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# Rogers Communications, Inc. (RCI.B.CA)

Acquisition of Shaw Communications, Inc by Rogers Communications, Inc Call

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# MANAGEMENT DISCUSSION SECTION

**Operator:** Thank you for standing by. This is the conference operator. Welcome to the Rogers and Shaw Analyst Call. As a reminder all participants are in listen-only mode and the conference is being recorded. Following the presentation we'll conduct a question-and-answer session. [Operator Instructions]

I would now like to turn the conference over to Paul Carpino, Vice President of Investor Relations with Rogers Communications. Please go ahead.

### Paul Carpino

Vice President-Investor Relations, Rogers Communications, Inc.

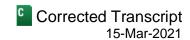
Great. Thanks, Ariel. Good morning, everyone, and thank you for joining us. Today, I'm here with our President, Joe Natale; our Chief Financial Officer, Tony Staffieri; and Executive Chairman and CEO of Shaw, Brad Shaw.

Today's discussion will include estimates and other forward-looking statements with the meaning of applicable securities laws. These statements speak only as of today's date and are subject to uncertainties and risks that may cause actual results to differ materially from these forward-looking statements. Accordingly, investors are cautioned to not place undue reliance on these forward-looking statements and to carefully review the disclaimer contained in today's news release regarding forward-looking statements. The forward-looking statements made during today's call are qualified in their entirety by the information contained in today's news release and in Rogers and Shaw's other publicly available filings.

With that, let me turn it over to Joe to begin.



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### Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

Thanks, Paul. And good morning, everyone. Thank you for joining us. I'm very excited to be here with Brad Shaw, Executive Chair and Chief Executive Officer of Shaw Communications to announce the proposed coming together of Rogers Communications and Shaw Communications.

Both companies were founded and built more than a half century ago by two of Canada's greatest entrepreneurs, Ted Rogers and JR Shaw. They were both risk takers that shared a relentless pursuit to innovate, grow their companies and connect Canadians. They weren't afraid to take bold steps needed to ultimately transform the way we communicate and the way we connect to our world. Without a question, they were the founding fathers of our industry.

They also shared a deep respect for one another, for each other's families and for what they were each building for Canadians on different sides of the country, both companies helped usher in the era of video and data services into the living rooms, the small businesses and the boardrooms across the nation. They became integral parts of their communities, they invested billions of dollars to connect Canadian families, helped business grow and helped industries transform.

Today's announcement builds on that strong legacy of two great family founded Canadian companies and their shared history of service, innovation, customer commitment and community support.

Canada's networks are amongst the very best in the world, a fact that has served us well during the pandemic as Canadians and businesses were able to quickly pivot to an online world. But we didn't get there by accident. We've been pouring billions of dollars into Canada and its innovation and networks for the last many generations.

Rogers and Shaw are preparing to make the next generation of unprecedented levels of investments to provide consumers and businesses more choice in broadband, in wireless capabilities to help grow our economy, to ensure that all Canadians and all businesses have the essential technology to unlock growth, boost our productivity and set the table for the future and all that it holds for us.

Both boards and the controlling shareholders of Rogers and Shaw have unanimously and enthusiastically voted in favor of this transaction where Rogers will acquire all of Shaw's issued and outstanding shares in a transaction valued at approximately CAD 26.2 billion including acquired debt. Brand Shaw, and another director to be nominated by the Shaw family, will join the Rogers board when the transaction closes to help us drive the future success of our combined companies. The offer price of CAD 40.50 per share represents a significant premium to Shaw's shareholders, reflecting the value that the Shaw team has built over the past five decades.

Rogers and Shaw's networks are complimentary, highlighting the extraordinary synergy opportunities to be unlocked through investment and integration. The combined company will be a reflection of the best global technology with national scale to benefit all Canadians, but never, never straying from its roots of operating on a local community level in communities and neighborhoods across the country. The transaction will combine Rogers and Shaw's operational expertise and quality assets and great talent pool will bring together Shaw's existing cable, fiber-to-the-home, satellite and wireless networks with Rogers' robust national wireless and extensive 5G capabilities.

The combined company will accelerate the delivery of critical 5G services from coast-to-coast, including across the west from rural areas to dense cities more quickly, more widely more effectively than either company could achieve on its own. Importantly, the transaction will create a coast-to-coast Internet provider with coast-to-coast

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fiber network. This will enable stronger competition and greater skill for large enterprise and government customers, which is needed for Canada's competitive position. Without question, the deal will accelerate deployment of 5G around the country and will ensure competition and capital continue to be prioritized and reinvested in new technologies at home here in Canada and especially in Western Canada.

And what better way to attract new investment and research opportunities into our colleges and universities by highlighting that Canada has amongst the most vibrant and advanced nationwide 5G broadband infrastructure in the world. Upgrading our digital infrastructure and accelerating digitization is critical for us to remain competitive as a nation. It will create jobs. We'll diversify our economy. It will strengthen the innovation sector and fuel Canada's economic recovery. Investment in Canada will increase to this combination. It has to in order to keep pace with the consumer, with education, with business, and the demand for speed and capacity. The pace for investment is accelerating. Today, both companies invest CAD 3.7 billion annually in CapEx, and the underlying investment in 5G inherent in this total will only go up as 5G technologies continue to roll out across the country. This is a big task for both companies, but when combined, both companies are up for the challenge.

