF Deviation     | 17% |

| Bell Canada       |     |
|-------------------|-----|
| Revenue Deviation | 10% |
| EBITDA Deviation  | 15% |
| FCF Deviation     | 20% |

| Rogers            |     |
|-------------------|-----|
| Revenue Deviation | 12% |
| EBITDA Deviation  | 12% |
| FCF Deviation     | 16% |

Time Series of Revenue, EBITDA & FCF



Market is overlooking the volatility in BCE's operations and not paying attention to its peers while option market also believes BCE is less safe

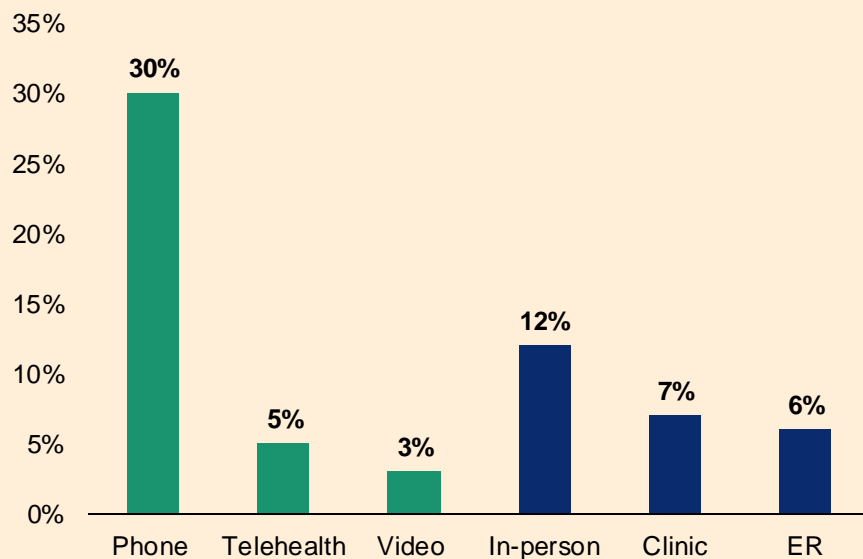
Source: Yahoo Finance

## We Don't Like Telus Health

| Issuer Name                        | OAS                     | Rating (S&P)         | Operating Ratios |         |       |               |         |               |         |       |              | Credit Ratios |                |         |       |                |         |       |
|------------------------------------|-------------------------|----------------------|------------------|---------|-------|---------------|---------|---------------|---------|-------|--------------|---------------|----------------|---------|-------|----------------|---------|-------|
|                                    |                         |                      | Revenue Growth   |         |       | EBITDA Growth |         | EBITDA Margin |         |       | Debt / Asset |               | Leverage Ratio |         |       | Coverage Ratio |         |       |
|                                    |                         |                      | 2019A            | 2020A/E | 2021E | 2019A         | 2020A/E | 2019A         | 2020A/E | 2021E | 2019A        | 2020A/E       | 2019A          | 2020A/E | 2021E | 2019A          | 2020A/E | 2021E |
| <b>TELUS</b>                       | 113.5<br>120.3<br>127.1 | BBB+<br>BBB+<br>BBB+ | 2%               | 6%      | 8%    | 7%            | -1%     | 40%           | 37%     | 36%   | 49%          | 51%           | 3.3x           | 3.7x    | 3.3x  | 7.3x           | 7.2x    | 8.1x  |
| Bell Canada Enterprises Inc. (BCE) | 121.7                   | BBB+                 | 2%               | -5%     | 3%    | 6%            | -3%     | 43%           | 42%     | 42%   | 44%          | 43%           | 2.7x           | 2.8x    | 2.7x  | 8.4x           | 8.8x    | 9.1x  |

### Telus faces more competition from Shaw but what is concerning is the increased risks from Telus Health

% of respondents to "Which Method Did Adults Use When They Needed Advice from a Doctor during COVID? (Canada)"



**BUSINESS**

### Two Telus Health medical service providers pay ransom after 60K client files accessed

By David Paddon The Canadian Press  
Wed., Sept. 30, 2020 | 2 min. read

- ▶ **Telus Health** is split between enterprise and consumer solutions and has made acquisitions in order to expand
- ▶ Telemedicine competitive landscape is fragmented and highly intensive with **players in the health services** such as Loblaws and McKesson and **global providers** like EPIC and Cerner that have achieved Canadian footprints
- ▶ Canada's digital health space is **vastly underpenetrated** relative to other developed countries

Telus Health makes up less than 10% of company revenues but have accounted for about 5% in capital intensity in recent years

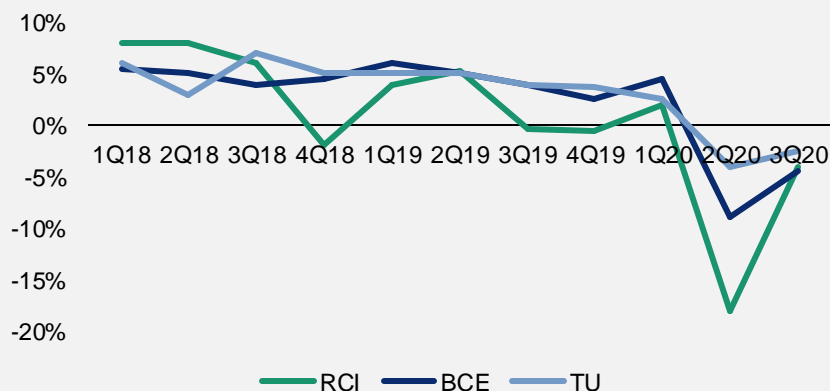
Source: eMarketer.

## Rogers' Weakening Wireless Segment

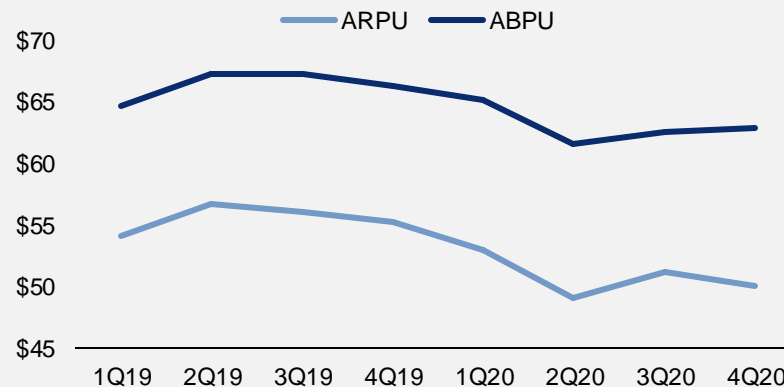
| Issuer Name                        | OAS   | Rating (S&P) | Operating Ratios |         |       |               |         |               |         |       |              | Credit Ratios |                |         |       |                |         |       |
|------------------------------------|-------|--------------|------------------|---------|-------|---------------|---------|---------------|---------|-------|--------------|---------------|----------------|---------|-------|----------------|---------|-------|
|                                    |       |              | Revenue Growth   |         |       | EBITDA Growth |         | EBITDA Margin |         |       | Debt / Asset |               | Leverage Ratio |         |       | Coverage Ratio |         |       |
|                                    |       |              | 2019A            | 2020A/E | 2021E | 2019A         | 2020A/E | 2019A         | 2020A/E | 2021E | 2019A        | 2020A/E       | 2019A          | 2020A/E | 2021E | 2019A          | 2020A/E | 2021E |
| <b>ROGERS™</b>                     | 112.8 | BBB+         | 0%               | -8%     | 4%    | 4%            | -6%     | 42%           | 43%     | 42%   | 54%          | 55%           | 3.2x           | 3.7x    | 3.5x  | 7.6x           | 6.7x    | 7.2x  |
| Bell Canada Enterprises Inc. (BCE) | 121.7 | BBB+         | 2%               | -5%     | 3%    | 6%            | -3%     | 43%           | 42%     | 42%   | 44%          | 43%           | 2.7x           | 2.8x    | 2.7x  | 8.4x           | 8.8x    | 9.1x  |

### Wireless Growth has been lagging since introduction of unlimited plans in 2019

EBITDA Growth of Rogers vs. Peers



Rogers ARPU & ABPU declining over the past 2 years



Rogers was the first carrier to introduce unlimited plans and have seen service revenue & EBITDA growth **diverge from the industry**

Rogers subscriber growth has **lagged Bell and Telus in 3 of the past 4 quarters** since launching unlimited plans

**ARPU growth diverging** significantly even adjusting out COVID - defeating the entire purpose of the shift

Divergence in paths between TMUS and Rogers execution of unlimited plans leads to expectations of **further execution hurdles** with Rogers

Rogers' execution issues raises concerns about their wireless segment, which accounts for 60% of their revenues

