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RCI.B.TO - Q1 2016 Rogers Communications Inc Earnings Call

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Co. reported 1Q16 consolidated revenue of CAD3.2b.



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PRESENTATION

Operator

Good afternoon, ladies and gentlemen. Thank you for standing by. Welcome to the Rogers Communications Q1 2016 results analyst teleconference.

At this time, all participants are in listen-only mode. Following the presentation, we will conduct a question and answer session, and instructions will be provided at that time for you to queue up for questions. (Operator Instructions)

I would like to remind everyone that this conference call is being recorded on Monday, April 18, 2016, at 4:30 p.m. Eastern time. I will now turn the conference over to Ms. Amy Schwalm with the Rogers Communications management team. Please go ahead.

Amy Schwalm - Rogers Communications Inc. - VP of IR

Good afternoon, everyone, and thanks for joining us. I am here with the President and Chief Executive Officer, Guy Laurence, and our Chief Financial Officer, Tony Staffieri.

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 2015 annual report regarding the various factors, assumptions, and risks that could cause our actual results to differ.

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



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Guy Laurence - *Rogers Communications Inc. - President and CEO*

Thanks, Amy, and good afternoon, everyone. This afternoon, we released our first-quarter results. We delivered another solid quarter of revenue growth and continued improvements in our key subscriber metrics, despite sustained competition in both wireless and cable. We executed well in wireless. Network revenue grew 4%, the best year-over-year improvement we have seen in three years. You can see now that we have reestablished momentum in the wireless market.

Postpaid churn was 1.17%, representing a year-over-year improvement of 7 basis points. This marks our lowest churn in the past seven quarters and our best Q1 churn since 2010. We have posted two consecutive quarters of churn improvement at a time when our key competitors are trending in the opposite direction.

We delivered wireless postpaid net additions of 14,000, up 40,000 year on year. Favorable trends in churn and net additions are the results of three factors: our high-quality network, our value-add content offerings, and continued improvements in customer experience. Wireless suggested operating profit was flat in the quarter, driven by the competitive market and the double cohort. We spent more to get the high-value customers we want and to drive improvements in churn and lifetime value. Q1 turned out to be more competitive than we expected, and we will continue to go toe to toe with the competition to get the high-value customers we want.

Turning to cable, overall revenue was down 2%, primarily due to the cumulative effect of subscriber losses in TV and home phone, as well as our response to discounting in the market. We continued to deliver upgrades of our Navigatr platform, launched two new Sportsnet 4K channels, and delivered the first 4K broadcast of a major league baseball game with the Toronto Blue Jays.

Consumer interest in 4K TV continues to grow. Thus far in 2016, half of all new TVs being sold in Best Buy in Canada were 4K. By year-end, we plan to deliver over 500 hours of 4K content, including over 100 live sporting events. This will, of course, require a high-capacity network, and I will come back to this in a minute.

This quarter, we also launched our starter TV packages to provide additional choices to customers. It has certainly stimulated a lot of discussion, and we have had a number of inquiries. However, interestingly, the majority of customers are choosing to stay with their current package.

The analogy I would give is that it is a bit like going to McDonald's. We have now given customers the chance to buy a basic hamburger and fries separately and some do, but most customers stick with the meal option of a quarter pounder, fries and a drink because they are better value for money. This is only an intermediate step to full pick and pay late this year, so we will have to see how the full picture unfolds as the year progresses.

Overall, we expect to see an improvement in TV figures toward the end of this year as our investment and upcoming product launches start to gain traction.

The highlight in cable continues to be Internet. Our residential product mix is shifting towards these higher-margin services where our robust network gives us a competitive advantage. Our success is driven by our ability to respond to customers' ever-increasing need for speed. The majority of new Internet customers continued to demand bandwidth of 100 megabits or higher. The data usage we carry on our network continues to increase at close to 40% per year.

It is worth remembering that a typical family now have 11 connected devices in the home, all competing for finite bandwidth. Our Internet -- our IGNITE packages already enable them to use numerous data-intensive applications at the same time.

On top of this, we are on track to offer gigabit Internet speed to our entire footprint by the end of the year. We are expanding our 1 gig service by an average of 100,000 homes per week, and we have announced we will offer 1 gig speeds to 225,000 small businesses by the year-end.

In summary, our network will provide next generation speeds well ahead of our competition and for a fraction of the capital investments.



