



Rogers Communications Inc. Fourth Quarter 2023 Results Conference Call Transcript

Date: February 1st, 2024

Time: 8:00 AM ET

Speakers: **Tony Staffieri**
President and Chief Executive Officer

Glenn Brandt
Chief Financial Officer

Paul Carpino
VP Investor Relations

Operator:

Welcome to the Rogers Communications Inc. Fourth Quarter 2023 Results Conference Call.

As a reminder, all participants are in listen-only mode and the conference is being recorded.

Following the presentation, we will conduct a question-and-answer session. To join the question queue, you may press star, then one on your telephone keypad. Should you need assistance during the conference call, you may signal an Operator by pressing star, then zero.

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

Paul Carpino:

Thank you, Ariel, and good morning, everyone, and thank you for joining us.

Today, I am here with our President and Chief Executive Officer, Tony Staffieri, and our Chief Financial Officer, Glenn Brandt.

Today's discussion will include estimates and other forward-looking information, from which our actual results could differ. Please review the cautionary language in today's earnings report and in our 2022 Annual Report regarding the factors, assumptions and risks that could cause our actual results to differ.

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

Tony Staffieri:

Thank you, Paul, and good morning, everyone.

I'm very pleased to report that Rogers delivered another record quarter. This reflects the eighth consecutive quarter of growth and momentum for our Company. As I reflect on the year, we delivered industry-leading results, completed an industry-leading merger and drove industry-leading innovation, and we returned to number one in virtually all key growth metrics.



Let me start with our full year results. In 2023, we delivered on our commitments. We met, or increased, financial guidance and grew service revenue by 27% and Adjusted EBITDA by 34%.

In a very competitive and growing market, more Canadians chose Rogers over any other competitor for the second year in a row. In 2023, we attracted 674,000 postpaid mobile phone net additions, up an impressive 24%. This was driven by disciplined execution, leading distribution and attracting new Canadians. Simply put, we've out-executed our competition for two straight years. Over the past two years, we've attracted an impressive 1.4 million Canadians across our mobile and Internet services. This is the best performance in our industry and in our Company's history. We achieved this customer growth while maintaining disciplined execution to deliver healthy financial results, and we delivered positive total shareholder returns for the second straight year in a row.

In Cable, we continue to accelerate market share in the East and West. This quarter, we attracted 20,000 new Internet customers, more than double over last year, and we achieved industry-leading margins of 56%. There's more work to do, but we're heading in the right direction. Overall, the team is firing on all cylinders and executing with discipline.

Second, we completed our historic merger with Shaw. In April, we closed the largest financial transaction in Canadian telecom history, and we continue to deliver healthy organic growth. In nine short months, we have largely integrated the two companies and delivered impressive results. We upgraded 450,000 Shaw mobile customers from the Freedom network to Canada's largest and best 5G network. Teams across the combined organization, Operations, Customer Service, Network and IT, are now integrated, and our ERP system transition is proceeding as planned.

From a customer perspective, we introduced Rogers Internet and TV services in Shaw footprint and we launched new bundled offers, we've rebranded our corporate retail stores, we started selling Wireless and Residential Services in our retail channels. We also grew Rogers brand presence in a meaningful way. Today, Alberta and B.C. are our fastest growing markets, and we're gaining healthy market share. We said we would increase competition in the West, and we have. We've doubled the size of our Cable business and Cable footprint overnight. This is a scale business and the power of scale is starting to show, giving customers more choice, and they're responding favourably to the Rogers brand.



This disciplined execution translated into strong financial performance. In 2023, we realized synergies of \$375 million and exited the year with a \$750 million annual run rate. This is six months ahead of schedule.

We also reduced our debt leverage ratio to 4.7 times at year end. This is down over half a turn in just nine months, driven by synergy cost reductions, earnings growth and the payback of acquisition-related debt. We're well on our way to deleveraging our balance sheet back to pre-Shaw acquisition levels, and doing it ahead of plan.

Third, we invested and delivered a number of important innovations. We signed exclusive agreements with SpaceX and Lynk Global to bring satellite-to-mobile coverage to Canada. We made the country's first satellite-to-mobile phone call and we're on track to introduce our satellite services to Canadians this year. This technology is critical to connect rural and remote parts of the country. We invested to bring satellite sensors and AI cameras to better predict and detect wildfires in remote areas, and we're leveraging this technology across the nation to assist with other natural disasters that are on the rise. We acquired BAI Canada and introduced 5G service to all subway riders on the TTC. We invested in digital innovation to drive efficiencies and margin expansion. For example, in Rogers Business, we eliminated 70,000 hours of manual work through automation, which accounted for 78% of Wireless volume last year, and we were awarded Canada's Best Wireless Network for the fifth year in a row. In 2023, we invested a record \$4 billion in Network and innovation, and we'll continue this record level of investment in 2024.

This morning, we also announced the first network slicing trial in Canada. We tested this new technology with Ericsson across Toronto, Montreal and Vancouver, using our standalone 5G core network. This innovation will materially change how our network operates, offering multiple lanes for wireless traffic. We will offer a dedicated lane for first responders, so they will always have priority on the network, and we can separate fixed wireless access traffic. So, as we expand our FWA offering across the entire nation, we will not have to worry about congestion for our smartphone customers. This is truly a game-changer for Canadians, and we're proud to bring this to Canada first.

Looking ahead, we will launch our 10G and DOCSIS 4 Internet roadmap to deliver the next generation of Internet and entertainment services to Canadians. More investment and more innovation. This is our commitment to Canada and to Canadians.

