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# Rogers Communications, Inc. (RCI)

**UBS Global Media and Communications Conference** 

### CORPORATE PARTICIPANTS

John C. Hodulik Analyst, UBS Securities LLC

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

### MANAGEMENT DISCUSSION SECTION

John C. Hodulik

Analyst, UBS Securities LLC

Okay. Thanks for joining us. Again, I'm John Hodulik, media and telecom analyst here at UBS. I'm very pleased to announce that our next speaker is Tony Staffieri, the CFO of Rogers Communications. Tony, thanks for being here.

[0CMTD9-E Anthony Staffieri]

John, thank you for having us.

### QUESTION AND ANSWER SECTION

John C. Hodulik

Analyst, UBS Securities LLC

So we just start out each presentation with just sort of a little bit of an outlook into – coming to the end of 2017, it's time to sort of start to look out into 2018, what are the main priorities for Rogers as we look into the new year?

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

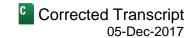
As we were going through the budgeting process now, I'm bringing that to a close. No surprise. It's focused on execution and focused on execution in Wireless and Cable, first and foremost. Joe Natale, our CEO, has been on the job for a few quarters now, and he continues to see opportunities in those two sectors predominantly, and that's where we're focused on both in terms of revenue growth and margin expansion. But also on the customer experience side, we've done a few things right, but there's a lot more we could be doing and so those are kind of the big items. And then, on the media side, continue to be focused on sports, continue to monetize them the way we have been doing. So, nothing in terms of significant shifts and, the last little while, we've talked about improving the balance sheet efficiency, and that's something that is on our radar as well, but secondary to Wireless & Cable performance.

John C. Hodulik

Analyst, UBS Securities LLC



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Got you. Maybe we'll start with Wireless. Could you give us a sense for what you're seeing in terms of the competitive environment in Canadian Wireless at this point?

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

Sure. I mean, as you all know, post Black Friday right up until year-end. There is sort of the competitive high point in terms of what you see. The offers in the Canadian landscape have largely been around handsets and promotions on handsets, but a little bit on data bonuses, but that would be kind of at the margin. So, nothing unusual, I would say, this year compared to prior years is competitive as always this time of the year. The market continues to seem like it's doing well in terms of growth last quarter. In the Canadian space you saw the market grow 4.8% and that was an improvement from 4.6% the guarter before.

All the factors that are contributing to that in terms of immigration, share-everything plans, general GDP of the economy, all those factors continue to be there. And so, the expectation for us is that, we'll continue to see healthy growth in the marketplace overall in the quarter. And so, prospects for wireless and wireless growth overall continue to be good. And our positioning within that market and market share, we continue to be confident about.

John C. Hodulik

Analyst, UBS Securities LLC

At this point, are you seeing an impact from Shaw's Freedom Mobile?

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

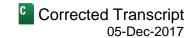
Early days, certainly it's been talked about in terms of parallel between Freedom to Shaw's brand trying to do the T-Mobile type play in Canada. I would say, there are a number of things that are significantly different. Recent promotion on iPhone 8 and iPhone 10 handset pricing we put it in the category of promotional for this time of the year, probably most likely not sustainable, and it's an offer that's limited on supply. And so, when you look at the backdrop of - for us 10 million postpaid customers probably isn't going to be a lot of supply for them, it's going to have a meaningful impact to the market.

As we look at our share performance [ph] port out (03:45) ratios, we're not seeing anything unusual that would suggest we need to do something to respond. We'll always continue to watch it, but on the broader point of trying to do a T-Mobile type play in Canada, I think, there's differences in the sense of we look at our competitive advantage, one is network and T-Mobile had a incredible national network, Freedom still has ways to go in terms of having a network that competes with us and with the other two large players, also in terms of points of distribution. Roger sits with over 2,000 points of distribution, and some of the analyst reports I've read, estimates Freedom having somewhere around 300.