As part of the transaction Rogers is committed to investing CAD 2.5 billion to build 5G networks in Western Canada, which will enhance Western competitiveness, offer consumers and businesses more choice and improve services and help to close the digital divide between urban and rural communities faster. 5G technology is the great enabler to deliver a timely cost-effective, capability-rich Internet solution to rural Canada. As a result of this transaction, the companies will have the combined resources and expertise to deliver on this critical issue.

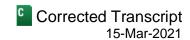
In addition to these growing investments, Rogers will commit an additional CAD 1 billion to create the new Rogers Rural and Indigenous Connectivity Fund dedicated to connecting rural remote and indigenous communities across Western Canada to high speed Internet, to broadband services. As part of this fund, we intend to consult with indigenous communities to create indigenous owned and operated Internet service providers. These will be created within the communities and what will leverage our expanded networks and capabilities to create sustainable local connectivity solutions.

Overall, these investments will create up to 3,000 net new jobs across Western Canada and deliver major long-term benefits for Western businesses and consumers. In addition, to help all individuals and families connect to affordable Internet, Rogers will expand its Connected for Success program nationally, delivering high-speed, low-cost broadband to every eligible low income Canadian, including seniors receiving guaranteed income supplements, residents and rent geared to income housing or individuals receiving disability benefits, anywhere our combined networks and the combined company offers Internet services. The transaction is subject to the Competition Bureau, ISED and CRTC approval. We look forward to working with them to ensure a successful completion of this transaction.

With those approvals, this transaction will generate significant synergy opportunities to support the accelerated investment into 5G capabilities and the expanded high-speed rural connectivity throughout Western Canada. These benefits will also include access to new capabilities for Shaw customers, savings opportunities in media and network costs, associated with greater scale, as well as other savings and growth opportunities.

The Rogers team is proud to be joining forces with the Shaw team. We can't imagine a better partner to take on the significant technology challenges and opportunities ahead of us and to build an even stronger Western presence together. Our combined Western Canadian teams will be over 10,000 people strong and will bring together the best of the two corporate cultures that are both passionate, that are both focused on growth, that are both focused on serving customers, and both focused on giving back to local communities. It's part of who we are, part of the culture of both companies.

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The Western head office of the combined company will be located in the Shaw Court Building in Calgary. The President of Western operations and other senior roles will be based locally leading the combined company's Western operations.

Both Ted Rogers and JR Shaw were passionate about investing in their communities and this will only increase going forward. As part of this transaction, Rogers will build on Shaw's legacy of giving back to Western communities. We're committed to working with the Shaw Golf Charity Classic partners to extend this important event and the communities it supports over the next 10 years, as well as maintaining and growing local charitable giving and adding new youth scholarships to support the future talent pipeline in emerging technologies.

Western Canada is a major driver of our national economy. This combination of Rogers and Shaw will accelerate growth in the region and provide tremendous economic benefits and diversification to the West's economy. The companies will have scale, expertise and commitment to deliver the technology infrastructure needed to keep Western communities connected, businesses competitive and to attract new investment.

In summary, this transaction will happen at an important time for our industry and an important time for our country to enable the generational investments needed to make Canada-wide 5G a reality, to close the connectivity gap in rural, remote and indigenous communities much faster. Together, the next chapter for Rogers and Shaw is fundamentally about closing the digital divide, providing increased competition and choice for consumers and businesses, and delivering best-in-class services and infrastructure to Canadians when it's needed the most.

And with that, let me now turn the call over to Brad to provide his comments. Brad, over to you.

### **Bradley S. Shaw**

Chief Executive Officer & Executive Chairman, Shaw Communications, Inc.

Thank you, Joe, for your kind words about JR, our family and for our employees who for decades have worked passionately to build resilient and successful companies that have always focused on serving our customers. This is an exciting day as we celebrate the coming together of two great organizations built by thousands of great people. As many of you know, our families and our companies have known each other for many years and we hold similar values and philosophies including honesty, integrity and a commitment to serving the needs of our customers and communities and treating our valued employees with care and respect. For decades, Rogers and Shaw have been friendly but intense competitors. But all the while, we have respected each other, admired each other and learned from each other's actions. I would say that next to Shaw's employees, we've learned to expect the best from our counterparts at Rogers and I suspect they would say the same.

Since our first customer signed on in Sherwood Park, Alberta, Shaw has connected Canadians to their entertainment, their families and their businesses. For 50 years, my family has proudly worked alongside thousands of valued employees to build a Canadian success story. Led by JR, we have always been builders of businesses and of networks. We've been successful because we have made generational investments whenever we took on a new challenge, whether it was to create a new cable plant, acquire other companies or to leverage the latest technology to launch the Internet or a disruptive wireless business.