Finally, before I turn it over to Glenn, let me touch on guidance. This morning, we announced industry-leading guidance for 2024. This outlook reflects our clear focus, disciplined execution and unrelenting ambition to lead the market and be number one. It reflects a third year of strong service revenue and EBITDA growth. It reflects record levels of investment and it reflects strong free cash flow growth. At the same time, we expect to continue deleveraging at the same rapid pace.

It was a record-breaking year and I'm very pleased with our progress. I would like to thank our entire team for their relentless commitment to driving growth and innovation.

Let me now turn the call over to Glenn.

Glenn Brandt:

Thanks, Tony, and good morning, everyone. Thank you for joining us this morning.

Rogers' fourth quarter results reflect our eighth consecutive quarter of strong execution. These results highlight our continued success in integrating Shaw, which remains six months ahead of plan from a synergy and deleveraging standpoint. Our Q4 results also reflect strong momentum and another quarter of industry-leading operating and financial metrics, to cap off a very strong year. We have delivered on our 2023 guidance and we are optimistic with our growth opportunities for 2024, as reflected in our 2024 guidance released this morning.

Let me start with the highlights from our fourth quarter results.

In Wireless, we once again delivered what we anticipate will be industry-leading market share and results. Service revenue increased a strong 9%, reflecting healthy and disciplined growth in our mobile customer base. Consistently, for eight consecutive quarters now, Rogers has delivered industry-leading Wireless net adds, combined with strong, disciplined financial performance. Simply put, more Canadians choose Rogers than any other carrier, and that trend continued through the fourth quarter.

Postpaid mobile phone customer net additions were a very robust 184,000 in the quarter, once again heavily concentrated in our premium Rogers brand. Rogers led in market share in a very active and competitive Wireless market. On a full year basis, 2023 postpaid mobile phone net additions reached record levels at 674,000 customers, up 24% year-over-year, well ahead of our two national peers.



Consistently, for two years now, our strategy has been to drive loading on the Rogers brand with its robust 5G premium service offerings and value for customers. As a result, Rogers not only led in market share, but also delivered positive underlying ARPU in a highly competitive environment. On a pro forma basis, adjusted to remove the impact of integrating 0.5 million Shaw mobile subscribers, ARPU increased a very healthy 1% year-over-year. This sustained positive ARPU growth, combined with a very strong overall service revenue growth, EBITDA growth and market share, highlights once more the effectiveness of our premium brand strategy. As reported, Wireless ARPU was \$57.96, which was down 1% when including the impact of integration of roughly 0.5 million Shaw mobile subscribers on discounted bundled offerings.

Postpaid mobile churn in the quarter was 1.67%. That's up 43 basis points year-over-year, reflecting an increase in the seasonally heightened promotional activity occurring in the Black Friday through Boxing Week period. However, once more, I emphasize that with our sector-leading postpaid net adds, continued emphasis on our premium Rogers brand, and growth in service revenue, EBITDA and underlying ARPU, we very effectively balanced our priorities and I'm pleased with the outcome.

So, through all of that, Wireless Adjusted EBITDA was up 10% year-over-year and our Adjusted EBITDA margin grew by 70 basis points to 64%.

Moving to our Cable business, we continue to execute very well against our efficiency targets and we are delivering on our cost synergies roughly six months ahead of plan in what remains a highly competitive market.

Cable revenue was up 95% year-over-year as a result of the Shaw acquisition and an increase in our retail Internet base. While we continue to see a high level of promotional competition from our major peers, we had reasonably strong retail Internet net additions of 20,000 in the fourth quarter, up 13,000 year-over-year, and, in particular, we continue to see positive momentum and growth in the West.

Offsetting the competitive pressure on revenue growth, our cost synergy and efficiency efforts are producing very strong results. Cable Adjusted EBITDA was up 113%, and we reported an adjusted EBITDA margin of 56%, up 490 basis points year-over-year. For the full year, Cable Adjusted EBITDA margins improved 330 basis points. Cost synergies realized in-year totaled \$375 million, and we exited



2023 at an annualized run rate on cost synergies achieved of \$750 million, on a target of \$1 billion when we first launched Shaw.

We recognize there is more work ahead on bringing our Cable business back to positive and healthy organic revenue growth, but we believe we have the right priority, focusing on premium services and profitable growth, and we are targeting further improvements in 2024.

Finally, in our Sports and Media business, Media revenue was down 8% and Adjusted EBITDA was a positive \$4 million versus \$57 million in the fourth quarter of last year. The decrease in both revenue and Adjusted EBITDA year-over-year was primarily the result of lower sports-related revenue; most notably, reflecting an extraordinary distribution received from MLB in the fourth quarter of 2022, which did not repeat in 2023.

While the advertising market remains challenged, we believe our high-quality Media assets and our focus on sports will remain a critical contributor for our Sports and Media business going forward. Ad revenue remains a positive contributor to Media revenue growth, in large measure, as a result of our live sports content.

At a consolidated level, Q4 Service revenue increased 30% and Adjusted EBITDA was up by 39%. This resulted in strong margin expansion, with Adjusted EBITDA margin increasing by 340 points to 44%. Q4 Adjusted net income increased 14% to \$630 million, reflecting the flowthrough of higher Adjusted EBITDA.

Capital expenditures in the quarter were up 19% year-over-year to approximately \$946 million, with almost half directed towards our Cable operations. The 22% increase in capital expenditures predominantly reflects the acquisition of Shaw. Network and customer investment remains our priority as we deliver on our network expansion efforts, launch new transformative technology products and services, and capitalize on growth opportunities in the West.