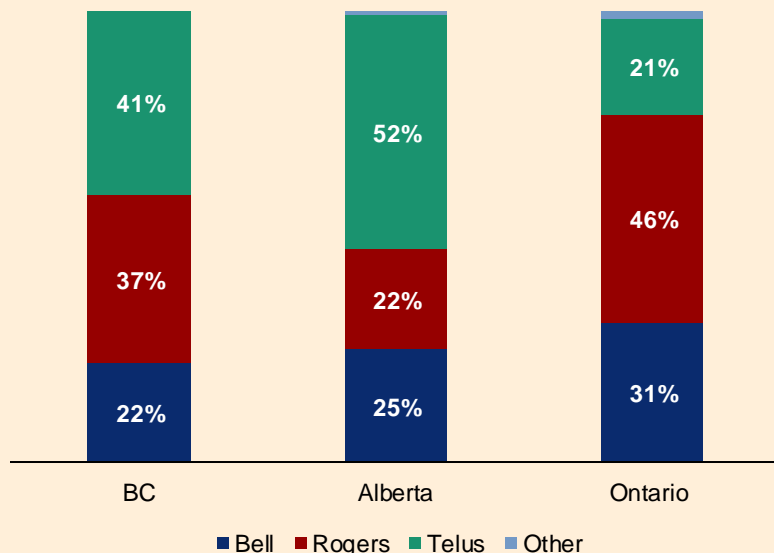
Source: Equity Research, Bloomberg

## Shaw is a Risky Growth Story

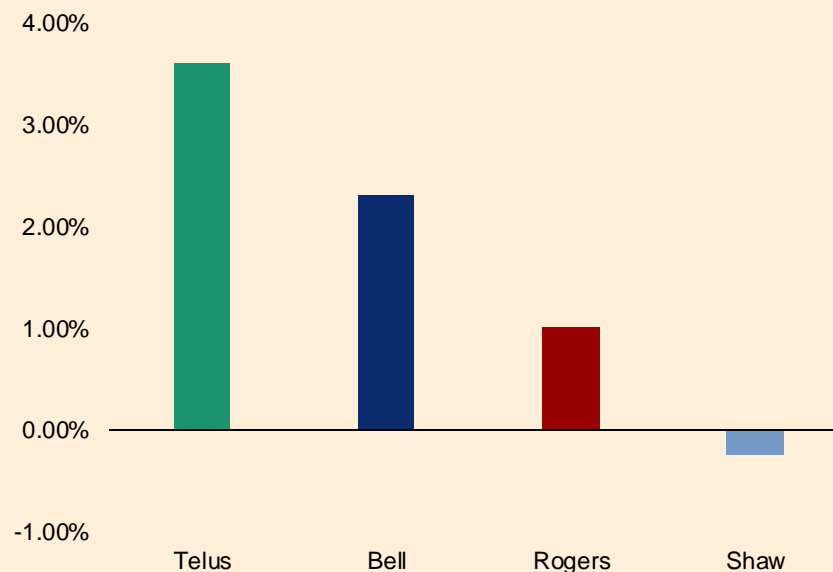
| Issuer Name                        | OAS   | Rating (S&P) | Operating Ratios |         |       |               |         |               |         |       |              | Credit Ratios |                |         |       |                |         |       |
|------------------------------------|-------|--------------|------------------|---------|-------|---------------|---------|---------------|---------|-------|--------------|---------------|----------------|---------|-------|----------------|---------|-------|
|                                    |       |              | Revenue Growth   |         |       | EBITDA Growth |         | EBITDA Margin |         |       | Debt / Asset |               | Leverage Ratio |         |       | Coverage Ratio |         |       |
|                                    |       |              | 2019A            | 2020A/E | 2021E | 2019A         | 2020A/E | 2019A         | 2020A/E | 2021E | 2019A        | 2020A/E       | 2019A          | 2020A/E | 2021E | 2019A          | 2020A/E | 2021E |
| <b>Shaw)</b>                       | 129.2 | BBB-         | 3%               | 1%      | 1%    | -1%           | 1%      | 40%           | 44%     | 44%   | 34%          | 37%           | 2.7x           | 2.5x    | 2.5x  | 6.4x           | 8.4x    | 8.7x  |
| Bell Canada Enterprises Inc. (BCE) | 139.5 | BBB-         | 2%               | -5%     | 3%    | 6%            | -3%     | 43%           | 42%     | 42%   | 44%          | 43%           | 2.7x           | 2.8x    | 2.7x  | 8.4x           | 8.8x    | 9.1x  |

### Bell is not focused on provinces where Shaw is expanding Underperforming wireline segment due to Telus' FTTP rollout

Market Share in Canada



Wireline Revenue Growth CAGR (2016-2020)



Shaw is rapidly expanding its wireless segment in provinces in which Bell is not focused on, while underperforming in its' wireless segment

Source: Equity Research

# Desautels Capital Management

Honours in Investment Management

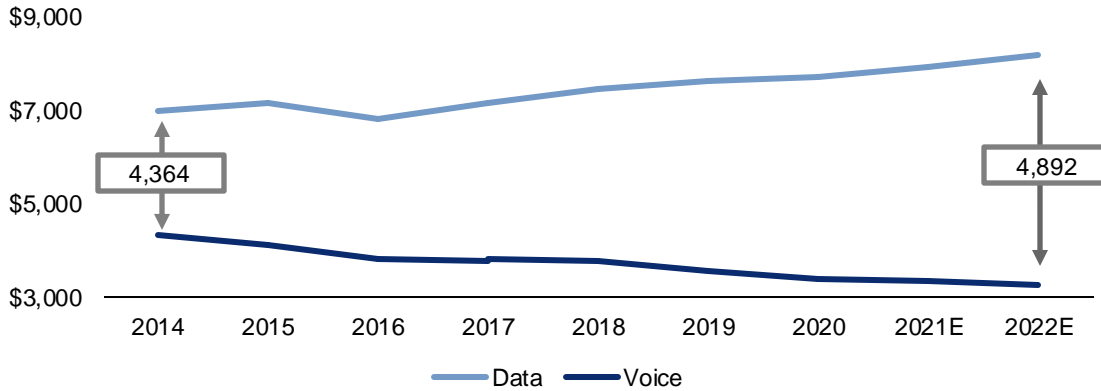
## Thesis 2: Market is Overestimating BCE's Upcoming Capex-Related Risks

Section IV (b)



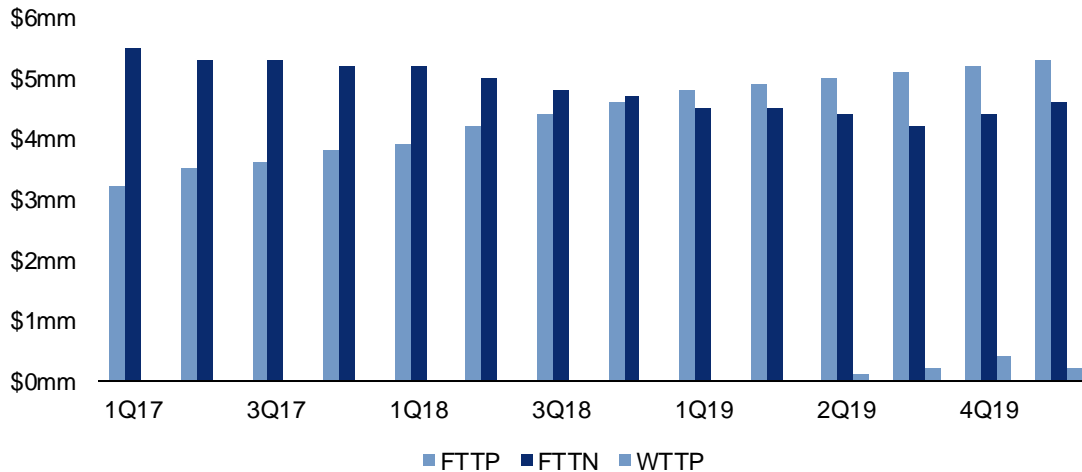
Bell's risk of losing their legacy wireline is reduced with their recent expansion into FTTH

## Bell faces disruption their legacy wireline segment



1. Legacy voice services continue to drag from the impact of tech substitution toward wireless and IP-based Internet tv services
2. Although voice segment is deteriorating, wireline will remain relevant as it is more reliable and capable to transmit large data

## Bell responded by aggressively upgrading its legacy copper footprint



## What is Fiber-to-the-Home (FTTH)?

- ▶ A form of broadband connections that is a **low-cost method** to transit large amounts of info from a central location, directly to a consumer's home.
- ▶ Many people rely on copper wires for the last mile however, this is being replaced with **fiber optic networks**

