THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

RCI.B.TO - Q1 2014 Rogers Communications Inc. Earnings Conference Call

EVENT DATE/TIME: APRIL 21, 2014 / 4:30PM EST

OVERVIEW:

Co. reported 1Q14 consolidated revenue essentially flat.

CORPORATE PARTICIPANTS

Bruce Mann *Rogers Communications Inc. - VP of IR*

Tony Staffieri *Rogers Communications Inc. - EVP of Finance & CFO*

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

Rob Bruce *Rogers Communications Inc. - President of Communications*

Keith Pelley *Rogers Communications Inc. - President of Media*

CONFERENCE CALL PARTICIPANTS

Simon Flannery *Morgan Stanley - Analyst*

Drew McReynolds *RBC Capital Markets - Analyst*

Glen Campbell *BofA Merrill Lynch - Analyst*

Jeff Fan *Scotiabank - Analyst*

Phillip Huang *Barclays Capital - Analyst*

Maher Yaghi *Desjardins Securities - Analyst*

Richard Chu *JPMorgan - Analyst*

Dvai Ghose *Genuity Capital Markets - Analyst*

Greg MacDonald *Macquarie Capital Securities - Analyst*

Tim Casey *BMO Capital Markets - Analyst*

Rob Goff *Euro Pacific - Analyst*

David McFadgen *Cormark Securities - Analyst*

PRESENTATION

Operator

Good afternoon, ladies and gentlemen. Thank you for standing by. Welcome to the Rogers Communications Inc. Q1 2014 results analyst conference. (Operator Instructions). I would like to remind everyone that this conference call is being recorded today, Monday, April 21, 2014 at 4:30 PM Eastern Time. I will now turn the conference over to Bruce Mann with the Rogers Communications management team. Please go ahead.

Bruce Mann - ***Rogers Communications Inc. - VP of IR***

Thank you, Ron, and good afternoon, everyone. We appreciate you investing a bit of your time with us today for Rogers' first-quarter 2014 analyst teleconference. It is Bruce Mann here. Joining me in Toronto are Rogers' CEO, Guy Laurence; our Chief Financial Officer, Tony Staffieri; Keith Pelley, who is President of our Media Group; Bob Berner, our Chief Technology Officer; and Ken Engelhart from our regulatory team. Then joining us telephonically is Rob Bruce as well, President of our Communications Division.

Everyone should have our first-quarter results which we put out over the wire right upon the market close shortly after 4 o'clock. Today we want to just crisply provide you with a bit of additional background at the front and then answer as many of your questions as time permits.

The remarks and discussion will undoubtedly touch on estimates and other forward-looking types of information from which our actuals could ultimately be different. And as such, please review the cautionary language that is in today's earnings report and in our 2013 annual report. It goes through all the factors, assumptions, risks, etc., that could cause our actual results to differ.

It also explains some of the non-GAAP measures that we use to discuss our results and they all apply equally to our dialogue on the call. So if you don't already have copies of our first-quarter release or our 2013 annual report to accompany the call, they are both available on Rogers.com at the Investor Relations section.

With that I'm going to turn it over to our CFO, Tony Staffieri, and then to Guy Laurence for some brief remarks on the quarter. And then the management team here would be pleased to take any or all of your questions. So over to you, Tony.

Tony Staffieri - ***Rogers Communications Inc. - EVP of Finance & CFO***

Thank you, Bruce, and good afternoon, everyone. I will spend a few minutes providing you with some context and color around the results we just released a little while ago. Overall I would describe the quarter as a continuation of the trends you saw in the previous quarter as we continue to make investments throughout our businesses. These investments range from changes to our consumer pricing plans, upgrades to our call center experience as well as ramped up deployments associated with our network and products.

There are however certain trends we aren't happy with and we will continue to execute on the changes needed, but at the same time we see progress in some underlying fundamentals.

During the first quarter we further expanded our strong operating margins at Wireless and Business Solutions on a year-over-year basis. We also continue to leverage our superior networks to deliver double-digit data revenue growth across both our wireless and broadband cable platforms which were both up 10%.

In addition, we further reduced the rate of churn in our wireless business and the rate of basic subscriber losses in our cable businesses and we put up some good revenue growth numbers at Rogers Media as well.

So we have continued to make investments in our core businesses and while there were some solid achievements and areas of improvement, several of the operating trends we saw in the latter part of 2013 continued into the first quarter which had the effect of slowing growth. Clearly re-accelerating top-line revenue growth and continuing to enhance the customer experience are very key focuses for us.

From a strategic and innovation perspective we also made good progress in the quarter. Rogers secured 24 MHz of contiguous paired lower 700 MHz band spectrum covering the vast majority of Canada. We introduced suretap wallet, the first smart phone mobile wallet from a wireless carrier in Canada.

Rogers' Business Solutions opened Alberta's first Tier III certified state-of-the-art datacenter, further expanding its portfolio of datacenter locations. And we launched Rogers Next early upgrade installment program, allowing customers to obtain a new premium device every 12 months.