Even with the increase in capital expenditures, we saw our capital intensity decline approximately 100 basis points in the quarter to approximately 18%, and after-tax free cash flow grew 30% year-over-year to \$823 million. These achievements have enabled us to already start paying down our acquisition debt, in part, with funds from operations.

During the fourth quarter, we also committed \$475 million for 40 megahertz of 3800 megahertz spectrum, buying up to our 100 megahertz spectrum cap, across 172 regions available under this spectrum auction. The acquired 3800 megahertz spectrum complements our industry-leading 3500 megahertz 5G spectrum over Canada's largest 5G network, covering urban centres, cities and towns, and rural and Indigenous communities from coast to coast, and Rogers continues to hold the largest individual portfolio of wireless spectrum among Canadian telecom operators. Payment for this 3800 megahertz spectrum will be made in two installments; \$95 million was paid in January and a final payment of \$380 million will be paid in May 2024.

Turning to the balance sheet, our financial position remains very strong. At year-end, we had \$5.9 billion of available liquidity, including \$800 million in cash and cash equivalents, and a combined \$5.1 billion of available liquidity under our bank credit facilities. Our weighted average interest rate on all borrowings is under 4.9% and our weighted average term to maturity is 10 years. We remain very comfortable with the strength of our balance sheet funding and overall liquidity.

Our leverage ratio at year-end improved to 4.7 times, down from 5.3 times announced at the Shaw close, apace roughly six months ahead of schedule. De-levering remains a critical focus and we anticipate leverage will continue to improve by roughly a half turn through 2024, from a continuation of earnings growth, proceeds from asset sales, and from using free cash flow to pay down debt as we work to restore leverage and credit ratings back to pre-acquisition levels.

Succinctly, prudent capital management, focused execution on cost synergy generation and EBITDA growth, combined with targeted selling of non-core assets, is working and we are de-levering ahead of schedule. Once again, I'm very comfortable with our progress on this initiative.

In December, we took advantage of an opportune rise in Cogeco's share price and sold our entire holdings in Cogeco for \$827 million, with the proceeds directly and immediately applied to debt reduction. Additionally, and as previously mentioned, we are in the process of divesting non-core assets, with targeted proceeds of \$1 billion, predominantly real estate assets, and targeted to close in 2024.

In the fourth quarter, we returned \$265 million in dividends to shareholders, of which \$190 million was paid in cash and \$75 million was paid in Class B non-voting shares under our Dividend Reinvestment

Program, a participation rate of approximately 28% generating roughly \$300 million in annualized cash preservation.

On a consolidated basis for the full year, total Service revenue grew 27% and Adjusted EBITDA grew a healthy 34%, capital expenditures came in at \$3.9 billion, and free cash flow for the year was over \$2.4 billion, each well in line with our upgraded 2023 guidance.

Overall, we are very pleased with our results for 2023. This year was about driving growth and efficiency, while executing on our plans to integrate Shaw and de-lever our balance sheet. From the day we first closed on Shaw, we have prioritized, and we have delivered, on guidance, on cost synergy generation, on de-levering and on market leadership.

In terms of our outlook for 2024, we are forecasting another year of strong top and bottom line growth and strong underlying free cash flow growth. We anticipate total Service revenue growth in the range of 8% to 10% and Adjusted EBITDA growth in the range of 12% to 15%, targeting another year of industry-leading performance and growth. We anticipate capital expenditures to be in the \$3.8 billion to \$4.0 billion range, and free cash flow is expected to be in the range of \$2.9 billion to \$3.1 billion, a very healthy increase from our 2023 free cash flow levels, and providing substantial and growing heft to our de-levering.

Our performance over the past two years, combined with our 2024 outlook, reflects a focused company. We will continue to grow, to generate strong free cash flow and to de-lever our balance sheet, as we said we would when we announced the Shaw deal almost three years ago. 2023 has been transformative for Rogers, but we are just starting. We delivered strong results and executed very well on the largest telecom acquisition in this country's history.

The work effort has been substantial and I want to thank all of the members of our incredible team of professionals who show up each day, dedicated to our customers and committed to each other. Together, we continue to lead and to strive for more, and I'm honoured to work alongside each one of them. We accomplished a lot in 2023, and the look ahead for 2024 is bright and full with opportunity.

Thank you for your time this morning.

With that, Ariel, could you please commence the question-and answer? Thank you for your attention and time this morning.

Operator:

Thank you. We will now begin the question-and-answer session. To join the question queue, you may press star, then one on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press star, then two.

Our first question comes from Drew McReynolds of RBC. Please—pardon me, our first question comes from Tim Casey of BMO. Pardon me, our first question comes from Drew McReynolds of RBC. Please go ahead.

Drew McReynolds:

Good morning. Can you hear me okay?

Tony Staffieri:

Yes, we're good, Drew. Good morning.

Drew McReynolds:

Yes, good morning. So nice to see all the steady progress here. Two for me, just points of kind of clarification, I guess.

On the timing of the remaining synergies, good to see the higher exit run rate on Q4. The remaining \$250 million, can you just speak to what's left to go and what you're expecting in terms of timing there; and related just to that, the EBITDA growth range of 12% to 15%, what kind of puts and takes kind of get you to the bottom end versus the top end?

Then, the second question, just on the Cable side. I think you did kind of 3% down underlying Cable revenue growth last quarter. I'm just wondering what it would have been this quarter, and, particularly, just given kind of the uptick in ARPA that we saw. Thanks.

