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Rogers Communications, Inc. (RCI)

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Vince Valentini
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MANAGEMENT DISCUSSION SECTION

Vince Valentini
Analyst, TD Securities, Inc.

Okay. We're going to carry on with the largest wireless company in Canada joining us today, Rogers Communications. And we're thrilled to have two of their senior executives in Joe Natale, their President and Chief and Executive Officer, as well as Tony Staffieri, their Chief Financial Officer.

So, Joe and Tony, thank you very much for joining us today.

Joseph M. Natale
President, Chief Executive Officer & Director, Rogers Communications, Inc.

Hey, Vince. Thanks for having us. Thanks for doing this virtually. Can you hear me all right?

Vince Valentini
Analyst, TD Securities, Inc.

Well, it's either that or Trinity Bellwoods Park, if you prefer that, but I figured that wouldn't work very well today.

QUESTION AND ANSWER SECTION

Vince Valentini
Analyst, TD Securities, Inc.

Q

So, let's just start with COVID. I don't want to make it the whole theme of our conversation, but you provided some updates on your Q1 call which goes back a few weeks ago now. Are there any updates you want to provide today to investors on areas where you may be seeing headwinds from social distancing and the economic fallout?

Joseph M. Natale
President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

Sure, Vince. Happy to do that, happy to step through a few specific areas. But let me start off the top by saying we've got a strong franchise with a great set of assets that have never been more important to Canadians than they are right now. And the behaviors that are being driven right now during this COVID situation will be behaviors that withstand the test of time in terms of people's use of technology and communications and media. And I think it bodes well in terms of the strength of the overall industry and its importance as a whole. Being a big player in many of those markets, we think that is nothing but goodness as we come out of this thing.

There are no major changes from what we said on the Q1 call, but let me just kind of step through and provide a little more clarity and specificity as appropriate. I think, first of all, it's important to understand that our key area of focus is financial strength and flexibility. Our liquidity is strong. In fact, it's the best it's ever been, nearing about CAD 4 billion, the best in our history as a company. And you can expect strong free cash flow to continue this year. Our balance sheet is in great shape and poised for flexibility. We ended Q1 with leverage of 2.7x, which is one of the best amongst our peer group. Our dividend payout ratio is about 50%, which is about half our largest peers. So, we feel we have both the strength and the financial flexibility that we need not just for COVID but heading into the future and all the opportunities that will come with it.

If I spend a few minutes on a few different parts of the business, if I may. But first of all, on the Wireless front, a lot of discussion around wireless lately, up there in the marketplace and with investors. I would say, the impact on ARPU will continue as we described on our Q1 call. The declines in roaming revenue are there, declining about 80%. And that translates, as we said before, into a loss of roaming revenue of about CAD 80 million in Q2. And as we've said before, that's temporal in nature and really kind of a direct result of people not traveling. We fully expect that, as it recovers, to come back as an important source of revenue.

If we look at the Infinite migrations, which has been a topic of many conversations on these calls over the last year, they continue to move at a pace. And the overage declines that we've been talking about, of course, from previous migrations are expected to be about CAD 50 million in Q2, kind of in that zone overall. Migrations, by the way, are going well. We'll end Q2 with about 1.8 million subscribers on unlimited plans, just shy of the 2 million that we were expecting before COVID. So, of course, things just slowed a bit but still progressing, still going in the right direction overall.

The downdraft, if anything, that we're starting to see but just starting to see is customers looking to downgrade their wireless price point because of the economic uncertainty in their lives. We got people that are in good economic shape and are moving to some of the bigger plans. We got people that are struggling financially and they're calling as they would – you'd expect them to look for a better price plan. That's just kind of normal in these circumstances. We saw it in 2008. We saw it along the way in a whole different bunch of exogenous inflection points. But ARPU has performed well, outperformed our peers despite the Infinite overage melt in the last while. So, we'll continue to kind of focus on that.

On the subscriber market in Wireless, we really don't expect the market to reactivate in any material way until the public feels comfortable returning to stores, returning to malls. It really comes down to the resumption of traffic and the resumption of the economy as a whole. And we're watching that carefully. We're adapting it province by province, and as it's different in each province across the country.