We announced multiplatform partnership extensions with Major League Baseball and the Canadian Hockey League. And we issued $2.1 billion of debt securities this quarter at historically low rates and retired $1.1 billion of higher coupon notes helping to lower our average cost of debt by more than 65 basis points from the first quarter last year down to 5.1%. These are just a few examples of achievements we put up during the quarter.

In terms of financial results, on the top-line our consolidated revenue was essentially flat for the quarter with revenue growth of 8% at Media, 1% at Business Solutions and relatively flat at Cable offset by a decline of 2% at Wireless.

The results of the acquisitions of Mountain Cable, The Score and BLACKIRON from last year are included in the growth rates I just quoted. Excluding the impact of these acquisitions consolidated revenue growth would have been down a little over 1% year on year.

The relatively flat overall revenue we saw was driven by a continuation of several trends we saw coming out of 2013.

At Wireless the 2% revenue decline reflects the impact of pricing changes associated with the near-term impact of our move to simplified customer friendly all-in pricing plans, in addition to the lower-priced higher value roaming packages we put in place earlier in 2013.

As we said last quarter, in Q2 of 2013 we began including features such as voicemail and caller ID into our simplified all-in data sharing plans which was required to remain competitive in the postpaid voice space.

So this and other end market pricing changes over the past few quarters such as the inclusion of domestic long-distance continue to impact our ARPU as large portions of our customer base moved on to the simplified sharing plans.

However at the same time at Wireless we were able to drive adjusted operating profit growth of 3% year on year with solid margin expansion of 280 basis points to 48.3%. In addition, we drove a 2 basis point improvement in postpaid churn which was down to 1.20% while at the same time managing retention costs down by 14%.

On the wireless subscriber front we activated 579,000 smart phones, 30% of which were new subscribers to Rogers. So smart phone demand continues to be healthy, although there has been a bit of a continued slowing on the gross add front as we saw across the industry last quarter following the industry transition from three to two-year contracts.

This trend clearly continued during the first quarter resulting in the 8% decline in gross additions even after the continued improvement in churn brought the net postpaid additions down to 2,000. 76% of our postpaid customer base now has a smart phone and wireless data now accounts for 51% of our network revenues.

So we are continuing to have success concentrated in the high end of the market as we continue to attract and retain our highest lifetime value customers in this segment. At the same time we continue to be successful around our cost management and efficiency initiatives with operating costs at wireless down year on year by 1% excluding cost of equipment.

Turning to Cable, revenue growth at Cable was flat led principally by the impact of basic subscriber losses over the past year. A couple of other areas are contributing to the revenue softness at Cable including the impact of promotional and retention pricing as well as the timing of when we put price changes into effect last year and this year, where last year they went into effect in the middle of the quarter and this year they don't come into effect until early second quarter.

Significantly though, I will note that TV subscriber losses improved again this quarter both sequentially and year on year, an important data point in the trajectory of this segment.

Cable's adjusted operating profit was down year on year due to a 4% increase in operating expenses. This was a result of a nonrecurring positive $8 million adjustment in the first quarter of last year related to CRTC's Part Two fees. In addition, during the quarter we made investments in customer care and incurred weather-related network maintenance costs.

Also impacting operating expenses were the incremental costs associated with the acquisition of Mountain Cable on May 1 of last year, while these increases were partially offset by cost efficiency and productivity initiatives.

At our Business Solutions segment the shift to and growth of on net next-generation revenues continues to drive improvements in the financial profile of this business. Next gen revenue now represents 69% of total service revenues and grew 45% year-over-year helped by both organic growth and our datacenter acquisitions. These were in turn partially offset by planned ongoing declines in the legacy off- net lines of the business.

Turning to our Media segment, the largest contributor to Media revenue growth of $26 million or 8% was our Sportsnet properties, which grew at double-digit rates as well as good continued growth at the Shopping Channel. Excluding the acquisition of The Score made in 2013 on an organic basis media's revenue growth was still a healthy 6%.

We have seen a modest continued deterioration in the advertising markets, particularly on the broadcast TV and print sides, underscoring the importance of our growing subscription revenues and continued investments in sports content and our digital platforms.

Looking at Media's adjusted operating profit line, we reported a decline of $17 million year on year. This was a result of higher programming costs, start-up costs related to the Next Issue launch and a non-recurring positive adjustment in Q1 last year related to CRTC's part two fees.

Turning to consolidated results below the operating profit line, you will see that the adjusted net income and adjusted diluted earnings per share declined by 18% or $0.14 year on year. This was driven primarily by three factors. First, higher depreciation and amortization expense contributed $0.14 to the decline.

As mentioned last quarter, this was a result of deliberate increased penetration of our new NextBox 3.0 digital set-top boxes at cable which are now amortized over three years. As well, we reduced the cycle time to implementation of our asset construction projects which accelerated the commencement of depreciation but also assisted in reducing cash taxes payable. Finally, there was the amortization impact of increased intangible assets resulting from the acquisitions over the past year.

Second, modestly higher interest rates and lower adjusted operating profit contributed $0.05 of the adjusted earnings per share decline and reflects an increase in the amount of outstanding borrowings partially offset by the previously mentioned improvement in our weighted average cost of debt. And finally, reduced income tax expense contributed an offsetting $0.06 improvement.