Glenn Brandt:

Sure. Thank you, Drew. On the remaining synergies, the emphasis continues to be, as we've done for three quarters now, hold the gains that we've identified and achieved through the last nine months, carry them throughout the year in '24, and build on them. We are largely through the people part of the integration exercise, we've got our team in place. There will be ongoing tinkering and tweaking here and there in terms of moving people, but that part of the exercise is largely complete. We got that done within the first half year, frankly, of the acquisition. We had anticipated a longer run rate on that, so very, very pleased with getting that done in the first year, it settles the organization down. We will now be focused on primarily the vendor negotiation part of the exercise. Our Cable business is now twice the size and scale that it was pre-acquisition, and so now we set to work on negotiating with vendors reflecting that scale. That's really the largest part of the lift going into 2024, the remaining. We will look to fill in the \$1 billion targeted synergies as early as possible in-year. I anticipate, as we exit 2024, we will have achieved the run rate on the full \$1 billion, but I'm not going to provide any additional clarity on timing around that.

In terms of what impacts could affect us to come in at the higher or lower end of that 12% to 15% EBITDA growth range, I'm not going to provide any additional speculation on the positives or the negatives that could come through the year. I think we've shown through 2023 that we've taken a very balanced approach to our operations and our execution, and that'll continue in '24. We will remain competitive in going after market share and going after cost improvements and efficiencies, as well as continuing to drive revenue growth.

On your question on Cable revenue growth, we continued to see the decline through the fourth quarter in the range of 3% on a pro forma basis, when you take out the effect of the acquisition, and so that will be a primary focus for us in 2024, not only going after larger execution on our net additions and customer growth, but also in terms of trying to just turn that revenue decline around as early in the year as we can, but that's going to take some time to balance.

Drew McReynolds:

That's great. Thanks for that.

Glenn Brandt:

Thank you, Drew.

Paul Carpino:

Thank you, Drew. Next question, Ariel.

Operator:

Our next question comes from Tim Casey of BMO. Please go ahead.

Tim Casey:

Thanks. Two for me.

Tony, there's been a lot of discussion in the media about reducing the number of foreign student visas, and things like that, and obviously that's a category that Rogers has been quite strong in. Could you give us some perspective from your seat as to what you think the impact will be on the loading environment going forward as these changes flow through?

Then, second, you mentioned very briefly about some network slicing. What's the narrative on 5G and full deployment? I know you're not going to be putting the 3800 in use this year, but how are you—are you seeing anything on the enterprise side or anything that's going to change the narrative on 5G and we'll start to see some incremental revenues there? Thank you.

Tony Staffieri:

Thanks for the questions, Tim.

In terms of the first question on foreign students and the government statements on that, if you look at 2023, in terms of Wireless growth, our estimate is that the total market grew over 5%, and that growth was driven, roughly half, by penetration increases, and the other is new-to-Canada category for the other half, and so both, individually, are growing at pretty robust rates. With the announcement of the government, we still expect, based on what we continue to see, market growth rates in total that exceed 4%, and probably closer to 4.5%, so still a very healthy market growth, and so we expect to continue to lead in market share. We see the impact—I wouldn't describe it as not there, there will certainly be an impact, but we see it as small in the context of the overall market growth.

On the second question relating to our announcement today on slicing, network slicing on our standalone 5G core network, and the two of them sort of go hand-in-hand, the applications are really

going to revolve around a number of different use cases, including enterprise, as you said. The one we're really excited about, certainly, is improving the network clarity for first responders and making sure they have priority, but the second is what it does for our fixed wireless access deployment strategy and creating that capacity for that initiative. We do continue to see applications on the enterprise side, but I would say that's secondary and some of those have—what you'll start to see is, probably, by mid-year, some of those applications come onboard, and we'll share some of that stuff in future calls.

Tim Casey:

Thank you.

Paul Carpino:

Thanks, Tim. Next question, Ariel.

Operator:

Our next question comes from Sebastiano Petti of JPMorgan. Please go ahead.

Sebastiano Petti:

Hi, and thank you for taking the questions. Just, perhaps, a quick follow-up to both Drew and Tim's kind of questions, line of questions here, but just thinking about it in terms of the team's view on just relative share performance expectations as we move into 2024, I think you sound pretty confident on leading on share once again, but against the backdrop in the industry, how are you thinking about the balance between, perhaps, rate versus volume and, therefore, Service revenue growth for Rogers in '24, and beyond?

A follow-up, as well, on Cable. Great to hear about Alberta and B.C. Glenn, I think you said still—kind of intimating that ARPU, or just trying to get back to that revenue growth. What are the drivers to get there? Obviously, headlines about price increases or rate increases earlier in the year. Is it more a function of volume? What are the other, again, kind of pieces to the growth algorithm as we kind of get back to Cable revenue over the course of '24? Thank you.

Tony Staffieri:

Thanks for the questions, Sebastiano.

I'll start with the first one in terms of our share performance, and I take it you're referring specifically to Wireless.

Sebastiano Petti:

Yes.

Tony Staffieri:

The drivers of our success have really been a number of factors that have helped the execution, but, again, it's against the backdrop of a very strong, growing market, that we've really leaned in on our distribution channels, the simplicity of the customer experience, a number of other value offerings we've surrounded the customer with, including we launched in Q4 the ability for customers to amortize their smartphone purchase on our Rogers credit card over four years, effectively cutting payments in half. So, there's all those things around, as I said, the best-in-class distribution channel.

