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OVERVIEW:

Reported 1Q15 revenue growth of 5% YoY



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PRESENTATION

Operator

Good day ladies and gentlemen and thank you for standing by. Welcome to the Rogers Communications Inc. Q1 2015 results analyst conference call. During today's presentation, all parties will be in a listen-only mode. Following the presentation, the conference will be opened for questions. This conference is being recorded today, Monday, April 20, 2015.

I would now like to turn the call over to Bruce Mann with the Rogers Communications management team.

Bruce Mann - Rogers Communications Inc. - VP IR

Thanks very much and good afternoon everyone. We appreciate you joining us. I'm here in Toronto with Rogers' President and Chief Executive Officer Guy Laurence, and our Chief Financial Officer Tony Staffieri. What we will do is quickly provide you with a bit of additional color on the results upfront and then spend the majority of the call answering as many of your questions as time permits.

Undoubtedly, the discussion will at some point touch on some estimates and other forward-looking information from which our actual results could be different, so please review the cautionary language in the earnings report today as well as in our 2014 annual report, the various factors and assumptions and risks that could cause the results to be different, all those cautions apply equally to the dialogue and the call.

So with that, I'll turn it over to Guy and then Tony, and then we will be pleased to take your questions.



Guy Laurence - Rogers Communications Inc. - President, CEO

Thanks, Bruce, and good afternoon everyone. Last time we met, I talked about the fact that we are moving into the executing of our 3.0 plan, which as you know is a multi-year journey. 2015 is all about execution, and we're off to a good start. When you look at Q1, you can see that we are starting to increase our velocity, including a further escalation in revenue growth and delivering a number of new commercial initiatives into the markets.

Before I comment on what we've been doing on the commercial side, let me put our financial results in context. So the trends in the financials are what we expected, and Tony will get into more detail in a couple of moments. As you saw, our revenue growth accelerated to 5% with blended ARPU at wireless up over 2%. We also disclosed that the average wireless revenue per account, or ARPA, grew by 4%.

We are pleased by the topline trend, which is a direct function of our shift from volume to value over recent quarters. The trajectory of postpaid wireless subscriber metrics improved relative to Q4, and the churn is up only modestly, a marked improvement from the year-over-year increase you saw in Q4.

In step with the rest of the wireless industry in Canada, we made planned investments in customers to get ahead of the expiration of three-year contracts which is set to occur this summer. So in essence, our retention spend this year is more front-end loaded to the first half than you would've seen in prior years. Because of this, wireless adjusted operating profit on a year-over-year basis was impacted. These underlying investment related costs are partially offset by our underlying operating efficiency focus where we continue to remove cost from the business.

Looking at the cable business, the subscriber metrics this quarter include the impact of a regulatory change away from 30 day notice of cancellation. This came into effect at the end of January, giving a bit of a double cohort effect, if you will, with essentially two months of churn being recorded in the month of transition. This accounted for over half of the cable subscriber net losses you see reported.

Our plan to evolve our cable business began to unfold at the end of Q1 with the launch of the new Rogers IGNITE plans. Subscriber vibrations here to some degree have followed the trend you saw in wireless which peaked in Q4 but then started to improve as we delivered more value in our commercial offerings. Higher programming and customer investment costs, together with the revenue noise from the removal of the 30 day cancellation notices impacted cable adjusted operating profit.

Turning to the execution of our Rogers 3.0 strategy, this was the most productive quarter yet with regards to rolling out value added services for our customers in order to differentiate our product offering with the market. We continued our industry leadership in international roaming with over 1 million of our Share Everything customers opting in to use Roam Like Home since its launch in November. These customers are now using five times as much data as before and actually consume more data in the US than they do in Canada. Two weeks ago, you saw us extend Roam Like Home to include more than 35 European countries with a \$10 price point. Our Fido brand introduced new postpaid wireless plans with Daily VICE and Spotify premium. Spotify is the world's most innovative streaming music experience and the Daily VICE app feature is Vice's first ever mobile news show. These are great differentiators for this Millennial-centric brand.

We also delivered a further enhanced network experience to our wireless customers this quarter. We launched VoLTE and we're the first Canadian carrier to do so. It offers a faster core connection speeds together with higher voice and video call quality to our customers.

In our cable business, we introduced Rogers IGNITE in response to customers' demand for Internet plans that meet their growing needs. Whilst we only launched in late Q1, the early traction of this service is promising in terms of uptake by our customers.

We will continue to give our customers a better digital TV experience on the NetBox platform this year, so stay tuned for updates. We believe these enhancements will have a positive reception by our customers.

Turning to the NHL, we wrapped up the busiest quarter for production and programming with 21% more games than in Q4 and roughly 25% more than we expect in Q2. So Q1 is the highest production expense quarter and hence the least profitable for our media division of the season. Thus the year-over-year decline you see is what we expected. Importantly, this flips around in Q2 as we now enter the most exciting part of the season with the Stanley Cup playoffs, starting with more Canadian teams than in the last ten years.

Overall, NHL hockey across English networks has reached 28 million Canadians. That's a 2% increase from last season. And on GameCentre Live, we've seen a 40% growth in usage since the start of 2015.