I've used the analogy of my team that it's more of a dimmer switch than a light switch. We're going to keep putting the lights up a little bit at a time, and do so in a manner that makes sense pragmatically, commercially, but also in terms of what the population is ready to do overall. We opened about 90 stores last week, 90 new stores on top of the 90 we had open. We're going to open another 90 this week, and we're going to keep going. But volumes are still down as we're kind of operating with some safety and social distancing guidelines. Three people to a store, stuff like that. So, that will kind of happen slowly.

So, overall the market – the market which was growing around 4% last year on an annualized subscriber basis – we think it's going to be pretty much flat in the short to medium term as we kind of come out of this. So, post-paid nets will continue to be down year-over-year, but churn would also continue to decline with it.

So, it's just really kind of not much froth in the market overall. It's just very quiet, very quiet out there. And we'll see what happens as we enter the busier half of the year and people feel more comfortable shopping.

Vince Valentini
Analyst, TD Securities, Inc.

Q

Joe, could I just make sure I verify something you just said...

Joseph M. Natale
President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

[indiscernible] (00:07:13) – yeah, go ahead.

Vince Valentini
Analyst, TD Securities, Inc.

Q

...before we move on? When you say flat for the year versus 4% growth last year, you don't mean – that's not a full-year projection, because I assume you don't really know when we see a vaccine or when things fully reopen? You're just saying sort of during this time when everything's been shut down, it's more flat is what you're seeing?

Joseph M. Natale
President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

Yeah, correct, Vince. Like we don't know what the second half of the year looks like. I'm just really saying, right now, based on the, call it, the first half of the year, by all of our projections, it's flat subscriber growth.

Vince Valentini
Analyst, TD Securities, Inc.

Q

[ph] Okay (00:07:46)

Joseph M. Natale
President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

The second half of the year depends a lot on things that we're all trying to predict, right. And it's also showing up in terms of handset cash expenditures. If you recall last year, we spent about CAD 2 billion on handsets. In Q1, handset expenditures were down about 25% for the quarter. And if you look more closely the last few weeks of March, they were down about 60%. And that's sort of the COVID number, for a lack of a better way of describing it. That trend kind of continues through Q2. And that will generate some strong cash savings through the piece as there really hasn't been much in terms of discounting. Everyone has moved to more in equipment installment plans. We've moved to only equipment installment plans across the board. But really, it comes down to the fact that there isn't much froth in the market right now, and that's happening throughout Q2 as far as we can see.

We talked a little bit last time about bill payment and bad debt. Our receivables metrics have been holding strong so far. We're seeing a little bit of impact but not a lot yet. And we measured bad debt, days of sales outstanding, people not – just basically collections and credit and kind of standard principles you would imagine we would be applying and watching very, very closely every day. We're starting to see an increase in the number of calls, people calling to talk about bill payments, calling to understand what flexibility they might have and I think we'll see that increase as unemployment rises. And that's really kind of a direct reflection of what happens with people's financial position overall.

On the Cable side, we're seeing strong positive demand for Internet. It's kind of think of it as sort of two groups in the Cable business. There's a group of customers that are strong, feeling strength financially in terms of cash flow. And if anything, there, we're seeing that strength reflected in the ARPU and ARPA metrics. Customers are calling in for higher speeds, more bandwidth, and we're seeing that sort of upwards lift. At the same time, there's a group of customers that are having a tough time. So, they're calling to figure out ways to reduce their monthly bills. Or they're small businesses that have either disconnected completely or have gone to put their services on pause for now until they can come back. So, there's a kind of – there's a calculus in terms of the ups and the downs in that business.

On balance, we see a dip in Q2 in terms of revenue in the Cable business. Not a structural dip overall, but it's something that we think will come back as the economy starts to come back in the right direction.

On the cost side, on the cost side of the Cable business, we're seeing some good news there. We've gone to pretty much 100% self-install. And we're seeing significant improvements in OpEx and CapEx related to that. So, that's a system where the technician does some work outside the home, or if the home is ready to go, there's no work to be done outside the home. And then, we get the equipment set up and we send it to the customer. And then, they install it themselves, either by themselves completely or we support them through an app, a video app, a chat app, and we kind of walk them through how to do it. It's working very well. Customers love it. And we're seeing about a 30% reduction in the traditional technician-enabled installation costs. And we're just getting going on that. I think there'll be even greater savings down the road because it's – there's a lot of refinements that we see in terms of the app and how we support customers, etcetera, that I think have an even greater opportunity for us on that front.