The second piece of it relates to how we do in various market segments, and there's two comments there that are worth highlighting. Certainly, in the new-to-Canada category, we continue to dominate in market share. It's something we've been paying attention to over several years and you're seeing what I would describe as that selling infrastructure continuing to outperform. Certainly, we expect continued competition in that space, but we feel fairly confident about our performance there.

Then, the last piece I'd make is underlying all that is our execution of a move to the Rogers premium brand. We stated we were moving towards that several years ago, and so what you see happening is this is our strongest quarter of performance on the Rogers brand, when you look at relative share. So, our strategy of focusing on the premium brand in both Wireless, as well as in Cable, is paying out well for us.

Glenn Brandt:

Then, Sebastiano, on your second question around our focus and emphasis on reversing the revenue trend within our Wireline business, Cable is a scale business and, similar to Wireless, if you look at Wireless, that scale is tremendously powerful when you execute correctly and focus on real growth. You've mentioned is it going to turn on price increases. Really, the emphasis here is on better execution around growing subscriber net adds and the subscriber base, leaning in on better execution around customer service, growing our network footprint, continuing to make gains, particularly in the

West around growing our competitive offerings within the West and growing the net adds, and so the emphasis here really is, in particular, on growing the underlying business volume, rather than anything else. It comes down to execution and taking advantage of the scale. That really was the original promise in the acquisition initiative. So, that's what we're focused on.

Sebastiano Petti:

If I can quickly follow up, Tony, just on the Wireless side. Rogers, obviously, has done a great job migrating to the premium brands, and you talked about the underlying growth ex the migration of Shaw mobile subs, but as we think—just thinking again just on the Service revenue, is it going to be a similar kind of P-times-Q equation as we think about '24, or do you think that we could perhaps see an ARPU improvement, ARPU acceleration as you get—the business takes advantage of the goodness of the premium brand migration in '23? So, that's just how I'm trying to think about it.

Tony Staffieri:

The way we think about it, Sebastiano, is, to use your term, the P-times-Q, we continue to see very healthy growth on the Q, or number of subscribers. In terms of ARPU, what we see is opportunity for ARPU growth, but it's marginal, it'll be in a solid 1% this year, and we'll need to continue to see the market dynamics, but I don't want to over-lead on the ARPU side of it.

Sebastiano Petti:

Thanks again.

Paul Carpino:

Thanks, Sebastiano. Next question, Ariel.

Operator:

Our next question comes from Vince Valentini of TD Cowen. Please go ahead.

Vince Valentini:

Thanks very much. I'm hoping I can get two clarifications in, and then a question.

Glenn, were you deliberate in your commentary on the \$1 billion of asset sales, saying it'll happen sometime in 2024, as opposed to you had been signaling by the middle of the year before?

Glenn Brandt:

Look, some, we will close in the first half of the year, some might fall into the second half. We will execute at the earliest possible opportunity. It remains on pace with what we had tried to signal then, so I'm not looking to try and change any of the messaging. I'll be happy if we continue apace with where we are today, and we will continue to work that file ongoing through this year and beyond.

Vince Valentini:

No, fair enough. The clarification for Tony. You mentioned the over 5% or greater Wireless industry growth in 2023. Rogers obviously did better than that, in the range of 6%. So, when you say market 4% to 4.5% going forward, I assume you're still talking about the industry and your hope would be Rogers does better than industry?

Tony Staffieri:

That's right, Vince. The 4% to 4.5%, I would say is conservative in terms of our estimate, and so that's one to note; and two, we expect to continue to lead with strong market share. That underlies how we think about top line growth for Wireless for this year, which ladders up to our consolidated guidance.

Vince Valentini:

Wonderful. The bigger question I have—I'm surprised it hasn't come up yet—is churn, this is the highest churn we've seen in a long time. You seem to have managed around it, with gross adds and ARPU and EBITDA all in good shape, but does this level of 1.67% concern you? Is there something going on with competition in the industry that will keep churn this high, or is there a way you can work to try to get it back down? And I'm wondering if you can help us link the cost of churn. It doesn't show up in EBITDA, seemingly, but your equipment receivables were up quite significantly, at 433 versus 300 and something in the fourth quarter of last year. Is that where you see the pain of having to subsidize more gross adds a bit with the receivables? Thanks.

Tony Staffieri:

Thanks that for that follow-up, Vince. It's important to unpack the churn. I'll jump to the punchline, which is we're not concerned about what we're seeing on churn, and it's for a few different reasons. It's helpful to sort of unpack what you're seeing.

What we saw in the fourth quarter was a heightened level of what I would call promotional activity in the bottom end of the market, largely around flanker. We chose to focus—and not that we neglected that segment, but our focus was on the premium. So, when you look at gross adds for us, they're up significantly year-on-year. The vast, vast majority of those came in on the Rogers brand.

If we were to look at churn, there's really two things there. One is most of it, for us, came on the Fido brand, but, equally, the other part you're seeing—because we do extremely well in new-to-Canada, and, in particular, foreign students and temporary workers, what you're seeing is a phenomenon. As they come in and out of the country, that's driving a healthier gross add, but you're seeing those churn numbers come through, as well, and so that's equally an impact. Net/net, we sort of look at it and say, as long as we continue to lead on net, we've got the right balance across our various brands to ensure we've got robust ARPU, as well.

The second piece of it, Vince, that you've highlighted, the cost of switching has come way down for us. Cost of acquisition has become much more efficient. If you were to look at margin on equipment, for example, in the fourth quarter, it was slightly positive, in terms of margin, compared to a \$12 million cost to us in the Q4 of 2022. So, handset subsidy and cost ends up being neutral to slightly more positive, and as I said, the cost of transaction on acquisitions continue to come down, continues to come down, and you see that, notwithstanding the substantially higher volumes year-on-year, a nice margin improvement in our Wireless business of 70 basis points.