Overall, we are right on plan for NHL. It's just that Q1 is by far the highest cost portion of the season.



On the regulatory front, CRTC released its decisions in relation to the Let's Talk TV hearing. We see the requirements they laid out as an opportunity to refresh our packaging and offer more individualized content to our customers. This is something we've wanted to offer customers for some time. In general, on the TV front, the regulatory uncertainty for the past two to three years seems to be behind us.

Turning back to our customers, we continue to make progress on our customer experience plan, which is a key pillar of our 3.0 strategy. We have some early feedback with the recent release of the CCTS midyear reports. We reduced the number of wireless complaints by over 20% over the last six months. This is on top of a nearly 30% reduction we saw in CCTS full-year reports published in 2014. So, it's still early days but I'm encouraged by this trend.

Also, two new key executives took up post in the last two weeks. First, Dirk Woessner, previously from Deutsche Telekom, who we announced back in mid-January, became President of the Consumer business unit. And Jamie Williams, an internal appointee, became Rogers' CIO. He has a 20-year track record of transforming IT systems in complex and challenging North American telecom environments.

To conclude, we are making steady progress against our plan and we will continue to do so this year.

With that, I'll turn it over to Tony to talk more about the financials in the quarter.

Tony Staffieri - Rogers Communications Inc. - CFO

Thank you Guy and good afternoon everyone. Let me quickly provide a bit more detail and color around the first-quarter results and then we can get to your specific questions. Before I detail the quarter, I first want to mention in addition you would have seen to our subscriber metrics that we've hinted at introducing over the past few quarters. We've introduced postpaid ARPA, which is becoming an industry norm and perhaps becoming more relevant than ARPU as a reflection of the value of a customer who may have multiple devices at different rates. We have, however, kept postpaid and blended ARPU as a reporting metric for comparison to those companies that do not report ARPA.

Two other quick things on the subscriber metrics front. First, on the wireless side, you would've also seen a 92,000 cumulative adjustment to the postpaid subscriber base representing wireless home phone subscribers that were previously not included. This makes our reporting practice consistent with industry peers. And to be clear, this was an adjustment to the subscriber base and not part of net add activity.

Then on the cable side, there was a bit of a double cohort effect, as Guy referenced, in terms of reported subscriber deactivations in Q1 as a result of a policy change which no longer required canceling customers to give us 30 days notice post January 23. This policy change effectively resulted in an extra month of customer disconnects being counted during the quarter, which equated to about 40,000 total subscriber units, of which 17,000 were TV, 15,000 Internet, and 8,000 cable telephony. The inflated number of deactivations is a one-time effect in the quarter, but the revenue effect from the step-down will continue for the full year. We estimate the impact in the first quarter was approximately \$3 million on cable revenue and we estimate it will be approximately \$23 million for the full year 2015.

Now, turning to the financial results, as Guy mentioned, we continue to make progress driving topline revenue growth, accelerating to a 5% year-on-year growth rate with equal or better sequential improvements across all our segments. Even if you exclude the incremental NHL portion of media's revenues which weren't there last year, the consolidated growth rate would be about 2%.

Wireless network revenue growth of 2% was helped by our ongoing strategic shift to lifetime value over volume again this quarter as we continue to drive higher ARPU 'IN' versus ARPU 'OUT'. The trend is very much supported by the growing penetration of our Share Everything plans that now represent about 38% of our Rogers' postpaid base, up from 30% last quarter. So ramping well and we have plenty of room for continued growth.

As we said to expect last quarter, wireless subscriber nets were modestly negative mostly driven by the loss of lower value subscribers as we continue to shift our end market and base management emphasis from discounting to adding value.

A couple of important things to note behind the net postpaid subscriber numbers, though. First, the decline in postpaid gross adds of 5% improved sequentially from being down 17% in Q4. And importantly, postpaid churn was up just 4 basis points year-on-year versus being up 12 basis points in Q4. As well, we saw improved trending as the quarter progressed, and we recorded positive net adds in March, all of which is evidence that our new product differentiators and service improvements are starting to gain traction in the market.

Excluding the impact of the changes in roaming constructs that we implemented, wireless network revenue would've been up 4% and postpaid and blended ARPU would've each been up 4% and ARPA up 6%. Total roaming revenues, both inbound and outbound, were down 18% year-over-year versus a decline of 15% in Q4, reflecting a full-quarter impact of our popular US Roam Like Home plans, which were introduced part way through Q4 in early November. With the recent



announcement of the extended coverage of Roam Like Home to an additional 35-plus countries, I should add that we are not expecting a material impact to these trends for two reasons. First, users of US roaming are on the uptick, so volume is beginning to offset price. And second, the non-US international component is much less material to roaming revenues overall.

Turning to cable, revenue was up 1% led by Internet at 6% growth and offset by declines on home phone and television and including the impact of the cancellation notification policy change I spoke to a moment ago. While TSUs were down year-over-year, TV and Internet ARPU were up approximately 5%, which is a proof point of our successful focus on value over volume in this segment as well. This improvement also includes the recent launch of our reinvigorated consumer bundles under the Rogers IGNITE banner which Guy referenced, and the early indications are that they are being well received in the market.