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Turning to media, overall revenue and AOP were down year on year driven by softness in traditional advertising affecting our conventional broadcast and publishing businesses. In late January, we announced a restructuring plan, which is expected to be largely completed by the end of the second quarter.

In contrast, sports revenues, which represents about half of the media segment, continue to grow with positive subscriber trends at Sportsnet.

Interestingly, ad revenues are being redirected to the Blue Jays.

We will continue to innovate in the way we deliver content. For example, we recently expanded Sportsnet Now, making it available over the top to all Canadians. We are the first major sports channel in North America to do this, targeting what are called "cord-nevers".

Moving to enterprise, we recently introduced Internet of Things as a Service. Our managed service will help customers take advantage of this transformative technology whilst keeping their focus on running their business. We will continue to roll out a series of leapfrog technologies such as this to customers in the months ahead.

Finally, we continue to make good progress on customer experience. On Rogers, the most recent midyear CCTS report shows we replaced our complaint rate by 65%. This was the best improvement amongst our competitors.

The report also highlighted the work we have done on fixing roaming. Compared to three years ago, our roaming-related complaints are down by almost 90%, thanks to the popular Roam Like Home. The competition have launched new tariffs that claim to provide better roaming, but they are still a pale imitation compared to Roam Like Home.

We will continue to talk about our improvements on customer experience every quarter because this is a journey, not a destination.

In summary, we continue to execute effectively in a highly competitive environment. I am encouraged by our momentum in wireless, as well as Internet, both of which are key growth engines for us.

I will now turn over to Tony to provide further details on our results.

Tony Staffieri - *Rogers Communications Inc. - CFO*

Thanks, Guy, and good afternoon, everyone. I will provide more context around our first-quarter financial results, and then we can get to your specific questions.

We delivered another quarter of meaningful progress. The investments we have made in our network, content, and the customer experience positioned us well to compete in this environment. We continued to deliver top-line growth as our consolidated revenue grew by 2% year on year to CAD3.2 billion. Our adjusted operating profit of CAD1.1 billion was down 2% as competitiveness in the market led to increased customer investments in both wireless and cable, and profit was also impacted in the quarter by softness in conventional media revenue. Our media restructuring plan began mid-Q1 and continues into Q2 as we work to align our costs to the evolving advertising landscape.

In the coming quarters, we expect to report improved media profitability year on year.

We see opportunities for cost efficiencies and improvements in each of our segments and continue to expect growth in AOP as per our full-year 2016 guidance.

Below the operating profit line, consolidated adjusted net income and EPS were down 4%, primarily driven by lower AOP and higher depreciation, partially offset by lower income taxes.

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Turning to our segments, wireless network revenue was up 4% year on year. Share Everything plans were an important driver of the revenue growth. The number of Share Everything customers was up 43% from a year ago. This increasing penetration also led to ARPA growth of 4% as customers take advantage of the opportunity to share services across multiple devices.

Blended ARPU grew 1% in the quarter, excluding the impact of the Mobilicity acquisition. So good progress on that front.

Importantly, roaming had a negligible impact on both ARPU and wireless revenue growth profiles in the quarter as volume increases offset roaming rate declines in the quarter.

We continued to see good momentum in building our subscriber base. Postpaid customer additions were up 10%, and we reported net additions of 14,000. Wireless AOP was flat year over year, impacted by the investments we made to attract and retain higher value customers in a very competitive market. Our wireless margins remain solid at 44%.

Turning to cable, revenue and AOP were down 2% from the same quarter last year. We improved the decline in our total subscriber units, or TSUs, by 48,000 year on year, resulting in net TSU losses of 20,000 in the quarter.

As you may recall, the CRTC eliminated the 30-day notice period for cancellation in January of last year, leading to increased churn in the first quarter of 2015. If you normalize for that impact, we still improved TSUs by 9,000 in the first quarter of this year.

We posted Internet net additions of 16,000 in the quarter, an improvement of 23,000 year on year. Internet revenue growth continued at double digits, up 11% year over year as our popular IGNITE product gains further traction.

Revenue from the Internet services continues to increase as a percent of total cable revenue.

Cable operating expenses were down 1%, largely due to the shift of higher-margin Internet services. As Guy mentioned, there is an increasing demand for speed, and as more customers migrate to the higher speed IGNITE packages, we expect to see a favorable impact on margins and household ARPA.

Cable OpEx also benefited from cost efficiency initiatives, partly offset by higher advertising costs year on year as we increased our share of promotional voice in the marketplace.

