

Bell Aliant Inc.
Form 425
July 23, 2014

BCE to Privatize Affiliate
Bell Aliant
Analyst Conference Call
July 23, 2014
Filed by BCE Inc.
Pursuant to Rule 425 under the Securities Act of 1933
Subject Company: Bell Aliant Inc.
Commission File Number of Bell Aliant Inc. 132-02786

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Safe Harbour Notice

Certain statements made in this presentation are forward-looking statements. These statements include, without limitation, statements

issued

and

outstanding

common

shares

of

Bell

Aliant

Inc.

(Bell

Aliant)
that
it
does
not
already
own
(the
Proposed
Privatization)
and
the
proposed
exchange
of
all
of
the
issued
and
outstanding
preferred
shares
of
Bell
Aliant
Preferred
Equity
Inc.
(Prefco)
for
BCE
preferred
shares
(the
Proposed
Preferred
Share
Exchange
and,
together
with
the
Proposed
Privatization,
the
Proposed
Transactions),
including
satisfaction

of
the
conditions
to
the
Proposed
Transactions,
the
expected
timing
of
the
Proposed
Transactions,
certain
strategic
and
financial
benefits
(including
expected
synergies
and
free
cash
flow accretion) and operational, competitive and cost efficiencies expected to result from the Proposed Privatization, the anticipated strategic imperatives, the expected sources of funding of the Proposed Privatization, Bell Canada's updated net leverage ratio within the new updated target range, the nature and value of investments expected to be made in Atlantic Canada over the next five years, the following:
the
Proposed
Transactions,
our
network
deployment
plans,
BCE's
common
share
dividend
yield,
our
business
outlook,
objectives,
plans
and
strategic
priorities,

and
other
statements
that
are not historical facts. All such forward-looking statements are made pursuant to the safe harbour provisions of applicable Canadian Securities
Reform
Act
of
1995.
Several
assumptions
were
made
by
BCE
in
preparing
these
forward-looking
statements
and
there
are
risks
that
actual
results
will
differ
materially
from
those
contemplated
by
our
forward-looking statements. As a result, we cannot guarantee that any forward-looking statement will materialize and we caution
The
completion
of
the
Proposed
Transactions
is
subject
to
certain
conditions
including,
in
the

case
of
the
Proposed
Privatization,
that
a
sufficient
percentage
of
common
shares
of
Bell
Aliant,
and
in
the
case

of the Proposed Preferred Share Exchange, that a sufficient percentage of preferred shares of Prefco, are deposited by the holder of the Exchange is conditional upon the successful completion of the purchase by BCE of Bell Aliant's common shares pursuant to the achievement

of
the
expected
strategic
and
financial
benefits
and
the
competitive,
operational
and
cost
efficiencies
are
also
subject
to
customary
closing
conditions,
termination
rights
and
other
risks
and

uncertainties including, without limitation, any required regulatory approvals or notifications. Accordingly, there can be no assurance

terms and conditions contemplated in this presentation. In addition, there can be no assurance that the strategic and financial benefits of the Proposed Transactions will be fully realized. The Proposed Transactions could be modified, restructured or terminated. The expected return of Bell Canada's pro forma net leverage ratio within its updated policy target range assumes, in particular, that the Proposed Transactions will result in a significant reduction of Bell Canada's level of indebtedness. Free cash flow generation is subject to the risk factors and assumptions disclosed in our 2013 Annual Report) as updated in BCE's 2014 first quarter MD&A dated May 5, 2014. Furthermore, the value of investments expected to be made may differ from current levels. However, there can be no assurance that such investment levels will be maintained with the result that actual investment levels may differ. For additional information on assumptions and risks underlying certain of the forward-looking statements made in this presentation, please refer to the Proposed Transactions, as well as BCE's above-mentioned 2013 annual and 2014 first quarter MD&As, and BCE's press releases dated May 5, 2014, Canadian securities regulatory authorities and with the SEC and which are also available on BCE's website. Forward-looking statements made on May 23, 2014, and, accordingly, are subject to change after such date. Except as may be required by Canadian securities laws, we do not intend to update this statement, whether as a result of new information, future events or otherwise.

The terms EBITDA, EBITDA Margin, free cash flow, Adjusted EPS and Net Debt are non-GAAP financial measures and do not have any standardized meaning under IFRS. Therefore, they

are
unlikely
to
be
comparable
to
similar
measures
presented
by
other
issuers.