And then, finally, it's one thing to have aggressive acquisition offers, but ultimately we look at lifetime value. And so, Freedom sits with churn based on calculations and what we've all seen at is two to three times where the industry is at. And so, I think, that's going to be a big issue for them in terms of trying to execute a T-Mobile strategy. And then, finally, part of the problem in Canada for anyone who is trying to do a T-Mobile subscriber roll up is, there aren't many alternatives and exit.

The government seems to be committed to a four-player market. And so, in the case of T-Mobile where there is some type of sale or eventual consolidation that could happen to realize value, you don't have that in Canada.

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And so, we sort of see Freedom as needing to build a business with sustainable cash flows. That probably means that some of the offers that we've seen lately probably aren't going to be sustainable for them in the long-term.

John C. Hodulik

Analyst, UBS Securities LLC

Got you. You mentioned that network sort of different, would you guys be interested in doing a network sharing agreement with Shaw?

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

We'd always consider it, but right now we don't see any upside for Rogers in doing that. Our competitive network position is very strong. We've invested a lot in networks, this past year alone \$1 billion-and-something. We've been investing for over 30 years in our network, very strong spectrum position. And so, as we look to what Freedom could bring to the table in a network sharing, we just don't see value or enough value for Rogers and Rogers' customers.

John C. Hodulik

Analyst, UBS Securities LLC

I think, one of the bigger accomplishments is the reduction in churn that you guys have seen in wires and such a big value driver in the industry. What has really been driving this improvement and what makes you confident that you guys can get it below 1%?

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

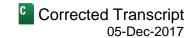
We've held the 1% as sort of a milestone we'd like to get to. Over the last many quarters, you've seen good year-on-year improvements in the 8 to 10 basis point range of improvements in churn and we want to continue to drive that. Over the last little while, it's been some of the macro things that have helped churn come down, have been things like network quality, network coverage, bill shock, and we've introduced tools to allow customers to better manage and monitor their data usage. So there isn't bill shock. One of the areas beyond data that was always problematic was roaming, and our product Roam Like Home has gone a long way, and making it simpler for consumers to understand when they do travel, what their bill is likely going to be, so very simple fare construct is what we're focused on.

And as we think about the next phase of continued churn reduction, which is a focus for us, it's clearly an area of expertise for Joe Natale, our CEO, and there's a lot more we could be doing. Great example would be on the digital side. If you were to look at our digital customer experience and what they can and can't do either through a mobile app or online, it's not as good as it ought to be. And so that's one of the priorities as an example that we'll continue to focus on, invest in, to drive better customer experience. And as we've said, we think that will also go hand in hand with cost reduction as well. The example I gave on digital, today, we handle almost 50 million calls annually and at roughly \$10 per call, you can see that it's a \$0.5 billion cost structure for us. And so, as we get digital moving in the right direction more quickly, you can see cost reductions coming out there, as an example. But ultimately churn is the focus for us, right.

John C. Hodulik

Analyst, UBS Securities LLC

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Along with better churn, you've seen better ARPU as well. Again, another big value driver in the industry, can you talk about the drivers there and maybe how sustainable those recent trends have been - how sustainable those are?

#### Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc. Yeah. Our blended ARPU continues to grow in the 2% to 3% range. It's been largely driven by data usage. We continue to see customers moving up tier into bigger and bigger data buckets, gives them better certainty. And in

particular, as they move into the more expensive handsets, what we're seeing is the want to have certainty around their bills. In Canada, we continue to have the subsidized model. So, to some extent, the ARPU growth is helped by more expensive handsets as that gets built into the monthly pricing. But by far, its data growth that's driving it on the share-everything construct that we introduced a few years ago.

### John C. Hodulik

Analyst, UBS Securities LLC

Got you. In the U.S., you've moved away from obviously the subsidy contract model, and any appetite for that in Canada or do you think that the current model will persist?

#### Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

We find the current model continues to work well for us and for the consumer. Moving to some type of equipment financing model is going to mean incremental cash investment, working capital investment for us. We don't see a need for it. We think some of the constructs we have, consumers can pay less [ph] at retail (10:10) provided they move into some of the higher value-add model. So, when we look at the overall lifetime economics, the subsidy model continues to work well for us. The markets are growing at a healthy clip. And so, for us to invest incremental cash in a financing type model, we just don't see the upside to doing it.

#### John C. Hodulik

Analyst, UBS Securities LLC

Got you. Now you talked about cost potentially coming down as you move through some of these customer care initiatives. You started to see some improvement in wireless margins, but I think you targeted 100 to 200 basis points over the next couple of years. Again, what kind of visibility do you have in that and maybe some of the drivers on the cost side?

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

Sure. In wireless, and we'll talk about cable in a moment.

John C. Hodulik

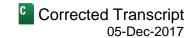
Analyst, UBS Securities LLC

Yeah.

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

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But certainly on the wireless side from where we exited 2016 over the course of 2017 and 2018, we've said we will improve margins by 100 to 200 basis points year-to-date in 2017. We're close to the 100 basis points improvement in margins, and we see opportunity to continue to move that.

I'd say, there are a few things that have contributed to it. I've talked about the digital roadmap and the call center and some of the things there that have been helpful – continue to be helpful. I wouldn't underestimate the simplification of our management structure that's gone a long way. Joe was very conscious of having a very simple structure that was going to focus on execution in all the right areas.

And so, as we go from an executive team of 14 down to something that's more in the 9 range, that has a trickledown effect throughout the rest of the organization. Some of the other areas that have been instrumental is eliminating what we call distractions. So there are a number of value-add offerings that we tried in the marketplace, and they got to be very expensive and we just weren't getting the benefit in our overall lifetime value economics and so we started to wind that down.

Spotify would be a great example where we offered that in many of our plans for free. And what we have now moved to is a plan where customer gets it only for six months and based on the constructs we have with Spotify that cost us nothing, gives the customer something for a while and then they can decide whether they want to pay for it or not. So it's that type of being a little more careful in some of these value-add that's helped improve the margins for us as well.

John C. Hodulik

Analyst, UBS Securities LLC

And just because the U.S. market seems to be moving more towards bundling content with their connectivity or certainly wireless connectivity, you guys seem to be moving the opposite direction. Did you not see the benefit that you thought you would in terms of churn or gross adds or sort of the economics that go with it?

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

Yeah. We introduced the value-add offerings almost three years ago, and there were a number of them. And what we found was at least in the way we introduced them, we didn't get the benefits for the money we were spending on it. So we're watching closely, as you said, the way it's playing out in the U.S. And keep in mind, we haven't taken them away. We've just been more clever in how we do it so that the customer can experience the product at a much lower cost to us and to the extent that customers are interested in it than they can deal directly with Spotify or we could be the billing agent on there we have as an example. So it's really being about, as I said, more clever with the way we launch it and manage that cost. What we did find is that consumers generally weren't willing to pay a premium to get those items, and so that's what caused us to rethink our strategy on that front.

John C. Hodulik

Analyst, UBS Securities LLC

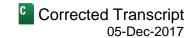
Got you. So what have you seen so far in terms of demand for the iPhone 8 or the iPhone X and maybe give us a sense for how you see upgrade rates trending in 2018?

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

We're seeing in the fourth quarter a market that's not dissimilar to what we saw last year, and maybe even a bit more traffic certainly the iPhone 10 has been driving higher traffic into our distribution points. What we are finding

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is, especially in the Canadian market, the price of the iPhone 10 is causing many to take the iPhone 8 instead. So, I would say, on balance, as we think about our subsidy model, we're fairly disciplined in what that subsidy looks like. But it continues to be a healthy market not only with iPhone but we continue to see Android doing well as the traffic moves into the stores, but no surprises frankly for the guarter.

John C. Hodulik

Analyst, UBS Securities LLC

Got you. Wireless CapEx intensity has been below the Canadian industry average for a couple of years. How does that look going forward?