Jumping to media, the 26% topline growth largely reflects the success of our NHL rights, which continue to deliver as expected with strong audiences and increased use of GameCentre Live. Excluding the national portion of NHL, which wasn't in the results last year, media's revenue would have been down about 2.5%.

Turning to adjusted operating profit, a couple of things to point out here as well. Continuing on the NHL front with media, the reported decline in adjusted operating profit you see was largely driven by seasonality associated with our NHL coverage.

In summary, we allocate the NHL rights costs evenly over all season games, notwithstanding that some games, and in particular the playoffs, earn a disproportionate share of the season's revenues. So what you saw in Q1 was a large volume of games and therefore costs with the higher revenue-generating games to come largely in Q2. So it's a timing issue only. Excluding this effect, media's Q1 adjusted operating profit would be up year-over-year. Our profitability expectations for the NHL full season still remain unchanged, and with more Canadian teams in the playoffs than we've seen in over 10 years, we may see some upside to our expectations for full-season revenues.

Turning to wireless operating profit, as Guy mentioned, the year-on-year decline is due to our selective early hardware upgrades in advance of the double cohort this summer. We assumed in our full-year plan and guidance that we pull a number of upgrades forward into the first half of the year compared to the typical seasonality you'd seen in the past couple of years. This quarter, we upgraded 18% more devices to existing subscribers than the same quarter last year with the volume skewed towards iPhones and more expensive devices generally associated with our highest value customers. This drove retention costs up 32% year-over-year, which led to the decline in operating profit. This tactic will continue into the second quarter and then reverse somewhat in the second half of the year. And we've made good progress, such that, at the end of Q1, just under 16% of the postpaid consumer base was left on three-year contracts.

So excluding equipment costs, wireless Opex was actually down 1%, demonstrating our focus on continuously taking costs out of the business despite an increasing number of initiatives and improving volumes. On a consolidated basis, while Capex was relatively steady year-over-year, higher depreciation and amortization expenses combined with the accelerated wireless upgrade and NHL seasonality pressured earnings per share. And while free cash flow was over \$0.25 billion for Q1, much of the year-over-year change below operating profit was simply due to the timing of cash, income tax installment payments which aren't spread equally through the year. With that free cash flow, we returned \$235 million of cash to shareholders, which I am pleased to point out our board announced earlier this quarter has been increased by 5% effective with the dividend we paid on April 1.

On the balance sheet, we ended the quarter with \$2.4 billion in available liquidity and with leverage relatively steady, which we continue to focus on managing back down to within our budget range below 2.5 times debt to adjusted operating profit.

To sum up, I would say that the first quarter was solid from a topline growth perspective and on plan generally with the timing of wireless upgrade volumes and NHL seasonality driving much of the year-on-year decline in adjusted operating profit and earnings per share. Net-net, we are still on plan for the year. I feel good about some of the momentum we are beginning to create.

With that, let's get into the questions you have.

Bruce Mann - Rogers Communications Inc. - VP IR

Thanks, Guy and Tony. Quickly we'll just, before we begin taking questions, request as we do on each of these calls that those participants asking the questions try to limit them to one topic so that as many people as possible have a chance to participate. And then to the extent we have time, we will circle back and take additional ones or we'll certainly get them answered for you as quickly as we can right after the call. So, if you would go ahead and please explain to the participants how you'd like to organize the Q&A polling process, we would be ready to go.



Operator

(Operator Instructions). Drew McReynolds, RBC.

Drew McReynolds - RBC Capital Markets - Analyst

Thanks very much. Good afternoon. Two questions from me. First, I guess Tony, with respect to including the home phone -- wireless home phone subs in the numbers, just wondering if you could comment on the contribution of those subs to net adds in the quarter.

And then second question, just with respect to priority uses of capital, you alluded to getting -- wanting to get back below 2.5 times net debt to EBITDA. Just wondering, just given the reaction of the shares recently, if you had any updated thoughts with respect to a buyback. And I'll leave it there. Thanks.

Tony Staffieri - Rogers Communications Inc. - CFO

Thanks for the question, Drew. Let me start with wireless home phone. So what you'll see in our disclosure is we now include it. We included the 92,000 in the base. In the quarter, the net adds for wireless home phone was 9,000, or just under 9,000, 8,600 to be exact. So that was the net adds on the wireless home phone front.

In terms of getting our capital leverage, you saw that, at the end of this quarter, it was up slightly to 3.1. That's just really related to seasonality. We had some working capital investment, namely in handsets we made, together with some use of cash for the income tax installments that was skewed towards the first half. So for the full year, we continue to look to bring that down. Our target is still to continue to get that under 2.5.

In terms of us looking to reallocate our capital to share buybacks, we continue to be focused on debt repayment as a priority, even given where the shares are today.

Drew McReynolds - RBC Capital Markets - Analyst

Okay, thanks. Tony, if I can just squeeze one more in, just with respect to ARPA, you alluded to the I think 4.2% growth in ARPA year-over-year. Just wondering if you could kind of broaden the horizon out here. Is that a metric that you see accelerating in terms of growth, or is that growth stable and obviously higher than the postpaid ARPU?