Another topic we talked about during the last call was CapEx intensity for the Cable business. In Q1, you recall, it kind of came down to about 26% or 25.8%, in that zone. That's really a result of the efficiency work that we've been doing the last few years. We're starting to see it mature and come through in the cash results and in the CI. And I think the – and you add the self-installation I just talked about, you combine it with the fact that we will see reduced volumes in terms of housing starts in the short-term, that we'll see – we'll continue to see this go in a positive direction overall.

Media is the hardest one to predict. We'll likely continue to incur losses in the near-term as we're all trying to figure out what the start-up of live sporting events looks like and the timing of it and what's coming when. And at the same time, rights costs and content costs are directly tied to games coming back, so there is a trade-off there. There's a counterbalance there. But there are fixed costs, and we got to get our advertising revenue coming back to really kind of shore up some of the pressure that exists in the Media business. And we'll evaluate that in the coming weeks and months as the leagues all lay out their road plans. The good thing is we're starting to see some real specific direction coming from the leagues in terms of when events might be back as a whole.

So, that's sort of a canter through the various operating metrics on things that we talked about in the Q1 call, Vince. Just to summarize, we expect the revenue impacts on the industry to be much milder than some other industries. And we do anticipate offsetting costs and some cash flow savings that are actually arising, some that we're pushing hard. So, we'll see some shorter-term pressure on our financial results during the period as you would imagine, as we've said in the past.

However, overall cash flow liquidity will remain strong, and that will be our focus as we make our way through this. And our low payout ratio and our strength of our balance sheet gives us comfort. And it's something that we worked hard to create and will serve us well as we come out of this in terms of opportunities and the flexibility it provides.

On balance, we're pleased with how the company is operating in this environment. We've gone from a very few people working from home to 22,000 people working from home, including our entire customer call center. We've got 100% self-install. And productivity is strong and the customer service is strong. So, it shows that this team is ready to make major changes and pivot the organization.

The networks have been responding well and performing very well across the board. And I think the bottom line is the current environment isn't really reflective of the long-term value of our industry. This is a great industry. And more than ever, it matters. It matters to Canadians. And our employees are engaged and committed. And I'm very proud of the work that we're doing in our business, and also the work that we're doing in the communities around our Corporate Social Responsibility programs and our ability to support our customers on a broader basis.

We pause there [indiscernible] (00:15:48)...

Vince Valentini
Analyst, TD Securities, Inc.
Q

Yeah. Thanks very much for that, Joe. Great overview, and you've touched on a lot of topics. I'll try to dig deeper into a couple of those areas, and maybe bring Tony in a little bit here on the bad debt side. From what Joe is saying in the accounts receivable and days outstanding experience so far, is you feeling a little bit better about the lower end of that range you cited on your conference call, Tony, of CAD 50 million to CAD 250 million increase for the full-year?

Anthony Staffieri
Chief Financial Officer, Rogers Communications, Inc.
A

That's right, Vince. And as we highlighted at the end of Q1, which were still early days at the time we reported, we had put out there a possibility of a risk of, as the range you described, CAD 50 million to CAD 250 million. And just put in perspective, that's against the backdrop of receivables for us of about CAD 1.6 billion.

The calls in and the metrics we've been looking at are coming in better than we had expected at this point. And for a number of reasons, but one of which obviously are the government support programs that are out there. So, we're feeling a lot better about the risk on bad debt.

And in terms of the range, we intend to provide more clarity when we report Q2. But probably safe to say at this point, CAD 250 million would be a very conservative number. On balance, we're seeing something kind of lining up more in the middle of the range of the CAD 50 million to CAD 250 million that we previously provided. We'll get more clarity over the course of the next month or so by the time we report. But again, we're seeing slight positive indices relative to what we've got. But the key thing here is that number will be something very manageable within our balance sheet and cash flow for the year.

Vince Valentini
Analyst, TD Securities, Inc.