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

What we said is, in the last few quarters, we've started under 10% and we waited before we embarked on our 4.5G investment for a number of different reasons, that has started in earnest. Our waiting paid off in terms of some of the pricing that we wanted to get and the technology of the equipment. And so, what you'll see is, wireless capital intensity start to pick-up in the fourth quarter. And so, looking into 2018, you can expect our capital intensity for wireless to be more in line with our peers who said 12% to 14% and for us it will probably be more along the lines of 14% capital intensity in 2018.

John C. Hodulik

Analyst, UBS Securities LLC

And how long did that type of – is that sort of the go-forward rate or is it sort of – would that persist for a few years and come down or how do you see that -term?

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

It will come and go certainly for 2018 and probably into 2019. I don't want to get too far ahead of ourselves.

John C. Hodulik

Analyst, UBS Securities LLC

Right.

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

But as you expect, you sort of go into cycles 4.5G in front of it will drive capital intensity up and then will slowly come down, and then we head into the 5G space sometime post 2020. Still a lot of blanks to be filled...

John C. Hodulik

Analyst, UBS Securities LLC

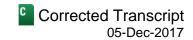
Right.

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

...in terms of the business case and use case for all of that, but at least for 2018, hopefully that's helpful in terms of how we're thinking about it.

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John C. Hodulik

Analyst, UBS Securities LLC

Yeah. That's great. So, spectrum has been one of the differentiators for Rogers for sure and you did well in the 700 megahertz auction. What's your level of interest in the 600 megahertz auctions that are, I think, expected to happen over the next 12 to 18 months?

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

Yeah. The expectation is that the 600 megahertz auction in Canada is probably going to be more likely in 2019, and it's hard to tell. But based on the consultation process, timelines that we've been given by the government, we think it's going to be in the 2019 timeframe. It is spectrum that we are interested in. Given the position we have in 700 megahertz, I would say it's less critical for us in terms of the overall spectrum portfolio, but nonetheless a value to us. And so, it is something we will be chasing in the auction when that comes about.

John C. Hodulik

Analyst, UBS Securities LLC

Got you. Maybe we could shift to cable. One of the bigger initiatives of course is the X1 roll out. Could you give us a little background on your decision to head in that direction and license X1 from Comcast, and what the expected benefits are for Rogers?

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

Sure. Very quickly, as we look to the next generation of video product for us, we wanted something that was going to be IP based. That was important to us. We have a cable footprint that covers about 40% of the population in Canada, but we have a national wireless network. And so, as we see those technologies converging more and more, we wanted something that we could leverage into our wireless platform. And so that was important to us. And as we move to all IP, there's significant spectrum and cost advantages in doing that.

Comcast was the only credible alternative in our view. They had a product that worked. The front end of the product, which is used in the X1 platform today, is a proven product. We spent quite a bit of time with Comcast, with Cox, and subsequently with Shaw on their launches, and we like what we see and, as I said, it's a proven product.

And so, in our cable business today, we lead with Internet, which has been and continues to be our competitive advantage. So we're looking forward to having that product come onboard in the spring of 2018, and that'll complement our competitive advantage.

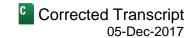
You ought to expect us to continue to move down the Comcast Xfinity roadmap, if you will, with xFi to come on shortly afterwards in the whole smartphone monitoring, which we have today, and it's the same platform that Comcast purchased and is investing in. And so, the whole product roadmap will dovetail with where they are going.

John C. Hodulik

Analyst, UBS Securities LLC

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And so, what do you need to do and how is the preparations coming for the X1 roll out early next year? And then, how should we see that sort of filter through the base? I mean – and I guess, at one point, what point do you stop selling the QAM-based version of your current video offering?

#### Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

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Yeah. So, the expectation – we've been on this implementation for close to a year now. The product is up and running, I have it in my home, have it in my office, we are starting employee trials next week. So there'll be a few thousand employees that are going to experience it in their home. So, the product is up and running. What we're trying to do at the same time is improve the overall end-to-end customer experience. I talked about the digital experience, for example. And so, we want to move away from our legacy platforms and experience and have something where the customer can do as much as possible online or on the TV with a click in terms of merchandising and point-of-sale directly on the TV.

So it's like complete end-to-end experience that we're trying to get right besides the product alone. As I said, we'll launch it in the early part of 2018. One of the pieces of advice we got from Comcast and Cox was roll it out slow, and so we'll launch it as a premium product. And by that, it'll come with only some high speed tiers of Internet. So we're going to constrain demand by premium pricing to start. And then, as we harden our processes, you can expect us to sort of go loud and proud in the back half of 2018.

And then, the expectation is by early 2019, we would stop sell on the legacy product. And then you're going to expect somewhat of a long tail for a few years as we expand the implementation of within our base. And then at some point, we expect probably 2021, 2022 is to do a final hard cut over, something we want to be careful about in terms of the customer impact. But that's the general roadmap in terms of timing that we see.

#### John C. Hodulik

Analyst, UBS Securities LLC

And the product itself and it looks exactly like the Comcast product or the Cox product, so voice remotes, Netflix Integration, all the bells and whistles and then anything else to come?

#### Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.



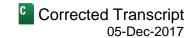
Absolutely. So, the product is exactly what you see today. Comcast is launching the IP version of it. It's probably worth mentioning the IP version has the same look and feel as the product today has the voice functionality.

IP allows a little more functionality, which sort of plays well to some of the content media assets that we have. Sports, for example, you can certainly do multiple screens, but as you want to pull-up player stats, player comparisons, things like that, the IP functionality allows the user to quickly get that, and that dovetails with some of the key assets we have in terms of exclusive hockey and baseball, for example.

So, it's going to work well from that perspective. Same product, it's going to say Rogers instead of X1 on it, we will closely follow their roadmap, here in the U.S., it's integrated, it has Netflix and now YouTube integrated. We will follow that same roadmap and as Comcast integrates other OTT alternatives. We'll follow that same roadmap, and frankly that was one of the big compelling features for us.

There were really two things that were important. What we do know is video consumption continues to go up and up, and where folks are getting that video from is expanding. Within Canada, the OTT alternatives somewhat lag

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the U.S. So, if you were to look at some of the core cutting stats in the U.S., it sits at about 3%, in Canada it's more like 1%, but frankly we think it's a matter of time before the rest of the alternatives.

Hulu would be a great example, you have it in the U.S., really don't have it in Canada in any meaningful way. But that will eventually come in. So, our thinking for our cable business is, have a robust product and that's where we earn the majority of our margin today, so a robust Internet product.

And then, when it comes to video, what we want to do is on the customer experience. And nice thing about the Comcast product is, when customers are looking for a particular video, the natural voice search function allows them to just say what they want, and it pulls up the various alternatives of where they can go get it, and more and more we'd be less interested in where they go get it, and we're focused on the delivery of that product through the Internet.

John C. Hodulik

Analyst, UBS Securities LLC

Can you just talk a little about the sort of financial impact of the X1 roll out maybe, both from an OpEx standpoint and maybe on a CapEx standpoint. I guess, from an OpEx standpoint, you have a couple of pluses and minuses, one, you're paying a licensing fee, and two, maybe the installation is a little bit easier, so although supply that's capitalized?

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

Yeah. So, two important parts to that, the model we have with Comcast is largely a variable OpEx model, some fixed cost, but it's very small. Once we get through the implementation phase moves to variable OpEx based on the number of active subscribers that we have on the platform. We think it's going to be accretive to our video metrics in terms of revenue and ARPU. And when we look at the other cost savings that we expect to have within cable, it's not going to be margin-dilutive to our cable business. So, I think that's important.