We continue to invest in our cable network, including the rollout of gigabit speeds to our footprint of 4.2 million homes. As we have mentioned previously, we are able to offer these speeds in 2016 at our incremental cost of less than CAD50 per home, giving us a very efficient ROI growth model, particularly in comparison to incumbent telcos needing to invest in full fiber to the home in order to compete.

We generated operating cash flow of almost CAD600 million during the quarter. Free cash flow of CAD220 million was impacted by the timing of network investments as we made good progress in level loading our CapEx programs throughout the year. We continue to expect lower CapEx in 2016, and in combination with expected growth in AOP, we remain on track to generate free cash flow growth of 1% to 3% this year.

As discussed last quarter, we continue to be focused on moving our debt leverage ratio downward. Although we ended the quarter at 3.2 times, up slightly from year-end, it was due to expected seasonal increases in working capital that typically occur in Q1. We continue to expect the leverage ratio to decline in the coming quarters.

Overall, our balance sheet remains solid, and available liquidity is healthy at CAD2.8 billion.

In closing, we delivered solid results under competitive market conditions with particular highlights in wireless and Internet. Going forward, we are confident in our ability to realize increasing value for shareholders from the investments we have made in our infrastructure, products and customer experience.

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With that, let's open up the call to any questions you have.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Vince Valentini, TD Securities.

Vince Valentini - TD Securities - Analyst

Good job on the wireless subscribers and churn front, but can you give us a little more detail on the costs you had to incur to get that growth? I don't see any mention of retention costs in the MD&A. If you can give us any color on directionally what happened to your COA and retention in the quarter, that would be helpful.

Tony Staffieri - Rogers Communications Inc. - CFO

Yes, Vince. As you said, we don't disclose the details of COA and COR. But directionally, what I can tell you is, you may recall last year, we had heightened our investment in retention spending ahead of the double cohort. When you look at our retention spending this year, it was slightly down. When we looked at the dynamics of the components of COR on a unit basis, what we found was very good progress in the cost through our channel, and that was offset by heightened hardware subsidies. You saw continued competitiveness in the marketplace in terms of the pricing of hardware. We continued to follow the market, and so that put pressure on our unit costs. But, overall, from a COR perspective, slightly down from last year.

That same phenomenon impacted hardware subsidy costs for our COA. And so directionally, what you saw is, again, channel costs come down with hardware subsidies going up on the COA front, the higher volumes this year on gross adds clearly contributing to the higher overall equipment subsidy spend.

Operator

Jeff Fan, Scotia Capital.

Jeff Fan - Scotia Capital - Analyst

I want to ask a question about the cable operation segment. The Internet numbers were obviously very strong, both on subscribers and also revenue. But I guess home phone is starting to see a bit of an accelerated decline, and I wanted to get your input on whether you are starting to see an accelerated pace of cord cutting that is going on on the home phone side. Because that is one of the -- perhaps one of the trends that we are seeing in the marketplace.

And then the second part of that is, as you look forward, do you think the Internet growth is really going to be sufficient to offset some of the decline that you are seeing both on television and home phone?

Tony Staffieri - Rogers Communications Inc. - CFO

Jeff, two pieces. I will start with the second part of your question. We think about the business in terms of -- as we have talked about, we think about the business in terms of homes passed, our penetration of those homes passed, and the ARPA that we ultimately get from that particular home.

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And what we see is, with the trend in Internet, the continued need for speed and what that drives in terms of ARPU growth. So if we were to look at revenue at 11% in the quarter for Internet, ARPU is very closely behind that. So very solid growth on that front.

And so, as you see, some of the -- two dynamics in TV, I should highlight. One, the revenue decline that you see for TV is largely, as Guy mentioned, a result of subscriber losses over the last year. ARPU continues to hang in there in a relatively solid way.

And so as we make progress on the subscriber front, TV video will continue to improve as the year comes along.

And then, on home phone, to touch on the last piece of it, we continue to see that product declining, both in terms of subscribers. And so you get the cutting that you're talking about, but, also, competitiveness in the marketplace in terms of how it is priced. So that continues to move that down.

And so, overall, from an ARPA perspective as we think multi-quarters and multi-years, we do see the ability of Internet to continue to move positive returns in the cable space.

Operator

Drew McReynolds, RBC Capital Markets.