Tony Staffieri - Rogers Communications Inc. - CFO

A couple of things on that. It's something, even though we didn't disclose it, we tracked it and wanted to make sure our reporting systems for it were robust and accurate. And so what we have been seeing over the last several quarters is good progression in ARPA, and so as you would expect, with the success of Share Everything plans and the impact of roaming revenues becoming less and less, we expect the trend in ARPA to continue and, again, to be more reflective of the value of the Share Everything plans.

Operator

Glen Campbell, Bank of America Merrill Lynch.

Glen Campbell - BofA Merrill Lynch - Analyst

Thanks very much. My questions are on wireless margins, and I think they would be for Tony. So first on the handset upgrade rate, we saw the increase this quarter. I think I alluded to an expectation that they will be down in the second half. Can you talk a little bit about what you expect would be the upgrade rate perhaps for the year, what is baked into your guidance, and maybe just talk generally about whether the rate should shift permanently higher now that we are on a two-year contract renewal cycle after this summer as opposed to the three-year cycle that drove last year's 22% rate? Thanks.

Tony Staffieri - Rogers Communications Inc. - CFO

Okay. In terms of, as I talked about, the retention volumes were up 18% in the first quarter relative to the rate that you saw in previous years. As I said, we expect most of it to happen in the first half of the year.



If we were to look at the total, I don't want to provide guidance on the total upgrades, retention upgrades, that are going to happen for the year, but it ties in with your second question. Just the math would suggest that as we move from three to two years, then we move to a cycle where, on average, we are up theoretically helping customers 50% of the contracted base each year as opposed to a third that would be the case under the three-year model. So what you see in our pricing constructs is just that, moving our economics and preserving our lifetime values by getting those pricing constructs to align to the two-year contracts.

Guy Laurence - Rogers Communications Inc. - President, CEO

This is Guy. I would actually just add that I don't think it's automatic in some respects though, because it depends a little bit on the attractiveness of the handsets in the marketplace and whether people perceive them as a big increase. And secondly, it depends on how those handsets are priced in the market, given the US Canadian dollar rate where it is at the moment. So it may be that say for argument let's say Apple produced an upgrade that wasn't particularly attractive and it was deemed expensive because of the exchange rate, people might sit and wait because the quality of their handsets a lot of people have at the time would last them longer than two years.

Glen Campbell - BofA Merrill Lynch - Analyst

Those are fair points, thanks. Did I hear you say that at the end of Q1 it was 16% of the base is still on three-year contracts?

Tony Staffieri - Rogers Communications Inc. - CFO

That's right. Of the consumer postpaid base, just under 16% are still on three-year contracts.

Glen Campbell - BofA Merrill Lynch - Analyst

Okay, perfect. Thanks. One follow-up if I might, again on margins. You talked about data usage by the more than 1 million sharing customers who are doing roaming, Roam Like Home, being higher in the US than in Canada. That's an interesting number. Is that creating a meaningful source of pressure on your costs? We don't know your roaming costs, but could you give us a sense of how much margin pressure might be arising from that higher usage?

Guy Laurence - Rogers Communications Inc. - President, CEO

So no, it's not creating a pressure.

Glen Campbell - BofA Merrill Lynch - Analyst

Okay, excellent. Thank you.

Operator

Jeff Fan, Scotiabank.

Jeff Fan - Scotiabank - Analyst

Hi. Good afternoon. Thanks for taking the question. A quick housekeeping for Tony regarding three-year contracts. You said 16% at the end of Q1. What was that number at the end of the last quarter, Q4?

Tony Staffieri - Rogers Communications Inc. - CFO

At the end of the last quarter, it was 21%.



Jeff Fan - Scotiabank - Analyst

21%? Okay, great.

And then just to follow on regarding ARPA, one of the interesting metrics that you can get from ARPA is the number of connections that you have per account. And if I do that math correctly, it looks like you are at about 1.6 devices per account. So in terms of looking forward, how important is this metric growth I guess, the number of devices per account, in driving ARPA growth? And do you think you have the kind of pricing plans in the market in terms of usage and bucket that allows you to grow that further if it is an important metric?

Tony Staffieri - Rogers Communications Inc. - CFO

I'll start backwards with your questions. And so what we are seeing is good success with the Share Everything Plans. So 60% of the gross adds coming in on Rogers are coming in on Share Everything. So we are pleased with the traction it's having in the marketplace, so we are seeing the success on that front.

The other thing to keep in mind, in terms of your calculation of average connections, that's about right. A little bit light, but there's a couple of things that go on there. One is not only to help ARPA, but gets at the stickiness of the customer. So we are pleased when we look at Share Everything with not only the ARPU and ARPA of the Share Everything profile, but the significantly improved churn profile that we are seeing in those plans.

Operator

Simon Flannery, Morgan Stanley.

Simon Flannery - Morgan Stanley - Analyst

Thank you very much. Guy, as part of your Rogers 3.0 plan, you divided the business into business and consumer, and I think you talked particularly about the opportunity to go after business telephony in the cable footprint like the US carriers have done. You appointed some executive late last year. Can you give us a little bit of an update on how that is going and when we should we start to see some meaningful benefit from those initiatives? Thanks.