Q

Excellent. And with regards to CapEx that Joe alluded to as well, there seems to a lot more reduction in CapEx estimates for Rogers this year than for some of your peers. And one of them even saying their CapEx budget won't change at all. And for you, guys, in your original range, obviously, it was CAD 2.7 billion to CAD 2.9 billion in CapEx. I've seen some estimates on the Street drop by as much as CAD 400 million. And obviously, some things like new housing developments in Cable, you just can't do and there's no need to do. Is that a magnitude of decline that as far as some on the Street and consensus is projecting, is that what you were trying to communicate on your Q1 call or have people maybe gone a bit too far?

Joseph M. Natale
President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

Why don't I start, Tony...

Anthony Staffieri
Chief Financial Officer, Rogers Communications, Inc.

A

Want me to take that? Sure, yeah.

Joseph M. Natale
President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

Yeah. Well, I'll start just kind of paint the picture. Tony, you can kind maybe help unpack it overall. Look, I can't speak for others in what they're thinking around their CapEx plans. We think we've got the right CapEx plan that reflects our investment priorities, our strategic priorities as a whole.

Bear in mind that we're already fully underway with respect to 5G and we've launched in four cities. And we did a 4G LTE Advanced upgrade just recently that was 5G-ready. So, we're kind of, I think, in a good place on that front. Very good place, frankly. And then, with respect to our cable network, we've got 1G capability across our entire footprint of 4.4 million homes.

So, the CapEx change is going to come from three places. I'll let Tony comment. But one is volume. Housing starts are going to be down and, therefore, less need around that front. Two, permits. Where there's no permitting, it's kind of hard to do a project. A lot of our work is civil engineering projects, so they'll naturally kind of come down. Three is efficiency, and you heard about some of the efficiencies on the Cable front. And four, there are some projects where we looked at and said, you know what, that project really needs people to be together in the same room, working through kind of a complex issue. And we need those resources from outside the company, and that's going to be a highly inefficient project that is not time-urgent. So, we've kind of pushed a few things up, but those are those are small in terms of nature overall. But all the right strategic growth investment things we're doing are squarely in focus.

Now, I'll pause there, Tony. Maybe you can help frame it a bit better from a financial perspective.

Anthony Staffieri
Chief Financial Officer, Rogers Communications, Inc.

A

Sure. Maybe just put a bit of color on that, those areas that Joe talked about. In Cable, we had targeted to come down from capital intensity we had last year in Q1. You saw us come down to 26% capital intensity. And that had little, if anything, to do with COVID and was really part of the CapEx efficiency program we've been on.

And what you'll see in Cable in the next couple of quarters is really volume related. As we move to self-install – and Joe talked about us being 100% self-install – there's really two savings we're seeing there. One is the sheer cost comes down. Initially, we're seeing savings of about 30% on an install, and coming down quickly from there as we move to courier shipment of the CPE equipment. So, from an efficiency perspective and a way of doing business going forward, those are very good solid savings that will only improve going forward, and they're long-lasting.

And the second piece of it is just lower volumes. If we're to look at migrations to our Ignite platform as well as new installs notwithstanding the success we're having in certain areas, particularly where a competitor is lagging in Internet stability and speed, volumes overall on the market are down about 50%.

And so, those two savings are playing out in CapEx. And so, you should expect our capital intensity in Cable to be even lower than it was in Q1. And some of that will come back as volumes pick up, but much of it will be permanent savings. And so, that's good for the Cable cash flow prospects and strategy we're on. And then, as Joe said, it's just less housing construction and starts. Once that we're in play, we'll obviously finish and close, but new infrastructure build is what slowed down.

And then, moving to Wireless, as Joe said, we've really got a good head start on 5G in particular and some of the infrastructure build there. Still expect our Wireless capital intensity to be in the 12% to 13% range. And so, it isn't going to come down significantly at all. And then, so all the other projects. And so, we put all those together relative to the CAD 2.7 billion to CAD 2.9 billion guidance we previously had on our CapEx spend that we issued in January. We're looking at, possibly in the number you quoted CAD 400 million, it could be as much as that. But I think you should take away that it really is focused on those items that we talk about. We're in no way underspending in the strength of the assets and the competitive advantage we currently have in the assets.

Vince Valentini
Analyst, TD Securities, Inc.

