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Rogers Communications Inc.

Vince: On stage now, obviously, the largest wireless player in Canada and one of the leading overall telecom players. We have two distinguished speakers from Rogers today. One, I'm sure is no stranger to anybody in this room, is Tony Staffieri, the Chief Financial Officer, and then to my far left, Jorge Fernandes, Chief Technology Officer at Rogers. So, Tony and Jorge, thank you very much for being here and for your time today.

Tony Staffieri: Well, thank you for having us, and good afternoon everyone.

Jorge Fernandes: Thank you. Good afternoon.

Vince: Let me start off with wireless and just the market and subscriber environment. So Rogers had a particularly strong 2018, with 453,000 postpaid suburbs, but obviously, it took a big step back in Q1. What are your perspectives, Tony, on the market activity going on? Was there some just temporary low in the market or do you think that all of 2019 we should expect that deceleration in growth?

Tony Staffieri: Yeah. I'll get to the punchline. We continue to see good healthy growth. If you're looking at Q1, as we've said in the past, relatively slow quarter traditionally and even more so this Q1 when you're trying to look at it on a year-on-year basis. Less promotional activity 2017 at the overhang of the Q4 intensity that spilled over into Q1, which was a big factor for our net add performance the year before. But if you step back from that, and think about levels of competitive intensity, timing of iconic devices as just some things that slowed the market down, we continue to look at some of the more important fundamentals. Penetration in Canada still continues to be 89% or so, compared to the US, which continues to grow and it's sitting at about 125%. So, we look at that as a pretty significant fundamental that will give us headroom for continued growth. Immigration is another one that we've said, it continues to have very good growth rates in Canada, generally in the 2 to 3% range, particularly in urban areas. That's another underlying fundamental that we see.

Tony Staffieri: And then when you think about all the other things in terms of second devices, et cetera, all the core ingredients that led to the good growth in 2018, we think are still there. If you look at 2018 growth rate of somewhere around five and a half percent, give or take a bit depending on what adjustments different folks are making to it, you still see 2019 growth rates somewhere in the four and a half to five percent rate. So, slightly below 2018, but in the overall context, still very, very healthy growth. The second part of it is, to what extent do we want to participate, we Rogers in terms of promotional activity and share? And you saw us pull back a little bit in Q1. I would say that was us being very conscientious about doing that from the outset in Q1, as we stayed focused on price discipline and our RPU agenda. At the end of the day, we were really pleased with our revenue share performance, leading the industry on revenue share, leading the industry on share of EBITDA growth, when you take out the effect of lease accounting, which impacted all of us to varying degrees.

Tony Staffieri: So, we're pleased of our ability to stay focused on those fundamentals, and you'll see that throughout the rest of the year. As we head into Q2, I think we're seeing the market generally, we're midway through Q2, still being somewhat sluggish, maybe a bit of an uptick, and we're seeing our share performance trending better than what we would've seen in Q1. So, pleased with the way it's playing out overall, but generally on track to the type of growth rates that I talked about for the full year.

Vince: Which I guess, implies that there's the big seasonal periods of the year, like back to school, and Black Friday, and Christmas season. If you're going to be close to last year in terms of overall industry growth, maybe just has to be more concentrated in those periods of time, and I think that's what Jorge maybe indicated. I'm wondering if that's still what you're thinking.

Tony Staffieri: And that's still our thinking. We've said more and more, we've trained consumers to focus on key promotional periods. And as the market just frankly gets more efficient in doing that, what we're seeing is, those periods that you mentioned, back to school, Black Friday, Christmas, is being the key periods that consumers are now willing to wait for. And so, I think that probably means a little more heightened activity in and around those periods this year, and it's a trend we've seen over the last three to four years frankly.

Vince: Now, the other key ingredient to that revenue growth, beyond the subscribers is the RPU. You still have the best growth of, I think comments at 0.8% in the first quarter in terms of RPU, but it was a pretty big pullback from 2% that we saw in the back half of last year. If promotional activity eased off in Q1 and we may have seen some selective rate increases on some plans. Can you talk about it. Is that 0.8 going to continue to trend down or do you think you can see a recovery as the year goes on?