As we look to the future, there is unlimited potential. Connectivity and leading 5G technology will enable so much more than we could even imagine today. My family and I agree, the best way for us to serve our customers to deliver them the next generation of network technology and services is to be a part of a strong national network.

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The combination of Rogers and Shaw builds on the strong legacy of two families founded Canadian companies and will create Canada's most robust, wholly-owned national network. By coming together, we will enable the scale, assets, and capabilities to accelerate unprecedented investment, deliver new technology and more choice for Canadian consumers and businesses.

Together, the new company will expedite the delivery of critical 5G service to customers across Western Canada from rural areas to dense cities more quickly than either company could achieve on its own. This will be accomplished by bringing together the expertise and assets of both companies including spectrum, Shaw's existing Fibre+ network, Wi-Fi and the wireless networks, and Rogers' robust national wireless network and extensive 5G capabilities.

Today, we are taking the next step toward my father's dream of providing more Canadians with more world-class connectivity and better choices. My family and I fully support this transaction, and we look forward to being a part of the future success of the combined company. We truly are brighter together. A big thank you to Edward, Joe, and the entire Rogers team for their collaboration to make this possible. We are heartened by their commitment to our employees and our customers and for stewarding the shared values that have made Shaw and Rogers so successful for decades.

I will now let Tony speak to the details of the transaction.

### **Anthony Staffieri**

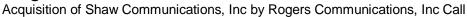
Chief Financial Officer, Rogers Communications, Inc.

Thank you, Brad, and good morning, everyone. Let me start by reiterating Joe's and Brad's excitement for this transaction. This deal brings us immediate national scale and the opportunity to leverage wireless and wireline integration at a pace far exceeding what either of us could have done alone; and in particular, the financial benefits of the transaction to all shareholders are compelling. Shaw's shareholders will benefit from a significant 70% premium on the transaction, and Rogers will be able to realize synergies that go well beyond the premium paid in the transaction and deliver meaningful growth in earnings, cash flow, and share value; and at record low – in a record low interest rate environment, provide meaningful leverage upside in a primarily cash consideration transaction financed through debt.

Let me start by recapping the terms of the transaction. Rogers will be acquiring all of Shaw's Class A and Class B Shares for a purchase price of CAD 40.50 per share. This purchase price represents a 69% premium to Shaw's closing price of CAD 23.90 per Class B Share on the Toronto Stock Exchange on March 12, 2021 and a premium of 78% to the 20-day volume weighted average trading price on the TSX up to March 12. This price per share reflects total consideration of CAD 20.4 billion for all shares outstanding or a transaction valued at CAD 26.2 billion inclusive of CAD 5.8 billion of Shaw's net debt.

The offer is a 100% cash deal except for approximately 60% of the shares held by the Shaw family, which will be exchanged for Class B Shares of Rogers. The exchange ratio for these shares is based on the last 10-day weighted average trading value of Rogers' Class B Shares and amounts to a conversion rate of 0.70 for each Class A or Class B Share of Shaw that is standard. This results in an estimated total 23.6 million shares of Class B Shares issued by Rogers on closing.

The cash component of this transaction is estimated at CAD 19 billion on closing, and we have secured all necessary short-term financing required to close this transaction. We do not foresee any requirement to issue equity or divest of any of Rogers' assets to fund this transaction.





On closing, our leverage ratio is expected to be just over 5 times debt-to-EBITDA. However, we expect our leverage to quickly move to under 3.5 times within 36 months of close, and we expect to retain our investment-grade credit rating throughout this period.

The transaction value reflects a valuation multiple of approximately 10.7 times analysts' latest calendar year 2021 EBITDA estimates and a multiple consistent with recent telecom industry transactions. Importantly, we expect the transaction to yield substantial synergy benefits to the combined company in excess of CAD 1 billion realized within the first two years of close. This reflects a post-synergy valuation multiple of 7.6 times. We expect the transaction to be immediately accretive to earnings and cash flow per share. Our dividend payout ratio will fall to less than 30% within 24 months of close at current dividend levels.

Transaction has the irrevocable support of the Shaw family shareholders and, with that, a high degree of deal certainty. The transaction is being structured through a plan of arrangement in order to allow the Shaw family to receive a portion of their proceeds in RCI shares. As a result, a majority of the non-Shaw family shareholders of the Class A and Class B Shares is needed to support the plan of arrangement.

Mr. Brad Shaw will join the board of RCI, and the Shaw Family Trust will be entitled to appoint an additional member to the RCI board. The transaction requires the approval of the Competition Bureau, the CRTC, and ISED and is expected to close in the first half of 2022. A reverse break fee of CAD 1.2 billion would be payable by Rogers to Shaw if the transaction does not close in certain circumstances. The economic benefits of this transaction are sound and will add to Rogers' revenue and EBITDA by more than 40%. Additionally, the combination of the two companies will also diversify Rogers' Cable/Wireless EBITDA mix to almost 50/50.