Guy Laurence - Rogers Communications Inc. - President, CEO

So Nitin joined us from Cisco in the back end of last year and finished his introduction sort of late January. He's got his management team together, and in fact, I think the last two people will arrive in the next two or three weeks. So we are pretty much at first base in terms of action in the marketplace, but in terms of planning, we're well advanced and where we expected to be at this point in time.

Simon Flannery - Morgan Stanley - Analyst

Okay, so we should see some traction later this year?

Guy Laurence - Rogers Communications Inc. - President, CEO

As you know, it takes time to roll these things out. Will be there in 2016 as well as being here in 2015. So to me, it's more about getting it right than hurtling into the marketplace with something that's half-thought through.

Simon Flannery - Morgan Stanley - Analyst

Okay. Thank you.



Operator

John Hodulik, UBS.

John Hodulik - UBS - Analyst

Thanks. Two quick ones. First, a follow-up on the wireless margin questions. It looks like the increased investment in upgrades led to about a 250 basis point decline on a year-over-year basis, going from I guess 21% on the three-year to 16%. Now you've got sort of one quarter to go. Should we expect that sort of increased investment on a sequential basis, and potentially more margin impact as we look into the second quarter? Then given that, do you still expect it to grow EBITDA marginally here in 2015 for the year?

And then my second question is on the sub-trends. I think it was Tony, you talked a little bit about some change in trend during the quarter and actually adding subs in March. Could you talk about sort of what's driving that? And do you have enough visibility at this point to suggest that maybe you can add subs in the second quarter? Thanks.

Tony Staffieri - Rogers Communications Inc. - CFO

Thanks for the questions. A couple of things. One is in terms of the timing of the upgrades, there are number of dynamics that go into it. Certainly we are proactive in it, so that drives it. To what extent are you going to see that in Q2 relative to Q1, a number of dynamics, one of which Guy mentioned is how consumers are thinking about the handset lineup that's out there, whether they want to wait for a little. So I think I don't want to put a number or a direction out there that has a lot of potential volatility to it. But from our perspective and what we can do, we are looking to have most of that come through in the first half, as we said before. How it relates to Q1, don't know for sure, but we will see how it plays out. As we look to the full year, and I think your question is really getting at how are we thinking about guidance, we continue to look to achieve our adjusted operating profit, including these early upgrades within the guidance that we provided.

John Hodulik - UBS - Analyst

Great. And on the sub-trends?

Tony Staffieri - Rogers Communications Inc. - CFO

On the sub-trending, what we've seen is really, over the last six months, if you were to look at sequentially what's happening on a monthly basis from when we first launched what I would describe the execution of our volume to value, we continue to see every month, every week, a good sequential progression. So what I can tell you, in March, we saw that move into positive nets, and so based on the experience we've seen, we expect that progression to continue into Q2 and the rest of the year.

Guy Laurence - Rogers Communications Inc. - President, CEO

Yes. The one thing I will say though is -- and I've said it before and I get pushed back on this but I'm going to say it again anyway -- is we will get some vibrations in sub-numbers as we go through the year, as we flush out different cohorts that have different levels of return on investment. So, I don't want to be held hostage to a particular sub-number. We can only put revenue in the bank. We can't put customers in the bank.

John Hodulik - UBS - Analyst

Got it. Thanks guys.

Operator

Greg MacDonald, Macquarie.



Greg MacDonald - *Macquarie Capital Securities - Analyst*

So Shaw has spoken recently about the strategic approaches around cable, deemphasizing the home phone product, emphasizing or focusing more on the broadband product in terms of sales and pricing efforts. Number one, could you talk to us a little bit about how you're thinking about home phone these days? Are you actually actively marketing and selling that product still? And then number two, any concern that broadband lacks a differentiation, at least enough differentiation to support higher pricing power, which might suggest WiFi? A lot of cable companies are doing WiFi. Is there an indication internally that you guys think that is a product that will be needed for differentiation down the road? Thanks.

Guy Laurence - *Rogers Communications Inc. - President, CEO*

I would say we continue to market all the products we have available to us. We've chosen to emphasize in this quarter, broadband, Rogers IGNITE, and the new plans have been received very well. It's clear that demand in the average family is growing quite quickly. The number of devices connected to a router is increasing. And the bill payer in the family is looking for more certainty about what their usage is in this area, and that's why we chose to give them certainty on a price level but also give them certainty on a quality level. And the quality of our broadband product is very high. And that's not just me saying it. It's certified by third-party sources as well. So we are focusing on making broadband worry-free for families and encouraging them to connect to as many devices as possible.

With respect to the WiFi issue, if it is an issue, I think that WiFi is a bearer and it has a role to play, a mix of different technologies we can deploy. And if we see it being relevant to deploy, vis-a-vis wireless, we will do it. And I think we see it as complementary at the end of the day. I don't think I see it as a replacement technology.

Operator

Dvai Ghose, Canaccord Genuity.