Bell's rapid shift toward FTTH reduces risk of loss of legacy wireline segment

Source: Equity research, company filings

# Thesis 2: Market is Overestimating BCE's Upcoming Capex-Related Risks

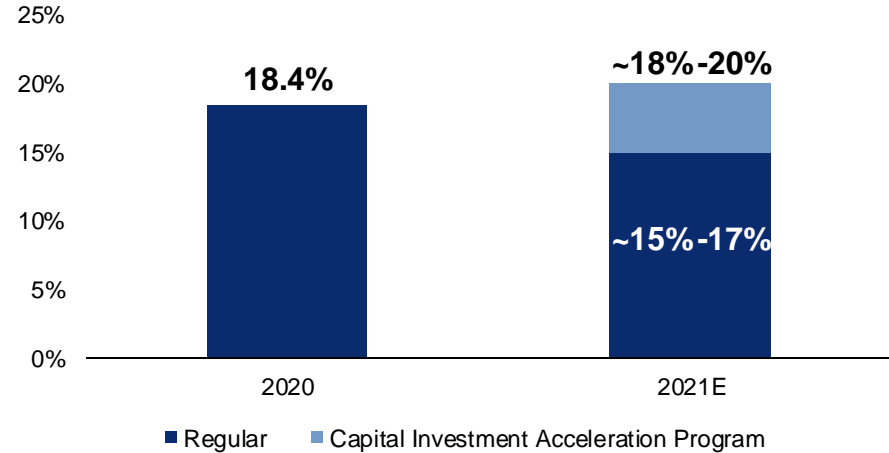
Ringling in the new year with an accelerated capex program that will lead to significant cost savings

## Accelerated capex program to expand FTTH network and 5G services: biggest program in their history

**\$1B - \$1.2B**

Over 2 years

- ▶ Use the **\$1bn in net cash proceeds** from the sale of their data centers
- ▶ Government's current capital cost allowance allows investment in the network leads to significant cash **tax savings for the next 2 years**



|               | Without Program | With Program |
|---------------|-----------------|--------------|
| FTTP          | ~400k-450k      | ~600k-650k   |
| WTTTP         | ~100k-150k      | ~250k        |
| POPs coverage | ~40%            | ~60%         |

**FTTH enables operational benefits sooner:**

- 40% lower costs** for FTTH vs. FTTN
- Internet subscriber base **up ~33%** since start of the fibre build
- Super retention: **churn 30-35 bps lower**

The accelerated capex program will drive near and long-term subscriber growth and cost efficiencies

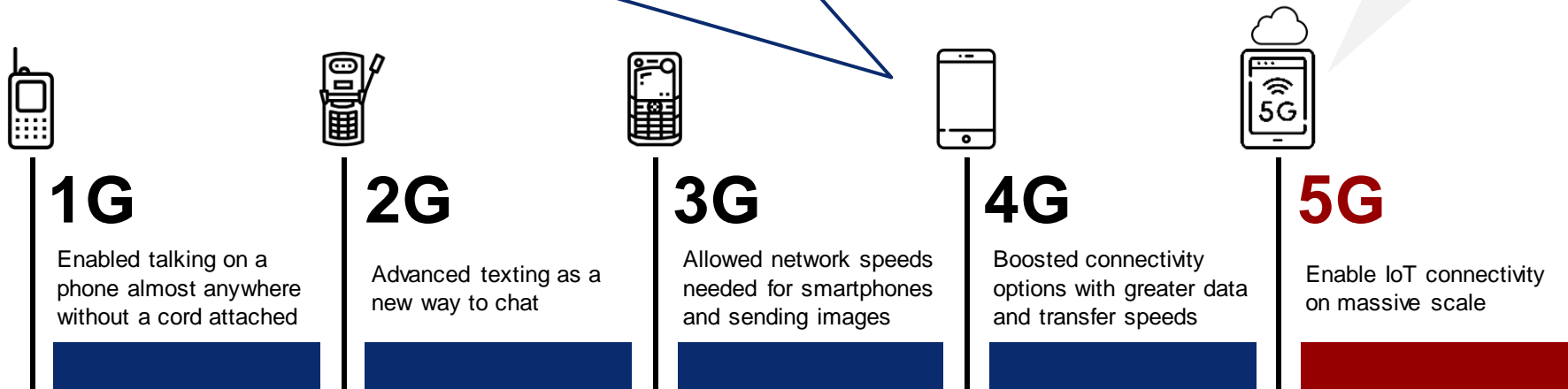
Source: Company filing, equity research

## Evolution of Wireless Networks & Auctions

| AWS-3 Spectrum Auction (March 6, 2015) |               |                   |            |
|--|---------------|-------------------|------------|
| Bidder                                 | Final Price   | # of Licences Won | Total Pop. |
| <b>Bell (Mobility)</b>                 | <b>\$499M</b> | <b>13</b>         | <b>13M</b> |
| Telus                                  | \$1.5Bn       | 15                | 30M        |
| Wind                                   | \$56M         | 3                 | 18M        |
| Eastlink                               | \$9M          | 4                 | 3M         |
| Videotron                              | \$32M         | 4                 | 9M         |

- BCE **invested heavily in spectrum in 2014-15**. Rating agencies did not change their stable outlook or downgrade BCE at the time, given their **sufficient liquidity and solvency position**

- ### 3500 MHz Spectrum Auction (June 15, 2020)
- BCE used **refarmed 850-MHz spectrum** to provide foundational coverage for 5G **instead of buying 600-MHz spectrum** at 2019 auction
  - Stronger liquidity position** (\$4Bn) and are **less levered**
  - Management doesn't believe the **temporary increase in leverage** due to spectrum acquisition warrants downgrade



An inevitable risk factor for all telecom players; for this upcoming auction, Bell is looking to deploy ~\$400M

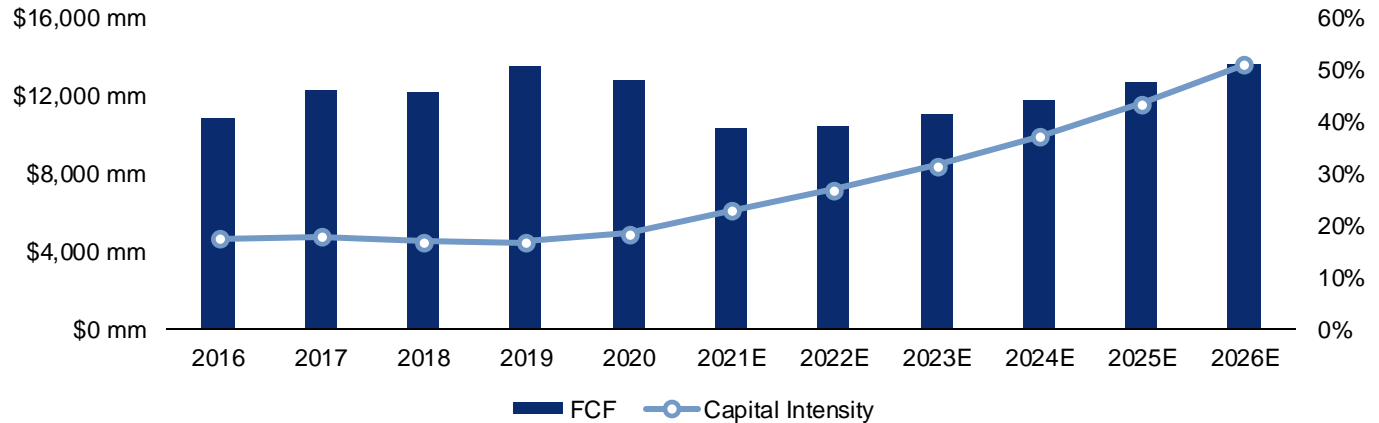
Source: Company Filings, Government of Canada.