Tony Staffieri: Overall, we continue to see good prospects for RPU growth in the rest of the year. I would probably describe Q1 as being our low point in terms of RPU growth. If we look to the key ingredients on the RPU side, huge opportunity for continued data consumption continuing to go up. When we look at our average data per user, we sit at about two and a half, whereas the US players average consumption would be over eight and approaching eight and a half. And so much like the penetration correlation that we see, we think about it the same way in terms of consumption. And so, that's still has a lot of headroom in terms of growth in the Canadian industry, and so, lots of upside for customers to continue to move up in data buckets. We saw a bit of a slowdown again around Q4 and Q1 in terms of that migration. Some of the data promotion buckets that were in market caused that slow down. But as consumption, which is growing, continues to grow at 30 to 50% rates, continues to push consumers back up towards the top end of their data buckets, we think in the second half of the year, what you'll see is more of that migration to higher tier buckets.

Tony Staffieri: It's important to highlight, it's not so much on the gross add side, but more so in the base, and getting those customers to get into a new device, or get those customers into a better plan that's more suitable for their data usage. And that's an area we've gotten a lot better at and we refer to it as base management, but it really is the analytics, incorporating all the tools and the tools have gotten much more sophisticated with AI and a number of other things that allow us to proactively reach out to customers. But also in a reactive setting, do a much better job of giving the customer value in moving up in the data buckets and continuing to convert overage revenue into more of a recurring, right sized plan for that customer.

Vince: Good. Let's bring Jorge in here, and leverage your expertise. Obviously, I think the investment community was a little surprised at how the 600 megahertz auction shook out both in terms of Rogers getting so much, and one unnamed player not getting any. Can you talk about the power of 600, how you see it benefiting your network going forward. And I'll add that, you're adding that to a position of low-band spectrum that was already ahead of any of your peers in Canada, so now you have a wealth of the stuff. What are your views on what you can do with that spectrum going forward?

Jorge Fernandes: Well, we see all networks, whether it's 3G, 4G, 5G, requiring multiple levels of spectrum. The spectrum serves different purposes depending on the quality of the spectrum that you have. We have a good position on low-band spectrum that is currently being used for 3G and 4G. And so, that is spectrum that is very useful, and we see every day devices still using roughly total, 10% of the total data still going through the low-bands. And the reason is because low-band provides just that contiguous quality layer of coverage of the network. And so, when we went into the 600 auction, obviously we had done a lot of planning, a lot of thinking upfront. I'll Just to give you an idea, we think about these auctions at least a year in advance. So there's a lot of planning, a lot of thinking, a lot of game theory, the various possibilities and outcomes. And so, we were very happy with the outcome. Frankly, we weren't expecting to get as much as we did, certainly in southern Ontario where we got the full 40 megahertz that were available.

Jorge Fernandes: But going forward, this is incredibly important for us because as we think towards 5G, 5G will have essentially three layers of spectrum. There's the low-band, which obviously 600 will be the spectrum for low-band. And that provides a number of roles. One is the obvious, wide area coverage and that will provide a contiguous level of coverage of the network. And we will be able to, from a Rogers point of view, given the existing 700 spectrum that we have already, and the radios that we have out there, quickly switch on 5G across our network without significant investment. It's also very useful for indoor penetration. Those areas where the base station has the power to penetrate through, but your device needs to get back 600 gigahertz, a great spectrum for providing also that up link connection. The mid-band will be important obviously as we go forward to provide those capacity requirements in hotspots in urban areas. And then obviously, the millimeter wave which is the third type of spectrum that we will use for very high capacity, very dense areas.

Jorge Fernandes: Canada is a very large country, and it has a very low population density, so obviously, the 600 spectrum in a country like Canada, takes on even a greater importance, if you will. And obviously that was taken into consideration as well when we thought about our acquisition strategy.

Vince: Are there certain, not even rural markets, but even just smaller urban markets and suburban markets where Rogers may have a bit of a headstart because you can use low-band for 5G whereas the others are going to need to put in smaller cell sites to use higher band spectrums, so it can be a bit of a time to market advantage in some of those, outside of not necessarily downtown Toronto, but some of the smaller markets.