Dvai Ghose - *Canaccord Genuity - Analyst*

Thanks very much. I just want to go back to your guidance for the year which calls for, as you know, 0% to 3% EBITDA growth and flattish free cash flow. You produce negative 3% EBITDA and negative 20% free cash. Now, if I look at the drivers you've talked about which get you to your guidance, you've talked about reduced retention expense in the second half, more efficient NHL Opex and perhaps the end of the double cohort issue in cable. But at the same cash taxes, at the same time your Capex was a bit late in the quarter. You guided a flat up to 4%; it was down 3% in the quarter. Is there anything else I am missing in terms of how you make your guidance?

Tony Staffieri - *Rogers Communications Inc. - CFO*

No, Dvai, I think you've captured it. So with all of those factors, we continue -- I should say that the items you saw come through in Q1 is in line with the plan that we put together when we laid out our guidance for the full year. So there are no surprises there.

As you look to each of the cash items, and I'll start with Capex, probably worth commenting on briefly, you saw Q1 come down slightly. The two single biggest drivers there, one is with the rollout of NextBox in our cable TV platform over the last year, we are starting to see the need for that investment starting to come down. And the second piece, quite frankly, is success we are having on unit costs and Capex. And so what we're finding is a good ability to do more with less, and so some of that is starting to show through. That doesn't necessarily mean you'll see it every quarter being down year-on-year, but I think what you saw in the first quarter is really a reflection of that.

Dvai Ghose - *Canaccord Genuity - Analyst*

Fair enough. If I could ask one other question, when I'm asked what will eventually get this stock moving, the obvious answer is an interest sensitive dividend stock is free cash flow growth. You're guiding towards flattish this year. Do you think you are creating a platform for meaningful free cash flow growth from 2016 onwards?



Tony Staffieri - Rogers Communications Inc. - CFO

Absolutely. The biggest driver of free cash flow growth has to be revenue. And so you can see that starting to move on the top line. One of the things we have consistently done well is translate topline into strong margins in both our cable and wireless business and we expect to do that.

If you were to take out what we've been transparently laying out as the one-time items in the various businesses, what you see is our underlying cost structure continuing to come down, notwithstanding that we have more activity in terms of programs, etc. So, we are pleased with the way that's coming through.

Then finally, the last piece of it is going to be Capex. And we said this year was going to be the year that we are going to increase Capex a little bit in order to make the investments we needed in a number of different areas, and in particular customer service. And so we expect long-term there is an opportunity for that to come down. And so again, I close with it's going to be driven by revenue and our continued execution to translate that to free cash flow growth.

Operator

Phillip Huang, Barclays Capital.

Phillip Huang - Barclays Capital - Analyst

Good afternoon. I just wanted to come back to the double cohort impact here. So just based on the pace of your migration of subscribers to 2-year contracts, it appears that you will have roughly call it 10% of your postpaid still on 3-year contracts by June 3rd. First is, do you think this assumption is fair? And second, are there any notable characteristics with the remaining chunk of 3-year contracts, perhaps lower ARPU or lower value that you might be a little bit less concerned about in terms of these guys potentially churning off?

Tony Staffieri - Rogers Communications Inc. - CFO

No, one of the things I want to be careful of is to not put more science into the second cohort than is actually there. So there's just a number of different dynamics and so don't want to provide necessarily a direction.

The other thing just to clarify is the number we gave in terms of 16% that was consumers of the total postpaid base. So the three-year contract impacts the consumer, so that's why I gave that as the relevant stat.

Operator

Michael Rollins, Citigroup.

Michael Rollins - Citigroup - Analyst

Thanks for taking the question. I was just wondering. If we think a little bit longer term over the next two to three years, can you review for us how you look at the importance of content in differentiating your wireless product versus your competition? And are there some early signals or test results received from your customers as you try to leverage the content that you already have across your properties? Thank you.

Guy Laurence - Rogers Communications Inc. - President, CEO

It's Guy. What I would say is nobody goes down to the pub and says I consumed 25 megabytes today, it was a great day. People go down to the pub and they talk about the Montreal versus Ottawa playoff game, which 3.2 million people viewed, and that's what they want to talk about.

So content is far sexier than megabytes. That's just a fact. And if you can untangle the two, you've got to believe that at some stage that will change the way that people view brands and create differentiation. Now, it's a theory that I would say is relatively new in the wireless market, but we do believe in it and I think that it's fairly natural in some respects. If I look at our Fido proposition and our new Pulse plans, for instance, where you get Spotify premium built-in as well, music is something that



people want to consume on the move. Spotify is by far the best streaming service in the world. Why not put them together? Because people like to listen to music on the go. So we believe in it. It doesn't mean to say that all plans should have content and you couldn't buy SIM-based plans that just don't have any content, but I do think it has it all.

Operator

Tim Casey, BMO Capital Markets.

Tim Casey - BMO Capital Markets - Analyst

You talked a little bit about how the continued strength in the US dollar is impacting your financials, particularly on the handset side. Are you having to absorb any of the prices that some of your suppliers may be putting through? Is it -- are you seeing an impact in the marketplace? Thanks.