Vince Valentini:

That's excellent, Tony. So, just to make sure I'm clear, the 1.67% is not a level that you think was undisciplined behaviour by Freedom, or any other flanker brand, something you'd need to retaliate against. You're comfortable that this is a manageable figure that you can work around?

Tony Staffieri:

We're not concerned about it. I'll add as the final point, as we look to Q1, and we're a month into it, I would say we do see—continue to see heightened churn on a year-on-year basis, but much less in terms of year-on-year, as you would expect. So, again, not concerning for us.

Vince Valentini:

Thank you.

Paul Carpino:

Thanks, Vince. Next question, Ariel.

Operator:

Our next question comes from Maher Yaghi of Scotiabank. Please go ahead.

Maher Yaghi:

Great. Thank you for taking my question, and if you can permit with two clarifications, like Vince had, and a real question.

Just on the clarification question, can you provide, Glenn, if you can, the pro forma growth rates on EBITDA for Cable and Wireless excluding the acquisition of Shaw? I know it's going to start to become less and less relevant going forward, but we're still transfixed on that, I guess, the street?

Also, if you can maybe clarify the reporting dynamics over the 182,000 Internet subscribers that you took out from your reporting related to the Fido Internet subscribers. How do these changes affect ARPA and the net adds? Are they showing up somewhere else now, or they're just not being reported?

And I'll wait and ask my real question after. Thank you.

Tony Staffieri:

Maher, I'll start with the second question relating to Fido, because it aligns with the strategy we've talked about of consolidating to the Rogers brand. In Internet, in our base, roughly 4% of our total base—so we're talking a real small number of Fido customers—what we've done, because we discontinued that brand, the accounting is to take it out of the base. It doesn't mean we are writing off those customers or ignoring those customers. We will actively look to migrate those customers to the Rogers premium brand and we'll account for those as base adjustments. So, it has an immaterial impact on ARPA and it had an immaterial impact on our Internet net adds. What you saw in the Internet net adds was not impacted by what I would call that disclosure change.

Glenn Brandt:

Than, Maher, on your question around what our adjusted or pro forma or organic growth rates would have been across Wireless and Cable, within Wireless, the Shaw mobile customers really had limited

impact on the year-over-year growth rates when you roll it through the entire business, and then the just the scale of customers, that was really limited, and so you've seen consistently through the year similar to the fourth quarter. The fourth quarter, we had 9% revenue growth, 10% EBITDA growth. I would peg around those numbers. That was largely unaffected by the Shaw mobile adds that happened throughout the nine months from closing on Shaw; most notably, in the second half of the year.

On Cable, what you see on an adjusted basis for the transaction is a 3% revenue decline and roughly a 12% pro forma growth in EBITDA, largely driven by the cost synergy achievements that we've realized to date. Does that help?

Maher Yaghi:

Yes, thank you very much, and just my question, the more broad question I wanted to ask you, Tony. I mean, Rogers has been, I think, definitely getting more than their fair market share on new immigration, new Canadians coming into Canada, but I need to ask you—I mean, those stores in the West, the are Shaw stores, I'm sure you're using them a lot more to sell Wireless, now combining Cable and Wireless selling into those stores—how much of that retail position that you grabbed by the acquisition of Shaw is helping you increase your market share loading in Western Canada in Wireless, specifically? Around, also, that strategy, you're de-emphasizing Fido, moving a lot of your customer base to Rogers. Can you explain the cost savings that you—or give us some views on the cost savings that you're going to get through that change in how you sell your product? Thank you.

Tony Staffieri:

Thanks, Maher. Let me clarify at the outset. You made the comment we're getting more than our fair share. I would characterize it as we're getting the share we deserve and we earn every day. Canadians have choice and they're making their choice. So, that's one.

In terms of how that's playing out in our stores in the West, I would say, more broadly—and we've talked about this on previous calls—that we are expanding our retail locations to more and more cross-sell on the bundle and make it easier for the customer to purchase their home Internet and entertainment services at our retail locations. Certainly, with the closing of Shaw, that was a big advantage to us, to rebrand the Shaw stores to Rogers and increase the penetration of the bundled sale. I would say it continues to be early days on that and we're underpenetrated in terms of bundle, and so we looked at that to be a good growth opportunity for us in promoting strong sales, certainly, in

Wireless, but, importantly, on the Internet side, which I would say is just at the beginning of acceleration.

Then, the final point in our brand consolidation strategy and what it means for our cost structure, it's a bit too premature to start sharing that type of stuff. You're certainly seeing some of it come through in our Wireless margin expansion and leading industry margins already, but I'm not prepared to start quantifying the different pieces of it, Maher.

Maher Yaghi:

Okay. Thank you.

Paul Carpino:

Thanks, Maher. Next question, Ariel.

Operator:

Our next question comes from Stephanie Price of CIBC. Please go ahead.

Stephanie Price:

Good morning. I wanted to focus in on the CapEx guidance and I was hoping you could talk a little bit of the buckets of CapEx investments here, whether it's 5G, DOCSIS, and whether we can see any CapEx synergies with Shaw in the guide; and maybe more broadly, how you think about network investments internally and what percentage of the CapEx envelope you think of as growth versus just baseline?