Jorge Fernandes: Oh, absolutely. The great thing about having full 40 megahertz is now all of a sudden, they [inaudible 00:12:25] coverage play for us. We can actually think about low-band in capacity terms as well, which gives us just the additional confidence to go into some of these lower population areas and provide not just the coverage, but also the capacity as well. So, that will absolutely be an advantage for us.

Vince: And Rogers put out a press release earlier this week about their new Narrowband Internet of Things technology that you're deploying in Ontario in 2019. Is that something that leverages the low-band spectrum for asset management in other IoT applications?

Jorge Fernandes: Narrowband IoT is what I would consider one of the other tools that we have in our tool box. It's using the 700 megahertz spectrum. Narrowband IoT uses a very low bandwidth, so roughly around 200 kilobits per second. It's there for stationary, asset tracking, sensors, and devices. So essentially, those devices that have a very low bandwidth requirement but very low power, so it goes very, very deep into the network, and also very low power utilization, which means as we think about battery utilization, you can have devices out there for many years without the need to maintain. So, Narrowband IoT is a great technology for that, and as we think forward, it will continue to evolve with 5G as well into other more sophisticated, more evolved use cases.

Vince: Great. Tony, maybe for you, just stick on 5G for a second, in terms of the revenue opportunities, do you have any updated thoughts of how Rogers think 5G, how quickly it will start to see revenue? Is it mostly just consumer at first and super speed cell phones, or how quickly do you get into the advanced Internet of Things applications? What are your updated thoughts?

Tony Staffieri: Yeah, we continue to think about it as a slow roll in terms of revenue growth. Certainly, the initial stages of 5G are going to focus on the consumer front. We're already seeing that play out in the US in terms of paying an additional, depending on the carrier, $10 a month for 5G. And we see it playing out somewhat similar in Canada. And that'll happen relatively early, and I think it'll be a good source of revenue growth for the industry. In the overall scheme of 5G though, we continue to believe that's very much the smaller portion of it. The bigger portion of it going to come through the enterprise side and all the use cases that 5G is going to enable. Jorge, maybe you can spend a few minutes talking about some of those use cases brought on by 5G.

Jorge Fernandes: Yeah. When we think about 5G, obviously this first phase of 5G, say in the next one to two years, we will have essentially what is called the enhanced mobile broadband. So, greater capacity, an evolution on 4G, if you will. In the next three to five years, we will see really a new set of capabilities entering to the market, mainly low latency being one of those key ones, and the edge computing obviously being a tool to enable that low latency application. We're already seeing some talk on edge computing, AWS talking about outpost in terms of extending the AWS cloud out into the edge of the network. Google has recently announced Stadia, which is gaming in the cloud, again, another application that will require a little latency that will be out there. So, when you think about gaming consoling in the cloud, you really need sub 10 millisecond latency. And the way to do that, is essentially to deploy this capability right at the edge of the network, and of course 5G will be a great application for that.

Jorge Fernandes: And so obviously, the difference for us between how we monetize 4G in machine to machine today, and as we think about 5G monetization, today you can think about 4G as a pipe that can provide connectivity into a central cloud. And the value that we extract from machine to machine is typically 5 to 10% of the total value chain. As we think about 5G and some of these use cases that I've described, some of these web scale guys will have to come to us. If they want to deploy a cloud application at the edge of the network, if they want us to provide a guaranteed latency, guaranteed bandwidth connection into a cloud, not only will they have to co-locate their cloud instance in our network, we also need to be able to provision that connectivity into their cloud application. So, all of a sudden the discussion and the negotiation required to do these deals is a very different conversation. We see ourselves increasing the level of value share from the 5, 10% up to the 25, 30% as we deploy these applications.

Jorge Fernandes: And we will see more of these. The various examples that are being talked about, one obviously, V2X for autonomous vehicles. Again, another great example, where if you can imagine a General Motors or a Tesla, would do a deal with one of the web scales to deploy their vehicle to vehicle applications. Again, these guys all want guaranteed bandwidth, guaranteed latency, and we will be positioned to provide that at a national level.