Looking at the balance sheet, we ended the quarter with $4.4 billion of available liquidity consisting of $2.2 billion in cash and $2.2 billion available capacity under our credit facilities. Subsequent to the ended the quarter we paid the remaining 80% installment on our 700 MHz spectrum purchase.

After taking the spectrum purchase payment into account and the expansion of our bank credit facility, available liquidity on a pro forma basis would have been $2.1 billion with leverage at three times debt to EBITDA or closer to 2.8 times if you give effect to the approximately $950 million of marketable equity securities we hold.

We plan to manage this ratio back down to within our 2 to 2.5 times target leverage range and as we go forward utilizing portions of the significant free cash flow we generate, even after the payment of income taxes and dividends.

We have been very transparent with the rating agencies on this approach and have had very productive discussions with each of them who understand the priorities and who all reiterated their investment grade ratings on our balance sheet.

Although not factored into our leverage ratio I should highlight that our pension liability was reduced down to only $150 million at quarter end, further reducing pension funding obligations to within approximately $50 million per annum.

To sum up I would say that overall from a financial perspective it was a somewhat mixed quarter with a continuation of several of the operating trends we saw in the latter parts of 2013 offset with what were otherwise some solid achievements and areas of improvement. Clearly re-accelerating top-line revenue growth and continuing to enhance the customer experience are very key focuses for us as we progress into 2014. With that I will pass it over to Guy.

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

Thanks, Tony and welcome, everyone. We appreciate you joining us this afternoon. Following on from what Tony said, in a number of ways the Q1 results reflect a continuation of what we saw in Q4 last year. Whilst there are areas of strength, including continued strong margins, modest improvements in wireless churn and reduced losses in basic cable subs, overall I still think that we can and will do better over time.

I also said that last quarter, but now I can say it with more confidence given the experience I have garnered from being inside the business over the past three months. Just to give you an idea of what I've spent my time doing, it included spending 24 days on the road traveling some 22,000 km visiting our 12 largest markets. I have met over 11,000 of our employees face to face from coast to coast and in various different varieties of different forums.

I have held deep dive business reviews with every functional leader in the Company and their respective teams. I have also met with a huge number of stakeholders including customers, regulators and other government officials as well as suppliers and technology partners.

In addition, I have interviewed on a one-on-one basis all of our board and 59 of our senior managers in total 77 people. That alone took over two working weeks. I have also asked the staff what they thought and nearly 2,500 of them have contributed their views on how we should take the Company forward.

There is no question in my mind that we have meaningful opportunities to put our customers' needs more front and center in everything that we do to deliver a better and more consistent experience.

We have also strengthened our value proposition and our brand differentiation. And we have the opportunity to better align and focus our investments in key areas to help re-accelerate our growth.

I don't think there is any magic or rocket science needed. It is not about massive M&A or expanding outside Canada. I think it is about rigorous prioritization, disciplined execution, clear accountabilities and consistent operational excellence.

We have a board meeting in a few weeks time during which I will take the directors through my planned and future priorities, after which my team will move to operationalize and quickly cascade them throughout the organization. We have the assets to win, we just need to make them dance together better than we have done previously. We will update you on our plans for the future in a few weeks time.

I also want to touch quickly on the positive outcome of the recently concluded 700 MHz spectrum in Canada. As you know, Rogers took home twice as much prime contiguous low band spectrum than almost anyone expected and did so across virtually all geographic markets in Canada.

This was without doubt the beachfront property and first prize in the auction. We paid prices in line with historical and recent 700 MHz precedents in the US. And interestingly what we paid was within 1% of the evaluation we had gone to our Board for approval to spend before the auction.

We will earn a return on this investment over time through a combination of more spectrally efficient capital deployment as well as better churn, ARPU and market share versus if we hadn't acquired it. We have already started rolling out the spectrum in Toronto, Calgary and Vancouver and this will continue as the weeks go by further enhancing what is already the best performing LTE network in Canada. Thank you and with that I will turn it back to Bruce.

Bruce Mann - ***Rogers Communications Inc. - VP of IR***

Thank you very much. Ron, quickly before we begin taking questions from the participants we will just ask, as we do on each of these calls, that those analysts that want to ask questions on the call please limit them to one topic and one part so that as many people as possible have a chance to participate.

And then to the extent we have time we will circle back and take additional questions or we will get them answered for you separately after the call. So if you could just quickly explain how you would like to organize the Q&A polling process then we can dive in. We are ready on our end.

QUESTION AND ANSWER

Operator

(Operator Instructions). Simon Flannery, Morgan Stanley.

Simon Flannery - ***Morgan Stanley - Analyst***

Thank you very much. Good evening. Guy, you talked about having the assets dance together more effectively. And I think one of the big differences between Europe and the US perhaps is this triple play versus quad play concept. Can you just talk a little bit more?

I know Rogers has some unique assets, not too many cable companies have the wireless assets or the media assets together that Rogers has. Just talk about your perspective of can that quad play model be more effectively utilized in a Canadian context? Thanks.

Guy Laurence - ***Rogers Communications Inc. – President & CEO***

Thank you for the question. The short answer is, yes, I believe it can and in fact we have started discussing a concept internally called One Rogers which is where we actually use the assets we have got to work together in an explicit way.