Drew McReynolds - RBC Capital Markets - Analyst

Tony, with respect to providing guidance last quarter, you talked about factoring in trends in Alberta, factoring in the double cohorts, and the potential impact of unbundling. Can you just give us an update on how each of those are tracking relative to the expectations that you set when you set guidance? Thank you.

Tony Staffieri - Rogers Communications Inc. - CFO

Yes. So a couple of things. On the double cohort, we are certainly not over it, but I would say we are into what you might describe as the long tail. It will continue to play out for several quarters, particularly as we head into the fall. As we see some customers holding on to their handsets to see what some of the iconic devices might look like in the fall.

So while we are past the majority of the double cohort, there is still some of it out there.

In terms of -- and so I would say relative to the assumptions we had for the year, the way we are seeing it play out is not materially different from what we expected.

If we were to look at wireless in particular in the West, we previously indicated that while we expected possibly a softening on ARPU levels, not much in terms of on the subscriber front, I would say what we are seeing is generally that. We are not significantly indexed to Alberta specifically. So it is less of an impact for us. And so while we don't talk about regional, I would say on that particular one, it is playing out pretty much as we expected and for us not a significant impact.

Drew McReynolds - RBC Capital Markets - Analyst

Okay. Thank you. And then, just on the unbundling, still early days on that front?



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Tony Staffieri - *Rogers Communications Inc. - CFO*

Still early days. So more to come on that.

Operator

Simon Flannery, Morgan Stanley.

Simon Flannery - *Morgan Stanley - Analyst*

Well, I am following on that question. Perhaps you can just touch a little bit more on the macro in Ontario and particularly perhaps just talk about some of the advertising commentary that you gave. Is that primarily structural issues, is it macro issues, and then how do you see that evolving over the rest of the year? Thank you.

Tony Staffieri - *Rogers Communications Inc. - CFO*

Simon, if you could just clarify, are you referring to the cable side, wireless side or both?

Simon Flannery - *Morgan Stanley - Analyst*

Both.

Tony Staffieri - *Rogers Communications Inc. - CFO*

So I think at a macro level, as we have said in the upfront commentary on the wireless side, much of the competitive intensity that we saw in the fourth quarter continued into Q1, particularly in handset pricing. And so that continues to be a very active environment that we saw in Q1, and that was spread out, I would say, across the country, not necessarily just in Ontario.

If we look to -- and I think your comment on advertising relates to some of the heightened advertising in our share of voice on the cable side. I would say we toggle that up and down, depending on the week, depending on the quarter, and we had some heightened activity of that in Q1.

Over the course of the year, for obvious reasons, we don't want to disclose what that looks like in the remaining quarters. Suffice it to say, it will all be within the AOP guidance that we provided.

Simon Flannery - *Morgan Stanley - Analyst*

I guess I also wanted just some color on advertising revenues out of the media segment.

Tony Staffieri - *Rogers Communications Inc. - CFO*

Oh, I see.



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Guy Laurence - *Rogers Communications Inc. - President and CEO*

Yes. So I would say the issue is in conventional TV and publishing. To a tiny extent radio, but not to the same degree. Sports is still strong. The nature of which sports advertisers are directing their dollars to has changed a little bit depending on the performance of the teams. With hockey up, but still -- but not quite where we expected it to be, and Jays better than we expected.

So the real issue is in conventional TV and publishing, and that is where we are focused in terms of making sure that we have the appropriate cost levels for the revenues we are enjoying.

Simon Flannery - *Morgan Stanley - Analyst*

And is that structural or is that macro, do you think?

Guy Laurence - *Rogers Communications Inc. - President and CEO*

I think it is structural. I don't think it is macro.

Operator

Greg MacDonald, Macquarie.

Greg MacDonald - *Macquarie - Analyst*

Guy, you mentioned willingness to spend more to get the subscribers that you want and, indeed, it is nice to see the churn numbers coming down, and the sub and revenues are going in the right direction as well. I wonder, though, if you might put some of the costs in context of revenue. ARPU is flat, yet ARPA is growing 4%. Could you, yourself, or Tony talk about margin per account, for example, or lifetime value of customer? Are you measuring on those metrics and being scrutinizing in the way that you spend money on device subsidies? Thanks.

Tony Staffieri - *Rogers Communications Inc. - CFO*

Yes. A couple of things, Greg, to help you get -- as you said, ARPA strong at 4%. Blended ARPU is what we do disclose. We will say on the post paid ARPU side, while we don't disclose it, it is trending nicely and on the positive side of where we previously have been in terms of postpaid ARPU growth. So that is moving well.