Refer
to
the
section

Non-GAAP
Financial
Measures
in
BCE's
2014

First
Quarter
MD&A
for
more
details.

Notice to U.S. Securityholders

The
exchange
offers
contemplated
by
this
presentation

are
for
the
securities
of

a
Canadian
company.

The
offers
will
be
subject
to

Canadian
disclosure
requirements
that
are
different
from
those
of
the
United
States.
Financial
statements
included
or
incorporated
by
reference
in
the
offer
documents,
if
any,
will
have
been
prepared
in
accordance
with
Canadian
accounting
standards
and
may
not
be
comparable
to
the
financial
statements
of
United
States
companies.
It
may

be
difficult
for
you
to
enforce
your
rights
and
any
claim
you
may
have
arising
under
the
federal
securities
laws,
since
BCE
is
located
in
Canada,
and
some
or
all
of
its
officers
and
directors
may
be
residents
of
Canada.
You
may
not
be
able
to
sue
a
Canadian
company

or
its
officers
or
directors
in
a
foreign
court
for
violations
of
the
U.S.
securities
laws.
It
may
be
difficult
to
compel
a
Canadian
company
and
its
affiliates
to
subject
themselves
to
a
U.S.
court's
judgment.
You
should
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that
BCE
or
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purchase
securities
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market
or
privately
negotiated
purchases.
This
presentation
shall
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constitute
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offer
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sell
or
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solicitation
of
an
offer
to
buy
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securities
of
BCE,
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shall
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constitute
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offer,
solicitation
or
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in
any
state
or
jurisdiction
in

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an
offer,
solicitation
or
sale
would
be
unlawful.
BCE
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statement
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Securities
and
Exchange
Commission
(the
SEC)
in
respect
of
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exchange
offer
for
Bell
Aliant's
common
shares
and
will
file
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with
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in
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for
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from
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a
substitute
for
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registration
statement(s)
that
BCE
will
file
with
the
SEC
or
any
other
documents
that
it
may
file
with
the
SEC
or
send
to
shareholders

in
connection
with
the
proposed
transactions.
BEFORE
MAKING
ANY
DECISIONS
IN
RESPECT
OF
THE
OFFERS,
SECURITY
HOLDERS
ARE
URGED
TO
READ
THE
REGISTRATION
STATEMENT(S)
AND
ALL
OTHER
RELEVANT
DOCUMENTS
FILED
OR
THAT
WILL
BE
FILED
WITH
THE
SEC
IN
CONNECTION
WITH
THE
PROPOSED
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BECAUSE
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CONTAIN
IMPORTANT
INFORMATION
ABOUT
THE
PROPOSED
TRANSACTIONS.

You
will
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to
obtain
a
free
copy
of
the
registration
statement(s),
as
well
as
other
filings
containing
information
about
BCE,
at
the
SEC's
Internet
site
(www.sec.gov).

George Cope
President & Chief Executive Officer
BCE and Bell Canada
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Transaction overview

Acquiring Bell Aliant's public minority common shares for \$3.95B or \$31 per common share

Implied transaction multiple of ~8.3x LTM EBITDA

Immediately accretive to FCF per share and EPS

Simplifies corporate operating structure and eliminates duplicate public company costs

Consistent with capital markets strategy

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CRTC and Industry Canada approvals are not required because there is no change in control of Bell Aliant, and no transfers of wireless spectrum licences

Closing of transaction expected by November 30, 2014
Acquiring the public minority common shares of Atlantic
Canada's leading communications provider

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Represents 11.6% premium to Bell Aliant's weighted-average closing share price on the TSX for the 20-day period ending July 22, 2014

Bell Aliant Q3 dividend that would otherwise have been payable on October 6, 2014 not being declared

Recommended unanimously by Independent Committee of Bell Aliant Board

~\$200M in annual run-rate FCF accretion after dividends

Supports dividend growth model

Strong investment grade credit rating maintained

Notification under the Competition Act

Privatization of Bell Aliant enables expedited broadband investment across Canada

Transaction supports a number of Bell's strategic imperatives

Invest in Broadband

Networks & Services

FCF accretion enables accelerated broadband investment across Canada

Investment of \$2.1B in Atlantic Canada over next 5 years

Improves efficiency of capital spend allocation

Significantly expands Bell's FTTH and IPTV footprints

~70% of total households with access to fibre-based broadband services

Increases number of IPTV-ready homes by 1M to reach 6M by YE2014

Expands Bell's FTTH footprint from 1M to ~2M homes

~\$100M of pre-tax annual operating and capital synergies

Eliminates duplicate public company costs, increasing productivity

Two most efficiently-run Canadian ILECs with combined wireline EBITDA margin of 39%