I don't want to give too much detail on that right now because it would preempt the board meeting I have got coming up in the next couple of week's time. But I do think there is upside from that and I would say that it has been received enthusiastically internally.

Simon Flannery - ***Morgan Stanley - Analyst***

Thank you.

Operator

Drew McReynolds, RBC Capital Markets.

Drew McReynolds - ***RBC Capital Markets - Analyst***

Thanks for taking my question. Just on Wireless, just wondering when we look at obviously the postpaid ARPU pressure, I believe last quarter you were able to kind of strip out for us the impact of roaming and ex-roaming.

And I am just wondering if you can just give us a little bit more clarity on what is continuing to kind of drive pressure on ARPU? And then just as a data point, just wondering if you can provide us with just a percentage of the postpaid base that was upgraded in the quarter? Thank you.

Tony Staffieri - ***Rogers Communications Inc. - EVP of Finance & CFO***

Drew, it is Tony. I will start off and then pass it to Rob for additional comment. Your first question related to postpaid ARPU and splitting it out between roaming and the other impacts, so let me help on that.

Of the 5% decline that you saw in ARPU in the quarter, half of that relates to the roaming impact and the other half relates to the simplified plans that we talked about namely the inclusion of various features that we used to include. So that is roughly the split between the two.

And then the second question you asked related to percentage of -- actually if you could repeat it, Drew?

Drew McReynolds - ***RBC Capital Markets - Analyst***

Yes, just percentage of the postpaid base that was upgraded in the quarter?

Rob Bruce - ***Rogers Communications Inc. - President of Communications***

Volumes for the quarter -- let me just see; I've got them right here. about 408,000 customers got upgrades in the quarter.

Tony Staffieri - ***Rogers Communications Inc. - EVP of Finance & CFO***

And that represents 68% of our upgrades, of our base I should say.

Drew McReynolds - ***RBC Capital Markets - Analyst***

Okay. Thanks very much.

Operator

Glen Campbell, Bank of America.

Glen Campbell - ***BofA Merrill Lynch - Analyst***

Thanks very much. So my question is on wireless subscriber trends. We are seeing more pricing discipline in the market both with respect to promotions and headline prices. Can you talk about the outlook for subscriber growth for the balance of the year? I guess as a follow-up with this more disciplined pricing do you see an opportunity to I guess bring up ARPU for the base or retention pricing? Thanks.

Rob Bruce - ***Rogers Communications Inc. - President of Communications***

It is Rob, Glen. The first thing I would say is I would echo something both Tony said and Guy reiterated and that was that being focused on revenue is one of our number one priorities. So we are very, very focused in translating the changes that we are making into ARPU and doing all the operational things to ensure that that comes to fruition.

Just a comment on where we were in the quarter. I think postpaid gross adds we believe remain strong. The market we believe is still soft. Of course very hard to tell until the others release, but our conversations with the device manufacturers and others all point to gross adds slowing as a consequence of in market pricing for both devices and plans. And we have seen that through -- and we saw it in some of the retailers' results in Q4 and I am advised that that continues.

It was good to see the incumbents and some of the price moves that happened in the quarter. Consistent with the past two quarters we are also seeing a much smaller switcher market as each incumbent carrier continues to show improvements on churn.

The other thing that was a factor in the quarter I think is there were really no iconic devices. The GS5 launch fell into Q2. I think it is easy to forget as well that with our much bigger base our gross adds don't translate quite as quickly to net adds as we continue to have a bigger base of customers deactivating. We were pleased to see the churn down in the quarter and we think that is a promising trend going forward.

The other thing that we have chosen not to count in the numbers is we have sold about 15,000 wireless home phones and it is a continuation of a trend we have seen in past quarters. It is a very promising product, a real opportunity to bundle up our wireless customers in a footprint and we continue to do that quite successfully. I think it is just going to take a little while until customers adjust to the new pricing in market.

Glen Campbell - ***BofA Merrill Lynch - Analyst***

Just a quick follow-up on that. I mean the pricing my sense was fairly aggressive through most of the quarter. And now sort of late in the quarter and into Q2 it is much, much more disciplined so would it be fair to say that you are making the trade-off for ARPU at the expense of sub growth for the balance of the year?

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

Glen, it's Guy, if I may answer that. I think that is true to say. What I would say is that Rob and I have decided to change tactics slightly. I'm not saying it is a structural change, but we are experimenting with changing tactics.

Taking some of the noise out of the market wasn't necessarily caused by us in the first place by the way, but never the less we have reduced the amount of promotional activity and we are continuing to monitor that to see how it plays in the marketplace more widely and how it obviously affects our own trajectory going forward.

Glen Campbell: that's helpful. Thanks very much.

Operator

Jeff Fan, Scotia Capital.

Jeff Fan - ***Scotiabank - Analyst***

Thanks and good afternoon. My question is on spectrum and it is probably a question for Guy. Given the amount of spectrum that you acquired in the 700 auction, can you talk a little bit about just the return? I think you touched on it a little bit.

I guess specifically how do you expect to gain the return from the amount that was spent and maybe help us think through whether the returns are going to come more from the revenue side or whether it is more going to come from the cost side?