Vince: Excellent. You mentioned the edge computing and a lot of these services depend on putting the intelligence right in the edge of the network. Does that impact your thoughts on network sharing at all? If you're just sharing radio access network with somebody, which you do and go back in other places, does it really save you much money if you have to go and put your own core network at every mini cell site anywhere?

Jorge Fernandes: Well, the network architecture, as you're saying, changes fundamentally. Because today, we have relatively defined central core nodes around the country. Typically, in Canada, we would have six, seven of these nodes. 5G extends the core of a network right out into the edge. So you need to have intelligence and capability in, almost at the cell level, but certainly at the cell site or certain aggregation cell sites where we will have not only a core network, but also the intelligence and cloud computing. So, you can imagine AWS outpost instances riding right at the edge of our network. Now, if you think about it from a player such as Rogers who has a national network, we have the advantage to be able to negotiate these deals at the national level. Someone that is sharing a network, you can imagine having to have a very interesting conversation on negotiating how can I have my coordinator on the radio edge, and how would I negotiate the deal with an AWS, or Google, or Microsoft to provide that capability for me in the cell site of one of my competitors. It's just a more complex conversation to have that we don't have to worry about.

Vince: So, is it fair to say, network sharing is not high in your priority list to extend or expand those types of deals?

Jorge Fernandes: Given my previous experiences with network sharing, no. They're not set very high on my list.

Vince: Let's just package up the last question on wireless here now then I'll put up to the floor if there's anything on wireless. So Tony, we talked before, we talked about the volume, we talked about the RPU. There's been some criticism from several of your peers of maybe what's going on in the mix of your subscribers, tablets, prepaid to postpaid migration, whatever it is. But at the end of the day, it doesn't matter what the components EBITDA are, network revenue growth, it's clear for all investors to see. On that front, you're clearly better than the other incumbents in Q1 at 3.6%. But it is a deceleration, you did 4.8% in 2018. So, when you package together what you said before in terms of volume and our pool trends, is 4.8% from last year a thing of the past or is it possible to get back to that level of growth of looking forward?

Tony Staffieri: So, there's couple of things you've talked on. Two things, as you think about revenue growth, it's a subscriber share, which we're confident with our ability to not only get subscriber share, but subscriber share of quality loadings. We've talked about lifetime values. In the first quarter, of the loadings we did get, lifetime values we're up over 10% year-on-year. So, very happy with where that's going. One of our competitors recently started disclosing the mix of their wireless subscribers, and if we were to look at things like tablets, I can tell you that we sit at less than half of where they would sit on tablets. So, I would say it really is a proof point for us that we have been focused on the smart phone category, in terms of rich lifetime values and continuing to focus on that and improve those. I think all the proof points are there in terms of where we're at.

Tony Staffieri: And then on the RPU side, as you said, continuing to lead the industry in terms of RPU growth. I've just talked about how we see continued opportunity for moving that up as we progress through the year. So, good prospects there. So, overall for wireless revenue growth, Q1 came at about 4%. For the rest of the year, we sit in and around 4%, so maybe a little bit less than we might have seen last year, but still very healthy growth in the overall scheme of things. And then when we combine that with the continued focused on cost efficiency and margin expansion, we continue to see very good prospects for cashflow growth for our wireless business.

Vince: Can you just try like what other wireless question for you. Can you expand on the cost side of it. There's been some tremendous improvements in churn and the customer experience, especially in the past two years since Joe Natale has been there. Can you just talk about some of the key success factors of what you guys have done that's working better?

Tony Staffieri: Yeah, absolutely. If you were to look at 2017, 2018, proof point was over 200 basis points of margin expansion coming out of cost efficiencies. And I would say, first and foremost, and Joe's talked about this, making things simpler for the customer, getting things right the first time, not only gives a better customer experience, and you see that in our churn rate in Q1 down to 0.99%. And as we look to Q2, we're kind of thinking churn levels at about the same. So, it's a phenomenon that we see as sustainable, and that in and of itself is driving some pretty healthy cost efficiencies. Our first call resolution rates, if we were to compare to a year ago, those would be up in excess of 15% better year-on-year in terms of getting the customer's problem resolved the first time. So we're seeing good things on that front. And I can go through a whole myriad of specific tactics that have been focused on customer experience improvements all that have been laddering up to continued cost reductions.