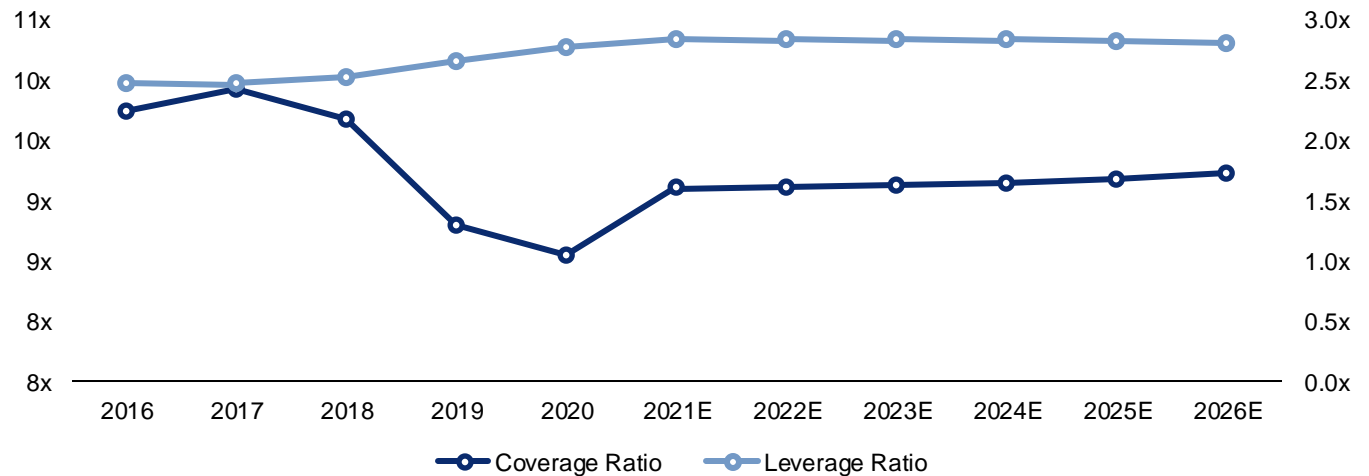
## Sensitivity Analysis – Ramps up capital intensity beyond expectations to increase 5G and stay competitive

### Metrics remain strong if Bell ramps up capex spending further

- If Bell continues to **aggressively ramp up capex**, FCF remains stable



- Debt metrics **remain stable**, with interest coverage plateauing



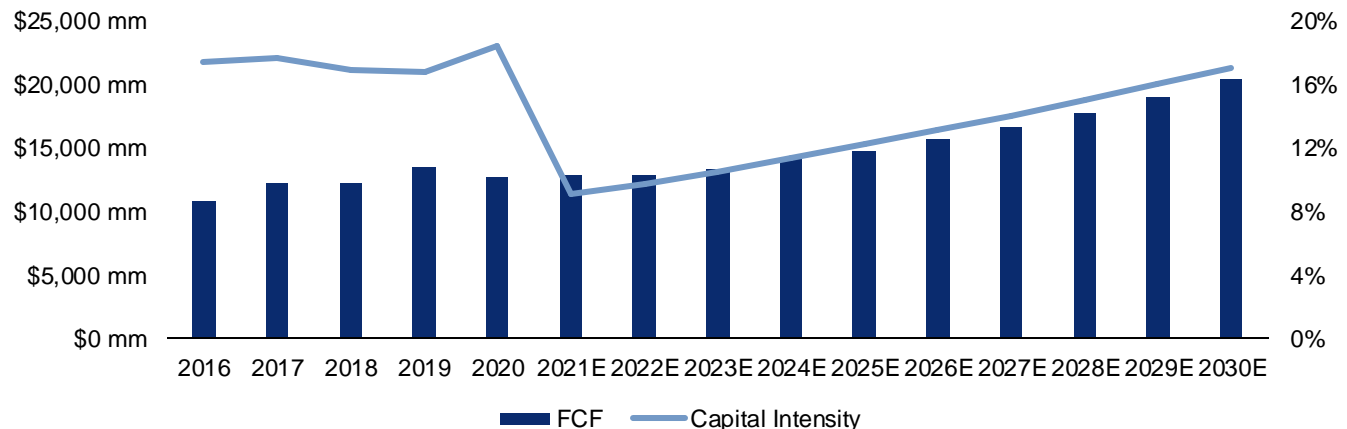
Bell rapidly increasing capex spending results in stable debt metrics

Source: Bloomberg, Company Filings

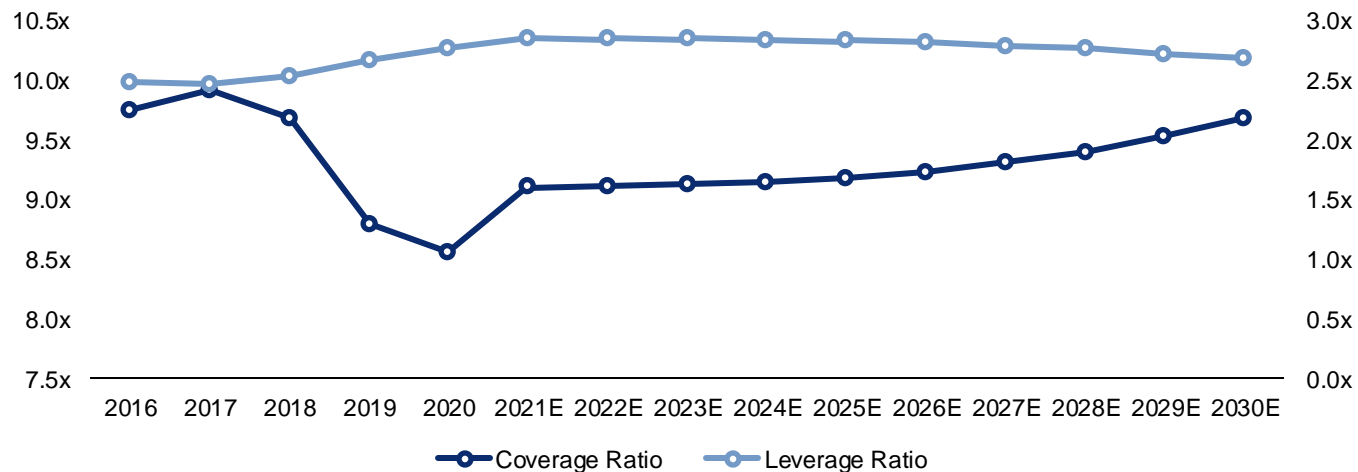
## Sensitivity Analysis - Rapid & Large MNVOs Entrance

### Bell will feel the impact from the large MNVO entrance however, debt metrics remain stable

- There are expectations are that the Big 3 would **significantly cut their capex** in the short term however, FCF remains stable



- Debt metrics see **minimal changes with slight improvements** in metrics in the longer term



Despite a large MNVO entrance, debt metrics are able to remain stable

Source: Bloomberg, Company Filings

## Case Study – Past Telecom Failures

### High leverage & accounting fraud risks

|                      |  |   |
|----------------------|--|---|
| Company              |  |   |
| Location             |  |   |
| State                | Filed for <b>Chapter 11 in 2017</b>  | Filed for <b>Chapter 11 in 2009 in Canada &amp; US</b>  |
| Reason               | <ul style="list-style-type: none"> <li>▪ <b>Extremely high debt levels</b> (\$6.3Bn) and <b>did not want to sell its call centers</b> as management believed it would not maximize value for its customers or creditors</li> </ul> | <ul style="list-style-type: none"> <li>▪ <b>Misguided BoD:</b> Mishandled accounting investigation in 2004</li> <li>▪ <b>Acquisition Spree:</b> Failed attempt to purchase Bay Networks and a string of unproven start-ups</li> </ul> |
| How does BCE differ? | <ul style="list-style-type: none"> <li>▪ Bell's <b>strong market positioning</b> and focus</li> <li>▪ Strong emphasis on keeping <b>BBB+</b> and liquidity position going into spectrum auctions</li> </ul>                        | <ul style="list-style-type: none"> <li>▪ <b>Strong management team &amp; BoD</b></li> <li>▪ Rising <b>trend of ESG</b> (ESG Score: 83/100)</li> </ul>   |

While we do acknowledge these possible risks, we do not believe that Bell Canada is as susceptible

Source: Abengoa, SunEdison.