Improve Customer Service

Leverage Bell Aliant's excellent service reputation and Bell's scale to deliver advanced next generation services and applications to customers

Today announced acquisition of 2 new call centres, bringing 700 jobs to Bell Accelerate Wireless

Today announced next phase of national 4G LTE wireless rollout to more than 100 additional communities across the Atlantic region

Leverage Wireline

Momentum

Achieve a Competitive

Cost Structure

5

BCE revenue mix

(1)

(1)

Based on proportionate consolidation of Bell Aliant revenues (2014E)

Wireless

30%

Pro forma BCE revenue mix

(2)

Maintaining a high mix of growth services

(2)

Pro forma 100% of Bell Aliant (2014E)

Wireline

voice

18%

Wireless

31%

Wireline

Broadband

& TV

37%

Business

9%

Consumer

9%

Media

14%

Wireline

voice

20%

Wireline

Broadband

& TV

37%

Business

10%

Consumer

10%

Media

13%

~82%

Privatization of Bell Aliant maintains BCE's revenue mix of growth services essentially unchanged at ~80%, while moderating pace of overall NAS decline

~80%

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- 7
- Building on Bell Aliant's strong legacy in Atlantic Canada
- \$2.1B planned investment in Atlantic regions over next 5 years to enable the continued rollout of broadband wireline and wireless for consumers and business users
- Bell Aliant to maintain regional headquarters in Halifax with significant employee presence
- Bell Aliant brand being maintained in Atlantic Canada
- Significant ongoing investment
- Fibre roll-out to continue for consumers and business customers

Deployment of 4G LTE wireless network to more than 100 additional communities announced today

Expansion of call centre footprint announced today

Regional telecom operations in rural Ontario and rural Québec to benefit from ongoing investments in broadband networks, data hosting and service initiatives

BCE committed to maintaining a strong local presence and significant investment in Bell Aliant territories

Karen Sheriff
President & Chief Executive Officer
Bell Aliant
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Significant value crystallized for Bell Aliant shareholders

Transaction creates immediate value

\$31 offer price represents 11.6% premium to Bell Aliant's weighted-average closing share price on the TSX for the 20-day period ending July 22, 2014

Attractive valuation multiple of ~8.3x LTM EBITDA

Tax-free roll-over election for taxable Canadian resident Bell Aliant shareholders

Enhances

long-term
value
potential
through
opportunity
to
acquire
ownership
in
BCE

Enables participation in superior growth potential of a company with a strong mix of growth assets

BCE dividend with ~5% yield with a track record of annual dividend growth

Attractive investment-grade credit profile underpinned by strong BCE balance sheet

\$31 offer price at the high end of independent valuation range of \$27 to \$31.50 per share

Independent directors unanimously recommend Bell Aliant shareholders tender their shares to the offer
Transaction crystallizes attractive valuation and provides Bell
Aliant shareholders opportunity to benefit from BCE growth

Siim Vanaselja
Executive Vice-President & Chief Financial Officer
BCE and Bell Canada
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\$3.95B total value for Bell Aliant public
minority common shares

Represents a \$410M premium to the 20-day
volume weighted average price as of July 22

Transaction multiple of ~8.3x LTM EBITDA

Aggregate consideration a combination of
cash
(25%)

and
BCE
common
equity
(75%)

Aggregate cash component of ~\$1B

Fixed exchange ratio for equity component of
0.4778 of a BCE share per Bell Aliant share
Accretive transaction that supports BCE's dividend growth model
and strategic imperatives
Key transaction details

Bell Aliant public minority shareholders to
receive ~61M BCE common shares

Bell Aliant shareholders to own ~7% of pro forma
BCE common equity

Bell Aliant preferred shareholders to also
be offered an exchange for BCE preferred
shares on equivalent financial terms

Completion of privatization not conditional upon
Preferred Equity exchange transaction

Transaction subject to more than 50% of
common shares held by public minority
shareholders being tendered and
notification under the Competition Act

Tax-free rollover election afforded to
Canadian resident Bell Aliant shareholders
Tender Offer

Election

Per Bell Aliant
common share

Option 1*

\$31 in cash

Option 2*

0.6371 of a BCE common share

Option 3

\$7.75 in cash and 0.4778 of a
BCE common share

* Subject to proration

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Financing structure overview