We're confident about our ability to execute on our synergies with most being cost and capital avoidance, which are within our control to realize. We have a proven history of [ph] delevering (00:23:19) following periods of major investments, and investors should feel comfortable they will see a very timely return to our current leverage levels while providing the near- and long-term value creation this transaction should generate. This transaction will create long-term value for both companies' shareholders. And just as important, this transaction will ensure Canada's cable and wireless industry can support the significant capital requirements needed for 5G networks and the essential connectivity that rural Canadians desperately need.

Let me now turn the call back to the operator to commence with Q&A.

# **QUESTION AND ANSWER SECTION**

**Operator**: Thank you. We will now begin the question-and-answer session. [Operator Instructions] Our next question comes from Drew McReynolds of RBC. Please go ahead.

### **Drew McReynolds**

Analyst, RBC Capital Markets

Yeah. Thanks very much. Good morning and congrats, Brad and Joe, on this announced transaction. Guess I'll just start with two, and then pass things along. First, on the regulatory approvals, and specifically on the Wireless side, clearly there will be a fewer number of players in various markets. Can you provide kind of your view on that position and likelihood of approval? And can you also in that just talk to any discussions you've had on the regulatory side, just for us to be able to gauge how far things are along?

Secondly, Tony, you said just with respect to leverage, no need for equity or asset sales. Maybe you could kind of drill down into that a little bit and just talk to the Cogeco stake talk to your non-telecom assets, Rogers Media and MLSE stake. Is there any kind of different view in terms of the strategic value of those assets given, some would argue, a transformational acquisition here and really truly a focus on 5G?

### Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

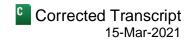
Let me start. Thanks, Drew, for the question. First of all, it's really too early to speculate on the regulatory outcome overall, but we feel confident this transaction will be approved. We expect the review to take between 9 months and 12 months. Think back to Bell MTS, took about 11 months or so. It's important to bear in mind that 80% of Shaw's revenues and 97% of its free cash flow are earned from the wireline business, which does not compete directly with rum – with Rogers, sorry. Been saying rum for a long time through – with Rogers. Doesn't compete directly with Rogers.

We're going to work collaboratively with the regulators. They've got a set of procedures that we're going to work through. We've started engaging with them. We'll be constructive in that engagement. You know us to be always looking through the eyes and the lens of the government and the regulators in trying to figure out what is a smart solution, what is a smart outcome that makes sense for Canada, makes sense for consumers, and makes sense for the combined company; and that's sort of what we're trying to solve for.

We've got some good conversations with some of the key people already, and we're going to be working this for the next many months, and we think we've got a good set of things that we're putting out there. I mean, there are 2 million homes in Canada that are underserved, either have no Internet or have insufficient Internet based on the government's definition of underserved. And our CAD 1 billion commitment goes a long way to closing that gap in addition to the Universal Broadband Fund and other services in Western Canada. And our commitment to rural and remote communities, indigenous communities, is an important part of what we're putting on the table here.

And looking forward, connectivity between urban and rural Canadians is the forefront of what's important to Canada, and 5G offers the ability to do that like never before. I mean, 5G really is an amalgamation of wireline and wireless coming together to offer capabilities on connectivity that wasn't possible, given the economics of traditional landline, traditional 4G capabilities. So, we believe that's an important factor in this discussion, and as well as having a national network is critical to being able to compete head-on in all the different markets and segments of this business, especially in the business sector, but also in the consumer sector. More than ever, this

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is becoming a game and a market of working within both the wireline and wireless assets to drive opportunity and value and affordability as a Canadian. So, we think we've got a good set of principles in place, and we've got a good relationship with the regulators, and we're just going to work it over the next many months from the same side of the table.

With respect to the second part of your question, Drew, on leverage, as I said in my notes, on transaction close, our leverage will be just over 5 times. We spent quite a bit of time in looking at our financial models and spent quite a bit of time with the credit rating agencies last week, walking them through those models and getting them comfortable and frankly us comfortable with what those mean for our investment-grade rating. And as we go through those where we have a high degree of confidence that we can aggressively work down that debt-to-leverage ratio, as I said in our notes, within a short period of time, we can get that leveraged under 3.4-3.5 times, and that's really going to be on the back of executing the underlying business of Rogers, executing on the underlying business of Shaw, and executing on the synergy benefits that we've identified as real and tangible and can come quickly after the transaction close.

So, on that basis, we're comfortable that we will maintain our investment-grade rating throughout that period of time. And so there's no need for us to look at selling any of our assets. Any decision with respect to Cogeco or other assets would be completely independent of this, and there's no decision to sell any of those assets.

Drew McReynolds Analyst, RBC Capital Markets	C
Okay. Thank you.	
Paul Carpino Vice President-Investor Relations, Rogers Communications, Inc.	Д
Thanks Drew. Next question, Ariel?	
Operator: Our next question comes from Jeff Fan of Scotiabank. Please	e go ahead.
Jeff Fan  Analyst, Scotia Capital, Inc.	C

Hi. Good morning. I just want to congratulate both families, Brad and Joe, for doing this deal. We've been waiting a long time for this. I'll start with a couple of housekeeping questions just regarding the synergies and what level of accretion that you guys are expecting on the back of this deal, and particularly on the synergies, the breakdown perhaps between OpEx and CapEx.