And then, on the CapEx side, we see opportunities for improvement. Today, the average home install cost us almost \$1,100. When you think about installation cost, those set top boxes and cost of the modem. In the X1 World, the IP version of it, those costs come way down to under \$400 per home. So that's going to be a big savings to our CapEx model. We think, on a run rate basis, that's probably going to mean somewhere between 4 to 6 points of capital intensity for our cable business. Second piece of it is, once we get past the install phase, that alone will save us about 4 to 5 points of capital intensity.

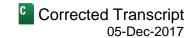
In the short-term, what we intend to do is take some of that savings and invest it into more segmentation. So, network capacity for the Internet, but very quickly within a few years, we see the ability for capital intensity for a cable business, which sits at over 30%, to move to a resting heart rate more of 20% to 22%. It will always be a little higher than what you see in the U.S. We capitalize installation costs, whereas in the U.S., they're typically expense for the most part. So that's the opportunity we see on the capital intensity side.

John C. Hodulik

Analyst, UBS Securities LLC

Now, when you say spending more on that sort of capacity, that node splitting, is it getting to the homes per node down to a certain level, or is it extending fiber or what exactly is that incremental CapEx going to?

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#### Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

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Yeah. That's what it is, pushing fiber deeper into our network.

John C. Hodulik

Analyst, UBS Securities LLC

Is that for our business both or ...?

### Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

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Both. The advantage we have on the cable side is coax has a lot of life for the last mile. And so, we'll always think about fiber-to-the-curve. The telcos need to go fiber right to the home because that last little bit of copper matters. We can get to a passive network in fiber-to-the-curve. And when I say the curve, it could be the end of the street and the rest of the homes continue to – on the street have coax. So it's a technology that lends itself to that.

One other things we're looking at is pulling ahead some of that construction, a lot of that is underground. Some of it aerial, but in the Greater Toronto Area, a lot of that's underground. And so, we're looking at much like we did on the wireless side, an opportunity to get some cost efficiencies, if we pull some of that work ahead. And so, it's things we would have done anyways over the longer term and do it at a much lower cost. So that's why, for the next few years, you won't see capital intensity for cable come down as we substitute some of the savings that I talked about for some of the segmentation.

John C. Hodulik

Analyst, UBS Securities LLC

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Got you. You talked about how – there's really not much cord cutting in the U.S. and these products like who we don't exist yet, but potentially coming. With your set of assets, you have sort of the leading pay-TV platform with X1, fantastic national wireless network. Any thoughts to potentially combining the two in an outer region [ph] fund all (29:16) to sort of create your own sort of bundled wireless flash over-the-top video product on a nationwide basis? Is that a potential opportunity for Rogers?

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

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It is an opportunity for us. And as I said at the outset, we wanted a video platform that we could scale to our wireless platform. But frankly, right now, we're focused on our cable footprint. And for the next little while, at least the first few years, it will be focused on the cable platform. The opportunity exist, but probably don't want to say much more about that at this time.

John C. Hodulik

Analyst, UBS Securities LLC

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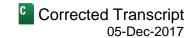
Got you. Can you talk about competition on the broadband side, you have one 1 gig speed available everywhere, you're seeing increasing competition from fiber-to-the-home, especially from BCE in Toronto. Could you talk a little about the competitive trend there? How do you see all this playing out?

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

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Yeah. As I said, Internet has been a competitive advantage for us. All of the almost 4.4 million homes we pass can get speeds of up to one 1 gig. The sweet spot for us in the last little while has been 100 megs to 150 megs of speed. Over half our customers are at speeds of over 100 megs, and that plays well. As we think about our competitor and their fiber-to-the-home build, we think they sit in our Ontario footprint with coverage of about 25% of our footprint. And so, for the other 75%, 100 megs and above is out of reach for their fiber-to-the-node footprint. So we do particularly well on that side of it.

In places where there is fiber-to-the-home, we also compete well, particularly in what we call greenfield, so new condominium construction and new homes. We're both putting fiber directly to the suite or to the home. And in greenfield, for example, we continue to have majority share of those new [ph] move-ins (31:13). So, we're pleased with the way that's playing out.

