Executive Summary

COVID-19 is an immediate health crisis and will result in a restructuring of the global economic order. The PwC consulting team has tasked us to evaluate which sectors/ industries will experience a boom and decline after the COVID-19 pandemic is on a decline? The COVID-19 decline period is estimated to be from September 2020 to December 2021. For the purpose of this project, a boom or decline is defined as an increase or decrease in profitability metrics from Q1 2015 to Q1 2020 averages. Industry selection was based on a decision matrix. Banking and telecommunications were selected as they both have similar GDP, oligopoly structure, government involvement and exhibit a push for digitalization. Despite these similarities, the banking industry is expected to decline in profitability, whereas the telecom industry is expected to boom.

Due to COVID-19, the banking industry is facing increased government intervention and frustration among consumers seeking to defer loan payments. The Bank of Canada has stepped in to support banks by lowering policy rate to 0.25% and providing short term funding to businesses. However, as government support programs taper off, banks are facing rising loan losses. Loan loss provisions have soared by over 500%, directly impacting the net income and EPS for banks in Q2 2020.The average net income during Q4 2020 – Q4 2021 is expected to be approximately 14% lower than Q1 2015 – Q1 2020 averages, for both RBC and BMO. Similarly, the average quarterly EPS will decrease by $0.10 and $0.50 for RBC and BMO, respectively. The average ROE is expected to plateau to ~11% by Q4 2021, whereas it has been ~15% historically. Net income, EPS and ROE are expected to decline for both RBC and BMO during the COVID-19 decline period from Q1 2015 – Q1 2020 averages, indicating an overall declining banking industry.

Conversely, the telecom industry has seen a rise in demand for 5G and expansion into the telehealth and e-learning landscape. While the innovations ministry is pushing to reduce mobile plan prices by 25% by 2022, there is a 60% increase in mobile data usage. The average net income during the decline period is expected to be approximately 14 % and 11 % greater than the Q1 2015 – Q1 2020 averages for Rogers and Bell. Similarly, the average quarterly EPS will increase by $0.07 and EBITDA is expected to increase by ~11 % for both companies. FCF for Bell is expected to increase by 17 % by Q4 2021 compared to the 2015 – 2020 average, whereas it will increase by

double (34 %) for Rogers. This is likely due to Roger's installation of the 5G network prior to COVID-19. Net income, EPS, EBITDA and FCF are expected to increase for both Rogers and Bell during the COVID-19 decline period from Q1 2015 – Q1 2020 averages, indicating a boom.

The projections were validated against Australia as it has similar market shares, revenues and GDP contributions for both the banking and telecom industry as Canada. In addition, Australia is approximately six months ahead of Canada in the COVID-19 growth curve. Assuming no second wave, Australian profitability trends follow closely with the projected trends for Canada, thereby validating our quarterly estimates. Based on our analysis, there is a need within the banking industry to upskill the existing workforce to use digital technologies, tackle soaring loan loss provisions and develop new products/ services that promote long-term savings. Likewise, telecom companies are looking to create new pricing plans, setting up spectrum usage plans for telehealth and e-learning clients and develop roadmaps and asset tracking solutions in the expansion of IoT and decentralized infrastructure. PwC can leverage their expertise to address these needs.