And then, just follow on to Drew's regulatory question, is regulatory approval a condition of this transaction? And what level of divestitures, if any, are you willing to live with to get this deal done? And then, finally, just on the operational side, it's a long closing. So, what steps have both companies taken to ensure that there are no disruptions or distractions between now and close? Thanks.

### **Anthony Staffieri**

Chief Financial Officer, Rogers Communications, Inc.

Jeff, thanks for your comments and questions. In terms of your first question on synergies, as we indicated in the comments, we see synergies in the realm of about CAD 1 billion. And, as I said, we see those as being very tangible. Most of that CAD 1 billion relates to cost synergies, but we also see revenue synergies as well. We factored in less of those just because of the timing on them, but certainly a quad play initiative is going to be an

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important upside for us. And as we think about having a national network for enterprise, we see opportunity there as well.

But focusing on the cost side, that's where we see the majority of real tangible benefits. [ph] We're not getting (00:33:37) to the details of those. The transaction is quite a ways from closing. But you can expect them to be thoughtful, sustainable, and balanced as we think about now being a national company with national presence.

In terms of CapEx savings, the opportunity for duplication is large, as you would expect. Our intent is to put much of that money saved into the investments that Joe spoke about earlier in terms of more fiber, more connectivity, more rural connectivity, and a few other programs related to the network. So, net-net, we do expect that net savings on CapEx, but it'll be our expectation relatively mild compared to the OpEx synergies.

### Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

And, Jeff, on the regulatory side, I won't repeat what I said to Drew a few minutes ago, but I'll just reiterate one point, that we feel confident in our ability to strike a good and balanced regulatory outcome. It's going to mean

sitting down and just working through the pieces. We think as it relates to the cable business, it's complementary. There's virtually no overlap, etcetera, and we've talked about that. So, those comes down to discussions on the Wireless business.

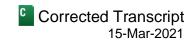
And I won't get into sort of what is our thinking on that, for obvious reasons. But I would tell you that we're committed to getting this transaction done. This transaction does not get done without regulatory approval. It's our responsibility to make that happen. And we're going sit down with regulators and just work through the pieces. We've been taking ideas and instruction from other transactions that have been done in Canada and other parts of the world in terms of what is the best way to kind of strike that balance. But I would say, broadly, we're committed to two important planks. One is bridging the digital divide and providing connectivity for rural Canadians that have been left behind, left behind for far too long. And number two, continue to drive the affordability equation.

And that's why you've read in the announcement a whole bunch of comments around affordability. And from the very beginning, Rogers has been focused on affordability, whether it's the launch of unlimited, whether it's Connected for Success. And Shaw has been very much on that same page. So, we share that ethos and that value set. So, between driving the close of digital divide and driving affordability options while maintaining some of the best networks in the world. The one thing we're all proud of as Canadians is that we have some of the very best networks in the world. We always rank number one and number two globally. The challenge now is on for 5G. We have to maintain that crown in the 5G world. And 5G, more than ever, will infuse capabilities and opportunities for consumers and businesses, especially small and large businesses and some critical sectors in Canada that will rely on 5G technology.

So, this is about nation building, and the conversation is really about nation building that we're planning to have with the government. Regulatory environments are set for the time and for the future, and regulatory policies are set for the time and for the future. And the discussions that we've started having are that we need to have a regulatory environment and principles in support for the future of Canada. We can't take the policies in the environment from the past and apply them to the future. That future focus, I think, is what's going to help us do these great things that I've been talking about.

And I think the regulators would agree that we ought to sit in the same side of the table, look to the future, and say, what are the right principles and policies here that make sense for Canada, that make sense for rural

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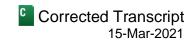


Canadians, that make sense for small and large businesses so that we can come out of this recovery strong and we can set the table for the next generation? This is a legacy item for me, for Brad, for both management teams. And it's a legacy I think frankly for our government as well in terms of the future, the future focus for Canada. So – and we're going to work through it over the next many months, and do so thoughtfully. We've got a number of really good ideas around that, and we'll promise we'll keep you up to speed as it evolves – once it evolves.

In terms of the closing period being long, I mean, I'll speak to the Rogers side of things and then I'll ask Brad to speak to the Shaw side of things. I mean, frankly, over the close period, it's business as usual at Rogers. We've got lots of great opportunities as we come out of COVID. The economic recovery will bolster opportunities and outcomes for us as travel returns and roaming resumes. As you know, restrictions are lifted, and we see more and more traffic in our stores. Like, this is about the slingshot coming out of COVID. The team is squarely focused on that, squarely focused on all of our businesses: Wireless, Cable, the enterprise business, and Rogers for Business, and the Media side. All of them have a trajectory that we're very proud of, and we're going to continue doubling down on that. We've got a strong management team, and it's business as usual frankly from our perspective.