Tony Staffieri - Rogers Communications Inc. - CFO

A couple of things on that. In terms of the US dollar exchange -- there's a couple ways I should describe it. One is from a balance sheet standpoint. We have US dollar borrowings that are fully hedged. Whether they are short-term or even up to 30 years, I should clarify that they are fully hedged for the full 30 years or whatever the term is. So there's no foreign exchange risk on that, and I would say the counterparties to those hedges are strong financial institutions. And so from that standpoint, little to no risk.

When we look at our expenditures that are denominated in US dollars, we've been following a steady program of hedging far in advance several years. So as we look to the current year, pretty much all of our US dollar denominated expenditures have been hedged. And as we go into next year, much of that has been hedged as well.

The one thing, though, is, notwithstanding what the contract is denominated in, even if it's in Canadian dollars that comes from a US source, it will certainly have an impact. And our strategy today is to make sure that our lifetime values hold, and so if it means increasing the price at the retail level, then that's what we have and will do.

Operator

Richard Choe, JPMorgan.

Richard Choe - JPMorgan - Analyst

Great, thank you. I wanted to ask about high-speed data. It was down this quarter and also last quarter but I think if you exclude the regulatory change, it was up. Should we expect it to continue to grow going forward, or will it be kind of continued under pressure?

Tony Staffieri - Rogers Communications Inc. - CFO

Sorry Richard, if I could clarify, are you talking about in terms of subscribers or revenue?

Richard Choe - JPMorgan - Analyst

Subscribers, the cable net adds. How much you did in adds.

Tony Staffieri - Rogers Communications Inc. - CFO

If you were to look on the subscriber front, we reported net loss of a \$7,000. As I said, the 30 day deact had an impact on that, and that was 15,000 in the quarter. So it was actually positive 8,000. Compared to where we've been, it's come down a little bit. And it really relates to some of the bundling offers that we've been competing



with out there. So it's really as we compete for the whole home, then the Internet is getting included as part of that. So while the trend is improving, we are not happy where it is, but it's headed in the right direction in terms of where it was in Q4.

Operator

Rob Goff, Euro Pacific.

Rob Goff - Euro Pacific Capital, Inc. - Analyst

Thank you very much. My question would be on the investments you've made in enhancing the subscriber value proposition, i.e. the IGNITE and roaming and Spotify. Do you have like a broad figure that you would put forth, i.e. \$40 million has gone into this?

Guy Laurence - Rogers Communications Inc. - President, CEO

The short answer is yes but we are not going to share it.

Rob Goff - Euro Pacific Capital, Inc. - Analyst

Okay.

Guy Laurence - Rogers Communications Inc. - President, CEO

But it's fairly supplemental to our strategy and how we are going about keeping that cost in perspective and negotiating it I think is pretty confidential.

Rob Goff - Euro Pacific Capital, Inc. - Analyst

Okay, thanks. If I may then, could I ask how -- what your reading is of the current marketplace on promotional activity, whether it's intensifying, whether it's stabilizing, and is there a measure of discipline?

Guy Laurence - Rogers Communications Inc. - President, CEO

On cable or wireless?

Rob Goff - Euro Pacific Capital, Inc. - Analyst

On the wireless.

Guy Laurence - Rogers Communications Inc. - President, CEO

I would say certainly March was pretty fierce. Well, every month is fierce but I would say, relatively speaking, March was pretty fierce. It's clear that some of the players in the market are choosing to throw money at the wall and hope it sticks, and that's fine if that's their strategy.

Rob Goff - Euro Pacific Capital, Inc. - Analyst

Okay. Thank you very much.



Operator

Maher Yaghi, Desjardins Securities.

Maher Yaghi - Desjardins Securities - Analyst

Yes, thank you for taking my question. Guy, I wanted to go back to one of your original objectives coming into Rogers. And you talked about improving the revenue growth of the firm. And we've seen steady progressions of the revenue line growth, even if I exclude all the media revenue growth that you got from investing in the NHL program.

You know, could you talk a little bit about how you see that revenue growth progression continuing later this year? Do you see it continuing to improve, or we should wait to see it improve further in 2016 because you're already at 2% growth. But what is your -- what would be your growth objective for 2015 as a whole?

And in terms of your cable positioning in the marketplace with the new IGNITE product, that's quite competitive on the Internet side, but you still have some things to deal with on the TV side to compete against the triple bundle. Can you talk a little bit what kind of technological improvement you're doing on the TV side to improve your positioning in the marketplace with IGNITE still helping you on Internet?

Guy Laurence - Rogers Communications Inc. - President, CEO

On the first question, you can only put revenue in a bank, you can't put customers in there, so we are very focused on continuing to grow the revenue line. There's been a propensity in quite a few countries to rely on price increase as the main way of achieving that growth. And I think that that as a strategy has probably had its day to a degree, or solely relying on it I should say has probably had its day. Therefore, you have to be to provide better bundles, packages, content, whatever it is that encourages the consumer to consume more of your product or use higher value packages. And that's where we are focused. So I can't give you -- and we shouldn't give guidance for 2016 now. But what I will say is our philosophy is to encourage the customers to take more products and use them more, and hence grow our revenue line that way versus making price increases.