# Desautels Capital Management

Honours in Investment Management

## Appendix

Section V



## Comparable Analysis for BBB+ Universe – Bond Metrics

| Issuer Name                               | Mkt Cap       | EV             | Bond Metrics  |             |                  |              |              |              |              | Rating (S&P) |
|---|---------------|----------------|---------------|-------------|------------------|--------------|--------------|--------------|--------------|--------------|
|   |               |                | Coupon        | Maturity    | Price            | YTW          | YTM          | OAS          | MD           |              |
| Bank of Montreal                          | 71,300        | 204,626        | 2.880%        | 2029        | \$ 104.70        | 1.50%        | 1.50%        | 40.7         | 3.568        | BBB+         |
|   |               |                | 2.077%        | 2030        | \$ 101.24        | 1.77%        | 1.77%        | 48.6         | 4.330        | BBB+         |
| Bank of Nova Scotia                       | 96,153        | 314,198        | 3.890%        | 2029        | \$ 107.41        | 1.22%        | 1.22%        | 32.4         | 2.953        | BBB+         |
|   |               |                | 2.836%        | 2029        | \$ 104.53        | 1.42%        | 1.42%        | 39.1         | 3.409        | BBB+         |
| Brookfield Infrastructure Finance ULC     | 22,208        | 60,803         | 3.410%        | 2029        | \$ 104.32        | 2.82%        | 2.82%        | 141.3        | 7.351        | BBB+         |
| Brookfield Renewable Partners             | 16,623        | 45,978         | 4.250%        | 2029        | \$ 112.75        | 2.40%        | 2.40%        | 107.8        | 6.515        | BBB+         |
|   |               |                | 3.380%        | 2030        | \$ 106.25        | 2.56%        | 2.56%        | 113.1        | 7.427        | BBB+         |
| Canadian Pacific Railway                  | 62,015        | 71,950         | 3.150%        | 2029        | \$ 106.58        | 2.21%        | 2.21%        | 85.6         | 6.884        | BBB+         |
| National Australia Bank                   | 86,093        | 291,600        | 3.515%        | 2030        | \$ 105.32        | 2.19%        | 2.19%        | 92.2         | 4.190        | BBB+         |
| Nova Gas Transmission                     | -             | 8,565          | 6.300%        | 2030        | \$ 119.65        | 3.75%        | 3.75%        | 231.8        | 7.080        | BBB+         |
| Ontario Power Generation                  | -             | 9,481          | 2.977%        | 2029        | \$ 104.89        | 2.32%        | 2.32%        | 91.2         | 7.307        | BBB+         |
|   |               |                | 3.215%        | 2030        | \$ 105.92        | 2.46%        | 2.46%        | 100.5        | 7.588        | BBB+         |
| Rogers Communications Inc.                | 29,860        | 48,633         | 3.250%        | 2029        | \$106.52         | 2.34%        | 2.34%        | 112.8        | 7.062        | BBB+         |
|   |               |                | 3.300%        | 2029        | \$106.83         | 2.35%        | 2.35%        | 113.5        | 7.051        | BBB+         |
| Telus Corp.                               | 34,422        | 56,327         | 3.150%        | 2030        | \$105.20         | 2.48%        | 2.48%        | 120.3        | 7.800        | BBB+         |
|   |               |                | 2.050%        | 2030        | \$95.08          | 2.64%        | 2.64%        | 127.1        | 8.632        | BBB+         |
| TransCanada Pipeline                      | 57,656        | 111,830        | 3.000%        | 2029        | \$102.32         | 2.68%        | 2.68%        | 127.0        | 7.183        | BBB+         |
|   |               |                | 8.210%        | 2030        | \$135.72         | 3.58%        | 3.58%        | 217.4        | 6.707        | BBB+         |
| Verizon Communications                    | 236,206       | 366,012        | 2.500%        | 2030        | \$99.56          | 2.55%        | 2.55%        | 123.3        | 8.171        | BBB+         |
| <b>Mean</b>                               | <b>89,536</b> | <b>145,700</b> |               | <b>2030</b> | <b>\$ 107.32</b> | <b>2.66%</b> | <b>2.66%</b> | <b>134.5</b> | <b>7.515</b> |              |
| <b>Median</b>                             | <b>46,039</b> | <b>84,079</b>  |               | <b>2030</b> | <b>\$ 105.20</b> | <b>2.55%</b> | <b>2.55%</b> | <b>123.3</b> | <b>7.183</b> |              |
| <b>Bell Canada Enterprises (BCE Inc.)</b> | <b>52,601</b> | <b>83,043</b>  | <b>2.500%</b> | <b>2030</b> | <b>\$ 99.69</b>  | <b>2.54%</b> | <b>2.54%</b> | <b>121.7</b> | <b>8.167</b> | <b>BBB+</b>  |
| Bell Canada Enterprises (BCE Inc.)        |               |                | 6.550%        | 2029        | \$ 129.00        | 2.57%        | 2.57%        | 139.3        | 6.534        | BBB+         |
|   |               |                | 2.900%        | 2029        | \$ 103.66        | 2.40%        | 2.40%        | 116.0        | 7.544        | BBB+         |
|   |               |                | 7.850%        | 2031        | \$ 140.32        | 3.14%        | 3.14%        | 182.4        | 7.431        | BBB+         |

Source: DCM.

## Comparable Analysis for BBB+ Universe – Operating Metrics

| Issuer Name                               | Bond Metrics  |             |              | Operating Ratios |            |           |               |            |            |
|---|---------------|-------------|--------------|------------------|------------|-----------|---------------|------------|------------|
|   | Coupon        | Maturity    | OAS          | Revenue Growth   |            |           | EBITDA Margin |            |            |
|   |               |             |              | 2019A            | 2020A/E    | 2021E     | 2019A         | 2020A/E    | 2021E      |
| Bank of Montreal                          | 2.880%        | 2029        | 40.7         | 11%              | -1%        | -2%       | 31%           | 25%        | 36%        |
|   | 2.077%        | 2030        | 48.6         |                  |            |           |               |            |            |
| Bank of Nova Scotia                       | 3.890%        | 2029        | 32.4         | 1%               | -6%        | -27%      | 26%           | 22%        | 24%        |
|   | 2.836%        | 2029        | 39.1         |                  |            |           |               |            |            |
| Brookfield Infrastructure Finance ULC     | 3.410%        | 2029        | 141.3        | 42%              | -46%       | 7%        | 44%           | 42%        | 42%        |
| Brookfield Renewable Partners             | 4.250%        | 2029        | 107.8        | 33%              | -4%        | -6%       | 68%           | 67%        | 54%        |
|   | 3.380%        | 2030        | 113.1        |                  |            |           |               |            |            |
| Canadian Pacific Railway                  | 3.150%        | 2029        | 85.6         | 7%               | -1%        | 9%        | 49%           | 54%        | 54%        |
| National Australia Bank                   | 3.515%        | 2030        | 92.2         | -8%              | -2%        | -1%       | 48%           | 31%        | 27%        |
| Nova Gas Transmission                     | 6.300%        | 2030        | 231.8        | 3%               | 18%        | -         | 57%           | 60%        | -          |
| Ontario Power Generation                  | 2.977%        | 2029        | 91.2         | 9%               | 20%        | 20%       | 40%           | -          | -          |
|   | 3.215%        | 2030        | 100.5        |                  |            |           |               |            |            |
| Rogers Communications Inc.                | 3.250%        | 2029        | 112.8        | 0%               | -8%        | 4%        | 42%           | 43%        | 42%        |
| Telus Corp.                               | 3.300%        | 2029        | 113.5        | 2%               | 6%         | 8%        | 40%           | 37%        | 36%        |
|   | 3.150%        | 2030        | 120.3        |                  |            |           |               |            |            |
|   | 2.050%        | 2030        | 127.1        |                  |            |           |               |            |            |
| TransCanada Pipeline                      | 3.000%        | 2029        | 127.0        | -3%              | -2%        | 9%        | 62%           | 64%        | 68%        |
|   | 8.210%        | 2030        | 217.4        |                  |            |           |               |            |            |
| Verizon Communications                    | 2.500%        | 2030        | 123.3        | 1%               | -3%        | 4%        | 42%           | 42%        | 37%        |
| <b>Mean</b>                               |               | <b>2030</b> | <b>134.5</b> | <b>0%</b>        | <b>-2%</b> | <b>6%</b> | <b>46%</b>    | <b>46%</b> | <b>46%</b> |
| <b>Median</b>                             |               | <b>2030</b> | <b>123.3</b> | <b>0%</b>        | <b>-2%</b> | <b>6%</b> | <b>42%</b>    | <b>42%</b> | <b>40%</b> |
| <b>Bell Canada Enterprises (BCE Inc.)</b> | <b>2.500%</b> | <b>2030</b> | <b>121.7</b> | <b>2%</b>        | <b>-5%</b> | <b>3%</b> | <b>43%</b>    | <b>42%</b> | <b>42%</b> |

Source: DCM.

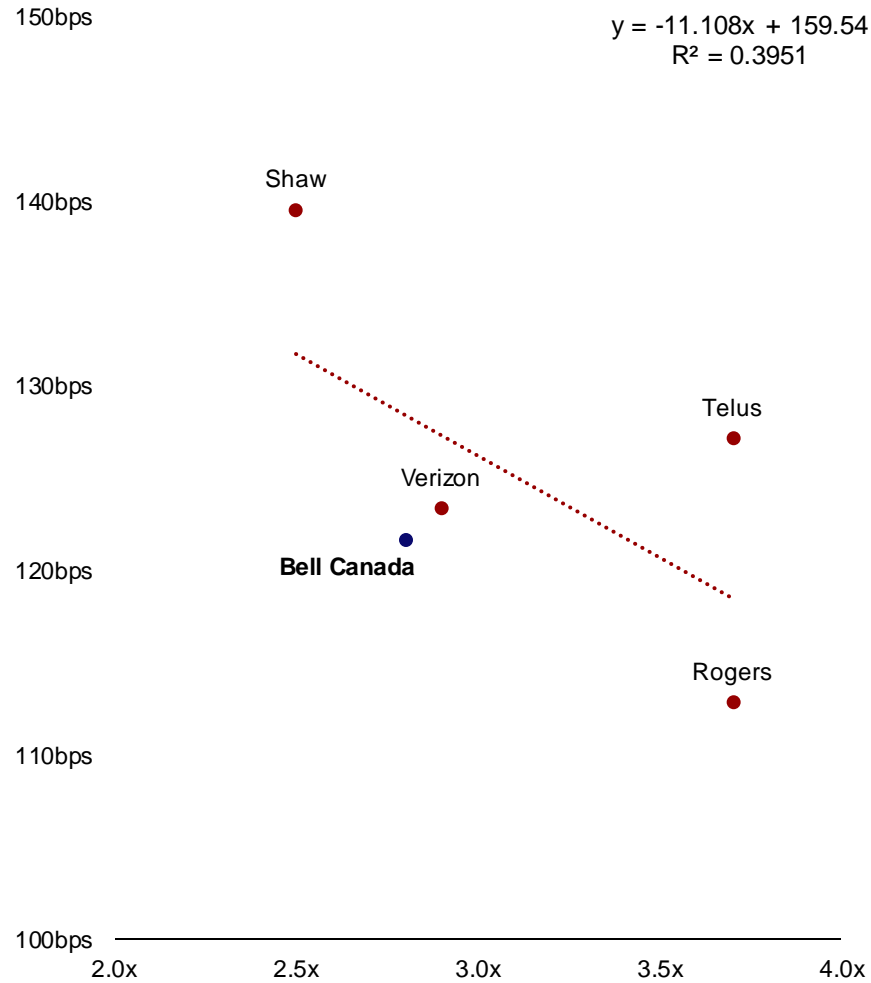
## Comparable Analysis for BBB+ Universe – Credit Metrics