Q

Great. Thanks for that, guys. Let's shift to Wireless and the pricing and competitive environment. Two key topics for me. One is the move to these equipment installment plans and lower subsidies. It seems like there was some traction on that in Q1 prior to COVID. So, we'd like to hear your thoughts on if you see that, and do you think it's sustainable when you get into the busier times of the year?

And also, maybe just a bigger-picture question, probably for you, Joe. Has this pandemic potentially taught the industry a lesson with so much forced closure of stores and forced reduction in activity? Do you think we may come out the other side with people saying, do we really need to spend that much on that last marginal subscriber every quarter? Maybe we should slow down on gross ads a little bit and save a ton of money on the SG&A side and on the churn side as – and maybe come out as a more disciplined industry after the pandemic? So, if you have any thoughts on those [ph] two files (00:24:38), that'd be much appreciated.

Joseph M. Natale
President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

Okay. Tony, do you want to take the first one on equipment installment plans, and then I'll talk about...

Anthony Staffieri
Chief Financial Officer, Rogers Communications, Inc.

A

Sure.

Joseph M. Natale
President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

...the broader pricing dynamic.

Anthony Staffieri
Chief Financial Officer, Rogers Communications, Inc.

A

Yeah. If I answer in the context of overall handset cash costs and then we can sort of dissect it. It's really two savings that we're seeing this year. One is on the move to equipment installment plans that we moved to 100%, as Joe mentioned, by the end of January, early February. The whole industry moved and there seems to have been, even to-date, a very good discipline around promotional incentives around the installment plans.

Keep in mind that some of the ones you do see out there are largely or wholly funded by the OEMs. And so, you'll see discounts off MSRP from time to time, but that will come in just based on that type of funding. And of course, there will be some promotional incentives at different times. But on the whole, we're seeing a significant reduction in the amount of hardware subsidy or promotions even in the EIP world than we previously saw.

From a cash flow perspective, what it does mean as we move to all-EIP is that consumers, by and large, finance the handset. And so, some of the cash that we use to get at the till is now financed. And so, there's a little bit of investment in receivables on that. The flip side is that volumes overall are down on handsets, as Joe talk about, being down 50% to 60%. And so, for the year, that's probably going to come up. How much, we don't know. We'll see in the second half. But we've said before, our spend on handsets is approximate CAD 2 billion a year. And if you were to sort of model that at down 30%, you'd end up with sort of a CAD 600 million to CAD 700 million cash savings, offset by a couple of hundred million dollars that we incrementally invest in EIP. So, net-net, it's a real cash savings, albeit some of it temporary. But a good discipline for the industry and frankly a better customer experience in that there's just greater transparency, as we've said, in terms of cost of a handset versus cost of a service that we provide.

Joseph M. Natale
President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

And, Vince, on the second question, does this sort of mandated pause, time of reflection given that volumes just aren't there with store closures and people not out and about, does it give us a sense of rethinking, reframing the approach and the discipline around cost of acquisition, around promotional pricing in the industry, and the trade-off between ARPU and subscriber additions.

And the short answer is I hope so. We've been working on that trade-off, frankly, for the last few years. And as you know, in any given quarter, the last 10%, 15% of additions come at an excruciating COA and often accompanied by promotions that do more damage to the base than anything else. And if you look at an industry with 30-million plus subscribers, base economics matter a lot. Managing that base in terms of reprice is one of the greatest efforts that is happening inside of Rogers.

And I think we've shown that we're getting reasonably good at it. When you look at the ARPU performance relative to our peers the last few years, you look at our movement on the Infinite base and the kind of ability to take a longer-term view of moving people to unlimited, yes, melting overage but along the way getting a stronger, more resilient customer base with other opportunities to drive ARPU, etcetera.

So, I'm hoping that's the case. I mean, this business has always been about lifetime revenue and there's no question that sometimes during the promotional period at quarter-end, lifetime revenue takes a backseat to net additions. And I'm hoping that this is when you're kind of forced to look long and hard at what is driving the economics, I'm hoping that that balance of ARPU versus loading, that balance of base management versus promotional pricing is one that stays with us.

As Tony said, we're certainly seeing it in equipment installment plans and the mindset around that. And we also hope that that persists. I think there's nothing but goodness on that front for the industry as a whole, and really help to continue to drive the right return on capital metrics that have got us here in the first place.

Vince Valentini
Analyst, TD Securities, Inc.