Financing structure maintains strong liquidity position and financial flexibility

Uses

Bell

Aliant

net

debt

rollover

(1)

2,888

Bell Aliant preferred shares

618
 BCE equity rollover stake (100.4M shares @ \$31/share)
 3,112
 Minority common shares (127.5M shares @ \$31/share)
 3,951
 Total uses
 10,569
 Sources
 Bell Aliant net debt rollover
 2,888
 Bell Aliant/BCE preferred share exchange
 618
 BCE equity stake rollover
 3,112
 Cash & available liquidity
 988
 Issuance of BCE common equity
 2,963
 Total funding
 10,569
 Estimated financing structure (\$M)

\$3.95B funding requirement for
 acquisition of public minority common
 shares

~\$1B of debt to fund cash component

~61M BCE common shares to be issued

~840M post-closing BCE common shares
 outstanding

(1)
 Net of cash on hand

13

(1)

YE2014 estimates

(2)

Net Debt includes capital leases, 50% of preferred shares and A/R securitization

(3)

Standalone EBITDA is inclusive of Bell Aliant dividends to BCE

(4)

Net interest includes 50% of preferred share dividends and A/R securitization costs

Balanced transaction financing structure

Strong investment grade credit profile preserved

Significant additional debt capacity available within
current investment grade ratings category

Strong liquidity position

Liquidity in excess of \$3B

Ease of access to capital markets

Increasing net leverage ratio target range to
1.75x-2.25x from 1.5x-2.0x

Aligned to strong investment-grade ratings and peers

Rating agency thresholds have also increased since
original targets were established in 2009

Supported by Bell's improved business risk profile,
larger scale and strong FCF generation

Pro forma net leverage of ~2.55x at closing expected
to return within revised target range through growth in
FCF and applying FCF after dividends to deleveraging

No change to interest coverage ratio, which remains
very strong and well above target range of >7.5x

Strong investment grade credit profile maintained

Maintaining a strong credit profile with significant financial flexibility

Standalone

Pro forma

Net debt

(2)

\$17.0B

~\$21.2B

Net leverage

(3)

~2.35x

~2.55x

Interest coverage

8.8x

~8.1x

Bell credit profile

(1)

Bell credit metrics	Current	Revised
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Net debt/Adj. EBITDA		
----------------------	--	--

(2), (3)

1.5x-2.0x

1.75x-2.25x

Adj.

EBITDA/Net
interest
(4)
>7.5x
No change

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Significant free cash flow benefit

Run-rate annual FCF accretion after dividends
of ~\$200M, excluding integration costs

~\$100M in expected pre-tax annual synergies

Enables capital allocation efficiencies

No impact on 2014 financial guidance

No change to Bell revenue growth, EBITDA growth

or capital intensity

No change to BCE Adjusted EPS as we already
fully consolidate Bell Aliant

No change to BCE FCF guidance; however, with
this transaction BCE's FCF will include 100% of Bell
Aliant's FCF rather than just its share of Bell Aliant
dividends received

FCF accretion

(1)

(\$M)

Bell Aliant standalone FCF

~500

Bell Aliant dividends to Bell

~(190)

Incremental FCF acquired

~310

Synergies (after-tax)

~75

Interest on transaction financing (after tax)

~(35)

FCF accretion (before dividends)

~350

Dividends on BCE shares issued

~(150)

FCF accretion (after dividends)

~200

(1)

2015 analyst consensus estimate for Bell Aliant standalone FCF; run-rate 2015
annualized amounts for all other items.

Transaction provides significant FCF benefit, supporting
continued capital investment and dividend growth model

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Next steps

Mid-August

Mailing of Bell tender offer and Bell Aliant director circulars

2

nd

half of September

Tender offer expiration

Take-up and payment by BCE of tendered shares if more than 50% of
public minority shares tendered

Offer may be extended if less than 90% of shares tendered

Expected completion of Bell Aliant privatization if more than 90% of
public minority shares tendered
Early October

Mailing
of
Bell
Aliant
proxy
circular
if
more
than
50%,
but
less
than
90% of public minority shares tendered
Mid-November

Bell Aliant shareholder meeting to approve privatization (if necessary)

BCE to vote its shares, including those tendered, in favour of the
privatization of Bell Aliant
By November 30

Expected completion of Bell Aliant privatization transaction

* Above steps for common share offer. Similar timeline for preferred share offer.