Vince: No, you don't need to list them all off, but I wanted you throw in here just in a general way. Because your time has predated Joe Natale and after, is this list far more comprehensive and successful that maybe it had been before? Because I'm assuming Rogers prior management didn't just ignore customer service, but is there something just better being done now than under this new management

Tony Staffieri: I think there's a couple of things. Ultimately, it comes down to execution. And so it's about getting the right skillset, that has experience and being able to do it at scale, it's about having the right measurement processes to make sure we're looking at the right metrics, every day, every week, et cetera. And frankly, it's about having the right tools. And that front technology has just evolved in terms of AI and off the shelf analytics that are out there, more than you can actually use, and so part of the secret sauce is, which are the ones that are going to be most effective in tackling the problems? So, all that to say is the number of things that go into it, but the overriding difference is a long-term sustainable, methodical approach to it as opposed to tactic to tactic.

Vince: Okay. Any questions from the audience on wireless before we switch divisions? We have two questions. Three, look at this. You guys are stimulated this audience.

Male Speaker: Well, one broad base, I've heard yourself and a couple of other companies talk about this 89% versus 120, whatever that is in other countries. But then on the flip side, teams Canada has very high pricing relative to other countries, although DT Association disputes that a little. So, what was realistic target compared to the US, given what I perceive to be a reasonable price differential, as in lower prices down there?

Tony Staffieri: Yeah. I think about it in terms of, when you compare pricing to Canada and the US, it's interesting. Look at our pool under the new accounting standard. So, one of the things that's been inflating our pools in Canada in the perception that somehow we are much higher than the US was the embedded subsidy in average RPU. You take that out, today we sit at, on postpaid an average of $55 Canadian. Not that different than what you see in the US in terms of average RPU. So I would say we're arguably somewhat in line in terms of how much the customers are willing to pay. In terms of what you get for that, I would say the US has been a little bit ahead of the curve in encouraging more usage, and that's one thing that's a learning for us and we see it as an opportunity.

Tony Staffieri: I talked about our average user per subscriber, and I think there's opportunity there to move it up, and that moves what you would describe as the effective price per gig. But I think the industry is heading there, although that is working well. So, I don't know that the Canada, US differential is as big as we think it is, and we continue to move in the right direction. Ultimately to your question, is it a prohibitor to the increase in penetration rates? I would say probably not. If you were to look at penetration rates, even take the last four to five years, they moved tremendously over that period of time. And so, all indices are that we should be tracking closely, to where the US is at.

Vince: We had another question in the audience, I think. Yeah. Over here.

Male Speaker: Yeah. I guess this is a wireless question, but just wondering if you could talk about the change in the free cash flow definition, specifically the adding back the increase in contract assets.

Tony Staffieri: Yeah. For this year, in our definition of free cash flow, we sort of debated. What we found in 2018 caused a bit of confusion in terms of being able to predict that contract asset management, because it does fluctuate depending on the number of subscribers. So what we decided to do was simplify the free cash flow definition consistent with what some of the other players do, especially in the US, but still continue to provide that transparency on the contract asset management. And so, in our disclosure for Q1, what you see is the simple free cash flow, we restated, gave you the numbers for last year, so it's clear year-on-year, and then separately, you can look at the contract asset management and come up with your assessment of the ups or downs depending on subscriber loadings.

Vince: Is it fair to say, Tony, the free cash flow figure for guidance purposes, you've leaned towards something that's easier to predict, so you're not wildly off, but from a valuation perspective, you don't think anybody should ignore contract assets? Is that fair?

Tony Staffieri: That's absolutely right. I mean, it really was something for simplicity for the audience, but overall, I can tell you we continue to focus on cash as cash at the end of the day, and it's all metrics that we're focused on internally.

Vince: Let's make sure we get time for the other parts of your business. So, let me shift to cable briefly. And Jorge, while you're here, let me get your thoughts first. We hear a lot from Bell and Telus about fiber and how great it is, and in their opinion, makes their network even better than what the cable companies provide on broadband. Can you talk a little bit your perspective on the power of the cable network today and also some, maybe technology developments on the horizon that you may be looking to deploy?