Q

Excellent. And last couple of things on Wireless. One is the data overage erosion and the move to unlimited plans. I'm not sure I understand how – where you get the CAD 50 million number from. It seems to me that CAD 50 million year-over-year reduction would have been basically what you were trending to prior to COVID. Does that imply that COVID has no incremental impact? One of the stats we're hearing is that fixed line broadband usage is skyrocketing, but mobile broadband usage is down because people aren't outside traveling as much. Have you not actually seen just way fewer people hitting their data caps during the pandemic even if they weren't on an unlimited plan, which would further exacerbate the overage decline in Q2?

Joseph M. Natale
President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

A couple of thoughts on that, Vince. First of all, given that we put the gas on the move to unlimited and the migration efforts since about a year ago when we launched, we've got a pretty significant base already in unlimited. We don't know what our peers are at, but I think it's materially bigger than their bases by basically just some of our estimates overall. So, in some ways, we've taken the tops of the peaks off the overage already that COVID has exacerbated overall.

I would say then, yes, Internet usage is up in the homes, 50%, 60%; whereas, on the Wireless front, it's roughly flattish to down a bit. And we've looked across all segments to see is it more pronounced than one segment or the other. And for us, it's pretty much evenly distributed across the segments from the top of the value segment, unlimited plans, all the way down as a whole.

So, there's been some additional impact on overage, but not really to the extent if we hadn't done unlimited a year ago, right? I think if anything, we kind of smoothed that over the course of the last three quarters, four quarters, as we head into, as we've said, the four-to-six-quarter J-curve that we talked about.

Vince Valentini
Analyst, TD Securities, Inc.

Q

Okay.

Joseph M. Natale
President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

I don't know, Tony, if want to comment on that further, because it's a topic that's important to investors and to ourselves. So, Tony, if you want to add to that?

Anthony Staffieri
Chief Financial Officer, Rogers Communications, Inc.

A

Yeah. I think the key in underlying what Joe mentioned is it is going to dovetail with demand. And even as early as last week when we saw people start to come out of their homes, we saw an immediate spike-up in usage on Wireless. And so, while we still see good trends and Joe talked about us being frankly just slightly off our unlimited projections in terms of subscribers by the end of the quarter having about 1.8 million, what we do expect is probably a good resumption as folks start to work outside the home and see the value proposition there.

And so, it's one more item as we think about the core strengths and operating model adaptations that we have that have become our competitive strength for the new world. I think that's one more item that we just have a good construct for in unlimited with share everything combined with it. And so, again, the temporary decline in or the short-term impacts of overage revenue declines is still on track and still supports that thesis. But overall, having a CAD 75 price point is a better long-term strategy for us.

[indiscernible] (00:34:07)

Joseph M. Natale
President, Chief Executive Officer & Director, Rogers Communications, Inc.

A

...that there are habits and behaviors forming right now inside the home that people will want to take mobile once they can go outside the home, right? And they're everywhere, whether it's video conferencing or other things people are doing. Take a look at today's my mother's birthday, there was – we had a video conference with her first thing this morning. And I don't think she have ever been on a video conference till the last six or seven weeks. And those behaviors are going to go mobile. And I think it's well-timed with unlimited and 5G in terms of people's desire to bring those things outside the home.

Vince Valentini
Analyst, TD Securities, Inc.

Q

I agree. [indiscernible] (00:34:54) I just wanted to know if you thought there was any merit to the theory I've heard from some of your shareholders is the data overage erosion is a bit of a nuisance that every quarter it gets a bit worse when everybody thinks it's a positive strategy long-term to migrate people to unlimited, get them to use more and be happier, and then hopefully, they'll move up to the bigger buckets of unlimited in the future. Just maybe rip the band-aid off and get rid of overage result altogether during the pandemic and convert – if you have a 4 gig or 5 gig plan, just automatically make it unlimited so that you're throttled but not hit with the overage fees anymore, and then we can move forward with a clean slate of no overage revenue to lose. Is that something that is worthy of consideration?