On the second part of your question to do with the TV product, you're right that we've concentrated thus far on broadband. Development times on the TV product can be quite long, but we are focused on improving them. And in fact, today I was with John Chambers on a call just going through the roadmap for the rest of this year, and we are not too far away from the first of the upgrades we're going to do. It's not seismic. It's one of a series of upgrades we will do to our TV product. So we are very clear where we want to enhance it because we've got that from the customers. And we have translated that into engineering requirements, and that's now coming down the pipe. We'll launch them in a series of releases over the course of this year. So we are not relying on our brand-new release of IPTV or something to suddenly come in and be a category killer overnight. We're focused on developing our long-term IPTV strategy but at the same time enhancing our legacy products as well.

Operator

Robert Peters, Credit Suisse.

Robert Peters - Credit Suisse - Analyst

Thank you for taking my question. Just a quick one for me. I was just wondering. When you are talking about the new IGNITE brands, you said that the initial response has been positive. But I was just wondering. With the IGNITE 100 package being unlimited, have you seen -- and I am not sure if you can give me this indication, but have you seen some subscribers that maybe would have been taking, say, your hybrid fiber 60 package before actually upgrading to the unlimited one since you no longer have the download cap on that?

Guy Laurence - Rogers Communications Inc. - President, CEO

Yes, we have. And congratulations for actually pronouncing our old tariff correctly, because most people can't. But seriously, our base is very attracted to the new plans. And the migrations team that we have, actually we've had to put more staff on to cope with the demand we've had for it.



Robert Peters - Credit Suisse - Analyst

Perfect. Thank you very much.

Operator

Vince Valentini, TD Securities.

Vince Valentini - TD Securities - Analyst

Thanks very much. Questions on the customer service journey, probably for Guy. You mentioned before in the enterprise segment you're at sort of first base. I'm wondering how you would characterize where you are in terms of improving customer service. Obviously, the complaint stats have come down and that's nice, but how about net promoter score? Can you share with us anything there and how well that's getting better and where do you think you are? Is it still another year before you get customer service to where you really think it should be?

Guy Laurence - Rogers Communications Inc. - President, CEO

I think I've said before that customer service is a journey, not a destination. And therefore, originally, I said it would take us three years to get it to where I wanted it to be. Maybe we'll get there faster, but it's about improving what we're doing every single day. And so the reason you see the complaints tumbling so fast at CCTS is as a result of that.

With respect to NPS, we've only just installed it, so it literally went in in January. And we haven't got it into every single channel yet, but we are pretty far through it. I would say probably 80% of the channels now have it. And then of course the staff has to get used to interpreting results and then act accordingly and so on and so forth.

It's not just about NPS -- NPS at the end of the day is output. It's how your customers are feeling. The question is what are you doing as far as your input? We just reconfigured and re-architected Rogers.com and Fido dossier, so interestingly the response time on those two was fairly slow. And we just put a new architecture in, which means the access is far faster. As part of our rebranding of our Rogers and Fido, we've just laid out the websites in a different way. We just upgraded MyRogers. We have just overhauled all of the community forums for both Rogers and I think Fido is now live as well. We've just improved the information knowledge system internally for our reps so they can give better information faster. And we've got another quite large announcement on the customer services side that will come out in a couple weeks' time which we also believe will move the dial.

So, again, I don't think there's any one thing you do to change customer services. It's about everything you do and how everything communicates. And we obviously are tackling it one at a time. How do you eat an elephant? You eat it one bite at a time. And that's the elephant we are eating right now. But I'm happy with the progress and Deepak, who is coming from Google, he used to run global customer care for their B2B side in 100 countries, he's got a firm grip of the operation. He's got a good team around him. But I will never be happy on customer service. We have this call, Vince, in four years' time, and I still won't be happy because if I've got an unhappy customer out there, it means we didn't get it right. So don't expect me to declare victory on this one anytime ever.

Operator

Ladies and gentlemen, this concludes the Q&A session for today. I would like to turn the call back over to Bruce Mann for any closing remarks.

Guy Laurence - Rogers Communications Inc. - President, CEO

I can't believe Bob wasn't on the call. It's his 50th birthday and he didn't come on the call. I thought the one thing he would want for his 50th birthday was to be on my call. I can't believe it. The other thing I'm surprised at this time around is Dvai didn't give us kind of one of his zinger questions that he normally comes in with, so I think it's his last call, isn't it? Is it true? Dvai's last call? I hear he's going off to become Global Operations Director or, GOD for short. Oh, global research director, oh well. Well good luck to you, Dvai. And Bob, we're sorry we missed you. So over to you Bruce.



Bruce Mann - Rogers Communications Inc. - VP IR

Thank you very much, operator, and the team here. Thanks everybody for investing some of your time with us this evening. We know it's a very busy time. If you've got questions that weren't answered, you can get hold of myself or my colleagues Dan or Bruce. All three of us are going to be around this evening and tomorrow. And our contact information is on the release. And if you're in Toronto or are going to be tomorrow, join us for our annual shareholders meeting in our headquarters here at Bloor and Jarvis at 11 o'clock. It will be a relatively quick meeting, and we've got a product showcase afterwards with some refreshments. It will be a good investment of your time. Thank you very much for your support.

Operator

Ladies and gentlemen, this concludes our conference for today. Thank you for your participation. You may now disconnect.

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