And whether you think there are changes going on in the market where perhaps more comes from the cost and less from revenue? I am just wondering if you could talk a little bit about that.

Them also part two of that is as you look forward, given the focus on spectrum, wondering if Rogers will continue to be very focused on acquiring more spectrum as they become available to help you attain some of the return that you are looking for.

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

Okay, so I think to the first question it is really a smorgasbord of different things that actually deliver the return on investment.

Because if you take -- let's take an urban use case, you've got better penetration in buildings now, deeper into buildings and things like elevators and so on and so forth. And therefore people will have more places that they can access the Internet and their consumption we know is growing and therefore you get an upside there.

You also get the fill-in of spots or areas in cities where particularly you have got areas with coverage difficulties maybe based on the fact they can't get another tower, that kind of thing. Then as you broaden out into more of the rural areas so you get considerably, you get spectral efficiencies from deploying the spectrum because of its reach. So as a consequence of all of that you then get the ability to acquire or retain more customers because it is available to you.

On top of that I would recite the importance of video which I fundamentally believe will be one of the killer use cases going forward. What I saw in Europe was the clear role of video increasingly becoming more important. And to go back to the very first question I had, also the importance of having content to put across the mobile Internet in order to drive video usage.

So what we saw was Europeans starting to pick up and use video in a significant way and this spectrum is particularly well-suited to that. So I think the combination of having the beachfront spectrum and the NHL rights, and we shouldn't forget that, are the two things together produces a very attractive use case to either retain or acquire new customers.

And therefore I think it would be quite difficult in models to break that down. I'm sure you will all have a go, but I know from my past it is quite difficult to break it down. But I do fundamentally believe it will give us upside versus the others.

On the second thing, on your second question about more spectrum, I think -- well, maybe I should quote Ted Rogers. I think he said he had never met a MHz he didn't like. It is a quote I quite like as well. But having said that, we will buy spectrum where we think we need it for the future.

And obviously in the case of the 700 MHz auction you are talking about 20-year plays, so if you miss out on it you miss out on it for 20 years. So we will continue to look at opportunities to buy spectrum if we think we need it and that will continue as we see demand from customers who use it.

Operator

Phillip Huang, Barclays Capital.

Phillip Huang - ***Barclays Capital - Analyst***

A question for, Guy. Just to elaborate a little on the remarks that you made in the MD&A. I recognize you have yet to meet with the Board, but I was wondering if you could give us some directional color on what some of the opportunities might be and whether some of those opportunities to improve the business are what you would consider lower hanging fruit that you could quickly show improvements. Or are you looking at more foundational changes that would have bigger payoffs, but also take a little bit more time just directionally what your thoughts on that?

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

It is a good question. I think it is more of the latter than the former to be quite frank. There is always low hanging fruit when you come into a company, but I think that it may be relatively modest. I think more of the upsides will come from things that may take a longer period to change if I am honest.

Phillip Huang - ***Barclays Capital - Analyst***

Great, thank you.

Operator

Maher Yaghi, Desjardins Securities.

Maher Yaghi - ***Desjardins Securities - Analyst***

Thank you for taking my question. I was just -- maybe a follow-up to a previous question that was asked. In terms of the operating margin improvement in wireless, it practically is equal to the lower retention spending you had in the quarter versus last year. And vice versa when you look at the cable business the subscriber improvement is coming at the cost of the margins.

When you look at the business in general you mentioned, Guy, you are trying to step away from some of the aggressive pricing. I believe you are talking about wireless because in cable you are so -- I mean you were looking at $99 Atlantic Canada, you are still spending a lot on retention in Ontario. How is your view on the cable business in terms of pricing versus wireless?

Tony Staffieri - ***Rogers Communications Inc. - EVP of Finance & CFO***

Maher, it is Tony. I will lead off on this one. I think a couple of things. When you look at the -- a couple things you touched on. When you look at cable performance, if you were to look at the impact of the promotions that we put out there you see that in the ARPU.

The margins were more impacted by specific investments we decided to make in a few areas. The biggest one is the call center piece of it and then the second piece of it related to improvements in the network that were caused by weather-related items. And so that is the bigger part of the cost aspect of it.

If you were to look at the subscriber performance I would say we have been pleased with the way that has been coming along over the last several quarters. As our competitors' fiber builds overlap with us approaches what we estimate to be 80% to 85% I think we are seeing a pretty good progression downward, not dissimilar to the pattern that we saw in the US several years ago.

The read back that we are getting is that many customers we are finding are coming back on a win back without necessarily having to rely on promotional offers and so that is a good trend as they come off what would have been the competitor's promotions or two-year contracts or commitments. So those are some of the primary dynamics on the Cable side, Maher.

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

Then to your point about my earlier comments, yes, they were primarily on wireless because that is where Rob and I have focused over the last quarter. We are also looking at a number of opportunities in cable as well, slightly different dynamics in the cable business depending on the competitive set and so on and so forth. But as a principal we are looking at the profitability of where we take fluff out of the market on that side as well.

You always get the promotion that is in the system that works its way through and you will see on a flyer and so on and so forth. So you shouldn't see this as a wholesale abandonment of all promotions from now on in both wireless and cable. This is more of and experimentation phase to see what can be accomplished.