Joseph M. Natale
President, Chief Executive Officer & Director, Rogers Communications, Inc.
A

It's not something that we've contemplated, and it's something that we're using to drive the conversation with our Rogers customers. It's kind of aimed at Rogers not at the Fido brand. Fido brand, we've got the data protection regime that is working well for us. We don't talk about that very much, but the data protection is working well and people are buying little top-ups kind of in the moment. And so, we think that's the right approach for that value segment.

On the Rogers brand, there's value in the conversation, Vince. And there's value in the interaction with the customer and helping them get in the right plan, and then talk about what else they might need and do they need other services. So, I don't want to lose the value of the interaction. And that's the trade-off, more than anything else. But we're going to end the quarter at 1.8 million, we're kind of working our way through that pretty quickly, frankly.

Vince Valentini
Analyst, TD Securities, Inc.
Q

Makes sense. I'm going to mention the word 5G, but at the same time I'm going to be cognizant that we only have a few minutes left. There's a couple other topics to come to, and you, guys, have talked a lot about 5G earlier this year. But I don't want to be remiss in not at least giving an opportunity in case there's any updates you want to provide on the launch of services and anything new or exciting on the future revenue front that maybe you want to highlight in today's session. I'll give you a minute to do so.

Joseph M. Natale
President, Chief Executive Officer & Director, Rogers Communications, Inc.
A

I'll be quick on 5G, because we have talked quite a bit about it. I think the thing to remember on 5G is that, for us, it's all systems are go. And we'll do this stepwise, evolutionary, thoughtfully in terms of when the market is ready for different business cases that we've talked about.

But it comes back to five competitive advantages that we have as Rogers, five important advantages. One is equipment certainty, where Ericsson all-in had been for a long while now. We continue to march forward on that path. We have no overhang in terms of equipment certainty.

Number two, we've got the best spectrum portfolio in Canada. And 3,500 is around the corner and we already have a good tranche of it. So, we feel we're in good shape across all frequencies, especially given the 600 spectrum position we have and how that's important for 5G and continuity across the nation.

Third is our relationships. As being part of the 5G futurist council and some of the R&D work that we're doing is going to give us good access to ideas as they come out. And that's the best place to pressure test things rather than take a gamble in the commercial market idea without being close to what's being talked about with the likes of Verizon and Vodafone and others across the globe that are working in this forum.

Number four, we have a fully owned national network, we talked about that, so we can decide what we want to do, where and when.

And number five, as it relates to IoT, we're the largest player in Canada. We're the incumbent in that space. So, we are kind of really getting ready to take that from 4G to 5G as the market opens up. So, those are the things to keep reminding ourselves of in terms of why we're in great shape for 5G.

Vince Valentini
Analyst, TD Securities, Inc.
Q

And on the spectrum side of that, Joe, you have lots of 600. You already own about 30 megahertz of 3,500 in most markets even before the auction. I saw one estimate recently that Rogers would outspend Telus and significantly outspend Bell in the upcoming auction. Can you just remind people of how strong your current spectrum is and there you maybe have potentially less need for a new spectrum than others if the bidding prices escalate rapidly?

Joseph M. Natale
President, Chief Executive Officer & Director, Rogers Communications, Inc.
A

Sure. So, bear in mind that the spectrum trio for 5G is a combination of low-frequency spectrum. The first tranche is identified as 600 megahertz. And we got 80% of available spectrum across Canada on every market in the last auction. Checking the box did well on that front. 3,500 is the next tranche. And there, we've given back roughly 20 megahertz of spectrum and kept about 30 megahertz back from the [ph] initial (00:40:08) partnership. And that's 3,500 is the max sort of spectrum that's been tagged. We're using some 2,500 right now in the 5G cities we've launched. But 3,500 is the more natural spectrum frequency for 5G. And then, eventually 1 millimeter wave. So, we feel we're in a very good spectrum position for the upcoming auction, and we're not disadvantaged whatsoever. And once we have some further clarity around the auction timing, etcetera, then off we go. But now, there's nothing sort of changed from that perspective.

Vince Valentini
Analyst, TD Securities, Inc.
Q

Great. The last few minutes. You already mentioned the Cable and the Media business. So, I'm just going to hit on the regulatory topic that I think is important to a lot of people in the challenges, if you wanted, of existing with the government this year to see in the past year. Do you have any tangible evidence at this point of over the past two months of all that great effort yourselves and some of your peers in the industry have been doing to keep the networks running properly and helping out consumers in need and with other corporate – good corporate citizenship? Is there any tangible evidence that the narrative with Ottawa is improving or is it just wishful thinking that it might improve because you guys have acted so well?