Brad, over to you. Bradley S. Shaw Chief Executive Officer & Executive Chairman, Shaw Communications, Inc. Great. Thanks, Joe. I guess a couple of things there, Jeff. I think first of all, we got a excellent retention plan for all our key executives as we go through this regulatory approval. And I'd also just add that we have the interim operating covenants that gives us all the flexibility we need to compete and to make sure we deliver the business to Rogers. So, we're feeling really good about the next year or so. Jeff Fan Analyst, Scotia Capital, Inc. Thank you. Congrats again. Bradley S. Shaw Chief Executive Officer & Executive Chairman, Shaw Communications, Inc. Thank you. Joseph M. Natale President, Chief Executive Officer & Director, Rogers Communications, Inc. Thanks, Jeff. **Paul Carpino** Vice President-Investor Relations, Rogers Communications, Inc. Next question, Ariel? Operator: Our next question comes from Tim Casey of BMO Capital Markets. Please go ahead. Tim Casev Analyst, BMO Capital Markets Corp. (Canada)

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Yeah. Thanks. Could you talk a little bit, Brad, about it's business as usual, but we have upcoming spectrum auctions and there is spectrum that is set aside for Shaw. How can we reconcile that with respect to the regulatory review? Can you I guess, one, confirm, Brad, that Shaw will be business as usual, so to speak, with respect to spectrum? And does that complicate things on the regulatory side?

And then just back to synergies, Tony, can you talk a little bit about, on the cost side, how you're going to get there from the OpEx perspective, what – is there major areas of low-hanging fruit beyond the obvious costs of operating a public company at Shaw? Where is the easy money to be found on the synergies side? Thanks.

### Bradley S. Shaw

Chief Executive Officer & Executive Chairman, Shaw Communications, Inc.

Great. Well, I can start. And, Tim, it's going to be quick, but due to the auction rules, I'm unable to comment on the 3,500 megahertz auction coming up. So, unfortunately, I can't give you any color there.

### **Anthony Staffieri**

Chief Financial Officer, Rogers Communications, Inc.

And, Tim, on the synergies, I'll provide just a little bit of color. I mean, as you work through it, I'll say the number we've put forward is, as you all know, consistent with what you would have seen announced and realized on other deals in the telecom sector, not only on Canada, but south of the border. And, in particular, as you look to European deals where there's – there are many more wireline and wireless deals and have synergies. And so the number we're quoting is very much in the realm of, I would say, the average or median of those deals, and so you should take that as a proof point in terms of credibility.

The specific areas, we really don't want to get into. They'd be – the deal is still a year out. And, two, the pieces of the deal are still moving around as we work through the regulatory approval processes. And so it's still – it's way premature to start divulging some of the specific areas. And so we'll leave you with the view that based on the work we've done, the due diligence, we are confident on our ability to execute on those synergies, and we'll leave it at that.

### Tim Casey

Analyst, BMO Capital Markets Corp. (Canada)

Thanks, Tony. I understand. Are you able to provide any clarity on – with respect to the set aside spectrum, and how that would be viewed within the regulatory review process?

### **Anthony Staffieri**

Chief Financial Officer, Rogers Communications, Inc.

No. We can't provide any clarity, Tim. We're in a quiet period around spectrum and it's – we're unable to comment, whatsoever.

#### Tim Casey

Analyst, BMO Capital Markets Corp. (Canada)

I understand. Thank you.

### Paul Carpino

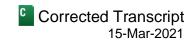
Vice President-Investor Relations, Rogers Communications, Inc.

Thanks, Tim. Next question, Ariel?

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Operator: Our next question comes from Aravinda Galappatthige of Canaccord. Please go ahead.

### **Aravinda Galappatthige**

Analyst, Canaccord Genuity Corp.



Good morning. Thanks for taking my question and congratulations to both companies and the families on the deal. Two questions from me. Number one, thinking beyond the cost synergies, the OpEx synergies, I should say, when you think of 5G obviously – and, Joe, you alluded to this quite a bit during your prepared remarks – when you think of the infrastructure that Shaw brings in the West, it's conceivable that there is far more significant CapEx savings as we go several years down the road when you think of the infrastructure and the backhaul needed for 5G. I was wondering if you can talk a little bit about that.

And, secondly, I guess based on the comments you made, you may not be able to break this down, but I was curious as to sort of the wireless/wireline OpEx synergy breakdown if Tony can provide that at all. If not, that's fine. It's understandable. I'll leave it there.

### Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.



Thanks, Aravinda. I mean, one thing to bear in mind is that two things are happening. One is, 5G comes with a bunch of technologies that are game changing around spectral efficiency, around the promise of fixed wireless around the opportunity with respect to small cells. I mean, as we've talked in the past, 5G isn't just another G. 5G has a bunch of technologies that will forever change how the networks are built and how we connect Canadians. And it's not just about wireless 5G and the wireline fiber networks work together very closely. I mean, the magic of 5G is as much about the wireless capability as it is about the wireline capability behind it.