As I said, with X1 it'll give the video, we'll follow the xFi platform after that. And I'm sure many of you familiar with the user experience. We think it's a very elegant front-end to the raw horsepower that we can deliver to the customer. And so, our view is, as we think two to three years out and our competitor has a fiber-to-the-home footprint that expands in penetration, and they can eventually match us on horsepower speed. We're going to have a customer that is going to have a pretty good user experience, and it's going to be a lot harder for competition to unstick that customer.

John C. Hodulik

Analyst, UBS Securities LLC

Got you. If you then turn to the media assets, maybe you can run through sort of how important are these assets to and how sort of core are they to the way Rogers views itself maybe over the next five years?

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

Relative to our overall asset portfolio, media is small. And in terms of – for those you're not familiar with it, in terms of our overall enterprise value comprises less than 5% of our value. It's largely focused on sports, and that served us well in a number of respects. Sports itself content continues to grow – continues to grow at healthy margins. And we've been able to leverage some of that in our wireless and cable platform as well. Our focus in media will continue to be on the sports side of it. So don't expect any type of expansion on the media side other than continue to monetize the sports assets that we have.

John C. Hodulik

Analyst, UBS Securities LLC

Does it make sense for Roger to continue to own a sports team?

Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

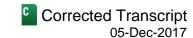
Well, certainly ways – other ways we can get the exclusive content through renting it, much like we did with our NHL deal. And so, we're looking at ways to better surface values for the Blue Jays, for example. That's become a very valuable asset for us that we don't get full credit for. And so, like some of the other assets on our balance sheet, we're looking at better ways to surface value for them. To be clear, there isn't anything imminent that we're about to announce, but we're certainly looking at the alternatives.

John C. Hodulik

Analyst, UBS Securities LLC



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Okay.

#### Anthony Staffieri

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Chief Financial Officer, Rogers Communications, Inc.

Again, I would like to get the content without necessarily having the capital tied up on our balance sheet.

#### John C. Hodulik

Analyst, UBS Securities LLC

And with the same goal for Cogeco as well? Would you put it that asset in a similar bucket?

### Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.



We'll put that in the same category. There were some strategic benefits that we've hoped for Cogeco, and those seem to be further and further away. And so, as we think about an environment where interest rates could start to go up and compare it to the yield we're getting on the asset today, we think there's probably better use for that capital, and so we're thinking about alternatives on Cogeco as well.

#### John C. Hodulik

Analyst, UBS Securities LLC



Great. Maybe as a wrap up question here. Speaking of yield, just talk about your sort of capital allocation priorities, and [indiscernible] (34:31) maybe M&A, share buybacks and of course the dividend, which is essential part of the investment thesis with you? How should the investors think about the potential for dividend growth in the future?

#### Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.



Yeah. I'll start by saying, nothing new and no changes. We're committed to continuing to grow the underlying asset in terms of revenue expanding margins and expanding cash flow and improving ROIs in our core businesses namely Wireless and Cable. We're committed to a long-term cash return model to shareholders. And our job is really to grow cash flow that will give us the opportunities to look at some of those alternatives, whether they be dividend increases or share buybacks.

I want to be careful that you don't give too much guidance in that respect, there's not a lot I have to say on those, but we're committed to the concept. But first and foremost, we need to continue to grow our after-tax free cash flow, and that's the focus. In terms of M&A, we're interested in wireless and cable and anything that's available to us in wireless and cable we're interested in. There isn't anything available, and so we'll continue to be ready for that type of transaction. But don't look to us to execute on anything outside of that core within Canada for the next little while.

### John C. Hodulik

Analyst, UBS Securities LLC

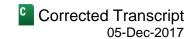
Got it. Tony, thanks for the time.

### Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

John, thank you very much.

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John C. Hodulik

Analyst, UBS Securities LLC

Thank you.

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