| Issuer Name                               | Bond Metrics  |             |              | Credit Ratios |            |                |             |             |                |             |             |
|---|---------------|-------------|--------------|---------------|------------|----------------|-------------|-------------|----------------|-------------|-------------|
|   | Coupon        | Maturity    | OAS          | Debt / Asset  |            | Leverage Ratio |             |             | Coverage Ratio |             |             |
|   |               |             |              | 2019A         | 2020A/E    | 2019A          | 2020A/E     | 2021E       | 2019A          | 2020A/E     | 2021E       |
| Bank of Montreal                          | 2.880%        | 2029        | 40.7         | 14%           | 13%        | 19.9x          | 26.3x       | 25.4x       | 21.0x          | 23.5x       | 27.5x       |
|   | 2.077%        | 2030        | 48.6         |               |            |                |             |             |                |             |             |
| Bank of Nova Scotia                       | 3.890%        | 2029        | 32.4         | 15%           | 16%        | 21.0x          | 23.1x       | 22.5x       | 25.1x          | 26.8x       | 27.3x       |
|   | 2.836%        | 2029        | 39.1         |               |            |                |             |             |                |             |             |
| Brookfield Infrastructure Finance ULC     | 3.410%        | 2029        | 141.3        | 41%           | 38%        | 7.8x           | 6.2x        | -           | 3.2x           | 3.2x        | -           |
| Brookfield Renewable Partners             | 4.250%        | 2029        | 107.8        | 37%           | 36%        | 6.4x           | 7.1x        | 8.9x        | 2.7x           | 2.6x        | 1.7x        |
|   | 3.380%        | 2030        | 113.1        |               |            |                |             |             |                |             |             |
| Canadian Pacific Railway                  | 3.150%        | 2029        | 85.6         | 38%           | 37%        | 2.3x           | 2.4x        | 2.2x        | 8.5x           | 9.1x        | 9.3x        |
| National Australia Bank                   | 3.515%        | 2030        | 92.2         | 29%           | 26%        | -              | 31.0x       | -           | -              | 2.9x        | -           |
| Nova Gas Transmission                     | 6.300%        | 2030        | 231.8        | 52%           | 52%        | 6.2x           | 5.6x        | -           | 3.2x           | 3.8x        | -           |
|   | 2.977%        | 2029        | 91.2         | 14%           | -          | 3.2x           | -           | -           | 19.3x          | -           | -           |
| Ontario Power Generation                  | 3.215%        | 2030        | 100.5        |               |            |                |             |             |                |             |             |
|   | 3.250%        | 2029        | 112.8        | 54%           | 55%        | 3.2x           | 3.7x        | 3.5x        | 7.6x           | 6.7x        | 7.2x        |
| Rogers Communications Inc.                | 3.300%        | 2029        | 113.5        |               |            |                |             |             |                |             |             |
|   | 3.150%        | 2030        | 120.3        | 49%           | 51%        | 3.3x           | 3.7x        | 3.3x        | 7.3x           | 7.2x        | 8.1x        |
| Telus Corp.                               | 2.050%        | 2030        | 127.1        |               |            |                |             |             |                |             |             |
|   | 3.000%        | 2029        | 127.0        | 51%           | 50%        | 6.0x           | 5.9x        | -           | 3.6x           | 3.8x        | -           |
| TransCanada Pipeline                      | 8.210%        | 2030        | 217.4        |               |            |                |             |             |                |             |             |
|   | 2.500%        | 2030        | 123.3        | 46%           | 48%        | 2.6x           | 2.9x        | 2.6x        | 10.9x          | 9.3x        | 10.1x       |
| Verizon Communications                    | 2.500%        | 2030        | 123.3        | 46%           | 48%        | 2.6x           | 2.9x        | 2.6x        | 10.9x          | 9.3x        | 10.1x       |
| <b>Mean</b>                               |               | <b>2030</b> | <b>134.5</b> | <b>50%</b>    | <b>51%</b> | <b>3.8x</b>    | <b>4.0x</b> | <b>3.1x</b> | <b>7.3x</b>    | <b>6.8x</b> | <b>8.5x</b> |
| <b>Median</b>                             |               | <b>2030</b> | <b>123.3</b> | <b>50%</b>    | <b>51%</b> | <b>3.3x</b>    | <b>3.7x</b> | <b>3.3x</b> | <b>7.5x</b>    | <b>7.0x</b> | <b>8.1x</b> |
| <b>Bell Canada Enterprises (BCE Inc.)</b> | <b>2.500%</b> | <b>2030</b> | <b>121.7</b> | <b>44%</b>    | <b>43%</b> | <b>2.7x</b>    | <b>2.8x</b> | <b>2.7x</b> | <b>8.4x</b>    | <b>8.8x</b> | <b>9.1x</b> |

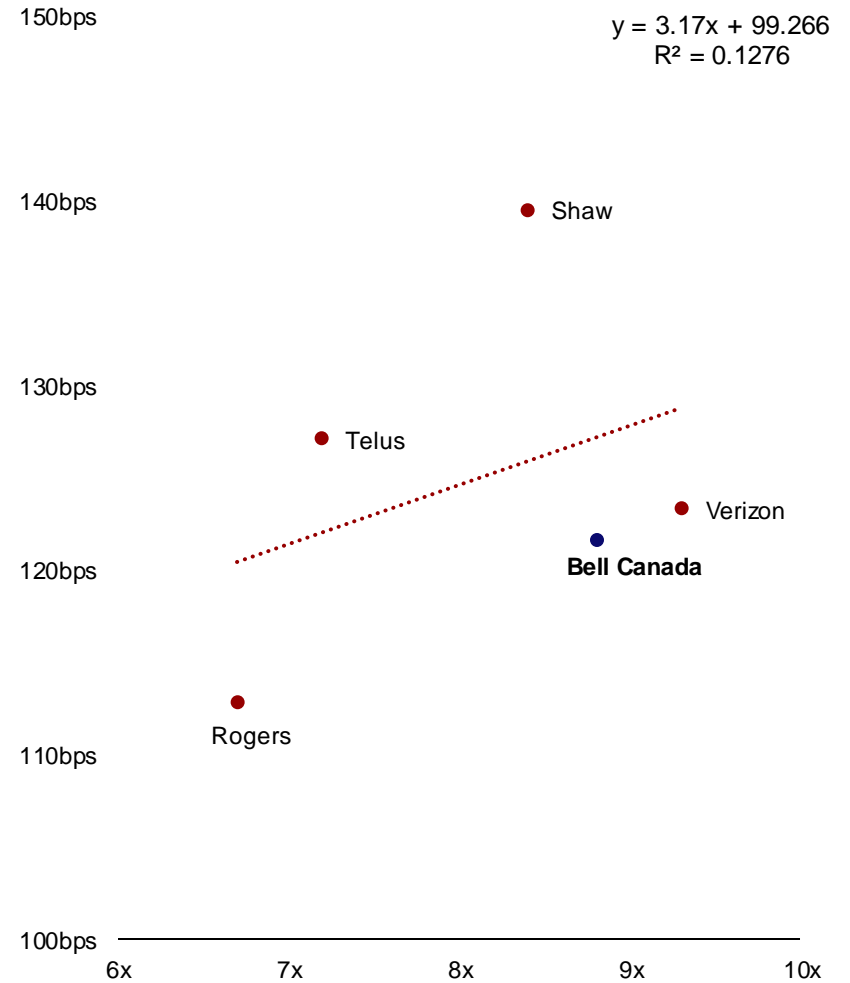
Source: DCM.