So in terms of your question, how does that relate to the lifetime values, I would say we continue to see very strong lifetime values. So while we are spending more on handset subsidies than you would have seen us, say, a year ago and even before that, what we are seeing come in very nicely is the ARPU in as we describe it.

And so we are seeing that up year on year, and so that is a big plus. When we look at lifetime value, again, positive indices on that, and so we like what we are seeing there.

Share Everything has been one of the key catalysts for the churn improvements that you see. And so as we put that whole portfolio together, looking at churn, looking at ARPA, and looking at ARPU together, all of those are contributing to strong lifetime values.

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Greg MacDonald - *Macquarie - Analyst*

Can you say, Tony, what the margin per marginal customer on postpaid was this quarter? Give us a better sense of x-ing out the subsidy on the handset or promotional costs.

Tony Staffieri - *Rogers Communications Inc. - CFO*

No. We don't disclose that.

Greg MacDonald - *Macquarie - Analyst*

Would you be willing to say what the churn per marginal customer is?

Tony Staffieri - *Rogers Communications Inc. - CFO*

Maybe what we will do, Greg, is -- the answer right now is no. But, if we decide to disclose it, then we will make it widely available.

Operator

Phillip Huang, Barclays Capital.

Phillip Huang - *Barclays Capital - Analyst*

I want to follow back up on the wireless margin side. I was wondering to what extent the reduced discount on the BYOD plan and, therefore, a higher mix of traditional subscribers requiring a subsidy is driving a little bit higher cost on the quarter since you guys put through some of the pricing changes as everyone else has as well earlier into the year?

And then, a quick follow-on on the cable side. We have seen some pretty -- we have seen that increased promotion on Fibe service from Bell in buildings where they have passed fiber to the home in Toronto. Just wondering if you have seen any significant reaction from customers in those buildings or neighborhoods where they have stepped up promotions, especially since you guys already have very high speeds available and, very soon, 1 gigabit per second service as well? Thanks.

Guy Laurence - *Rogers Communications Inc. - President and CEO*

Just dialing a little back a little bit to Greg's question and your question, Phil, is, I would say the BYOD mix has changed a little bit. So it has gone down a little bit, but not much. I don't think -- I wouldn't describe it as the biggest factor affecting the figures this quarter. But I mean we have a better level of sophistication in terms of knowing where to invest acquisition monies and the likely LTV lifetime value that we are going to get from those customers is. That gives us more confidence to invest in certain types of customers at a higher level than maybe we previously have.

So actually, under the COA, particularly figure, there is lots of different things moving about and some BYOD shifts. not major. And there is an appetite to go after higher value customers and pay the appropriate acquisition costs because we have more certainty on their LTV.

The second part of your question on competitor activity in cable, I would say I am surprised at the level of discounting that we have seen in particularly MDUs and find it difficult to reconcile that with the enormous investments required to service that market with fiber. So I mean, I don't know. I think they just have a different calculator to us because I can't get it to add up.



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Phillip Huang - *Barclays Capital - Analyst*

Right. Ballpark, what is the market share split between, say, the wholesalers and BCE and Rogers within your footprint? Do you guys know that is it 50/40/10 or is it a 60/30/10 type of market share split?

Tony Staffieri - *Rogers Communications Inc. - CFO*

We don't disclose that. What I can tell you, Phillip, is it hasn't materially changed over the last four to eight quarters, and I will leave it at that.

Operator

Maheer Yaghi, Desjardins Capital Markets.

Maheer Yaghi - *Desjardins Capital Markets - Analyst*

I wanted to just -- on cable price promotions, as you mentioned, there has been an increased volatility in promotions in Ontario. But I wanted to ask as well, on your side, I have seen some price guarantees being offered for two years to protect share. In the past, we have seen companies try to protect share by offering discounts. These experiences often resulted in lower margins and profitability, especially if share is being protected with price guarantees. Could you describe the experience you have had so far with these promotions and how long are you willing to stick with them?

And, just on the wireless, I have not seen such disparity in monthly price plans across different provinces as we have right now compared to, let's say, Ontario, Alberta on Share Everything plans with Quebec and Manitoba or Saskatchewan. It seems, though, as if discounts are taking place in provinces where you have four strong competitors and not three. So I would like to get your view on the risk in ARPU leakage in additional provinces like BC and Alberta when Shaw becomes a more meaningful competitor.