Operator

Richard Choe, JPMorgan.

Richard Choe - ***JPMorgan - Analyst***

Thank you. I wanted to get a sense of how big you think Rogers Next could be in terms of your customer add when it gets up to scale. I know it's early days there, but I wanted to get a sense of what you are looking for?

Tony Staffieri - ***Rogers Communications Inc. - EVP of Finance & CFO***

Richard, if you could please repeat the question. You cut out on a couple of the opening comments.

Richard Chu - ***JPMorgan - Analyst***

Sorry. I was just trying to figure out what amount of Rogers Next might be in the plan?

Tony Staffieri - ***Rogers Communications Inc. - EVP of Finance & CFO***

Are you referring to the next wireless program that we have?

Richard Chu - ***JPMorgan - Analyst***

Correct, yes.

Rob Bruce - ***Rogers Communications Inc. - President of Communications***

Tony, do you want me to grab that?

Tony Staffieri - ***Rogers Communications Inc. - EVP of Finance & CFO***

Sure, that would be great.

Rob Bruce - ***Rogers Communications Inc. - President of Communications***

Richard, the next program is a program that recognizes that there is a sub segment of customers out there that would like to get a new phone every year. And they would be glad to pay a little bit for that privilege to have that accelerated update. As you so rightly put it, it is still early days. It is being met with some enthusiasm out there, but we will continue to tweak and try to make it work for customers in the best possible way as we go forward.

I think the other thing that is important to take away is it is a very different program than what the US carriers are doing. The US carriers are literally not financing the next phone, they are financing the current phone with an add-on on the bill. And what it is causing is a pretty significant reduction in their handset subsidy and as a consequence a real uptick in EBITDA.

The Next program that we have and that we have launched is different from that and I think it is just important to make that distinction.

Richard Chu - ***JPMorgan - Analyst***

Great, thank you.

Operator

Dvai Ghose, Genuity Capital Markets.

Dvai Ghose - ***Genuity Capital Markets - Analyst***

Thanks very much. A question for Guy or for Rob. While it is good to see more rational pricing from Rogers and your other peers, you did lose 440,000 wireless subscribers in the quarter. And while we haven't seen the results from Bell or Telus yet, last year you lost 561,000 more subscribers than Telus on the wireless side and 392,000 than Bell.

You claim to have the best network. You clearly have as good if not a better handset supply than your competitors. What are the main drivers of churn and what strategies are you pursuing to reduce churn further?

Rob Bruce - *Rogers Communications Inc. - President of Communications*

Great question, Dvai, and I think we probably talked about it before. We led off the call today talking about our investment in 700, beachfront real estate, the ability to be able to deliver a superior video experience and that speed advantage that we have. I think we have an opportunity to merchandise it and sell it a lot better to customers.

We believe we have a very strong value proposition around Share Everything. We have been working hard to improve all aspects of customer service and customer experience and we have been creating excitement by highlighting some of the great new devices and we have been continuing to try to innovate for customers with things like the next program and other things to continue to show the value proposition for customers.

And we are pleased, we are starting to move the numbers, they are modest still and we would like them to be better. And we continue to be very committed to putting a very strong focus on churn.

Operator

Greg MacDonald, Macquarie Securities.

Greg MacDonald - *Macquarie Capital Securities - Analyst*

Thanks, a variation of Dvai's question. I will go back to the postpaid subscriber declines, 8% in the quarter. And I think is Tony was pointing out, that is not unique to Rogers. We have seen that both with Telus and with Bell. One might speculate that you will continue to see that trend evolve further.

What gives -- Guy and/or Rob, what gives you so much confidence that the market is actually willing to absorb the higher priced subsidy model? At what point does this market not have to move to equipment installment plans or something that strips out that subsidy in a greater way and runs the risk, of course, when you do that of highlighting exactly what they are paying for access and therefore potential for greater competition on wireless pricing?

Tony Staffieri - *Rogers Communications Inc. - EVP of Finance & CFO*

Greg, it is Tony. If I could just lead off -- one of the -- and then I will pass it to Rob. But one of the significant proof points that we are seeing is within our base the propensity of the customer to upgrade on their nickel before they are entitled to a free upgrade. And so, under our current flex program they pay the unamortized portion.

And so, it is remarkable how many are upgrading before the three- or two-year timeframe and their willingness to pay for the ability to get into the latest device. So that is one significant proof point. Rob, do you want to add to that?

Rob Bruce - *Rogers Communications Inc. - President of Communications*

Yes, listen, I think there is -- we will continue to do lots of things to stimulate the appetite for our customers. I think what we are all saying is to make that a better business proposition for all concerned it's going to be less focused on price and dropping handset devices and more about amplifying the value proposition and making that resonate more for customers.

So look at next as a step in that direction. Look at some of the things that we can do with the NHL, with video and other things to try to continue to build on that value proposition and take us to a place where the customer sees the value and it will be less about price.

