

## BCE Inc.

# 4Q23 First Look: In-line results; Cost reduction program announced for '24

Maintain Rating: NEUTRAL | PO: 62.00 CAD | Price: 53.07 CAD

## Results in-line with expectations; dividend growth slows

BCE's 4Q23 financials are broadly in-line with expectations and guidance. BCE announced a 3.1% dividend increase, below the 5% trend established over many years. BCE announced a 9% reduction to its workforce which is expected to result in \$150-\$200mn of in-year savings. We maintain our Neutral rating.

## FCF guidance weaker than expected

BCE shared 2024 revenue growth guidance of 0-4%, 1.5-4.5% adjusted EBITDA growth, (7%)-(2%) adjusted EPS growth, and free cash flow growth of (11%)-(3.0%). Earlier in 2023, after the CRTC released its TPIA (wholesale broadband) decision, BCE announced plans to cut capex. In 2024E BCE sees capital intensity below 16.5%. Despite this tailwind, BCE sees a y/y decline in FCF driven by higher severance payments (one-time), higher interest expense, and lower cash from working capital.

## On the conference call we expect to learn more about...

BCE will host a conference call today at 8:00AM ET (dial-in: 1-844-933-2401). Key discussion topics should include 1) assumptions underlying guidance ranges, 2) wireless market growth trends, 3) promotional intensity, and 4) capital allocation priorities. We expect BCE to discuss its attitudes toward dividend growth going forward.

### Exhibit 1: 4Q23 results compared to consensus.

Consolidated results in-line

	4Q23A Actual	4Q23E BofA	4Q23E Cons.	A/E %	A/C %	Growth y/y %
<b>Consolidated</b>						
Revenue	6,473	6,462	6,473	0.2%	0.0%	0.5%
Adjusted EBITDA	2,567	2,560	2,567	0.3%	0.0%	5.3%
Adjusted EPS	0.76	0.78	0.74	-2.1%	3.2%	7.0%
<b>CTS</b>						
Revenue	5,744	5,717	5,735	0.5%	0.2%	1.7%
Wireless service revenue	1,803	1,796	1,802	0.4%	0.1%	3.9%
Adj. EBITDA	2,419	2,418	2,424	0.0%	-0.2%	4.8%
Post-paid net adds	129	140	137	-8.1%	-6.1%	-16.8%
Broadband net adds	56	50	57	11.2%	-2.2%	-12.4%
Post-paid churn	1.6%	1.25%	1.27%	30.4%	28.8%	33.6%
Blended ARPU	58.71	58.43	58.49	0.5%	0.4%	0.4%
Capex	975	1,046	1,045	-6.8%	-6.7%	-37.5%
<b>Media</b>						
Revenue	822	836	835	-1.6%	-1.6%	-7.5%
Adj. EBITDA	148	142	140	4.2%	5.4%	14.7%
Capex	54	79	47	-31.6%	14.0%	-31.6%

Source: BofA Global Research, Visible Alpha

BofA GLOBAL RESEARCH

08 February 2024

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### Stock Data

Price (TOR / NYS)	53.07 CAD / 39.39 USD
Price Objective	62.00 CAD / 46.00 USD
Date Established	3-Oct-2023 / 3-Oct-2023
Investment Opinion	A-2-7 / A-2-7
52-Week Range	49.57 CAD - 65.66 CAD
Market Value (mn)	48,414 CAD
Free Float	99.6%
Average Daily Value	141.03 USD
Shares Outstanding (mn)	912.3 / 912.3
BofA Ticker / Exchange	YBCE / TOR
BofA Ticker / Exchange	BCE / NYS
Bloomberg / Reuters	BCE CN / BCE.TO
ROE (2023E)	13.5%
Net Dbt to Eqty (Dec-2022A)	122.7%

ESGMeter™ High

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**Refer to important disclosures on page 3 to 6. Analyst Certification on page 2. Price Objective Basis/Risk on page 2.**

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Timestamp: 08 February 2024 07:58AM EST

## Price objective basis & risk

### **BCE Inc. (YBCE / BCE)**

Our \$62 (US\$46) price objective is based on an 8.5x forward (2024E) EV/EBITDA multiple. Over the last 5-years, BCE has traded at an average multiple of 8.3x. We think that the small 0.2x multiple premium is justified by BCE's solid execution, wireless growth, expanding FTTP footprint and strong FCF growth, partially offset by headwinds in Business Wireline and Media.