Comparable Analysis – Diving a Bit Deeper With Regressions

**Spread vs. leverage ratios showing justified valuation**



**Spread vs. coverage ratios indicating justified valuation**








Trendline in left graph is increasing in the opposite direction thus can't conclude a target OAS while BCE is under the target spread in right graph

Source: Bloomberg.



## Comparable Analysis – Diving a Bit Deeper With Implied Volatilities

Implied volatility from Merton Model option valuation points towards a smaller credit spread being warranted

|   | Current Stock Price | Strike Price | Implied Volatility |
|---|---------------------|--------------|--------------------|
|    | \$44.64             | \$40.00      | 98.44%             |
|    | \$48.87             | \$45.00      | 75.20%             |
|    | \$21.07             | \$15.00      | 328.52%            |
|    | \$26.57             | \$20.00      | 193.75%            |
|  | \$55.30             | \$40.00      | 147.66%            |

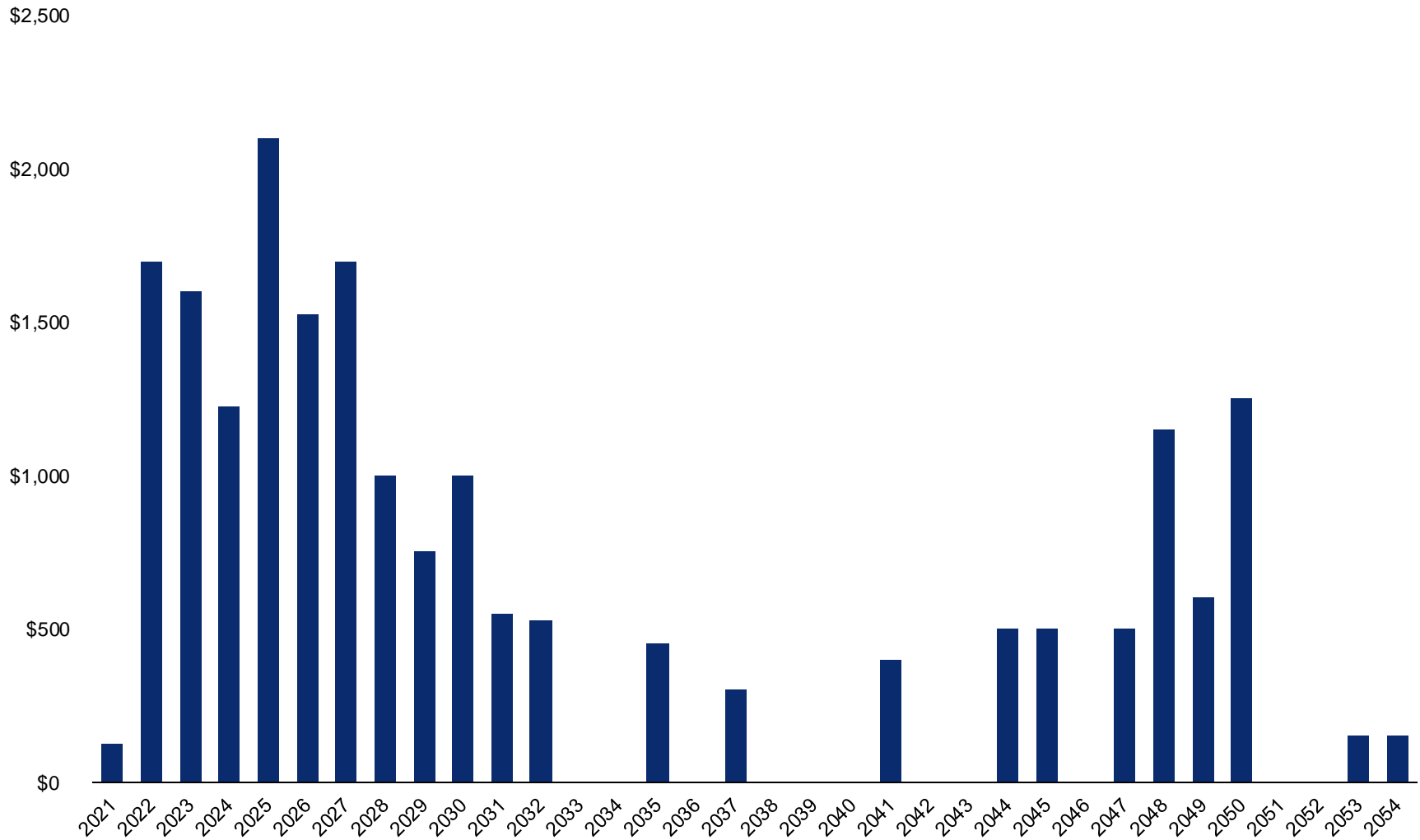
Implied volatility across similar options shows no priced in premium on current spread levels

Stock Chart



BCE is underperforming S&P index as of May 2020

Long-Term Debt Maturity Schedule

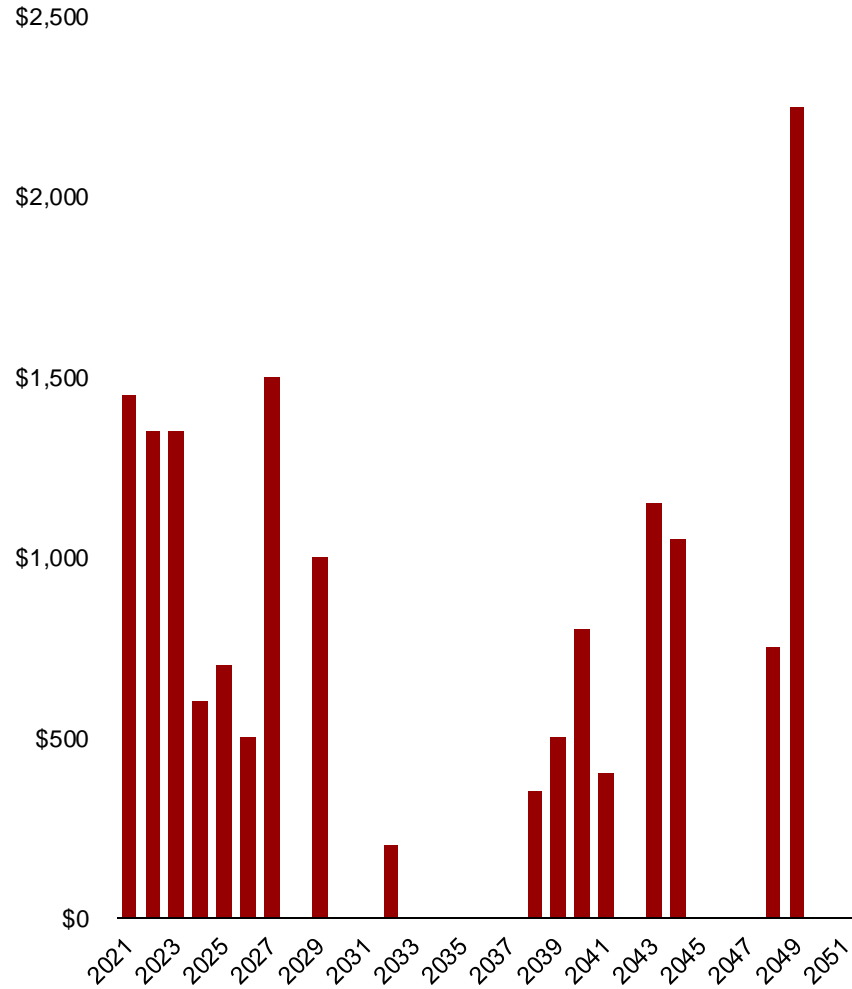


BCE has quite a lot of debt maturing before 2031 and 2032 – could explain why the spreads for those bonds are higher