Joseph M. Natale
President, Chief Executive Officer & Director, Rogers Communications, Inc.
A

I think the tone's never been better. We've never seen stronger cooperation between the industry and government. The networks have performed very well. That has been the case in many parts of the globe. The government has made some very strong comments around investment matters, and that's why we're here because investment matters.

And the one fact that I'd point to and it's in indirect in a way, Vince, but Edelman just came up with their trust score, and the telecommunications industry went up 19 points in terms of trust. It's the biggest jump I've ever seen for a sector in a short period of time. And we're in the same category now as drugstores and pharmacies in terms of trust by Canadians. And I think Canadians' view on industry that way can't help but reflect how governments view the industry. I think that that will bode well.

Having said that, we've got a very important file that we're sitting on the edge of our seat to understand how it materializes. That's the MVNO file. We've put a great argument forward, and we'll see when that comes out and how it comes out. But the relationship and the trust have never been better, and that's always a good thing. We'll have to wait and see how it materializes.

Vince Valentini
Analyst, TD Securities, Inc.
Q

And you don't happen to have any updates on the timing of when we'll hear about the MVNO file?

Joseph M. Natale
President, Chief Executive Officer & Director, Rogers Communications, Inc.
A

No. I do know that the CRTC has resumed operations and doing it virtually. So, at one point, they took a bit of a pause, but – and then, the question is when will they come out. I don't know. We don't have clarity on that.

Vince Valentini
Analyst, TD Securities, Inc.
Q

Okay. And we always talk about the quality of the networks in Canada and the accolades that often come from third-party surveys and global studies. Do you have any hard evidence at this point as to how some networks in other countries may have blown up, if I can use that word, and gotten slowed down or overly congested during the pandemic relative to the Canadian networks that have held up strong?

Joseph M. Natale
President, Chief Executive Officer & Director, Rogers Communications, Inc.
A

We have a lot of anecdotal evidence because our technology people have stayed in close contact with the technology leaders in those companies. But it's probably a good idea to kind of summarize some of that. So, it's something we could do and then bring it forward. But by all accounts, Canadian networks have performed extremely well. I think we're all familiar with the last Opensignal report that put us top of the heap in terms of wireless globally, in terms of certainly speed and capability overall. But it's a good thought. I think there'll be a time to kind of reflect sort of post-COVID and do a bit of a tale of the tape how did Canada fair versus other countries. I think that'd be a good thing to do, frankly.

Vince Valentini
Analyst, TD Securities, Inc.
Q

I concur. Let me leave it off with one last one just for everybody at home getting bored with no sports on TV. When are we going to get Blue Jays games back?

Joseph M. Natale
President, Chief Executive Officer & Director, Rogers Communications, Inc.
A

Yeah. What's the over-under on that? You know what, there's a lot of discussion going on right now, a lot between the League and the Players Association. And there are some draft plans in place that revolve around hub cities playing games. And those are real plans, those are not just sort of conjecture to real plans. So, we hope to have some clarity very soon in terms of how that might go.

There's no question that, more than ever, people are excited about sports and they want to see the games, they want to – yeah. And if anything, what this pandemic has taught us is that live sports matter and the fan base is really strong out there. So, everyone's working hard to figure it out. And it's going to be a bit of a different shape to the season. But we could end up in a place where we have maybe all sort of five professional sports in Toronto going on at the same time. So, we're going to go from no sports to lots of sports. So, be careful what you wish for, Vince.

Vince Valentini
Analyst, TD Securities, Inc.

Q

Well, if only you had six or seven channels that show sports, then you could handle that. Oh, that's right. You seem to be well-prepared.

Vince Valentini
Analyst, TD Securities, Inc.

Anyway, thanks very much for your time, Joe and Tony. That has been very insightful. And for those on the line, we'll be resuming in about four minutes with our next speaker. Thanks very much.

Joseph M. Natale
President, Chief Executive Officer & Director, Rogers Communications, Inc.

Thanks, Vince.

Anthony Staffieri
Chief Financial Officer, Rogers Communications, Inc.

Thank you, Vince.