And gone would be the days soon where we talk about a network versus another network. It's just a network. It's just a network. And not to diminish the complexity and the scale and the art of it – there's a lot of scale behind it – but it's a network that uses all the modes of communications, whether it's glass, copper, coax to transport signals through wireline networks, and then uses the power of 5G and eventually 6G to kind of deliver that in different ways across different parts of the country. And I think that synergy would just get stronger over time and that opportunity gets stronger over time and that's why scale is important, scale is important, and we'll get to a place even with consumers where we offer them with whether it's at-home or on-the-go, right. It'll be sort of indifferent to whatever device they're on. It's just connectivity period. So this is all coming together. If I could pick in a time machine, we'd get to a place where there's one network and one access to it that's delivered through all kinds of capabilities in the background.

And therefore, you take a look at Shaw's extensive fiber network. You take a look at our extensive wireless network. You take a look at our strength of both companies in cable and the connected home, and both on the Comcast platform that we spent the last few years delivering and deploying. It really is all coming together to create one capability that's virtually nationwide and will enable the future in a substantial way. And there will be synergies that go far beyond the near-term with respect to what that means as this industry evolves and develops. I think we'll look back at this in 10 years' time and say what a game changer that was for the combined organizations and we'll look what it meant in Canada.

So we're very bullish on that. We haven't included any of that math in our models. Our models are kind of boring. Our models are very much like where are the synergy savings based on [ph] a year and now (00:47:44) and this deal stands up and makes sense just on that alone. So that's our mindset as a whole.

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### Anthony Staffieri

Chief Financial Officer, Rogers Communications, Inc.

Aravinda, on the second part of your question in terms of the split between wireline and wireless. We see the opportunities in both, but from a pragmatic perspective, when we talk about the net CAD 1 billion synergy, let me put it in the context of when you look at Shaw's cash flow over 90% of the cash, free cash flow, comes from the Cable business and so accordingly when we talk about net benefits, it is predominantly focused on the Cable side of the business, both of them long term for sure, but pragmatically, just given the relative sizes, that's where we

Aravinda Galappatthige Analyst, Canaccord Genuity Corp.

Thank you very much. I'll pass the line.

**Paul Carpino** 

Vice President-Investor Relations, Rogers Communications, Inc.

Thanks, Aravinda. Next questioner?

Operator: Our next question comes from Adam Shine of National Bank. Please go ahead.

**Adam Shine** 

Analyst, National Bank Financial, Inc.

Thanks a lot and congratulations to all parties. Maybe a few for Tony and then one for you Joe. Just, Tony, in terms of the billion dollars obviously over the course of the next two years, you've had a few questions on this from different angles, maybe one more, just in terms of how it might skew over that 24-month timeframe. I mean are we looking like 30/70 some other sort of variation? With respect to accretion levels, I mean, it looks like the deal, as has been alluded to, is rather material. I don't know if you can put any numbers around it. But are we talking potentially 30% EPS, free cash flow accretion ex synergies?

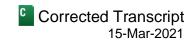
And then maybe for you, Joe, just in terms of timing, I understand the rationale for the deal from a timing perspective. I mean it does come just before the conclusion of the Wireless review. It's been alluded to earlier that it does come also ahead of the spectrum auction. Maybe neither of which had any particular issue in regards to how the parties negotiated and acknowledging the long lead time here, but just curious in regards to your thoughts as to timing. And I don't think it was asked, but who came first? Did you approach Shaw or did Brad come forward to you? Thanks.

Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

Adam, we'll start with the first part of your question. In terms of the synergies as we modeled out the various years, in the first two years, we see it roughly in the range of 55/45. And so it's almost split between the two years for practical purposes. In terms of the second question, not to get too deep into some of the modeling stuff but the accretion on various metrics and in particular EPS that you mentioned, but also I urge you to look at and consider free cash flow per share. It's substantial and it's reflective of the benefit we get with the leverage structure we're putting into the transaction. You had quoted a number of I think 30% on EPS and without getting into specifics that certainly is in the realm of how we think about the potential upside.

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And Adam, in terms of timing, I'll let Brad talk to the history of his conversation, but in terms of timing, I would say the timing is – from a macro perspective, I think, is very good timing. We're on the doorstep of 5G. I won't go over that again, but time is now around that. Rural connectivity is important as we come out of COVID; time is now around that; and big government support from things that are happening both federally and provincially and through the CRTC on that side; and the capital markets are supportive. I mean capital markets in terms of the debt markets and the support financially for this transaction has been terrific.

So, I mean those are the things that really are front and center for us as what does it mean for Canadians, what does it mean for the future in terms of our industry and infrastructure, and what does it mean for the capital markets. Those are the three things that came together at this point in time, fueled by the desire of both organizations to make it happen. I don't think it's I think it's more complicated than that. And no matter when you do it, there are things to navigate with respect to what's happening around it and we're fully prepared to do exactly that.

Brad, any thoughts or comments?

### Bradley S. Shaw

Chief Executive Officer & Executive Chairman, Shaw Communications, Inc.