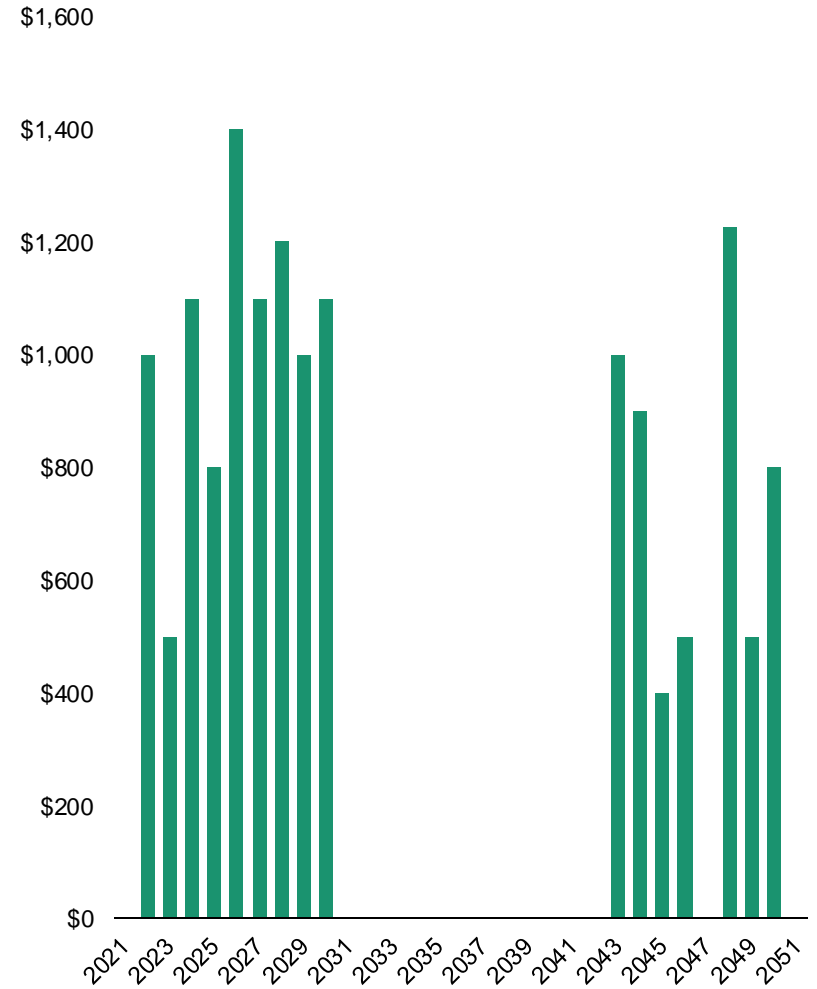
Source: Company Filings

Debt Maturity Schedule

Rogers



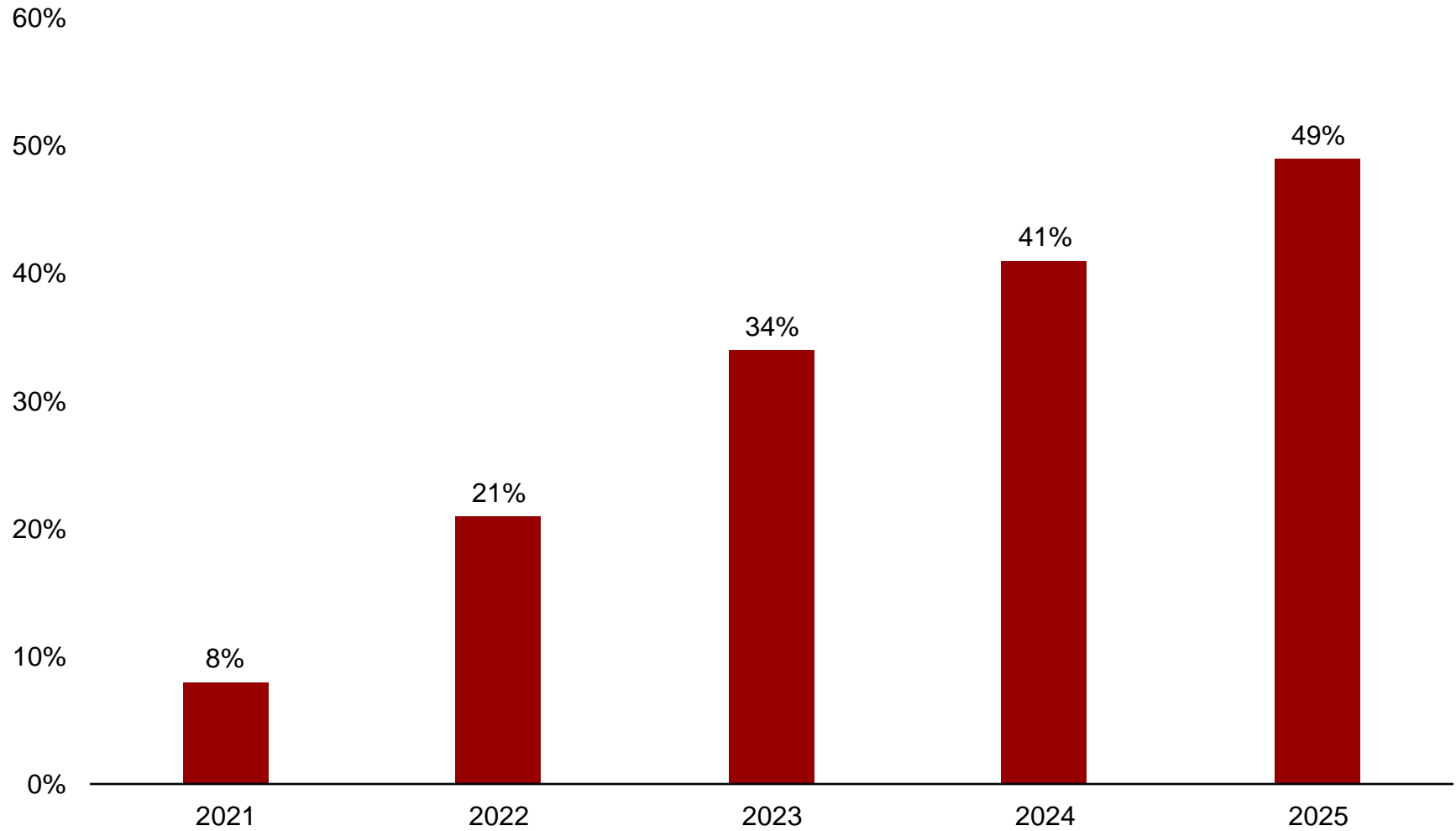
Telus



Rogers and Telus are more levered than BCE

Source: Company Filings.

Forecast of 5G Adoption Rate as Share of Mobile Connections in Canada



Source: *The Mobile Economy North America 2017*.

Management Team



**George Cope**  
Retired



**Mirko Bibic**  
CEO of BCE

Previous Role

**CEO BCE**  
2008 – Jan. 2020  
Joined Bell in 2005

**COO of BCE**  
October 2018 – Jan. 2020  
Joined Bell in 2004

About

- Prior to joining Bell, he led Telus
- Launched Bell Let's Talk Initiative
- Awarded the Order of Canada in 2014
- In the Canadian Business Hall of Fame in 2018
- Recognized as CEO of the Year and many more awards

- Previously responsible for all operations of Bell's wireline and wireless business (90% of revenue)
- Key role in BCE's recent acquisitions
- Awarded the Canadian General Counsel of the Year
- McGill BCom

New CEO appointed in January 2020

Source: Company Filings, Equity Research.

## Board of Directors

**Gordon M. Nixon:**

Chair of the Board, previously served as President and CEO of RBC from 2001 to 2014

**Barr K. Allen:**

Operating Partner of Providence Equity Partners LLC

**Mirko Bibic:**

CEO of BCE

**Robert E. Brown:**

Corporate Director since 2009; previously Chair of Aimia Inc. until 2019

**David F. Denison:**

Corporate Director, President and CEO of CPPIB from 2005 to 2012

**Robery P. Dexter:**

Chairman and CEO of Maritime Travel Inc

**Ian Greenberg:**

Corporate director since 2013 and one of the founders of Astral Media Inc.

**Katharine Lee:**

Corporate director and President and CEO of GE Capital Canada from 2010 to 2015

**Monique F. Leroux:**

Corporate director, and Vice-Chair of Fiera Holdings Inc.

**Sheila A. Murray:**

President of CI Financial Corp. from 2016 to 2019

**Louis P. Pagnutti:**

Corporate director and previously was the Global Managing Partner Business Enablement of EY and a member of their board

**Thomas E. Richards:**

Corporate direct and previously served as the executive chairman of the Board of Directors of CDW Corporation

**Calin Rovinescu:**

President and CEO of Air Canada from 2009 to February 2021

**Karen Sheriff:**

Previously President and CEO of Q9 Networks Inc from 2015 to 2016 and previously President of Bell Aliant from 2008 to 2014

**Robert C. Simmonds:**

Chair of Lenbrook Corporation since 2002

**Paul R. Weiss:**

Corporate director since 2008 and previously served as director and audit committee member of Choice Properties REIT, Empire Life Insurance, ING Bank of Canada

Source: Company Filings, Equity Research.

ESG Rankings

|                | Environmental | Social | Governance | ESG Score |
|----------------|---------------|--------|------------|-----------|
| <b>BCE</b>     | 85/100        | 54/100 | 83/100     | 83/100    |
| <b>ROGERS™</b> | 65/100        | 50/100 | 72/100     | 60/100    |
| <b>TELUS</b>   | 75/100        | 55/100 | 92/100     | 70/100    |

Source: Sustainalytics



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