Glenn Brandt:

Thank you, Stephanie. Good morning. I think, if I could maybe not give you quite the specifics that you're looking for, but just in general, we remain committed on investing more and more of our annual capital spend in network infrastructure and hard infrastructure, as opposed to other projects, and so that continues.

The impact of the Shaw acquisition allows better efficiencies, certainly, in terms of how far those dollars go. I'm not going to give any particular clarity to that. The \$1 billion of targeted synergy savings, those are just on the cost side, but we do see benefits that also accrue on our capital spend as a result of the scale. We've now got twice the route kilometres of network, roughly, from the acquisition on the

Wireline side, and so our service contracts are gear purchase. Those all—we lean in on on negotiating the rates, those all reflect now a, roughly, 2x volume, and we drive the savings that you would anticipate in those negotiations. That will continue in 2024, and so I anticipate gains that come from that. You can see from our guidance we still intend to invest significantly this year, in a range similar to what we had in 2023, and that is predominantly on expanding our coverage and our footprint.

Stephanie Price:

Thanks, and then just for my second question. Tony, in your prepared remarks, you mentioned expanded fixed wireless nationally. I'm just curious how you're thinking about fixed wireless here. Is it just for remote regions or could we see Rogers rolling it out more broadly, as we've seen in the U.S.?

Tony Staffieri:

What you're going to see us to—we launched it, I would say, on a soft launch a little while ago, in the fourth quarter, and now we're expanding that to a more robust offering. It is national. It may include urban, but it is focused on rural for the most part, but also where we don't have a Wireline footprint. We cover two-thirds of the country with our Wireline/Cable footprint, and there's one-third that we don't cover with Wireline, and so what you'll see us focus on is fixed wireless access in those markets, as well as TPIA. We purchased Comwave in the fourth quarter and that allowed us a platform to be able to sell home Internet and products that we could bundle with what is already our national coverage on Wireless. So, that's how you should think about that strategy, and that's why this network slicing is an important component of that.

Stephanie Price:

Thank you.

Paul Carpino:

Thanks, Stephanie. Next question, Ariel.

Operator:

Our next question comes from Jerome Dubreuil of Desjardins. Please go ahead.

Jerome Dubreuil:

Hey, good morning, and thanks for taking my questions. The first one is just a follow-up to Stephanie's questions on network slicing and what it allows you to do in terms of expanding fixed wireless, a clarification on your comment on urban. I would imagine that's more when you don't have cable, right? Then, the second one on this is what does that mean in terms of your potential investments in wireless capacity?

Tony Staffieri:

Thanks for the question, Jerome. In terms of slicing, think about it as the offer is out there for customers and they'll always get better network performance with our Cable network, depending on where they're located, but for some, they're looking for ease of—and it might be, for example, the use cases that we're seeing more and more of, where they're foreign students that are here temporarily, and so the off and on of the Internet Wi-Fi experience within their dorm or apartment, etcetera, is a lot easier with FWA. It's a much easier process and a much more inexpensive process to come on and off. So, we're thinking very smartly about how we deploy it in urban, but as I said, rural is one, but the areas, like Southwest Ontario and Quebec, that we don't serve today, are key markets for us as we look to that.

In terms of what it means for Wireless CapEx, it's within our envelope, but, frankly, the biggest enabler of fixed wireless access performance is going to be more spectrum, and so we look forward to the government's plans on making more spectrum available. That's one of the biggest differences between the Canadian and U.S. markets. The U.S. telecom industry just has more capacity of spectrum available to it, and as we catch up, I think that'll be a terrific growth product for us.

Jerome Dubreuil:

That's good colour. The second question I have is whether investments in DOCSIS 4.0 are included in this CapEx guidance. What will be done in terms of DOCSIS 4.0 within that guided CapEx envelope this year?

Tony Staffieri:

I'll start with the first part from a technology strategy standpoint. We've said, and continue to be on the path to work hand-in-hand with our U.S. cable partners in the evolution of 10G and DOCSIS 4, and so we, in anticipation of that, have been working aggressively on mid- to high-split into our network. The West is largely done and we're now focused on the East, which we'll make significant headway this

year on that, and that's a precursor to DOCSIS 4, which some of the U.S. players are already in trial mode, you will have seen that, and you can expect us to move to trial mode by mid-year, roughly, depending on CPE availability, that's the biggest capacity constraint for us. So, that's on the strategic side, and I'll let Glenn talk to where it fits in the capital envelope for Cable.

Glenn Brandt:

Yes, I think, just succinctly, it is part of our priorities and initiatives in that \$3.8 billion to \$4 billion CapEx guidance we've given, and so that's one of the key initiatives, and the modernization of our network plant, it's just always ongoing.

Jerome Dubreuil:

Great. Thank you.

Paul Carpino:

Thank you, Jerome. Next question, Ariel.

Operator:

Our next question comes from Aravinda Galappathige of Canaccord. Please go ahead.

Aravinda Galappathige:

Good morning, and thanks for taking my questions.

A quick clarification. I think it was Glenn, you mentioned close to 1% ARPU growth, adjusted for the Shaw Wireless subs. Can you just talk to the impact that international roaming had on it, was it positive, negative, was it immaterial?

Then, secondly, just going back to the Cable topic, in terms of sort of sequential improvement, I know that you said that stabilization may be—right at this point, you really can't talk about timelines, but in terms of sequential improvement, any markers you can give? I'm trying to understand the extent to which the competitive intensity, even in Ontario, is affecting that negative three number, and are you seeing any sort of easing there that can kind of help the cause? Thanks.