Yeah, sure. Thanks, Adam. And I would just – as you know, the families have had a long relationship and we've had ongoing conversations; and Joe and I are always talking about the industry or where things are going from a variety of angles. And I can tell you that probably late in the fall and even late in the summer, under COVID, we've had to do it a little bit of dance and tried to do things, but we've explored where things might go and opportunities. And I think as we looked at [indiscernible] (00:53:18) and looked at what Shaw was facing from investment cycle and scale and a variety of other conditions, we decided to take a deeper look. And I think Joe was able to come out. We met at a Calgary airport and done their mass and everything else; and we took off from there. And I think this is the conclusion of that over the last couple of months. And I think we're very pleased how it kind of came together. And we took our time to make sure we did all the right things as we looked to where Shaw had the future and the opportunity and believe this is the best course going forward for our company to go together with Rogers.

### Adam Shine

Analyst, National Bank Financial, Inc.

Thanks a lot for that. Congratulations again.

#### Paul Carpino

Vice President-Investor Relations, Rogers Communications, Inc.

Thanks, Adam. Ariel, we have time for one more question.

Operator: Certainly. Our next question comes from Batya Levi of UBS. Please go ahead.

#### Batya Levi

Analyst, UBS Securities LLC

Great. Thank you. Congratulations. I just wanted to ask two quick questions. One, if you could provide some color on how you would approach your Cable strategy going forward. Would it be an integration of licensing the Comcast platform or any color would be great? Second is I noticed that you had given some commitments to maybe Freedom customers. I saw for no change or pricing for at least three years after the close. Can you talk a

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little bit about maybe other commitments that you have made and maybe the CAD 1 billion rural CapEx commitment. How many homes would that be and how long it would take? Thank you so much.

Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

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Thank you, Batya. First of all, we're both on the Comcast platform. We're both on the same version of the Comcast platform. We've been sitting across the table from each other in Comcast meetings and discussions around the nature of the technology and the roadmap. So we've well-versed, both organizations, and the synergy is there both in terms of the video platform but also the design and construction of the network, and the way the network's been thought through is very complementary. And the history of cable has been about cable companies coming together and the synergies are borne out of the fact that the technology is similar, the technology and the platforms are similar, and therefore the synergies are very, very strong from that perspective. And we've got the added benefit of being on very much the same video platform as we do this. And I think that's a strong opportunity for us.

On the rural side, it's CAD 1 billion of net new investment. There are 600,000 homes in Western Canada that are underserved. By the definition of underserved, either they have no Internet or they fall below the 50/10 meg service level that's been articulated by the government. The federal government has a CAD 1.75 billion universal broadband fund; so CAD 1 billion in the West is substantial. We're not going to get into the number of homes exactly that we will cover, etcetera, but it's substantial. And it's a combination of fiber coax and fixed wireless. And fixed wireless will allow us to stretch network capability and footprint capability like never before to less densely populated areas, so we think we get a lot of bang for our buck with respect to 5G and fixed wireless and where that takes us, as well as the traditional trenching and extending our fiber networks. And we think this is a very important initiative not just for our business as we grow our network and grow our business and grow our customer base, but also from a nation building Canadian policy point of view.

Batya Levi

Analyst, UBS Securities LLC

Great, thank you.

**Operator**: This concludes the question and answer session. I will now turn the conference back over to Joe Natale for any closing remarks.

### Joseph M. Natale

President, Chief Executive Officer & Director, Rogers Communications, Inc.

Thanks, Ariel. Let me just say, on behalf of the Rogers team and the Shaw team, we're really excited about what we do together. Stronger together is the theme and the anthem for this entire combination. We think we've got a great set of combined assets. We've got two great management teams, the great capabilities that give us the right scale and the right opportunity to deliver more for Canadians and to deliver a capability that's future-proofed, capability that will be there for generations to come and that will continue to put Canada on the top of the map with respect to the capabilities that have built this great country around telecommunications. Really in the spirit of our founders of JR Shaw and Ted Rogers, we're just picking up where they left off from that perspective and setting the table for the next generation. And our goal, overall, is to have that team down the road look back and say, thank goodness that this team made those investments and built up this capability.

And we feel confident in the synergies. We've been through them as you would imagine expect us to do exhaustively looking at all the comparables, as Tony mentioned, doing bottoms up and all the various synergy

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cases, we feel confident in our ability to drive down our leverage and deliver the cash benefit. And so it's great opportunities of skilled businesses. These are skilled businesses with high fixed costs and therefore economies of scale and scope really matter and we've got the opportunity to do just that.

And then the last thing I would say is that we've got a great talent pool in both organizations. And whenever you take two great talent pools and bring them together, wonderful things happen. So we're very pleased, very confident in getting to a good regulatory outcome. I know there's a lot of question's around that point today, but we've got some good thinking on that front, some great advisors and we're very confident in what we'll land overall that will be beneficial, make this deal work and lay the foundation for the future as I've described.

So thank you for your time and attention. And I'm sure we'll be speaking to each other very soon.

**Operator:** This concludes today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.

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