Guy Laurence - *Rogers Communications Inc. - President and CEO*

So on the cable promos, to be honest, we -- in any one quarter, we experiment with different mechanics to attract and retain customers. So I'm not sure which particular campaign you are referring to, but we run multiple campaigns--north of 20 in any one quarter. So we basically look at the return on investment we get for them, and that is not particularly new. I think we are just getting better at it in terms of experimentation and learning, putting stuff into the market and pulling out. But it is not so much change, I would say, other than we are getting better at it.

A little bit similar reply, actually, on wireless as well. So, again, as we get more sophisticated in terms of fine-tuning by city level, not even province level, then we decide whatever tactics we see fit in that marketplace. I mean, Wind has been a competitor of ours for quite a long time, and I don't think much has changed in 12 weeks in terms of anything structural in terms of what they are doing. So you may see more variation in what we are doing by province simply because we are trying out more things. But it is not particularly, I think, because Wind has done anything significant in the last 12 weeks. They continue to be a good competitor and a strong competitor, and it is simple as that.

Maheer Yaghi - *Desjardins Capital Markets - Analyst*

Yes. I was kind of more figuring out a little bit down the road as they upgrade their network and become more aggressive, probably. Do you see this as risk to your long-term outlook for ARPU increases or ARPA across the country when especially in Alberta and BC where you have very high ARPU levels?



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Guy Laurence - *Rogers Communications Inc. - President and CEO*

Hard to say at the moment. I mean, for sure, there is going to be a dogfight, but it is just very hard to give you a concrete prediction about the future because you're talking about a competitor I don't know what their plans are. So I know what our plans are and we are pretty confident, but I don't know what their plans are.

Operator

Robert Peters, Credit Suisse.

Robert Peters - *Credit Suisse - Analyst*

Just looking at the Internet side of things, it is good to see the continued ARPU growth. But I was just wondering, you mentioned the dynamic between subscribers upgrading their services on the IGNITE packages versus kind of the standard price increase flowing through. Would you say the service upgrades are driving about two-thirds of the ARPU growth, or how should we think about the breakdown between the price increases and the upscaling of packages?

Tony Staffieri - *Rogers Communications Inc. - CFO*

I would say -- I would think about it as both. Certainly the ones coming in that are new to Rogers are coming in at the higher packages. And so you generally see, for a number of different reasons, coming in at 100-plus as being generally the most popular entry point for new customers.

Our existing customers, we are seeing good volume of up speeding or moving up tiers. Not sure how to answer your question in terms of which one is contributing which. I would probably put them -- if your question is in terms of ARPU growth, how much of it is new versus existing, I would probably put it in the category of existing, up tier migration, probably being a little bit more of the majority in the overall ARPU growth, just because of the size of the base.

Robert Peters - *Credit Suisse - Analyst*

Perfect. And, maybe to follow up on that, once you get into the unlimited packages -- so the IGNITE 100 unlimited -- are you seeing subscribers that are in that package even going further up the package more for speed, or is there a little bit of a consumption-based driving of the switching of the packages?

Guy Laurence - *Rogers Communications Inc. - President and CEO*

As people discover the need for speed, they start to move up. It is all linked back to this point I was making about the number of connected devices in the house. The average is 11. It seems staggering, but if you actually count your own household, you are probably another million miles away.

And so what happens is, there is a lot of devices connected and that people want to consume Internet in different rooms simultaneously. That is what drives the higher speeds.

So the unlimited takes away the worry, but then the need to have multiple uses in the house using the Internet at the same time is then what drives them to go to the higher speeds.

In the old days, the whole family sat down and watched Hockey Night in Canada and it was an appointment to view and all the rest of it. And now, dad is stuck in the lounge by himself, and his kids are off in the bedrooms doing their stuff, and mom is doing something else and all the rest of



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it in my stereotypical family. And as a consequence, the demands on the network are very high, and no one wants to be the loser in that bandwidth fight within the household. And, therefore, they need to be at the right speed if they are going to handle that contention issue.

Robert Peters - *Credit Suisse - Analyst*

Perfect. Thank you. And maybe just one quick question on TV. I know you had mentioned it is very early days in the pick and pay, and I think your comment is very consistent in the sense that we have seen a lot of value in the current packages. But I was wondering, if you are seeing some customers look at the new packages, is there a specific type of customer that is tending to look at this, or is it just you are kind of getting across the board, some people being interested and other people not?