Jorge Fernandes: Sure. We have a very pragmatic view on the technology and how we use the technology. And essentially, today the cable network provides one gigabit per second everywhere, our cable network provides one gigabit per second. And we find that that is more than sufficient to serve our customer needs right now. We also work closely with the cable labs in terms of the evolution of the cable technology, and the specifications with cable labs are already there, complete for a 10 down, 10 up a gigabit per second evolution. And the over time, this technology will become available with chip sets and with the demand growth, we will see, and we will continue to see the cable infrastructure evolve. The other point, and I think kind of linked to the issue or, rather, the point of pragmatism, today where we have new multi dwelling units or new builds, we take fiber straight to the homes. So essentially, we use the technology that's available to us where we can have the most efficient capital deployment.

Vince: And on the delay in the network in speed, power side, how about in terms of the features that you can use? I don't know if it's Tony or Jorge who want to answer this, leveraging the Comcast relationship into more security and home automation type of features that leverage the same broadband and platform. Can you talk about some new developments you may be thinking about there.

Jorge Fernandes: Sure. Well, the great thing about the Comcast platform that we have right now is, starting of course, with our Ignite platform, we have today what I would say is a fantastic aggregator of content, almost a curated access to OTT. It's something that we've embraced. We have obviously the linear TV offering, but we have of course Netflix, and we have Amazon Prime. As you see, some of the players like Disney recently announced retracting their content from Netflix and going on their own, we'll be able to offer that in time as well. So, the Ignite platform is just a fantastic search engine that removes the complexity from our customers to have to log into multiple applications. It's all there. The voice search facility is great and gives you very quickly the content across multiple platforms, whether they're in linear TV, video on demand, or any one of the other offerings that we have.

Jorge Fernandes: So, that's a great platform to start with, and then over time and over the coming months, we'll have xFi as well. So, the in-home wall-to-wall Wifi ports that we will launch, and then evolving that to xHome, which is a smart home connectivity. Again, the idea is really to make the life of the customer easy. We will have not only access to the devices that Comcast is deploying, but another great thing that Comcast is doing and that we are working very closely with them in is essentially bringing on board other ecosystems. So allowing the customer to choose whether it's a Google or an Amazon ecosystem, integrating that into the platform and from an application, be able to manage any one of these devices. So, the idea around the Ignite platform is an evolution over time, essentially, removing the complexity from the customer and providing this one-stop shop for everything, that is video on demand all the way through to the smart home.

Vince: Excellent. You mentioned about your Comcast's developments that you'll be able to take advantage of. One thing they've done is a skinny TV service that's streaming-only they call Flex. Very similar to LTV that Bell does here. It seems like Bell is getting some traction because they have that service and you don't. Is there some technology reason or regulatory reason that is slowing down you guys being able to do some skinny service, or is it just a marketing decision that is not the right time?

Tony Staffieri: There's no technological reason why we can't do it. As part of our Comcast roadmap, it's a product available to us. As we've launched Ignite, our focus has been on that. As you said, as part of Ignite, what we really wanted to do was enter the market at the premium end. And that's what we did in phase one. Phase two was about then expanding it to the mid and lower tiers. That's what we've just done, as we ramp up volume significantly with Ignite TV. And then what you'll see us do in the fullness of time is then extend it to what I would call the bottom end or Flex product which is the Comcast product. And so, without talking too much about some of our marketing plans, I would say we've thought about it in a phased approach that way, with a focus on not only total revenue, but ARPA. And so, how do we do this in a measured way so we continue to see household ARPA being lifted with the Ignite TV product?

Vince: So, stay tuned, just not quite there yet. And there's no reason you can't do it.

Tony Staffieri: Yeah.

Vince: I cannot pass off the opportunity when you have CTO and CFO on the stage to go to the CapEx question, which as you know, one of theories that have been a bit critical at Rogers, as your cable segment CapEx intensity is significantly higher than any of your Canadian peers, and just in a totally different league versus what we see from the US cable companies. You've promised to get down to 20 to 22% over time. Can you frame that for us a little bit? I'm not even quite sure myself, is that supposed to be a three year objective or a five year objective? And is it a steady line down at some point, or do we just stay at 35 and then just drop to 20 on one year?