Tony Staffieri - ***Rogers Communications Inc. - EVP of Finance & CFO***

Just if I could just clarify as well while we are on the topic of upgrade, I wanted to come back to a question, Drew, you had asked and I don't think I was very clear. Your question was what percentage of our upgrades were HUPS. So the total activations of smart phones in the quarter, 68% were HUPS. Of the total postpaid base that represents 5.1%. So I want to make sure you got the right numbers on that.

Operator

Tim Casey, BMO Capital Markets.

Tim Casey - ***BMO Capital Markets - Analyst***

Thanks. Could you talk a little bit about trends in wireline on subs and pricing? You seem to be inferring that given the overlap with Fibe you thought it was 80%, 85%. You seem to be optimistic that competitive conditions on the wireline side are going to mitigate, yet your pricing was down significantly on the video side and on the voice side. I am just wondering how we should think about those three metrics as we proceed through the year? Thanks.

Rob Bruce - ***Rogers Communications Inc. - President of Communications***

Tim, I'm just trying to make sure I answer the question that you want me to answer. Do you want me to talk a little bit about revenue trends on cable and then bounce to EBITDA and talk about where EBITDA landed and why? Tony touched on that briefly, but I would be glad to go through the revenue side.

Tim Casey - ***BMO Capital Markets - Analyst***

I am more thinking about the future, Rob, than what came through in the quarter.

Rob Bruce - ***Rogers Communications Inc. - President of Communications***

Yes, so I think the thing that we didn't say in the earlier question because of the way the question was asked is we are pleased because we are out there gap managing. We are not chasing Bell's pricing where they are aggressively buying customers. We are gap managing that.

I think we are better executionally and we have kind of figured out more effectively where the gap is that makes the customer indifferent and where effectively we are more effectively leveraging that on a going forward basis and just honing some of the tactics.

Again, we hit about 76% overlap of our footprint, as Tony pointed out. We think that the numbers that we have heard from -- on Bell calls and other things is 80%, 85% is where it caps off. So I think in the future that is a fairly good news story for us because they have been powering some of their acquisition on the expansion of footprint and as that extension of footprint dries up we think it will bode well for subscribers.

The other thing that I get to talk about on some of the calls is we continue to play the Internet card very aggressively because just like we have leadership in wireless we have vastly superior Internet. And I would say the other thing that we have been really active in doing is dialing up our Internet message, talking about what makes us different.

We have been making some very aggressive investments in our current platform. We have moved an awful lot of customers onto our NextBox offering which has an enhanced interactive guide, a better UI and search full remote control smartphones and tablets and just generally a much, much better experience.

We continue to work hard on extending our video offerings to new platforms probably as aggressive as anybody in the business. And you know that we are truly focused on a long-term IP-based video platform and that we've mentioned that on past calls.

And the last couple things I would just touch on is our focus a strong focus on retention and win-back, Tony made reference to that earlier and significant tactical acquisition efforts and what I call hand to hand combat and the footprint has been even more successful. So anyway, those are a few data points, Tim. I hope some of that helped.

Tim Casey - ***BMO Capital Markets - Analyst***

What do you mean by gap managing?

Rob Bruce - ***Rogers Communications Inc. - President of Communications***

So gap managing means you don't exactly go after the competitor's pricing. So if I went back to my Pepsi days, when private label was at $3.99 a case Pepsi didn't chase private label by taking their price to $3.99 a case. We figured out that setting it to $4.99 a case or some other number was good enough because at that point the customer would choose us over choosing a private label.

Again, not a telecom example, but the same kind of mindset. Don't chase the competitor's pricing but find the price at which the customer is actually indifferent between you and your competitor.

Tim Casey - ***BMO Capital Markets - Analyst***

Thank you.

Operator

Rob Goff, Euro Pacific.

Rob Goff - ***Euro Pacific - Analyst***

Thank you very much for taking my question. It would be on the wireless side, could you give us perhaps your perspective on the wireless revenues if you are looking at it and measuring it by ARPA? And what plans you may have in order to push the adoption of the shared plans?

Tony Staffieri - ***Rogers Communications Inc. - EVP of Finance & CFO***

Rob, it is Tony again. I will lead off. We don't disclose ARPA today. Clearly I don't want to tip it off, it is something we've started to measure internally. And I would say to be helpful, given the number of proliferation of multiple SIM cards we are seeing per user, ARPA has much better or slightly better trending I should say than ARPU, but it doesn't necessarily change some of the fundamental trends that we are seeing to be transparent with you. Rob, anything you would add to that?

Rob Bruce - ***Rogers Communications Inc. - President of Communications***

No, Rob, we are having great success with the Share Everything plans. I think they are very compelling for customers. Many of us are in a similar situation where we have multiple members of the family that are looking for a plan where they can share a large bucket of data.

The vast majority of customers we touch are going on those plans. And while we were disappointed when the competitors through in voicemail and calling line ID into the plans, we think the fundamental structure of the plans and the simplicity of the plans is a real positive both for us and for customers.

Rob Goff - ***Euro Pacific - Analyst***

Okay, thank you.

Operator

(Operator Instructions). David McFadgen, Cormark Securities.

David McFadgen - ***Cormark Securities - Analyst***

I have a question on ARPU, both wireless and cable. So if you look at your wireless ARPU it looks like your voice revenue is down about 13%. Just wondering, when do you think that that might materially improve, because that would obviously have a very big benefit on your total ARPU?