Downside (upside) risks to our price objective are multiple contraction (expansion) related to competitive and regulatory concerns in wireless, weaker (stronger)-than expected revenue growth due to economic and competitive pressures and accelerating wireless/wireline substitution, slower (faster)-than expected progress in cost reduction and a reversal (continuation) of the continuing P/E multiple expansion.

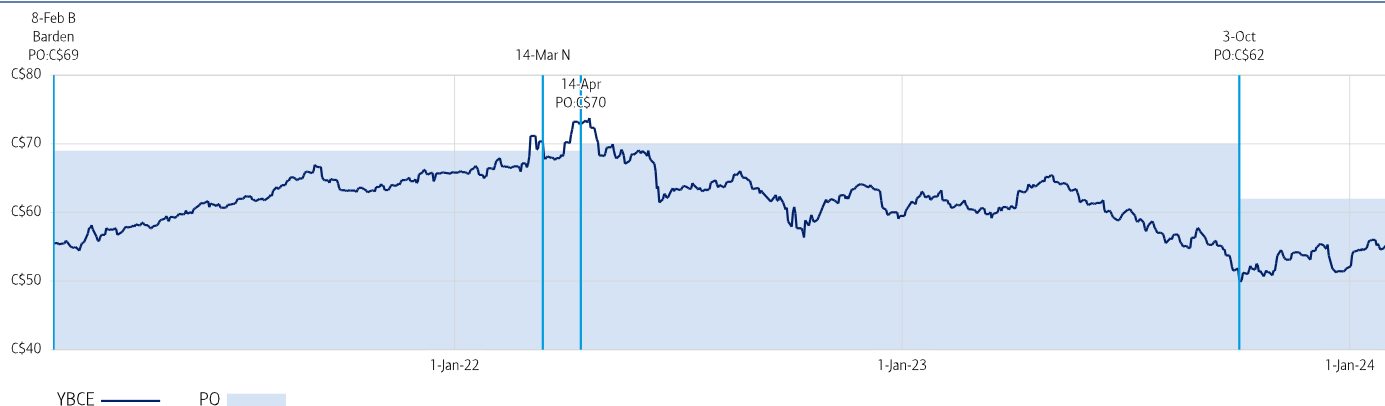
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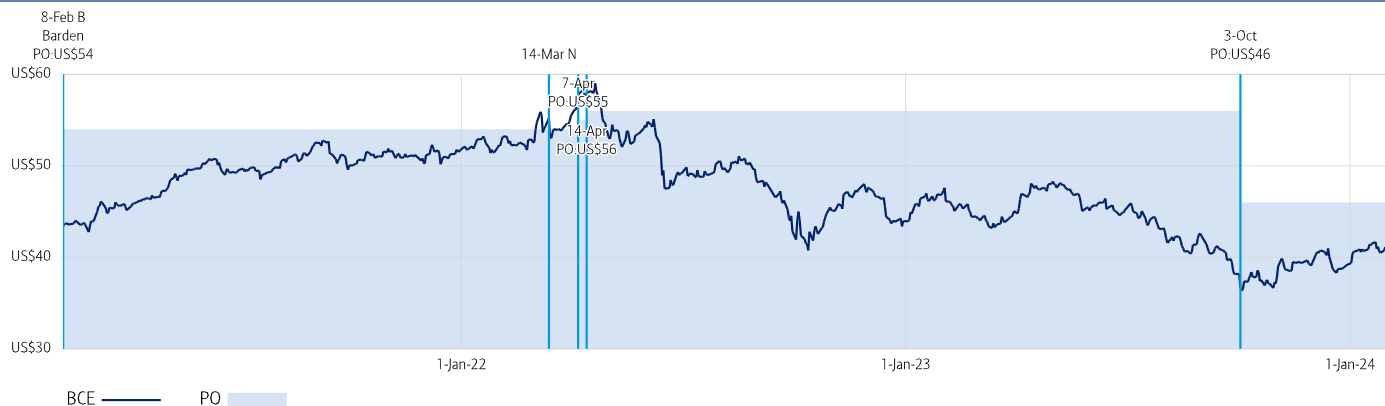
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B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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### Equity Investment Rating Distribution: Telecommunications Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	57	51.82%	Buy	43	75.44%
Hold	27	24.55%	Hold	17	62.96%
Sell	26	23.64%	Sell	12	46.15%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup>Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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