Tony Staffieri: Yeah. As you said, we know what we have to do, and so our job is to get into, and I would describe it as, a pretty significant first milestone, get into the 20 to 22% range, and then think about it beyond that. We said by the end of 2021, our exit rate would be to have a capital intensity ratio in the 20 to 22% range. We've also said we would see that decline happening more of a cliff in 2021 as opposed to a gradual decline. And the reason for that was, we wanted to take the opportunity to take some of the cash we save through CPE savings, as well as product development and integration by following the Comcast roadmap, and put that money into expanded node segmentation. Get the continuity of supply, get the better rates that that affords when you can commit to longer term infrastructure type contracts.

Tony Staffieri: So that's what we have been doing. I'm pleased to say that things are going better than we expected on that. You saw in Q1, our capital intensity ratio come down to 29%. And that was driven by a number of things. The CPE unit pricing is coming in better than we expected, but importantly, much of that work on infrastructure in terms of fix, and maintain, and node segmentation largely through the work that Jorge and his team have been doing is coming in at better pricing and cost efficiency than we had expected. So, Jorge, I don't know if you want to spend a few minutes talking about that and how that's proceeding.

Jorge Fernandes: Yeah. Obviously, there's a huge focus as we look at the [inaudible 00:37:31] equation and looking at the price and the unit costs of technology. And this is down to a combination of things. On the one hand, just negotiating with our vendors and our total vendor strategy, that's been part of the work that we've been doing. I alluded to it when I talk about the smart deployment really making a very clear choice and deciding where, and when, and how we do node segmentation that's done based on the demand, and as congestion occurs. And then just looking at technology, being technology has been evolving. We've been recruiting people that come from different industries that have gone through the cost curve and that have explored and have experience in deploying this technology just in a more efficient way. And so we're bringing new capability and new technology in terms of digging, micro trenching using some of that capability that hasn't been used in the past before. And that lowers the unit costs significantly.

Vince: So, expect for this year, as you've explained, maybe that's where you were going, less the 29% you saw in the first quarter.

Tony Staffieri: It's probably a continuation of where we are going to be this year. And so, some of that reduction from where we were in 2018, is happening a little faster than we thought. So, good news on the capital efficiency front, that you'll start to see results perhaps sooner than we had expected.

Vince: Good. I just judge so. The 20 to 22% exit rate in 2021, this is something you're on board with too? It's not just something the CFO is telling you to do?

Tony Staffieri: We're very much along with message, absolutely.

Vince: Okay, good. As long as we hear it from both sides of the house, it's great. I don't want to spend too much time on media because it's small, but there was a pretty big outlier in your Q1 results in terms of EBITDA. Can you just clarify for us the nonrecurring, if I can call them, those items that impacted media and clarify if there's any more of that nonrecurring type stuff to come later in the year.

Tony Staffieri: Yeah, as you said, Vince, media's small for us, less than 5% of our valuation. But nonetheless, important in terms of cash flow contribution for us as well. We had a couple loads, when you look at year-on-year growth rates one time items, in 2018 in the first quarter, we had received money from the MLB in terms of its sale of some of the MLB interest, and we saw that come in. We didn't have that this year. And then at the same time, there was a player contract trade that came with the right off of the contract. And those combined were $100 million impact in terms of year-on-year. They were one time item, as you say. We don't expect anything going forward on the media front. The underlying fundamentals of media for this year, if you're to take that out is revenue growth in the 3 to 4% range with EBITDA growth in approximately the same type of range. And so, the underlying fundamentals for media which are focused on sports, which continues to have healthy growth, as well as radio, which also continues to have not only a pretty solid stable growth rate of 2 to 3%, but very strong cash flow margins that continue.

Vince: Great. I've got a couple of corporate items to finish off with, but I want to pause again, is there anything else in the audience at this point? Okay. So, let's talk about assets monetization for a second. You've talked about some things in the past like corporate real estates and [inaudible 00:41:11] shares. Is there any update on those fronts, especially as you face all the spectrum auctions and need for cash that there may be some consideration to monetizing some non-core assets.