Guy Laurence - *Rogers Communications Inc. - President and CEO*

It's your grandmother.

Operator

David McFadgen, Cormark Securities.

David McFadgen - *Cormark Securities - Analyst*

I have two questions on wireless. So in order to meet your guidance for the year, are you counting on the wireless EBITDA margin to be flat to up for the full year? And, secondly, we have seen two quarters of improvement on the churn number, and I was wondering if you have visibility so far into Q2 to expect that you could see some more improvement in Q2 on the churn?

Tony Staffieri - *Rogers Communications Inc. - CFO*

David, on the churn number, I am going to pass on that in terms of providing any forward-looking guidance. I will say that we continue to invest well in our base, and so we expect that to continue to reap rewards in terms of churn. And so we will see how that plays out for the rest of the year.

Back to your question, in terms of overall wireless margin, I think your question -- you faded out a bit -- was the expectation for wireless margins for the full year, given Q1 is there an expectation that for the full year it would be flat to higher? Was that your question, David?

David McFadgen - *Cormark Securities - Analyst*

Yes. Yes, that is the question.

Tony Staffieri - *Rogers Communications Inc. - CFO*

I would put it in the category of generally flat wireless margins. I mean, there are still three quarters to go and so still a lot of volatility and a number of things that could happen, most significantly of which probably is the type of the devices that get launched in the fourth quarter. So we will see how that plays out.



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David McFadgen - *Cormark Securities - Analyst*

Okay. And if I could just squeeze one more in. Could you sort of give us some commentary on what is driving the strength in the Internet net adds? Because they are fairly strong this quarter.

Guy Laurence - *Rogers Communications Inc. - President and CEO*

Well, I think it is just a superior network and the higher speeds and 4K, and the need for speed and the number of connections in the household. It is all of those things. There is no -- that is it. Simple as that. And people have woken up to the need for speed.

Operator

Richard Choe, JPMorgan.

Richard Choe - *JPMorgan - Analyst*

Just wanted to follow up on the Internet side. Should we think about the rollout being a very steady 100,000 per week? And so, as we march through the year, you kind of get more market share?

And then, in terms of the ARPU uplift, following up on an earlier question, can you give us an idea of how many kind of dollars it is on average Internet ARPU lift when you move from a normal to an IGNITE sub?

Guy Laurence - *Rogers Communications Inc. - President and CEO*

So, on the first part of your question, was about 1 gig, can you just repeat the question? Sorry.

Richard Choe - *JPMorgan - Analyst*

Was the network build going to be pretty steady, or is it back end loaded? Just (multiple speakers).

Guy Laurence - *Rogers Communications Inc. - President and CEO*

It is 100,000 a week. My CTO is not allowed to go home on a Friday evening until he has done 100,000 houses. That is the deal I have with him. And that just runs out until we finish the rollout. So that will be steady as she goes.

And the second part of your question was about ARPU, was what happened when they go from non-IGNITE to IGNITE? (multiple speakers)

Tony Staffieri - *Rogers Communications Inc. - CFO*

Yes, we don't quote it. Richard, I would say, just think about it in terms of tiers. As I said, if you think about it 100 megs plus, your entry point for that is generally in the between CAD85 to CAD95 range. And so compare that to the existing ARPU, and that will give you a sense of the potential upside for ARPU growth.

Guy Laurence - *Rogers Communications Inc. - President and CEO*

Richard, are you based in Boston or New York?



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Richard Choe - JPMorgan - Analyst

New York.

Guy Laurence - Rogers Communications Inc. - President and CEO

Okay. I was trying to find somebody who is based in Boston just so I could na-na-na-na because we beat Boston twice. The Blue Jays. . It is just a shame no one asked us from Boston.

Richard Choe - JPMorgan - Analyst

The Yankees are not anything to talk about.

Guy Laurence - Rogers Communications Inc. - President and CEO

All right.

Operator

And, ladies and gentlemen, that concludes the Q&A session for today, and I will now turn the call back to Ms. Amy Schwalm for any closing remarks.

Amy Schwalm - Rogers Communications Inc. - VP of IR

Thanks, everyone, for joining the call, and we will end it here.

Guy Laurence - Rogers Communications Inc. - President and CEO

Thank you.

Operator

Ladies and gentlemen, this concludes the conference call for today. Thank you for participating, and you may now disconnect your lines.

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