Glenn Brandt:

Thank you, Aravinda. On the 1% ARPU growth, roaming, it's seasonal and we still see ongoing impact from roaming, but, really, in terms of year-over-year changes, that's largely washed through at this point. The 1% growth really is largely focused on base management, emphasis on our premium brand, that type of execution, rather than any exogenous shock from international roaming, either adds, or otherwise.

Then, on the competitive intensity, I'll leave that for Tony to jump in on, on Cable.

Tony Staffieri:

Aravinda, on the Cable, if I understand your question, you're really asking what's going to be the catalyst for top line growth, and the decline you see is really market share declines in previous years that are flowing through, and so the primary catalyst you should look to us is penetration and market share gains. As I said, as we continue to work on a number of things, certainly, the distribution channels we've talked about, but continuing to have leading product, best Internet, those are going to be the catalysts that are going to be the big drivers of return to revenue growth. You'll see a number of things coming from us in terms of product, certainly the 10G, DOCSIS 4, but also the entertainment experience, and as we continue to work closely with Comcast and the Xfinity platform, they're our next generation launches that you'll start to see, and we're quite confident about the prospects of that.

Aravinda Galappathige:

Thank you.

Paul Carpino:

Yes, thanks, Aravinda. Ariel, we'll do three more quick questions, please.

Operator:

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

Batya Levi:

Great, thank you. Just a couple of quick follow-ups, one on the Wireless churn side. It would be helpful to just get a sense on how churn looks for the Rogers brand only and how that compares to the year-ago period. On the competitive intensity, you mentioned it was pretty heightened. Did we see a return



to more normal levels in January, and how do you expect the recent price increases to impact churn?
Thank you.

Tony Staffieri:

Batya, I'll start with the second part of your question. In terms of what I would describe as competitive intensity in the fourth quarter, we certainly saw—that's the traditional period, as we all know, for promotional activity, and what you typically see, just because the market quiets down in January, you see some of that promotional activity dissipate, and that's what you've seen happening this January, as is typically the case.

Your second part of the question, or first part of the question related to churn, and I would say we're really pleased with the churn dynamics we see on the Rogers brand. Rogers churn would be substantially lower than Fido churn, for a number of a different reasons, but it really speaks to our focus on the lifetime value of that customer segment, and one of which you see in the ARPU growth.

Batya Levi:

Got it. Thank you.

Paul Carpino:

Thank you, Batya. Next question, Ariel.

Operator:

Our next question comes from Simon Flannery of Morgan Stanley. Please go ahead.

Simon Flannery:

Great, thank you very much. Good morning. You mentioned having two-thirds of the country covered by Wireline. I think in the past you've talked about an opportunity in enterprise with that added scale, if you've got any updates on that side. Then, interested in your satellite direct-to-device opportunities. How do you see the business model for that? Is that going to be sort of a charge-per-text or some monthly subscription? Any thoughts there about the financial opportunity that presents?

**Tony Staffieri:**

Simon, on the satellite-to-mobile-phone, the second part of your question, we're not prepared to talk about the pricing strategy yet on that, and so I would just park that.

The first part of it is on the enterprise synergies, so two things you should separate in your mind. From a consumer standpoint, we cover two-thirds of homes passed in Canada with our Cable footprint, but on the enterprise side, we have been, over a long period of time, investing in a national fibre network that connects where it needs to with our existing Cable network, and so we are national on enterprise, and even more so with concluding the Shaw transaction, and we're starting to see good, healthy growth rates in the double-digits on our enterprise side, that we're quite pleased with. So, we're seeing those what I would call revenue synergies already starting to happen.

Glenn Brandt:

I think, maybe if I just add to that, the opportunity there is maybe on the cost synergy side, as Tony said, with the acquisition. We now have more fibre assets to bring in-house, rather than through a third party, where we've needed to supplement, and so that's part of the cost synergy opportunity that we can then lean in on.

Simon Flannery:

Makes sense. Thanks.

Paul Carpino:

Thank you, Simon. Areil, one more, time for one more question, please.

Operator:

Certainly. Our final question comes from David McFadgen of Cormark. Please go ahead.

David McFadgen:

Okay, great. Thanks for squeezing me in. Just two quick questions.

Tony, when you talked about your growth, you said Alberta and B.C. are your fastest growing markets. Were you speaking primarily about the Wireless business or did that also extend to Cable?



Then, secondly, just a quick question for Glenn. When I look at the working capital, in '23, you had an outflow of \$627 million. It's obviously a big number. I was wondering can you recover some of that in '24, or do you think that that was just needed now to sustain the business as it is? Thanks.

Tony Staffieri:

David, real quick, on Alberta and B.C. growth, we're seeing it in both, certainly, in Wireless, but we're also seeing a very healthy return to growth on the home product side, that we're quite pleased with.

Glenn Brandt:

Then, David, on your question on working capital, working capital is always a target for capital efficiency for us, but I would point out that year-over-year, we do have the impact of the Shaw acquisition rolling through in '23, that you would not have seen in the prior year, end of '22, and so that's part of the increase, but we focus on that with particular enthusiasm around managing our inventory levels, managing our delivery schedules, and the like, that's ongoing. I'm happy with the progress that we've made through the year. The scale side of this, that will be up year-over-year just because of the Shaw acquisition, but I'm never satisfied with that level, that's always an ongoing priority file.

David McFadgen:

Okay. All right, thanks.

Paul Carpino:

Thank you, David, and thank you for joining us on our call, and if there's any follow-ups, please feel free to reach out to the IR team. Thank you.

Tony Staffieri:

Thank you.

Operator:

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