And then when you look at the cable ARPU on your telephony side, that was down quite a bit in the quarter. And I was just wondering is that a new level that you think we'll be using going forward?

Rob Bruce - ***Rogers Communications Inc. - President of Communications***

So voice ARPU will continue to be under pressure over time as we migrate our existing customers to the Share Everything Plan. I think what Tony keeps us honest with is more and more the distinction between voice and data become more difficult to tease apart and we are very, very committed and believe that we as an industry should start transitioning to just plain revenue.

Because a lot of these plans now -- you know, what is in voice and what is in data becomes a bit of an allocation effort as opposed to something that is absolute science like it was 10 years ago. The second part of your question, David, was about cable?

David McFadgen - ***Cormark Securities - Analyst***

The ARPU is down a fair bit in the quarter, I was just wondering is this a new level that you're probably going to use going forward or do you think it could come back again in Q2?

Rob Bruce - ***Rogers Communications Inc. - President of Communications***

Again, I think the thing that is going on in cable and I think we've talked about it a little bit before is that as we continue to move customers to new pricing in cable that continues to have some impact.

The real drivers of revenue and ultimately ARPU in the quarter, I mean TV revenue has decreased by about 6% year-over-year. Pay per use volumes continue to be light. We have seen -- as would be expected with a new competitor in the market, we have seen some contraction of our subscriber base and that is partially offset by the Mountain Cable acquisition as Tony pointed out earlier.

On internet we are delighted because the great product that we have we have seen Internet revenue increase about 10% year over year. Some of that is base expansion, some of it is the third-party Internet. Again we are very happy because our retail Internet piece of the business is growing well.

Peer migration and rate increases on light express, extreme, extreme plus and the ultimate tier. And lastly, telephony. Home phone revenue decreased about 2%, higher acquisition and retention discounting offset by home phone base expansion of about 6.5%.

We have got some Mountain Cable in there, as Tony identified earlier, and some rate increases as well. Of course the timing of the rate increases being different this year than last year also has an effect on the revenue for cable.

Operator

Drew McReynolds, RBC Capital Markets.

Drew McReynolds - ***RBC Capital Markets - Analyst***

Thanks very much again for taking the second set of questions here. Just a question on the media side perhaps for Keith. Just two questions. First, obviously you and your competitor spent quite a bit on programming, particularly at Sportsnet.

And just wondering can you give us the dynamics in terms of the timing of carriage renewal and to what extent you can -- there is a gap here between kind of programming costs going out and your ability to recoup that from a subscription standpoint?

Then just secondly the comment on advertising trends. Obviously I think we are all on this call aware of the structural headwinds in the ad market and obviously there was an Olympic impact in the quarter. Just wondering if you could talk to just the underlying cyclicality of the ad market as we look into calendar Q2 and if you can provide a little bit of granularity on specialty versus conventional versus print that would be great.

Keith Pelley - Rogers Communications Inc. - President of Media

Sure. I will start with the advertising. There is no question it is not a cyclical change, it is a structural change for sure. There is just a plethora of opportunities for marketers to spend their advertising dollars. And as a result what you really need is the strongest, most compelling content that resonates with consumers across any device.

And hence the reason that we were aggressive in our pursuit of the coveted content which was the NHL. And as a result we are in the market right now with the National Hockey League advertising and it is having an effect on our entire business and really bodes well for us in Q3 and Q4. But there is no question that it is a structural not a cyclical change.

In terms of publishing, because you made reference to that, we believe that we are well-positioned in the publishing business based on the launch of Next Issue. To date it has over 45,000 subscribers, paid subscribers, another 20,000 that are receiving it on a free trial right now and it is growing at a real torrid pace.

And from a digital perspective and a publishing perspective that is where we believe the market is going and where -- although we invested significant dollars in Q1, we are thrilled at the take on it already and believe that we are well-positioned.

In terms of Sportsnet renewals, they vary with different BDUs and we are in the market right now discussing them. Obviously it has changed with the acquisition of the NHL because it has changed the actual value of those properties. When you look at adding 500 plus games to the marketplace then we now have a stronger service.

So over the next couple of months we will be looking to renew those deals. Obviously with the acquisitions of the Vancouver Canucks and a 10-year deal that we have there with the Oilers and the Flames we are incredibly strong out West and with the strong Blue Jay programming we believe Sportsnet is well positioned to get fair market value for those services.

Drew McReynolds - ***RBC Capital Markets - Analyst***

Thank you.

Operator

Ladies and gentlemen, this does conclude the Q&A session for today and I will now turn the call back to Bruce Mann for closing remarks.

Bruce Mann - ***Rogers Communications Inc. - VP of IR***

Thank you very much, Ron. We appreciate everybody spending a bit of time with us during what we know is a very busy period. The team here, appreciate your interest and your support and most importantly if you have questions that weren't answered on the call, myself and my colleagues, Dan and Bruce Watson, are here for the evening and would be happy to follow-up with you on anything that you might need. Our contact information is on the release. This concludes this afternoon's call. We again appreciate your interest. Thank you very much.

Operator

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