Jorge Fernandes: A couple things. I would phrase it as ... First little while with Joe coming on board as CEO, it's really focused on the operations and that's where the biggest upside in shareholder value was going to come from. And that's what you've seen come through in the operations of each of our business units. We've had on our radar what I would describe as balance sheet efficiency in some of these other assets, and is there something we can do to maximize or surface the value associated with those assets? I would say we continue to look at them, not so much from a need for cash, our debt leverage sits comfortably at 2.7, and as we look to the spectrum auctions over the next several years. With our forecast, the generation of free cash flow, we don't see anything that is going to be a concern to us or the rating agencies. And so, we have time to think about the best monetization or value creation for each of those assets. So, we're going to be thoughtful about it. It hasn't fallen off the radar screen, but I have nothing to report new today.

Vince: Okay. You mentioned the free cash flow. One of the items in there, obviously that bounces around is cash taxes. Some of your peers are having some significant catch up items from prior, I think limited partnership structures that deferred tax. Can you first off, just remind us where Rogers is on that curve? Is there some big nut that it's coming in the future to have to catch up? And then secondly, the new tax rules on the accelerated depreciation. Are you starting to see that in your 2019 numbers or is that in the future for Rogers?

Tony Staffieri: Yeah. On those, no surprises on cash taxes. And so, we don't have anything that's a onetime timing nature or anything like that. We have a different structure, and so we've talked about in the past, I think about cash taxes is somewhere between 8 to 10% of EBITDA, our adjusted EBITDA. I think based on some of the things we've been doing, expect that number to be more in the 6 to 8% range of adjusted EBTIDA. So that's counting nicely. In part, the lease accounting improves that ratio as well, just to be very transparent. In terms of the accelerated depreciation announcement that came out a little while ago, not much of that is going to impact this year. Very little. Think about it in $20 million range. The big upside for us, in terms of cash tax improvement, it'll happen starting in 2020. Again, think about it as a program that will have upside in cash taxes up till about 2025, 2026. And then depending on what improvements or changes happen to the tax laws, some of that will slowly get eroded over time. So that's the profiling of that cash taxes.

Vince: And probably just to clarify the 6 to 8% range starts in 2019 even though you don't get too much of the new benefit yet?

Tony Staffieri: That's correct.

Vince: Okay. And last, if cash taxes are going to not hurt your free cash flow, it sounds like everything on the EBTIDA front is solid from your earlier comments, CapEx starts to come down. It sounds like the free cash flow growth picture is pretty strong, but yet Rogers, it's the only ones of the big three who won't really promise to dividend growth in the future. Can you frame that for investors? Does that mean you start off every year thinking, we're not going to raise the dividend and we have to really have our arm twisted to do it? Or is it just, you don't want to promise it but you're quite open to considering it of all the key free cash flow drivers you're talking about are heading in the right direction?

Tony Staffieri: Yeah, I think we reiterate our position that, first and foremost, we want to grow a company that is based on having the right fundamentals, and the right fundamentals longterm. It's not our character or policy to try to look to satisfy one segment of the investment community with what I would describe as a guaranteed yield irrespective of cash flow. I think we want the ability to do the right things and make the right decisions as we need to and that correlate with business cycles. So what you've seen us do, is occasionally, and it really is less of an annual cycle, and we think about it more agile in terms of use of cash.

Tony Staffieri: We just look at how are we doing in terms of cash flow, what are our projections, where are we in investment cycles? And you saw us put more money into some infrastructure. We think it's the right time to do it in terms of where interest rates are at. So take opportunity given we have the cash flow to not only do that, but return cash to shareholders, which we continue to do through dividends. We thought doing what we did was the right amount and the right time, and we augmented that with share buybacks. We've said, to the extent that cash flow continues to go the way it has been of late, then we will index more towards share buybacks, generally because it gives us more flexibility than a long term dividend commitment.

Vince: Wonderful. We'll end it there. Tony, Jorge, thank you very much for your time and your insights.

Tony Staffieri: Thank you.

Jorge Fernandes: Thank you.

Vince: So, we'll take a 15-minute break, and then we can leave.